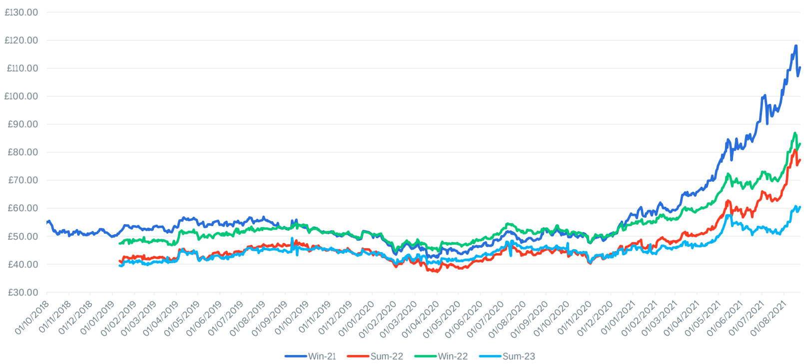
Weekly Energy Report

23 August 2021

Power

Power Baseload (£/MWh)



Price (£/MWh)

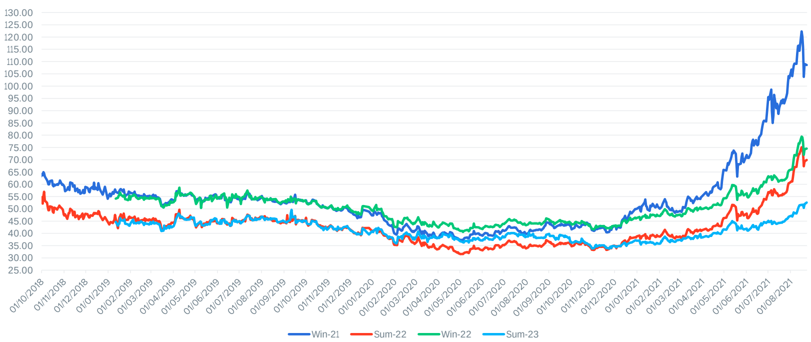
Contract		Previous Weeks Close		Last Weeks Close	
Sep-21	£	108.70	£	101.48	▼
Oct-21	£	111.38	£	104.83	▼
Nov-21	£	117.18	£	109.90	▼
Q4-21	£	114.62	£	108.42	▼
Q1-22	£	111.80	£	105.80	▼
Win-21	£	113.23	£	107.13	▼
Sum-22	£	78.41	£	76.13	▼
Win-22	£	83.87	£	81.50	▼
Sum-23	£	58.89	£	58.79	▼
Win-23	£	66.53	£	68.23	▲
Sum-24	£	54.96	£	55.51	▲

Summary

The September 21, Winter 21 and Summer 22 baseload contracts decreased £7.22/MWh, £6.10/MWh and £2.28/MWh respectively from the previous weeks close. Contracts at the start of the week were support by rising fuel and emissions costs. However, the sharp fall in gas prices from the mid-week fed into the power curve as Gazprom announced Nord Stream 2 could flow 5.6Bcm gas this year. Return of Torness nuclear reactor with various other scheduled nuclear capacity to return this month put further pressure on the near curve. However, losses were capped with gas-fired output averaging 40% of the generation mix over the week, whereas total renewables accounted for 32%. Wind output is forecast below seasonal average for the remainder of the month and so gas for power demand is likely to remain on the higher side. Spark spreads could soften near term contracts with improving UK nuclear capacity, but various other generation assets have been remitted out, including West Burton 3 & 4 which were scheduled to return for September. Retracing coal and carbon prices are also keeping forward contracts supported at present. The December 21 EUA decreased by €1.00/tonne over the week, settling at €54.38/tonne. Prices remained well supported up until the mid-week by strong auction results and reduction in supply volume this month. However, price action turned bearish for the rest of the week, trending in line with the rest of the energy complex after Gazprom's announcement. The market plunged below the 50-day moving average that acted as a strong support during the first half of the month. UKAs followed EUAs down over course of last week maintaining a £1/tonne premium to December 21 EUA. There will be another UK carbon auction this week with the total supply volume remaining at 2,594,000. However, auction volumes in September will increase to 5,187,500 UKA's which may offer some downward pressure.

Gas

Gas (p/therm)



Price (p/therm)

Contract	Previous Weeks Close	Last Weeks Close	
Sep-21	110.89	104.76	▼
Oct-21	113.3	107.39	▼
Nov-21	116.26	110.86	▼
Q4-21	115.77	110	▼
Q1-22	112.99	108.11	▼
Win-21	114.38	109.05	▼
Sum-22	72.32	69.35	▼
Win-22	76.58	74.28	▼
Sum-23	51.45	51.91	▲
Win-23	58.44	59.1	▲
Sum-24	45.33	46.46	▲

Summary

The September 21, Winter 21 and Summer 22 NBP contracts decreased by 6.13p/therm, 5.33p/therm and 2.97p/therm respectively from the previous weeks close. Contracts initially started the week with higher prices as Gazprom only booked additional firm gas transit capacity of 0.65mcm/day through Ukraine to Europe in September against the 15mcm/day on offer. From this point prices turned bearish as Russian gas flows increased through the Yamal-Europe pipeline to 388GWh/day on Tuesday from 229GWh/day on Monday, although flows through Mallnow remained 40mcm below levels seen in July. Further bearish price action was seen on Wednesday after Gascade incorrectly reported Nord Stream 2 was flowing gas due to an I.T error which plunged futures down by 9.5%. The following day Gazprom announced, Nord Stream 2 pipeline may carry 5.6Bcm gas this year which led to the front month falling below 100p/therm. The pipeline construction is scheduled to be complete in September and insurance and certification will need to be sought before gas can be pumped which could take another 2 months. Meanwhile, UK gas storages have slowly increased to 69% although well below the 5-year average of 82%. There is also no indication of a slowdown in LNG deliveries to Asia with only one cargo expected to the UK on 3rd September. Therefore, fundamentals remain bullish due to growing supply risks as we head into Winter especially with heavy Norwegian maintenance scheduled next month. The October 21 Brent contract decreased by $5.40/bbl over the week, settling at $66.20/bbl. Concerns about the spread of the Delta variant in China, and the effects this will have on oil demand continued to weigh on prices with industrial and retail sales from China rising lower than expected which supports the IEA report predicting that demand would rise at a slower rate for the remainder of 2021. The U.S dollar rising to 9-months highs also provided further bearish pressure on signs the U.S. Federal Reserve has could start tapering bond purchases as early as September, which could spur a rise in interest rates and influence strength of the U.S dollar. Aviation remains the weakest component of global demand and the risk of further restrictions on domestic and international travel due to the Delta variant will be a key variable for oil over the remainder of this year, particularly as the U.S. driving season ends.