TRIDENT

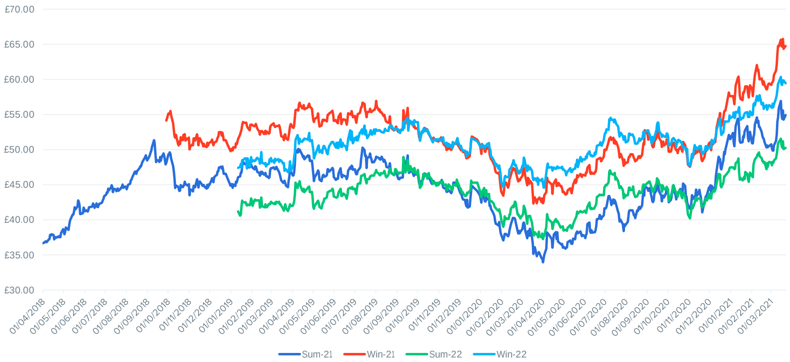
360° ENERGY EXPERTISE

Weekly Energy Report

22 March 2021

Power

Power Baseload (£/MWh)



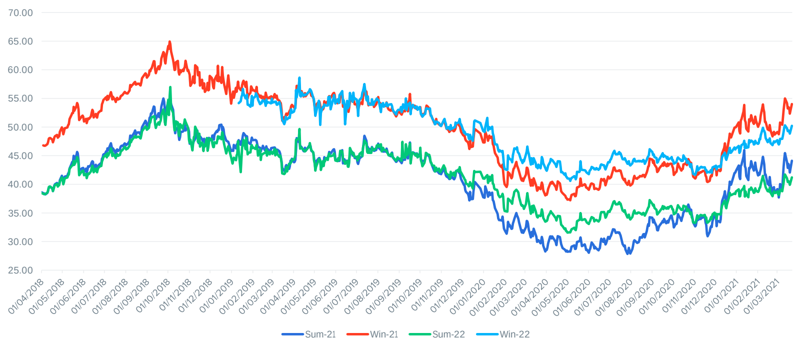
Contract	Price (£/MWh) Previous Weeks Close		Last Weeks Close		
Apr-21	£	57.37	£	55.09	▼
May-21	£	54.85	£	53.39	▼
Jun-21	£	56.01	£	54.61	▼
Q2-21	£	56.06	£	54.35	▼
Q3-21	£	55.76	£	54.17	▼
Sum-21	£	55.91	£	54.26	▼
Win-21	£	64.70	£	64.37	▼
Sum-22	£	51.09	£	50.06	▼
Win-22	£	59.61	£	59.86	▲
Sum-23	£	47.84	£	46.59	▼
Win-23	£	56.57	£	56.20	▼

Summary

The April 21, Summer 21 and Winter 21 baseload contracts decreased by £2.28/MWh, £1.65/MWh and £0.33/MWh respectively from the previous weeks close. The near curve started the week with strength following low winds speeds and the ongoing outage at the BritNed interconnector which has now been extended to the 8th May. Prices then moved in line with weakness in the gas market following an improved LNG supply outlook. There was some price support during the mid-week as the carbon price reached an all-time high however this was short-lived after falling to a 1-week low the next day which pressured the power curve for the remainder of the week. Losses were capped at the front month as gas-fired output dominated the generation mix over the week, contributing 43% whilst renewables averaged 37% as wind output reduced further in the second half of the week. Temperatures are due to rise by 4-5°C above seasonal average this week however demand for gas may reduce as wind generation increases simultaneously. The December 21 EUA dropped by €4.55/tonne, settling at €41.97/tonne. The market saw more volatility this week as the EU will tighten free allocations for 31 of 52 ETS covered industries over the next five years. Furthermore, strong auctions results and overall decarbonisation plans led the contract to a new high of €43.36/tonne on Thursday, before retracing to a 1-week low the following day in line with bearish pressure from the oil and equity markets over concerns surrounding demand recovery in Europe after new lockdown restrictions. There could be further technical selling after the continued rally this year however compliance buying may add support over the coming weeks.

Gas

Gas (p/therm)



Contract	Price (p/therm) Previous Weeks Close	Last Weeks Close	
Apr-21	47.50	43.10	▼
May-21	44.89	41.40	▼
Jun-21	45.12	41.90	▼
Q2-21	45.83	42.13	▼
Q3-21	45.10	41.98	▼
Sum-21	45.46	42.05	▼
Win-21	54.99	52.33	▼
Sum-22	41.73	39.90	▼
Win-22	50.30	48.85	▼
Sum-23	38.60	37.75	▼
Win-23	49.12	48.77	▼

Summary

The April 21, Summer 21 and Winter 21 NBP contracts decreased by 4.40p/therm, 3.41p/therm and 2.66p/therm respectively from the previous weeks close. The three main factors behind the fall in prices were warmer weather forecasts, a weaker carbon market and strong LNG imports. Further losses were capped as Norwegian outages kept pipeline flows below the 10-day average and gas storage levels are still 9% below the 5-year average despite having increased to 26% full following healthier supply, Therefore, as gas flows remain limited over the next couple months due to the Norwegian maintenance period, there will be further reliance on LNG to fill low inventory levels through summer. LNG storage levels have increased rapidly over the past week with seven tanker arrivals over this short period bringing the monthly total to 15 with at least six more expected before the end of the month. Charter rates have also dropped to all-time lows which incentivises more U.S LNG shipments to Europe over the next two months. The May 21 Brent contract posted a loss of $4.55/bbl, settling at $64.53/bbl. The market was pressured by extended lockdown measures in Europe., supply-side worries and strengthening dollar. Further downward pressure came as EIA crude stocks increased by 2.39MB taking total U.S crude inventories 7% above the 5-year average, thereby opening the widest surplus since the week ending 15th January. Chinese buying has been softer in recent weeks while growing Iranian flows and U.S shale supply have not helped. A slight rebound was seen on Friday however the market remains cautious that OPEC+ could continue their supply cuts further into 2021. The IEA medium-term report suggests that a stronger economy and vaccine deployment will support growth in the second half of 2021, reducing the oil demand gap vs. 2019 from 4.8mbpd in the first quarter of 2021 to 1.4mbpd in the fourth quarter.