TRIDENT

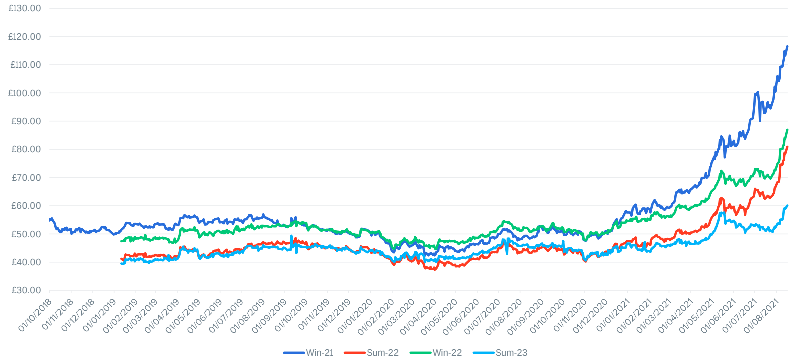
360° ENERGY EXPERTISE

Weekly Energy Report

16 August 2021

Power

Power Baseload (£/MWh)



Price (£/MWh)

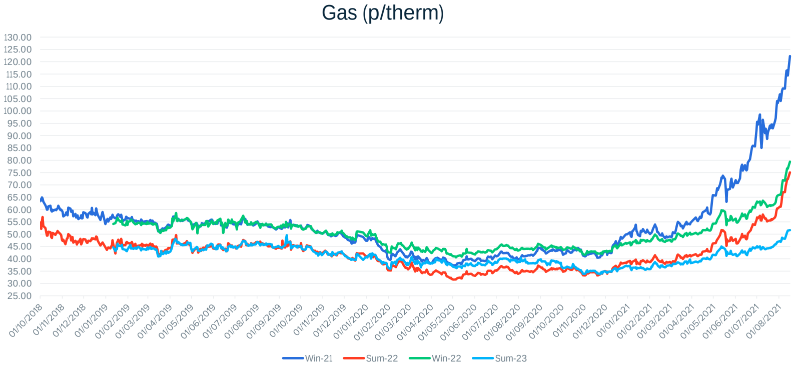
Contract		Previous Weeks Close		Last Weeks Close	
Sep-21	£	106.51	£	108.70	▲
Oct-21	£	108.60	£	111.38	▲
Nov-21	£	113.70	£	117.18	▲
Q4-21	£	111.40	£	114.62	▲
Q1-22	£	107.19	£	111.80	▲
Win-21	£	109.32	£	113.23	▲
Sum-22	£	74.54	£	78.41	▲
Win-22	£	80.09	£	83.87	▲
Sum-23	£	55.09	£	58.89	▲
Win-23	£	65.78	£	66.53	▲
Sum-24	£	54.42	£	54.96	▲

Summary

The September 21, Winter 21 and Summer 22 baseload contracts increased by £2.19/MWh, £3.91/MWh and £3.87/MWh. The front month saw a less of increase as high wind generation helped support supply margins. Total renewables averaged 45% of the generation mix over the week, whereas gas-fired output accounted for 27%. Wind generation is expected to decrease from the mid-week which may lift gas for power demand. Front month increases were further capped by news that Sizewell B nuclear reactor would return in mid-august, a week before originally planned as well as an earlier start to Torness nuclear reactor returning on 17th August. Seasonal contracts were largely tracking gains in the gas market while volatility in the carbon market limited any downside with spark spreads relatively flat week-on-week. Strong prices were also seen in Europe to 13-year highs with coal burn expected to continue in Germany which in turn supports the carbon market. The December 21 EUA decreased by €1.28/tonne over the week, settling at €55.38/tonne. The market was supported by rising gas prices across Europe which has kept coal-fired plants in the generation mix, leading to strong demand for permits up till Thursday. However easing gas prices at the end of the week and higher wind forecasts into the beginning of this week pushed the EUA to settle lower. The UK carbon market settled close to flat at £48.20/tonne. The UKA auction settled below the secondary market with a 3.95 bid-to-cover ratio helped by a reduction in auction supply this month. Carbon may test recent highs as lower wind output in the second half of the week may incentivise less efficient thermal generation to support the power generation mix.

Gas

Gas (p/therm)



Price (p/therm)

Contract	Previous Weeks Close	Last Weeks Close	
Sep-21	108.04	110.89	▲
Oct-21	109.26	113.3	▲
Nov-21	111.57	116.26	▲
Q4-21	111.21	115.77	▲
Q1-22	107.18	112.99	▲
Win-21	109.2	114.38	▲
Sum-22	67.01	72.32	▲
Win-22	71.92	76.58	▲
Sum-23	48.25	51.45	▲
Win-23	56.12	58.44	▲
Sum-24	44.48	45.33	▲

Summary

The September 21, Winter 21 and Summer 22 NBP contracts increased by 2.85p/therm, 5.18p/therm and 5.31p/therm respectively over the week. These increases were led by unplanned Norwegian outages, lack of LNG imports and a reduction in supply from Russia as flows through the Mallnow compressor station next to the Germany-Poland border have declined by around 70% since late July. The unplanned outages during the beginning of the week at Troll and Visund gas fields impacted capacity by an additional 22mcm/day which decreased Norwegian flows to the lowest since June. Prices were further supported by a lack of LNG supply with the UK having only received a shipment in the weekend in almost a month. A similar scenario is seen across Europe where LNG regasification rates have dropped to a 6-month low given the lack of LNG imports due to high demand in Asia. In the second half of the week, prices eased after unplanned outages were resolved and an increase in wind speeds reduced gas demand for power generation. This allowed for very strong gas storage injections which are currently 59% full, considering levels were at just 33% capacity at the start of the month. Price decreases remained limited as Gazprom declared force majeure on condensate exports in August from the plant that caught fire in Russia. Gazprom then switched to withdrawals from storages in North-West Europe to offset the drop in gas flows, which concerned the market. Ongoing uncertainty over when the Nord Stream 2 pipeline flows gas also remained supportive. The October 21 Brent contract decreased by $0.11/bbl over the week, settling at $70.59/bbl. Prices were weighed down by a stronger U.S dollar by a rise in Treasury yields and the uptrend in Covid cases in two of the world's largest oil consuming economies The pandemic resurgence has exacerbated concerns over China's economy that had arisen earlier due to global supply bottlenecks and higher raw material costs that could weigh on oil demand. There was some support in the mid-week after EIA U.S crude inventory data displayed a 0.44MB drawdown with motor fuel stockpiles shrinking for a fourth time to the least since November 2020. However, prices were unable to hold as the IEA cut its demand estimate for the remainder of 2021 by 600,000b/d to 98.15mbpd. According to the Commodity Futures Trading Commission money managers and speculators have reduced their net long positions in their futures and options holdings. In sharp contrast, OPEC stuck to its forecasts for a rebound in global oil demand this year and further growth in 2022, notwithstanding the rising concern over surges in COVID-19 infections.