TRIDENT

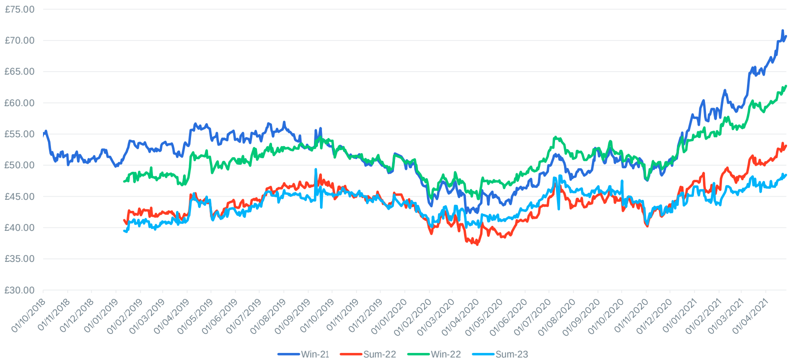
360° ENERGY EXPERTISE

Weekly Energy Report

26 April 2021

Power

Power Baseload (£/MWh)



Price (£/MWh)

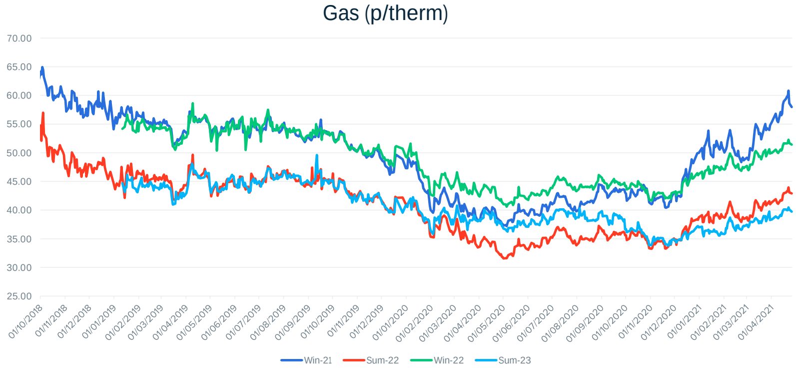
Contract		Previous Weeks Close		Last Weeks Close	
May-21	£	61.01	£	61.57	▲
Jun-21	£	62.17	£	62.52	▲
Jul-21	£	61.22	£	61.26	▲
Q3-21	£	61.43	£	61.68	▲
Q4-21	£	68.11	£	68.51	▲
Win-21	£	69.87	£	69.87	▬
Sum-22	£	52.66	£	52.46	▼
Win-22	£	61.67	£	61.91	▲
Sum-23	£	47.60	£	48.00	▲
Win-23	£	58.78	£	58.77	▼
Sum-24	£	47.94	£	48.80	▲

Summary

The May 21 baseload contract increased by £0.56/MWh whereas the Winter 21 contract traded flat, with Summer 22 falling by £0.20/MWh over the week. Bullish weather fundamentals and below seasonal normal wind output helped to keep prompt prices supported. This led to further reliance on gas-fired output to meet demand which averaged over 41% of the generation mix compared to total renewables at 37% mainly due to strong solar output. The system was placed under further stress as interconnector imports were hindered by 2GW following continued maintenance at IFA2 and an extended unplanned outage at BritNed that are now expected to return on 12th May and 19th May respectively. The ElecLink cable, an interconnector that will eventually provide a further 1GW of power between France and the UK has also been postponed, now expected to start on 22nd August. Seasonal contracts tracked movements in the carbon market which traded at another all-time high and lifted the spark spreads, however upside was limited following a strong sell-off in the gas market on Friday. The December 21 EUA gained €2.57/tonne on the week, settling at €46.95/tonne. The contract surged to a new high of €47.35/tonne by Thursday on compliance buying and as the EU agreed to raise the 2030 emissions reduction target to at least 55% below 1990 levels. This week, EU leaders will discuss making the transport and buildings sectors pay for their CO2 emissions. In the meantime, the market will be watching closely to see if the recent rally has further to go, or whether short-term bearish factors will come into play. Prices could be weighed down by softer seasonal demand for gas, putting downward pressure on the implied coal-to-gas switching price for electricity generation. Compliance buying may also run out of steam following the deadline on 30th April. According to Reuters prices are expected to average €46.28/tonne in 2021 and €55.67/tonne in 2022.

Gas

Gas (p/therm)



Price (p/therm)

Contract	Previous Weeks Close	Last Weeks Close	
May-21	51.15	50.72	▼
Jun-21	51.63	51.67	▲
Jul-21	50.23	49.61	▼
Q3-21	50.55	49.87	▼
Q4-21	57.39	57.22	▼
Win-21	58.96	58.61	▼
Sum-22	42.95	43.08	▲
Win-22	51.65	51.69	▲
Sum-23	40.10	40.08	▼
Win-23	49.35	49.33	▼
Sum-24	41.02	41.02	▬

Summary

The May 21 and Winter 21 contracts decreased by 0.43p/therm and 0.35p/therm whilst the Summer 22 NBP contract increased by 0.13p/therm. Despite an overall drop, the market was rallying over the first four trading days last week on low wind output, colder than average temperatures and reduced pipeline volumes from Norway due to planned maintenance leading to continued drawdowns on storages in what is now the injection season. Whilst gas storages have drained, reaching 5-year lows at 19% capacity, LNG facilities have filled up close to levels seen this time last year with a further 7 ships heading towards the UK. Price support also came from higher Asian demand for LNG on expectations of a hot summer, driving some supply away from the European and UK market. On Friday, all gains were erased following the announcement that Russia pulled back military exercises at the border with Ukraine, which reduced tensions in the region that has been building in recent weeks. This may lead to more Russian gas flowing into central Europe, reducing supply risk and enable injections into storages for Winter. The June 21 Brent contract dropped by $0.59/bbl over the week, settling at $66.11/bbl. There was some optimism over an improving pandemic outlook in Europe, but this was countered by the deteriorating situation in India and Japan which may drive down fuel demand in the world's third and fourth biggest oil importer. Further pressure came as the latest EIA U.S crude inventory data showed a build of 0.59MB. The market was also adjusting to a planned increase in OPEC+ oil output by more than 2mbpd in stages over the three months to July. Meanwhile, pressure may also come on the possibility of increased oil exports from Iran after signs emerged that the US-Iran nuclear deal negotiations are progressing well.