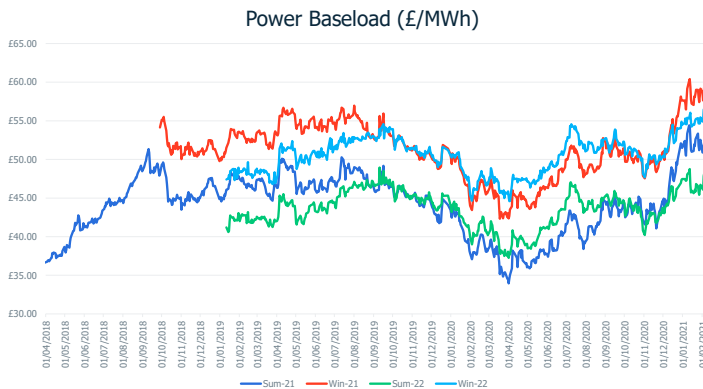


Weekly Energy Report

15 February 2021

Power

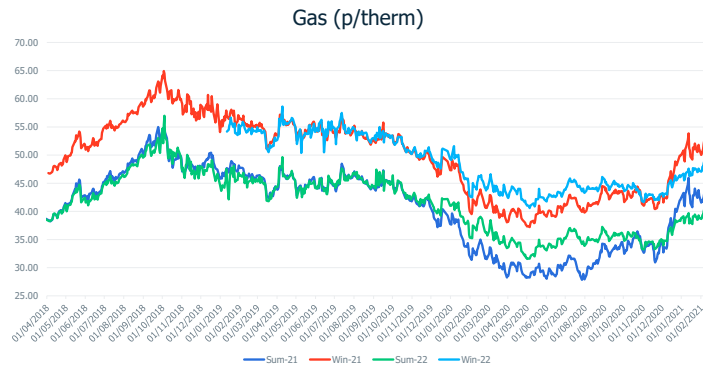


Contract	Price (£/MWh)		
	Previous Weeks Close	Last Weeks Close	
Mar-21	£ 58.99	£ 55.43	▼
Apr-21	£ 56.85	£ 55.75	▼
May-21	£ 53.35	£ 52.55	▼
Q2-21	£ 54.05	£ 53.33	▼
Q3-21	£ 53.16	£ 53.17	▲
Sum-21	£ 53.60	£ 53.25	▼
Win-21	£ 60.65	£ 60.00	▼
Sum-22	£ 48.61	£ 49.07	▲
Win-22	£ 56.30	£ 57.75	▲
Sum-23	£ 44.98	£ 46.63	▲
Win-23	£ 55.40	£ 55.76	▲

Summary

The March 21, Summer 21 and Winter 21 Baseload contracts dropped by £3.56/MWh, £0.35/MWh and £0.65/MWh respectively from the previous weeks close. The power market continued to move in line with gas with the strongest losses at the front of the curve whilst a bullish carbon market helped limit losses on the seasonal contracts. The BritNed interconnector came back online on Tuesday, adding 1GW capacity and capping any within day upside which may have been caused by a dip in wind generation at peak periods. Over the week, gas-fired output accounted for 37% of the generation mix whilst renewables averaged at 40% despite a tight system seen on Wednesday. Temperatures are expected milder for the rest of February around 2°C above seasonal normal and may lead to a drop in demand. The December 21 EUA gained by €0.82/tonne over the week, settling at €40.02/tonne. The market was driven by a rally in the oil price and optimism over economic recovery. Furthermore, investment funds, banks and brokers increased their net long position by 14.8m tCO₂e, whilst pension funds, insurance and compliance players increased short positions. Prices were falling early in the week from an article reporting that the EU officials had been considering limiting EUA trading for institutional investors, however the following day it was reported as false and the market recovered from losses to an all-time of €40.25/tonne by Friday. The recent bullish ride raises the question if the trend can be sustained in the light of the surge being mostly driven by speculative buying.

Gas



Contract	Price (p/therm)		
	Previous Weeks Close	Last Weeks Close	
Mar-21	48.17	44.85	▼
Apr-21	44.97	43.06	▼
May-21	42.55	41.30	▼
Q2-21	43.13	41.78	▼
Q3-21	42.06	41.62	▼
Sum-21	42.59	41.70	▼
Win-21	52.05	50.90	▼
Sum-22	40.00	39.51	▼
Win-22	48.55	48.08	▼
Sum-23	37.64	37.14	▼
Win-23	47.27	48.46	▲

Summary

The March 21, Summer 21 and Winter 21 NBP contracts decreased by 3.32p/therm, 0.89p/therm and 1.15p/therm respectively from the previous weeks close. There was some early strength to prices from threat of cold weather and an outage at one of Europe's largest storage facility in Netherlands adding upside to TTF prices and filtering through to the NBP. However, the move to the upside was short lived as temperature forecasts turned much milder for this week which stripped away weather related premiums especially on the front month contract. Supply outlook is also positive as LNG arrivals to Britain have risen sharply in February with 17 vessels expected across the month, down by just one compared to this time last year. The current cold snap created high gas demand and LNG storage levels have declined as a result including gas storages below the 5-year average at 57% which has led to the front seasonal contract shedding less value. The April 21 Brent contract gained \$3/bbl over the week at 13-month highs, settling at \$62.43/bbl. The markets are becoming very forward-looking and there's optimism that we're going to see a strong rebound in demand. There is, to some extent, a limit on the upside to prices as we still have a lot of OPEC supply to come onto the market, and the faster prices go higher, it implies OPEC is going to bring back supply sooner. EIA reported U.S crude stocks fell to the lowest since March after a drawdown of 6.64MB. However, total gasoline inventories, which is one of the key determinants in assessing demand sentiment rose by 4.3MB. Despite a tighter market outlook, persistent headwinds to the physical oil markets remain, namely high inventories, weak refining margins and physical differentials below pre-COVID-19 levels.