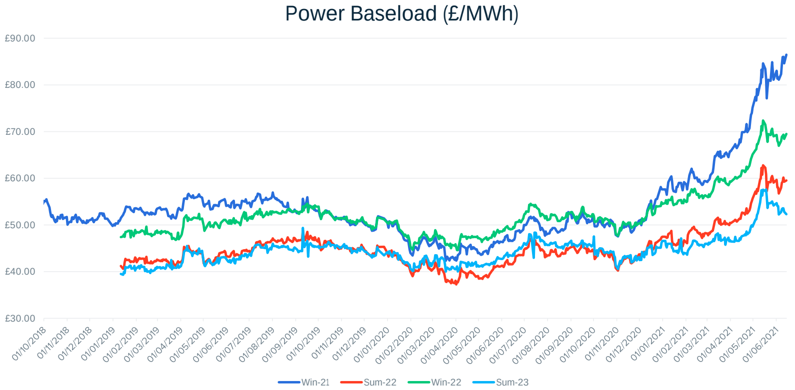
TRIDENT
360° ENERGY EXPERTISE

Weekly Energy Report

14 June 2021

Power



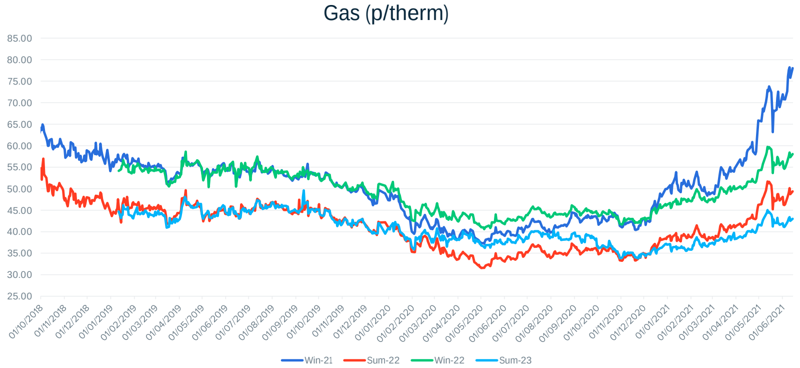
Price (£/MWh)

Contract		Previous Weeks Close		Last Weeks Close	
Jul-21	£	73.53	£	76.56	▲
Aug-21	£	73.30	£	75.98	▲
Sep-21	£	75.63	£	79.95	▲
Q3-21	£	74.14	£	77.47	▲
Q4-21	£	80.26	£	84.18	▲
Win-21	£	81.12	£	84.61	▲
Sum-22	£	56.73	£	59.26	▲
Win-22	£	66.95	£	68.44	▲
Sum-23	£	52.24	£	52.81	▲
Win-23	£	63.84	£	64.09	▲
Sum-24	£	53.69	£	53.71	▲

Summary

The July 21, Winter 21 and Summer 22 baseload contracts increased by £1.50/MWh, £3.10/MWh and £1.47/MWh respectively over the week. The near curve was supported by forecasts of above seasonal normal temperatures that would increase gas for power demand for air conditioning. Gas-fired generation averaged 25% of the generation mix across the week, whereas renewables accounted for 47%. Although the BritNed interconnector is back online, EDF's Heysham unit 2 nuclear plant went offline, expected to return on 19th August, adding some price support. EDF closed the Dungeness B nuclear plant with immediate effect on 7th June which has been offline since September 2018. This will add to the early closure of two other nuclear reactors by the middle of 2022 meaning, UK installed nuclear capacity will have fallen by a third from current levels to 6GW by the end of 2022. With Calon Energy's gas fleet is also expected to be out of action for the forthcoming winter and the Drax and West Burton coal plants only available in extreme conditions, we are likely to see a repeat of last winter's extreme price volatility in the event of cold weather, particularly if power demand recovers from the lockdown-limited levels seen last winter. In the interim the UK will become more reliant on imports and flexible capacity to meet demand. The 1.4GW North Sea Link to Norway is scheduled to come online later this year, while linkage to the continent is set to increase further in 2023 through the 1.4GW Viking link to Denmark. The December 21 EUA contract gained by €2.70/tonne, settling at €52.67/tonne. Trading was suspended on Monday following problems with migration from ICE London to ICE ENDEX in Amsterdam. Prices were then supported by a bullish gas market along with low wind and warmer temperatures. The UK market traded much stable through the week and concerns over potential government intervention to add extra supply is keeping a cap on prices as the premium it holds over the European market has shrunk to under £1/tonne. UKA auctions take place again for the third time this Wednesday, with another 6 million permits being offered. Despite having out-turned lower than the secondary market in the first two auctions, it will be interesting to see where it clears.

Gas



Price (p/therm)

Contract	Previous Weeks Close	Last Weeks Close	
Jul-21	62.71	67.60	▲
Aug-21	62.52	67.57	▲
Sep-21	62.87	68.26	▲
Q3-21	62.70	67.81	▲
Q4-21	69.28	74.35	▲
Win-21	70.76	75.80	▲
Sum-22	46.36	48.72	▲
Win-22	54.84	57.30	▲
Sum-23	41.30	42.51	▲
Win-23	50.37	51.40	▲
Sum-24	41.81	43.49	▲

Summary

The July 21, Winter 21 and Summer 22 NBP contracts increased by 4.89p/therm, 5.04p/therm and 2.36p/therm respectively over the week. Supply concerns have been supportive as Norwegian maintenance peaked last week with delays in the return of some processing plants leading to gas flows dropping below the 10-day average. However, capacity will start returning over next few weeks as the maintenance period comes to an end and should incentivise further injections into storages. UK mid-range storage levels have been rising rapidly since warmer weather arrived at the end of May with inventories increasing from just 7% of capacity a fortnight ago to 29% at present. A slowdown on LNG coming into Europe is also providing some support after JKM LNG rose above $12/MMBtu for the first time since January as Asian demand increased and carbon prices in Europe firmed on weak renewable generation forecasts and warmer temperatures. Further support came from Gazprom's unwillingness to secure additional transit capacity through Ukraine next month despite Nord Stream being taken offline for 2 weeks from the 13th July. Weaker price action was seen towards the end of the week as Russia announced Nord Stream 2 commissioning was due to begin and expected to be able to flow gas in Winter. Should the commissioning go well it places less reliance on storages and may remove some supply risk. The August 21 Brent contract gained by $0.80/bbl over the week, settling at $72.69/bbl. On the supply side, the U.S. removed sanctions on three former Iranian officials and two companies that previously traded Iranian petrochemicals ahead of the sixth round of talks However, it remains to be seen whether a resolution can be reached ahead of Iran's presidential elections on 18th June. This is keeping the sentiment supported in the oil markets as talks could drag on much longer which means the timeline for additional output from Iran keeps getting pushed back. The mid-week saw a slight dip in prices following EIA inventories data displaying a surge in gasoline stocks that indicated weaker-than-expected fuel demand at the start of summer driving season despite a drawdown in crude stocks of 5.24MB. There is optimism around the outlook for fuel demand as accelerating vaccinations allow people to travel more. The jet fuel market is also showing signs of improvement, with flights in Europe rising 17% over the past two weeks. OPEC's and the IEA's monthly report suggests oil demand could jump by about 5mbpd in the second half of 2021 compared with the first half.