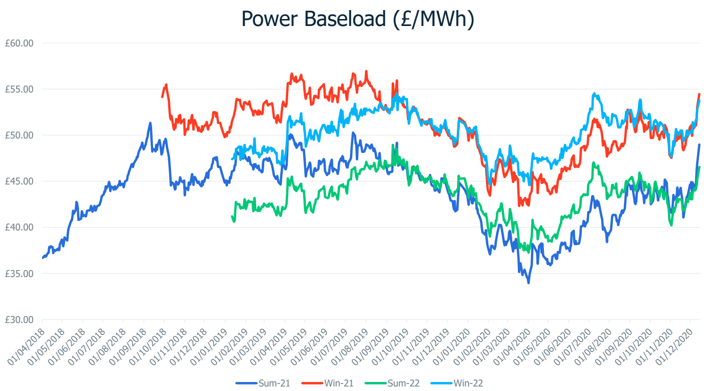
TRIDENT
360° ENERGY EXPERTISE

Weekly Energy Report

14 December 2020

Power

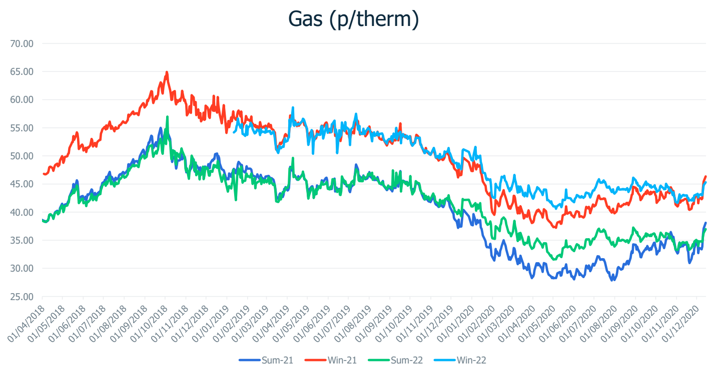


Contract	Price (£/MWh) Previous Weeks Close	Last Weeks Close	
Jan-21	£ 55.01	£ 56.29	▲
Feb-21	£ 54.70	£ 57.71	▲
Mar-21	£ 48.93	£ 51.02	▲
Q1-21	£ 52.82	£ 54.91	▲
Q2-21	£ 45.72	£ 47.94	▲
Sum-21	£ 44.85	£ 46.98	▲
Win-21	£ 50.62	£ 53.12	▲
Sum-22	£ 43.72	£ 45.22	▲
Win-22	£ 51.41	£ 52.81	▲
Sum-23	£ 44.23	£ 45.08	▲
Win-23	£ 53.20	£ 54.48	▲

Summary

UK baseload contracts tracked gains in the NBP with both January 21, Summer 21 and Winter 21 contracts increasing by £1.28/MWh, £2.13MWh and £2.50/MWh respectively from the previous weeks close. The week began with tight fundamentals as demand was very high which led Triad warnings on Monday, Tuesday and Wednesday from low wind outturn and below seasonal normal temperatures. Relatively low wind generation averaging just 7.22GW led to increased gas-fired generation averaging 20GW across the week which supported prices against a rise in temperatures expected to climb up to 3°C above seasonal normal and forecasted wind output. Power prices continue to be impacted by the French nuclear fleet outage, with approximately 25% of availability currently offline. All the outages will run through Q1-21 where total demand is at the highest and may create stronger demand for gas as an alternative fuel to produce power. Furthermore, strength in the carbon market remains a major support for power prices especially as gas dominates the generation mix. The December 20 EUA gained by €0.60/tonne over the week, settling at €30.52/tonne. The price consolidated around the €30/tonne mark for most of the week over lack of auction supply in the coming months and concerns around a potential Brexit deal. The bullish move came on Thursday as EU leaders met to discuss greenhouse gas emission reduction targets. EU leaders agreed to boost 2030 emissions target to 55% from 1990 levels. The current target is 40% and though environmental groups had pushed for a higher 60% target there had been deep concerns that certain member states would reject the 55% goal. With the target agreed, leaders are also able to secure the €1.8 trillion long-term budget plan and pandemic recovery fund after reaching a compromise with Hungary and Poland. The market broke a key resistance level which may indicate further upside to come if momentum is sustained. Brexit remains the last stumbling block for the EU to overcome year-end with negotiations ongoing.

Gas



Contract	Price (p/therm) Previous Weeks Close	Last Weeks Close	
Jan-21	42.57	46.35	▲
Feb-21	43.24	47.64	▲
Mar-21	39.70	44.09	▲
Q1-21	41.79	45.97	▲
Q2-21	34.81	38.25	▲
Sum-21	33.64	37.07	▲
Win-21	42.53	45.43	▲
Sum-22	34.80	36.30	▲
Win-22	43.03	44.80	▲
Sum-23	34.65	35.55	▲
Win-23	45.12	46.27	▲

Summary

The January 21, Summer 21 and Winter 21 NBP contracts increased by 3.78p/therm, 3.43p/therm and 2.90p/therm respectively from the previous weeks close. Despite an oversupplied system the increase in prices were mainly attributed to UK demand rising above seasonal average and the Asian gas market hitting a 2-year high on the back of colder weather and LNG supply disruption. This resulted in luring LNG supply away from Europe as the JKM premium to the NBP and TTF market grew. UK gas prices were relatively stable during the first half of the week as the increase in demand was matched by a ramp up in LNG terminals, storage withdrawals and strong Norwegian flows that remained above the 10-day average. However, prices started to rise from the mid-week as four Norwegian facilities were taken offline due to scheduled maintenance impacting capacity by 51.5mcm leading to a fall in Norwegian imports to the UK. There are now 3 facilities in the UK supply picture with outages that are impacting storage injections, bringing some risk to the Q1-21 contract. UK gas storage levels are currently at 94% which is 8% above the 5-year average however a tighter supply and demand balance was driving prices higher with further support from strength in wider markets such as carbon and oil. The February 21 Brent contract gained by $0.74/bbl over the week settling at $49.97/bbl. Prices were consolidating up to Thursday as positivity over the roll out of the vaccine was countered by a continued rise in COVID-19 infections, leading countries to impose a myriad of mobility restrictions, dampening sentiment in the market, and as progress over the U.S. fiscal stimulus bill remained elusive. On Wednesday the EIA report displayed bearish data as U.S. crude inventories grew by 15.18MB with large builds in both distillate and gasoline stocks. However, optimism over the vaccine and U.S. stimulus prevailed and continued to limit any serious downside action. The following day, prices touched 9-month highs as vaccine momentum intensified following an endorsement of the Pfizer-BioNTech vaccine by the US Food and Drug Administration advisory committee. By the end of the week price action turned downward from stalled U.S stimulus negotiations and the prospect of Iran planning to produce 4.5mbpd of crude oil and export 2.3mbpd of it next year if current U.S. sanctions are lifted. There is optimism of a 6mbpd rebound of oil demand in 2021 however in the short term the outlook is weak with increased lockdowns in U.S. and Europe which may result in weaker gasoline demand over the next month.