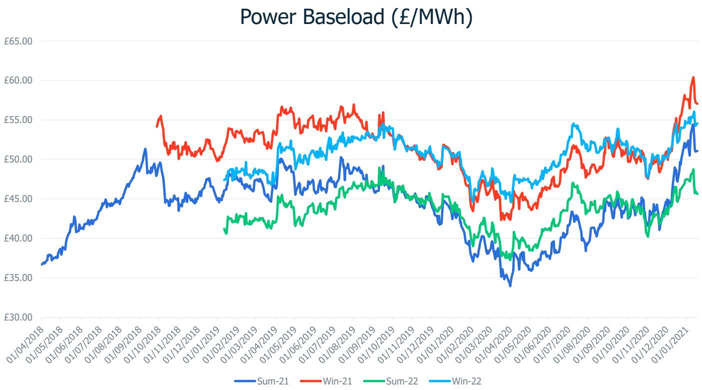
TRIDENT

360° ENERGY EXPERTISE

# Weekly Energy Report

**18 January 2021**

## Power



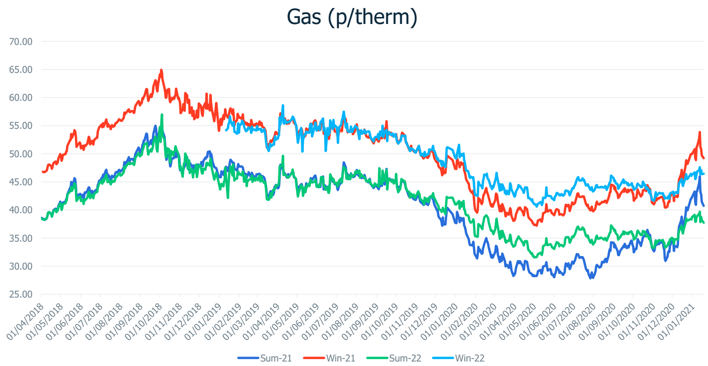

**Price (£/MWh)**

| Contract | Previous Weeks Close | Last Weeks Close | |
|---|---|---|---|
| Feb-21 | £ 71.01 | £ 72.04 | ▲ |
| Mar-21 | £ 62.82 | £ 60.50 | ▼ |
| Apr-21 | £ 56.80 | £ 55.79 | ▼ |
| Q2-21 | £ 54.50 | £ 52.22 | ▼ |
| Q3-21 | £ 52.21 | £ 49.77 | ▼ |
| Sum-21 | £ 53.35 | £ 50.99 | ▼ |
| Win-21 | £ 59.15 | £ 57.22 | ▼ |
| Sum-22 | £ 48.06 | £ 45.98 | ▼ |
| Win-22 | £ 55.39 | £ 54.25 | ▼ |
| Sum-23 | £ 45.98 | £ 44.33 | ▼ |
| Win-23 | £ 54.76 | £ 54.41 | ▼ |

### Summary

The February 21 baseload contract increased by £1.03/MWh whilst the Summer 21 and Winter 21 contracts decreased by £2.36/MWh and £1.93/MWh respectively from the previous weeks close. We typically tend to see highest prices around this time of year and the market tracked movements in the NBP which also saw high volatility at the beginning of the week especially on the front month contract with swings of over £10/MWh per day on higher demand, expensive gas and higher spark spreads. From mid-week gains began to erode on milder weather revisions and a weaker carbon market impacting the seasonal contracts. At this point wind output also increased to 8GW, taking some pressure off gas-burn for a day before falling sharply on Friday. Overall gas output averaged 43% of the generation mix while total renewables accounted for 30% over the week largely coming from wind outturn. Looking ahead, there are 11 French nuclear reactors nearing the start of annual maintenance this month, with the risk of tighter margins if temperatures drop again which may lead to exports from the UK to France. Although, weather forecasts have turned milder, sharp swings in wind production may still test system flexibility. The December 21 EUA lost €3.42/tonne, settling at €31.74/tonne. The start of the week saw prices at all-time highs above the €35/tonne mark on lack of auctions, cold weather across continental Europe along with higher gas and crude oil prices and a weakening Euro. From this point prices started trading lower from a major pullback in gas prices and signs of a technical reversal as the market trades below the 100-day moving average and milder weather forecasts lowering the likelihood of a need to rely on carbon intensive power generation for the coming weeks. Carbon will also likely continue to be strongly influenced by the global economic outlook and hence demand for permits.

## Gas




**Price (p/therm)**

| Contract | Previous Weeks Close | Last Weeks Close | |
|---|---|---|---|
| Feb-21 | 60.69 | 59.35 | ▼ |
| Mar-21 | 55.26 | 53.45 | ▼ |
| Apr-21 | 48.39 | 45.92 | ▼ |
| Q2-21 | 44.60 | 42.58 | ▼ |
| Q3-21 | 42.15 | 40.34 | ▼ |
| Sum-21 | 43.37 | 41.45 | ▼ |
| Win-21 | 51.33 | 49.71 | ▼ |
| Sum-22 | 38.92 | 38.20 | ▼ |
| Win-22 | 46.85 | 46.36 | ▼ |
| Sum-23 | 36.40 | 36.21 | ▼ |
| Win-23 | 46.17 | 46.22 | ▲ |

### Summary

The February 21, Summer 21 and Winter 21 NBP contracts decreased by 1.34p/therm,1.92p/therm and 1.62p/therm respectively from the previous weeks close. The market faced extreme volatility where the front month reached a high of around 83.50p/therm through to Tuesday, on colder weather forecasts in UK and Europe for the tail end of January. At the start of winter, UK NBP and JKM contracts were trading at a similar price of around $5/MMBTu. Cold weather and supply disruption in Asia more than quadrupled prices to around $20/MMBTu. This had led to LNG supply dry up significantly in Europe over the recent weeks as sellers seek higher prices for shipments. The following day, the market saw the largest day-on-day drop since 2005 as revised weather models suggested an upward revision in temperatures in late January and early February. In addition, JKM prices also started to fall across the curve after 15-days of increase. However, the strong downward move started to slow due to the weak outlook in the LNG supply picture as the Asian market remained at a relatively high premium that was equivalent to double the price of the UK contracts. This is leading to just 4 LNG cargoes expected to the UK with support also coming from lower gas storage levels sitting at 69% full, which has been heavily relied upon over the last few weeks. Looking ahead, any revision in weather forecasts and temperatures will continue to impact prices. The LNG market will also remain significant, as improvement to the current LNG outlook would likely weigh on prices. The March 21 Brent contract lost $1.14/bbl over the week, settling at $55.10/bbl. Support in the first half of the week came from strong Chinese industry data and expectations of further stimulus measures. Furthermore, the EIA Short-term Energy Outlook Report suggests Brent prices to average at around $52.75/bbl in 2021, up $4.25/bbl from its December forecast from a tighter global supply outlook spurred in large part by the Saudi production cuts. Meanwhile, U.S. crude oil stockpiles fell more than expected by 3.24MB in the week, while gasoline and distillate inventories rose as refiners ramped up output to its highest level since August. At this point prices started to fall as it indicates weak downstream oil products demand as the recent 0.2% increase in U.S driving activity remains 12% below the 5-year average weighed down by pandemic restrictions across the country. There are plenty of risks at the moment, demand in the shorter term is clearly under pressure which was also reflected in OPEC’s latest monthly report as their 2021 global demand forecast displayed only a small change at 95.91mbpd compared with 95.89mbpd last month.