TRIDENT

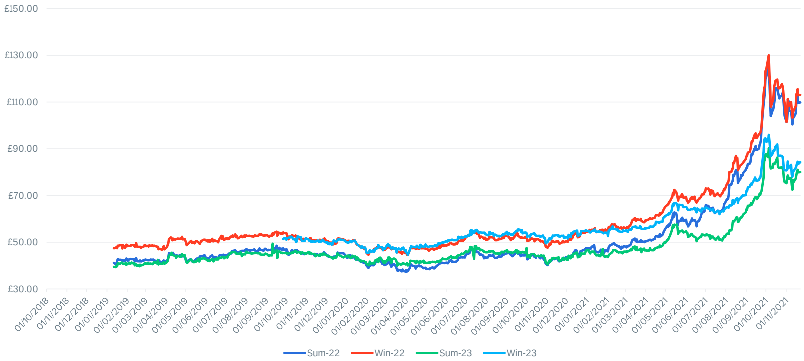
360° ENERGY EXPERTISE

Weekly Energy Report

22 November 2021

Power

Power Baseload (£/MWh)



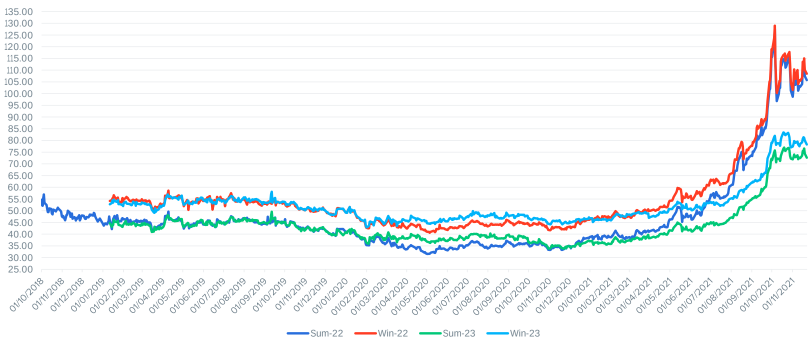
	Price (£/MWh)				
Contract	Previous Weeks Close		Last Weeks Close		
Dec-21	£	184.52	£	223.78	▲
Jan-22	£	205.41	£	245.63	▲
Feb-22	£	184.52	£	228.85	▲
Q1-22	£	181.09	£	220.93	▲
Q2-22	£	107.46	£	113.56	▲
Sum-22	£	103.35	£	109.73	▲
Win-22	£	106.24	£	112.90	▲
Sum-23	£	75.81	£	79.91	▲
Win-23	£	80.50	£	83.46	▲
Sum-24	£	60.68	£	62.49	▲
Win-24	£	73.02	£	75.54	▲

Summary

The December 21, Summer 22 and Winter 22 baseload contracts gained by £39.26/MWh, £6.38/MWh and £6.66/MWh respectively from the previous weeks close. Higher gas prices and an all-time high carbon market provided further strength across the curve. The week started with an EDF Energy announcing a strike, taking 2.1GW capacity offline for a day. Reliance on gas-fired generation remain high at 43% whereas renewable averaged 34% over the week which support the prompt market especially as wind output and temperatures were forecast lower. In addition, an IFA 2 outage was initially due to last from 16th-17th November, however it did not return until Friday. Furthermore, the North-Sea link saw a remit advising flow would remain at 700MW until at least the 5th December instead of increased capacity to around 1GW. Nuclear maintenance is also scheduled to rise in January, seeing supply margins tighten in one of the coldest months which may add support to price. The key driver for the moment is Russian gas flows and in particular Nord Stream 2 as additional gas could help fill storages ahead of the Summer, reducing the need for heavy injections again. The December 21 EUA gained €6.09/tonne over the week, settling at €69.36/tonne. The December 21 UKA gained £6.46/tonne over the week, settling at £63.44/tonne. Both contracts increased due to bullish fundamentals in the gas market compounded by low wind and temperature forecasts which raised the prospect of coal-fired generation and the greater need for carbon permits proven by a strong UK auction clearing at £59/tonne. Rising Covid- cases may cap further upside however bullish sentiment spurred on by U.N Climate Change Conference, rising fuel prices and gas supply fears remain supportive.

Gas

Gas (p/therm)



	Price (p/therm)		
Contract	Previous Weeks Close	Last Weeks Close	
Dec-21	194.05	219.51	▲
Jan-22	198.35	226.3	▲
Feb-22	196.85	225.78	▲
Q1-22	190.44	215.64	▲
Q2-22	107	111.58	▲
Sum-22	102.91	107.45	▲
Win-22	105.5	110.1	▲
Sum-23	72.5	74.39	▲
Win-23	78.56	79.98	▲
Sum-24	58.81	59.05	▲
Win-24	70.58	70.48	▼

Summary

The December 21, Summer 22 and Winter 22 NBP contracts gained by 25.46p/therm, 4.54p/therm and 4.60p/therm respectively from the previous weeks close. The market was supported by the suspension of the Nord Stream 2 application as the regulator demands a German subsidiary before it can be approved. Nord Stream 2 has agreed to set up a German subsidiary to secure an operating license. The certification procedure will remain suspended until the main assets and human resources have been transferred to the subsidiary. The current 4-month process with a deadline of 8thJanuary is in effect paused and will only resume once conditions have been met. Russia not booking any additional capacity for December through Ukraine via Mallow exacerbates the situation with EU gas storages reducing to 73% capacity. A colder spell for the remainder of the month seems quite likely with temperatures fluctuating between 4°C - 6°C below seasonal normal that will drive heating demand. The UK is expecting 9 LNG cargoes by the 6th December as demand for LNG continues to rise from a bullish fundamental outlook across Europe. The January 22 Brent contract posted a loss of $3.28/bbl over the week, settling at $78.89/bbl. Strength in the U.S dollar to 16-month highs and speculation that the U.S might release oil from the Strategic Petroleum Reserve added down pressure to prices. Although this would be a short-term fix for rising oil prices, the news nonetheless brings back into focus inflationary pressures faced by major economies around the world. The IEA also warned that high price levels will see U.S. oil production rising again in 2022. In addition, OPEC+, who are set to met on the 2nd December, cut its world oil demand forecast for the fourth quarter by 330,000bpd from last month's forecast. COVID-19 cases also continue to be a point of concern, with several countries in Asia and Europe not seeing a let-up in caseload figures despite high vaccination numbers and some tightening lockdown restrictions further. These bearish factors overshadowed any upside from EIA data showing a drawdown of 2.1MB in U.S crude stocks.