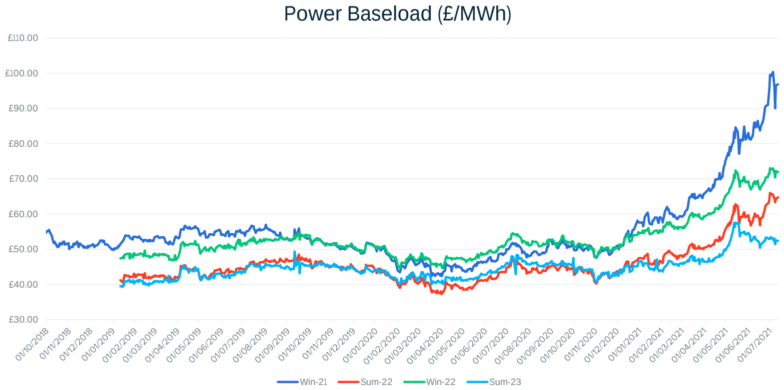
TRIDENT
360° ENERGY EXPERTISE

Weekly Energy Report

12 July 2021

Power



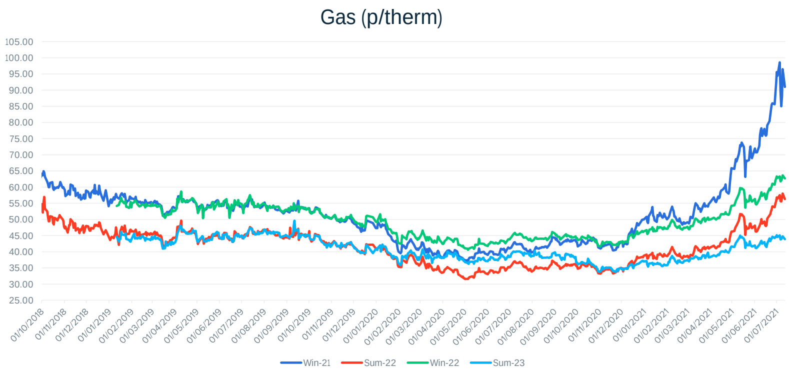
Price (£/MWh)

Contract		Previous Weeks Close		Last Weeks Close	
Aug-21	£	93.94	£	89.50	▼
Sep-21	£	95.45	£	91.11	▼
Oct-21	£	95.69	£	93.15	▼
Q4-21	£	99.10	£	96.76	▼
Q1-22	£	99.15	£	96.29	▼
Win-21	£	99.13	£	96.53	▼
Sum-22	£	65.68	£	64.28	▼
Win-22	£	72.74	£	72.25	▼
Sum-23	£	53.46	£	52.48	▼
Win-23	£	64.84	£	63.74	▼
Sum-24	£	53.62	£	52.37	▼

Summary

The August 21, Winter 21 and Summer 22 baseload contracts decreased by £4.44/MWh £2.60/MWh and £1.40/MWh respectively over the week. High volatility was seen in the power market with contracts proving bearish given the downward moves in both gas and carbon markets early in the week and news that EDF Energy upgraded their annual nuclear output estimate for 2021 from 330-360TWh to 345-365TWh which puts less reliance on gas and coal however, remains below the 379.5TWh produced in 2019. As the week progressed prices saw support as renewable output dropped lower each day averaging 31%, putting higher reliance on expensive gas-fired generation contributing 40% over the week along with some coal-burn that limited the down move on the front month. Furthermore, temperatures are also expected to get warmer this week to around 2°C above seasonal average which may attract cooling demand. The price fall in contracts further out were less pronounced due to tightening winter margins as EDF Energy would be conducting maintenance on three of their nuclear reactors across Q4-21, increasing the potential of price spikes across that period especially with the loss two other nuclear plants and three Calon Energy gas plants not due back until next year. The December 21 EUA dropped by €3.09/tonne over the week, settling at €54.26/tonne. Bearish sentiment was fuelled by news that the free EU carbon allowances would be extended until at least 2035 which helped alleviate concerns around tight targets. The "Fit for 55" package is being released on Wednesday whereby the European commission will propose 12 policies targeting energy, industry, transport and the heating of buildings. A leaked document in June showed plans to increase the EU ETS Linear Reduction Factor, which is the rate at which the annual carbon caps decline to 2030, effectively tightening supply of allowances faster than the currently planned 2.2%. Also due are an upgraded renewables directive, raising the target share of renewables up to 40% by 2030, and a new Carbon Border Adjustment Mechanism (CBAM) which places a charge on the carbon content of EU imports of electricity, metals, cement and fertilisers. The draft measures aim to encourage companies and consumers to choose greener options over polluting ones and studies showed that carbon prices would need to rise to €100-€150/tonne to force change in habits.

Gas



Price (p/therm)

Contract	Previous Weeks Close	Last Weeks Close	
Aug-21	88.94	90.02	▲
Sep-21	89.54	91.40	▲
Oct-21	90.92	93.05	▲
Q4-21	94.29	96.57	▲
Q1-22	94.60	96.37	▲
Win-21	94.44	96.47	▲
Sum-22	56.44	58.02	▲
Win-22	62.81	63.63	▲
Sum-23	44.55	44.76	▲
Win-23	53.30	53.50	▲
Sum-24	44.57	43.52	▼

Summary

The August 21, Winter 21 and Summer 22 NBP contracts increased by 1.08p/therm, 2.03p/therm and 1.58p/therm respectively over the week. High volatility was seen throughout the week starting strong after the results of the Ukrainian auction showed zero gas capacity had been booked leading to concerns of the impact that a lack of Russian capacity could have on the overall supply picture. However, sharp price reversals were seen on Tuesday led by strong Norwegian flows allowing some injections into UK gas storages that have lifted to 21% capacity. Furthermore, the European market closed the gap on the Asian gas hub, making U.S LNG more competitive. Contracts then shifted higher for the remainder of the week given the number of underlying risks in supply fundamentals such as unplanned outages, gas pipeline maintenance and politics around Nord Stream 2. LNG prices have continued to increase as temperatures in Asia remain above seasonal average, therefore high LNG demand is likely to continue into next month, that may keep flexible supply away from Europe with just one LNG cargo expected to the UK this week. Some continental storages have managed to inject through the current Yamal pipeline maintenance, cutting supply by 80mcm/day, but the Nord Stream 1 outage starting Tuesday is twice the size and so there is a risk of withdrawals which leaves the outlook bullish. Germany's chancellor Merkel is due to meet with President Biden on Thursday to discuss the repeal on the sanction waiver on Nord Stream 2 which threatens to limit gas supply. The September 21 Brent contract decreased by $0.62/bbl over the week, settling at $75.55/bbl. The first half of the week proved bearish given the spread of the Delta variant of the COVID-19 virus and low levels of vaccinations in some countries whilst increasing strength in the U.S dollar provided further headwinds. However, talks among key producers to raise output in coming months stalled which added support in the second half of the week and fuels the wider inflationary concern that has challenged central banks. EIA data showed a 6.86MB drawdown in U.S. inventories which clearly indicates U.S. oil markets are tight, however the only way to prevent further losses is for the threat of an OPEC+ price war to be contained. The EIA expects Brent to average $68.78/bbl in 2021 and $62.97/bbl in 2022 in line with increasing U.S production.