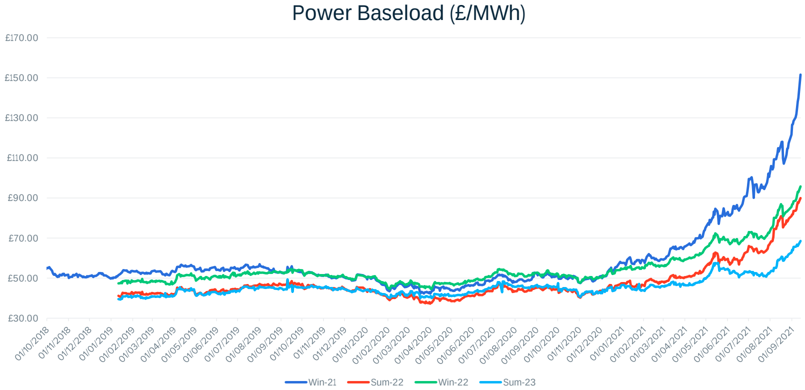
TRIDENT
360° ENERGY EXPERTISE

Weekly Energy Report
13 September 2021

Power



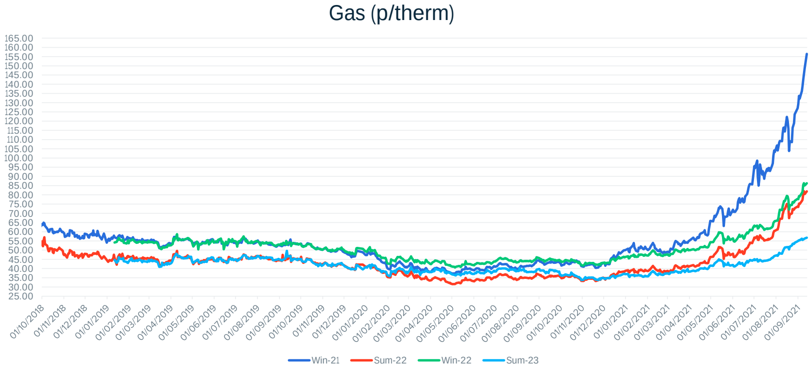
Price (£/MWh)

Contract		Previous Weeks Close		Last Weeks Close	
Oct-21	£	126.26	£	135.88	▲
Nov-21	£	131.17	£	143.34	▲
Dec-21	£	129.81	£	143.47	▲
Q4-21	£	129.06	£	140.87	▲
Q1-22	£	127.74	£	138.90	▲
Win-21	£	128.40	£	139.90	▲
Sum-22	£	83.54	£	87.44	▲
Win-22	£	88.34	£	92.92	▲
Sum-23	£	65.59	£	66.60	▲
Win-23	£	73.45	£	75.32	▲
Sum-24	£	59.44	£	61.24	▲

Summary

The October 21, Winter 21 and Summer 22 baseload contracts increased by £9.62/WWh, £11.50/WWh and £3.90/WWh respectively from the previous weeks close. Tight supply margins impacted the near curve due to nuclear plant outages and low wind output during peak hours. Available capacity on the 2GW IFA interconnector with France was also reduced to 1.5GW until 10th September and then to 1GW from 10-17th September, keeping margins tight. Reliance on gas-fired output remained high averaging 44% of the generation mix with renewables averaging 27%, which also led to some coal-burn over the week. Temperatures are forecast to remain around 16°C before reducing by 2-3°C in the weekend to around seasonal normal levels which may lead to higher demand although the scheduled return of two nuclear reactors this week may ease some pressure on the system. Surging gas and coal prices have continued to support seasonal contracts combined with the carbon market trading at all-time highs in the mid-week, keeping the outlook bullish. The December 21 EUA decreased by €0.40/tonne over the week, settling at €60.92/tonne. The market rallied to an all-time high to €63.35/tonne on a combination of unusually high natural gas prices in Europe and bullish sentiment linked to an ongoing tightening of supply as auction volumes reduced by 20% below levels seen in the first half of the year. High gas prices remained bullish for carbon as it raised the implied coal-to-gas fuel switching price for electricity generation, which makes carbon intensive coal generation for profitable than gas-fired output, leading to high demand to permits. However, a sell-off was seen during the end of the week with certificates approaching the over-bought territory, according to some technical indicators may see some pressure.

Gas



Price (p/therm)

Contract	Previous Weeks Close	Last Weeks Close	
Oct-21	130.45	145.52	▲
Nov-21	134.24	150.53	▲
Dec-21	135.69	152.71	▲
Q4-21	133.45	149.58	▲
Q1-22	130.8	147.88	▲
Win-21	132.14	148.74	▲
Sum-22	75	80.43	▲
Win-22	79.12	85.05	▲
Sum-23	55.3	56.28	▲
Win-23	62.23	62.93	▲
Sum-24	49.51	49.26	▼

Summary

The October 21, Winter 21 and Summer 22 NBP contracts increased by 15.07p/therm, 16.60p/therm and 5.43p/therm respectively from the previous weeks close. Prices did see some softness at the beginning of the week following comments from the Russian Foreign Minister that Nord Stream 2 was due to be finished in a few days despite several technical and regulatory obstacles still to cross. Losses were limited with exports to Europe leaving minimal injections into storages. Prices turned bullish for the remainder of the week spurred by low wind output, lack of LNG imports and planned maintenance keeping Norwegian flows below the 10-day average for most of the week. Gas maintenance is expected to hit its on 14th September tomorrow before reducing from Thursday, therefore more gas should become available by the end of the week. UK gas storages have improved to 90% capacity however EU gas storage levels remain below the 5-year average at 70% full due to low Russian flows hampering injections ahead of Winter. The construction of the Nord Stream 2 pipeline was completed on 10th September and focus turns to when the link will become operational as it requires approval from the German regulator and the certification process could take a few more months adding further risk to the front two seasonal contracts in the interim. The November 21 Brent contract increased by $0.31/bbl over the week, settling at $72.92/bbl. The price action remained rangebound with an initial sell-off in the first part of the week after Saudi Arabia cut its official selling price for all crude grades sold to Asia, its biggest buying region, by at least $1/bbl. Sentiment was also weighed down the U.S. Federal Reserve cutting its forecast for U.S. GDP growth this year to 6% and China planning its first public auction of state crude oil reserves which may lower import demand. However, downside remained limited with EIA U.S crude inventories falling by 1.52MB with higher-than-expected drawdown in gasoline stocks. Further support has come from the slow return of U.S Gulf of Mexico offshore oil production as 1.4mbpd remains shut due to the impact of Hurricane Ida whilst the total number of worldwide flights have risen by 35% year on year. The focus now turns to reports from OPEC and the International Energy Agency to shed light on the oil demand outlook for 2022.