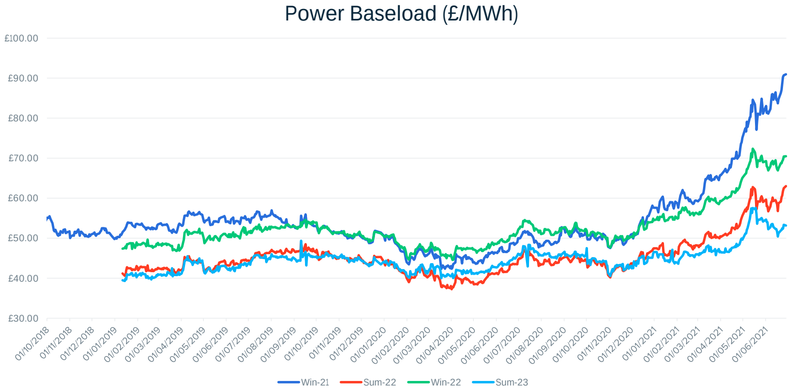
TRIDENT
360° ENERGY EXPERTISE

Weekly Energy Report

28 June 2021

Power



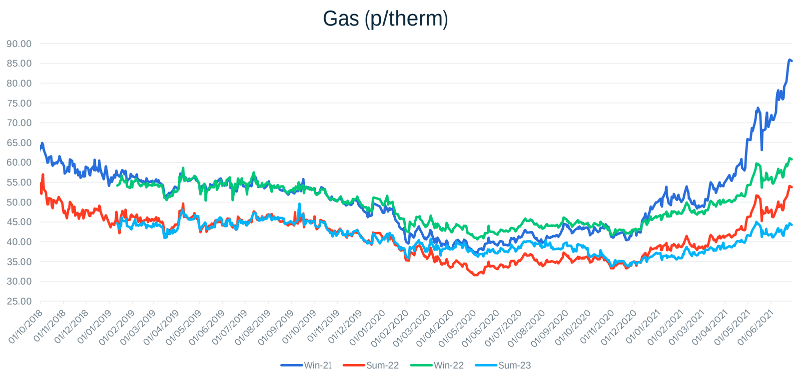
Price (£/MWh)

Contract		Previous Weeks Close		Last Weeks Close	
Jul-21	£	76.99	£	84.13	▲
Aug-21	£	76.94	£	83.04	▲
Sep-21	£	78.60	£	83.45	▲
Q3-21	£	77.50	£	83.54	▲
Q4-21	£	84.33	£	90.45	▲
Win-21	£	84.73	£	90.72	▲
Sum-22	£	58.75	£	62.50	▲
Win-22	£	67.45	£	70.44	▲
Sum-23	£	51.26	£	53.36	▲
Win-23	£	64.47	£	64.43	▼
Sum-24	£	50.83	£	53.43	▲

Summary

The July 21, Winter 21 and Summer 22 baseload contracts increased by £7.14/MWh, £5.99/MWh and £3.75/MWh respectively from the previous weeks close. The Torness nuclear reactors had an extra 20 days of maintenance which added to concerns of already tight power margins, supporting the near curve. Tight supply fundamentals in the gas market and stronger carbon prices also pushed contracts higher. Low renewable generation led to higher gas for power demand which added to the bullish momentum. Wind output is expected to be around 10-13% of load factor this week and falling to around 6-12% next week, which may keep strong demand for thermal generation. In addition, temperatures for the start of July are now forecast around 1-2°C above seasonal average which may lift cooling demand and add further price support. The December 21 EUA contract increased by €3.15/tonne over the week, settling at a five-week high of €55.05/tonne. The market was boosted by surging energy prices and supported following reports that EU officials were poised to propose multiple ETS reforms as the framework for future legislation was passed in the European Climate Law. The European Commission will present its 2030 climate policy which will include EU carbon market reforms, tougher CO2 standards for new cars, and more ambitious renewable energy targets on 14th July. The UK market traded at a discount to the EU market as the moving parts of the UK system continue to evolve and the low liquidity will likely continue to exacerbate price volatility until the traded market matures. There is another UK carbon auction this Wednesday where 6 million permits will be auctioned and may weigh on prices if the auction clears below the secondary market.

Gas



Price (p/therm)

Contract	Previous Weeks Close	Last Weeks Close	
Jul-21	71.83	79.88	▲
Aug-21	71.93	79.69	▲
Sep-21	72.71	80.35	▲
Q3-21	72.16	79.97	▲
Q4-21	77.79	84.89	▲
Win-21	79.08	85.93	▲
Sum-22	50.27	54.05	▲
Win-22	57.96	61.08	▲
Sum-23	42.55	44.66	▲
Win-23	51.47	53.43	▲
Sum-24	43.06	45.70	▲

Summary

The July 21, Winter 21 and Summer 22 NBP contracts increased by 8.05p/therm, 6.85p/therm and 3.78p/therm respectively from the previous weeks close. Planned and extended unplanned outages kept Norwegian gas flows below the 10-day average leading to a short system forecast. This led to high gas storage withdrawals which have depleted inventories to 14% of capacity, keeping the Winter 21 contact well supported. LNG supply remains a major concern as European gas markets are competing for spot LNG volumes from the U.S Gulf Coast, but with shipping rates in the Pacific and the Atlantic almost similar, LNG is incentivised to head towards the premium Asian market rather than to Europe. This led to just 10 LNG shipments in June with no scheduled arrivals over the next fortnight. Uncertainty around Nord Stream 2 also persists with speculation around when the pipeline will be operational this winter or whether additional transit capacity will be booked by Gazprom if the pipeline does not flow gas this year. August 21 Brent contract gained by $2.67/bbl over the week, settling at $76.18/bbl. Support was attributed to EIA data displaying U.S. crude inventories dropped to the lowest since March 2020 following a 7.61MB drawdown. The continuous draws are indicative of a market that is tightening. Against this backdrop, the OPEC+ members will meet on 1st July, with expectations the producer group will consider raising production by 500,000bpd in August to take advantage of the bright demand outlook and secure a larger market share. Key energy markets including the U.S. and China have seen a strong rebound from Covid-19, boosting fuel consumption and helping to drain bloated inventories built up during the pandemic. Meanwhile, negotiations between Iran and the U.S. to revive the 2015 nuclear deal are expected to resume in the coming days after a monitoring agreement between the two sides expired during the previous week. A deal would see 1.5mbpd Iranian crude exports added to the global market which may keep OPEC cautious about increasing supply.