Weekly Energy Report

24 May 2021

Power

Power Baseload (£/MWh)

Price (£/MWh)

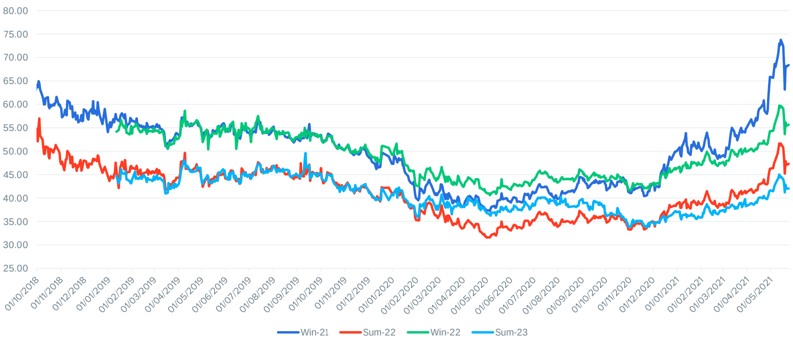
Contract		Previous Weeks Close		Last Weeks Close	
Jun-21	£	77.63	£	75.67	▼
Jul-21	£	77.53	£	73.75	▼
Aug-21	£	76.30	£	69.75	▼
Q3-21	£	77.34	£	72.92	▼
Q4-21	£	83.54	£	80.01	▼
Win-21	£	84.62	£	81.12	▼
Sum-22	£	62.78	£	59.21	▼
Win-22	£	72.38	£	69.48	▼
Sum-23	£	57.55	£	54.65	▼
Win-23	£	66.84	£	66.06	▼
Sum-24	£	54.91	£	54.56	▼

Summary

The June 21, Winter 21, and Summer 22 baseload contracts decreased by £1.96/MWh, £3.50/MWh and £3.57/MWh respectively over the week. The price action similar to the rest of the energy complex, closely tracking movements in both gas and carbon markets. The first half of the week saw some bearishness as news emerged that the closure of Hunterston nuclear units was pushed further back, increasing availability for Q4. Wind generation increased through the week averaging 9.24GW, taking the share of total renewables to 46% which took some pressure of gas-fired output averaging 34% over the week. Some support was seen in the towards the end of the week following some upside in carbon and as the return of the BritNed interconnector was pushed back again until 9th June. Furthermore, Calon Energy gas fired assets that were scheduled to return for the winter have now been remitted out until the end of February 2022, which removes around 2GW of availability from the supply margins. The December 21 EUA lost €4.81/tonne over the week, settling gat €51.75/tonne. Prices gave back most of the previous weeks gains ahead of the UK auction as operators of UK-based power plants and factories could sell EU Allowances they had used to hedge their carbon exposure to acquire UKAs, putting EU carbon prices under downward pressure. The UK plans a series of fortnightly carbon auctions in 2021, with the total volume set at 83 million tonnes. Volatility was seen in the UK market as the auction represented the first physical supply of allowances, and participants are still awaiting the flow of 39.1m free UKAs for 2021 to industrial sectors due this week. Prices have rebounded recently as the UK market trades at a premium to the EU counterpart and it will be interesting to see if the UK prices breaches to £44.74/tonne ceiling, as three months of trading above this level would trigger the cost containment mechanism to limit further upside.

Gas

Gas (p/therm)



Price (p/therm)

Contract	Previous Weeks Close	Last Weeks Close	
Jun-21	68.71	62.74	▼
Jul-21	66.33	60.65	▼
Aug-21	65.71	59.86	▼
Q3-21	66.11	60.26	▼
Q4-21	72.41	66.39	▼
Win-21	73.78	68.01	▼
Sum-22	51.62	47.05	▼
Win-22	59.66	55.42	▼
Sum-23	44.62	42.05	▼
Win-23	53.49	51.31	▼
Sum-24	44.51	43.44	▼

Summary

The June 21, Winter 21, and Summer 22 NBP contracts decreased by 5.97p/therm, 5.77p/therm and 4.57p/therm respectively over the week. Downward price action was seen in the first half of the week following the plunge in carbon prices and Gazprom booking an additional 15mcm transit capacity for June through Ukraine which raises the possibility of further bookings over the coming weeks. In addition, Germany's watchdog approved the start of construction of 2km long segment for Nord Stream 2 in German waters after the waiver of sanctions by the U.S. The pipeline could be completed later in the summer in time for flowing gas in the fourth quarter and take pressure off low storage concerns in Europe where forecasts suggest 17bcm spare storage capacity by end of summer. The second half of the week saw a slight rebound in prices which may set the tone for this week which has largely been led by Norwegian flows dipping below the 10-day average due to unplanned outages as maintenance approaches its peak along with a rebound in carbon prices. Support is also coming from low gas storages which sit at 11% capacity although LNG supply remains steady with a total of 15 cargo arrivals expected this month and two scheduled for June. The outlook for LNG remains positive for Q3 as global supply will increase by 11% this summer led by an 88% recovery in U.S gas exports from Summer 20. The July 21 Brent contract posted a loss of $2.48/bbl over the week, settling at $66.44/bbl. The weakness was attributed to renewed demand concerns as coronavirus cases in Asia rise and on fears rising inflation might lead the U.S. Federal Reserve to raise interest rates, which could limit economic growth. EIA inventory data displayed a mixed picture as U.S crude stocks rose by 1.32MB despite drawdowns in gasoline and distillates. Further bearish pressure came as sanctions on Iran were lifted. The potential for additional Iranian oil exports is being reflected in the prompt timespread for Brent which is nearing a bearish structure in an indication market tightness is easing. However, Goldman Sachs estimate Brent to reach $80/bbl in Q4 due to a vaccine-driven increase in global demand even with higher Iranian exports.

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