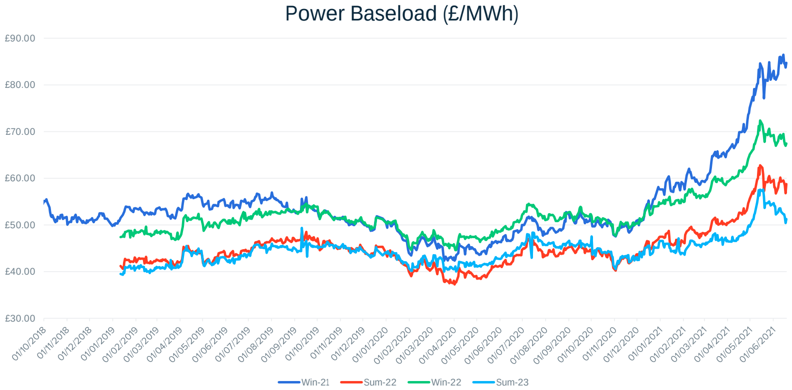
TRIDENT
360° ENERGY EXPERTISE

Weekly Energy Report

21 June 2021

Power



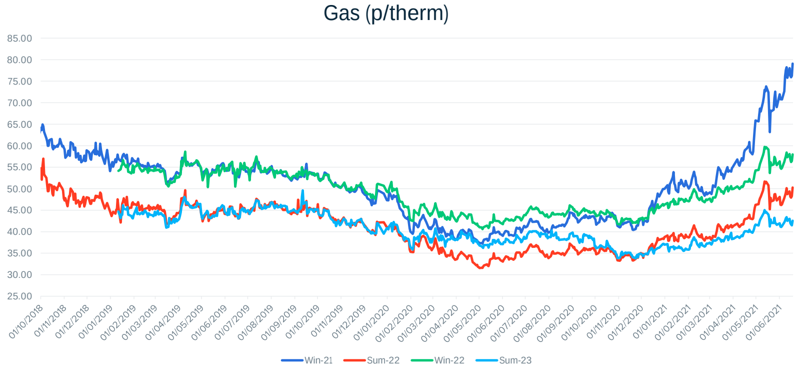
Price (£/MWh)

Contract		Previous Weeks Close		Last Weeks Close	
Jul-21	£	76.56	£	76.99	▲
Aug-21	£	75.98	£	76.94	▲
Sep-21	£	79.95	£	78.60	▼
Q3-21	£	77.47	£	77.50	▲
Q4-21	£	84.18	£	84.33	▲
Win-21	£	84.61	£	84.73	▲
Sum-22	£	59.26	£	58.75	▼
Win-22	£	68.44	£	67.45	▼
Sum-23	£	52.81	£	51.26	▼
Win-23	£	64.09	£	64.47	▲
Sum-24	£	53.71	£	50.83	▼

Summary

The July 21 and Winter 21 baseload contracts increased by £0.43/MWh and £0.12/MWh respectively whilst Summer 22 dropped by £0.51/MWh over the week. Poor liquidity and falling carbon prices at the beginning of the week caused the front end to initially shed value. Nevertheless, gas fundamentals remained bullish and eventually outweighed the dip, forcing up prices across the curve due to tight LNG supply and reduced flows from Norway. Although one of the Hunterston reactors returned at the weekend, two other reactors have gone off for maintenance as planned, leaving nuclear availability lower week-on-week. Wind and solar generation are expected to remain below seasonal average this week which may keep gas for power demand strong. Temperatures are forecast to outturn around 1.5°C below normal for most of this week which may reduce air conditioning demand although warmer conditions are expected from Thursday onwards. Contracts further out were less bullish as carbon remained rangebound and the testing of the 1.4GW North Sea Link began which is expected to be operational in October 2021, giving the market some certainty of capacity. The December 21 EUA contract decreased by €0.77/tonne over the week, settling at €51.90/tonne. This week's overall prices fall was attributed to Germany announcing that the country would issue 129.22m EUAs in 2021, which is 5.25% fewer EUAs to industry than in 2020. The market reaction was bearish as the allocation was larger than expected. The UK carbon auction provided further downside as it cleared lower than that of the secondary futures market again, at a final price of £43.40/tonne which is a new low and now trading at a discount to the EU counterpart. A survey by the International Emissions Trading Association expects carbon prices in the EU ETS to average €47.25/tonne between 2021 and 2025 and €58.62/tonne between 2026 and 2030.

Gas



Price (p/therm)

Contract	Previous Weeks Close	Last Weeks Close	
Jul-21	67.60	71.83	▲
Aug-21	67.57	71.93	▲
Sep-21	68.26	72.71	▲
Q3-21	67.81	72.16	▲
Q4-21	74.35	77.79	▲
Win-21	75.80	79.08	▲
Sum-22	48.72	50.27	▲
Win-22	57.30	57.96	▲
Sum-23	42.51	42.55	▲
Win-23	51.40	51.47	▲
Sum-24	43.49	43.06	▼

Summary

The July 21, Winter 21 and Summer 22 NBP contracts increased by 4.23p/therm, 3.28p/therm and 1.55p/therm respectively over the week. Mid-range storage levels have declined to 24% of capacity having been required to make up the shortfall for planned and unplanned maintenance outages in Norway over recent days although an increase in supply availability is expected this week as maintenance restrictions are scheduled to wind down. There have been hopes for high levels of LNG imports over the summer months to aid the refilling of gas storage facilities ahead of Winter. It appears however that strong Asian gas markets are starting to see European imports fall as the premium JKM holds over NBP has widened over the week due to strong Chinese demand as well as supply outages and terminal maintenance in the region. The UK has received nine LNG shipments so far this month and just one more vessel currently to arrive before the end of the month and two scheduled for early July. The August 21 Brent contract gained by $0.82/bbl over the week, settling at £73.51/bbl. Strong demand during the northern hemisphere summer driving season and a pause in talks to revive the Iran nuclear deal that could lead to a resumption of crude supplies lifted prices. The supply situation is getting quite concerning as 15 years of reserves are down to 10 years of reserves and capital expenditure on oil have decreased which may drive prices higher. It is possible for oil to reach $100/bbl but is unlikely in the short-term as there is 5.5mnbpd of spare production capacity being held back from the market. Bank of America have said oil may surge to $100 next year as travel demand rebounds while investment in new production is hampered by environmental concerns. Strength in the U.S dollar provided some headwinds following the Federal Reserve signalling that two rate hikes could be in the cards by the end of 2023, a year earlier than expected. Still, oil price losses were limited as data from EIA showed that U.S. crude oil stockpiles dropped by 7.35MB as refineries boosted operations to their highest since January 2020, signalling continued improvement in demand. The increasingly bullish outlook for oil is adding to pressure on the OPEC+ coalition who meet next week to consider reviving some more of the production it cut during the pandemic.