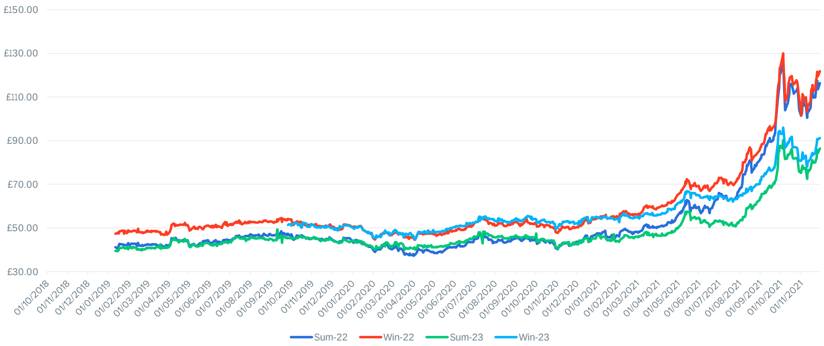
TRIDENT
360° ENERGY EXPERTISE

Weekly Energy Report

29 November 2021

Power

Power Baseload (£/MWh)



Price (£/MWh)

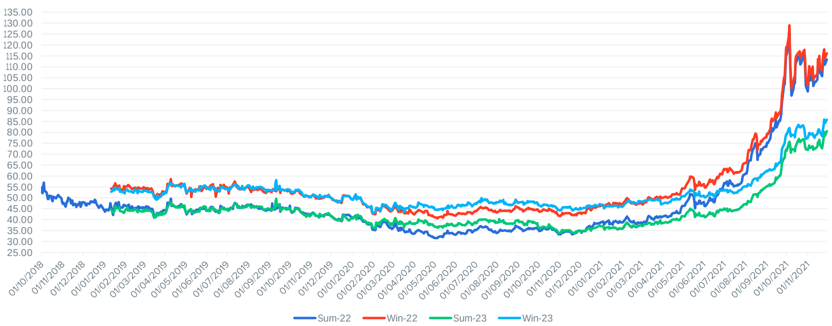
Contract		Previous Weeks Close		Last Weeks Close	
Dec-21	£	223.78	£	248.68	▲
Jan-22	£	245.63	£	287.98	▲
Feb-22	£	228.85	£	260.30	▲
Q1-22	£	220.93	£	247.91	▲
Q2-22	£	113.56	£	117.03	▲
Sum-22	£	109.73	£	113.56	▲
Win-22	£	112.90	£	119.57	▲
Sum-23	£	79.91	£	84.37	▲
Win-23	£	83.46	£	90.52	▲
Sum-24	£	62.49	£	64.31	▲

Summary

The December 21, Summer 22 and Winter 22 baseload contracts gained by £24.90/MWh, £3.83/MWh and £6.67/MWh respectively over the week. Bullish price action was supported by higher gas and carbon prices following below seasonal normal temperature forecasts and tight supply margins this winter. Reliance on gas-fired generation remained the highest averaging 41% whereas renewables averaged 36% over the week with continued exports into France, reducing capacity further. The North-Sea interconnector was expected to operate at full capacity from 5th December however, this has now been delayed to 15th January 2022. Q1 2022 continues to look tighter due to French nuclear maintenance and low levels on the River Rhine which are key drivers for the coming months that could see continental prices influence the UK market and drive volatility, given how closely the UK and continent are connected. The December 21 EUA gained by €3.42/tonne over the week, settling at €72.78/tonne. The December 21 UKA gained £5.81/tonne over the week, settling at £69.25/tonne. Both markets took direction from a downward revision in weather forecasts for central Europe indicating below seasonal normal temperatures for next month as well offering support to thermal generation and the greater need for carbon permits. Biggest increases were seen after the mid-week as a result of Germany's incoming government publishing plans to adopt a minimum price of €60/tonne for carbon to reduce greenhouse gas emissions. The UK ETS will face its first regulatory test at the start of December as the market's Cost Containment Mechanism (CCM) will be triggered this month, though sources are fairly divided as to if and how the government will ultimately intervene.

Gas

Gas (p/therm)



Price (p/therm)

Contract	Previous Weeks Close	Last Weeks Close	
Dec-21	219.51	229.83	▲
Jan-22	226.3	227.5	▲
Feb-22	225.78	227.56	▲
Q1-22	215.64	219.1	▲
Q2-22	111.58	114.9	▲
Sum-22	107.45	111	▲
Win-22	110.1	113.84	▲
Sum-23	74.39	78.33	▲
Win-23	79.98	84.16	▲
Sum-24	59.05	61.14	▲

Summary

The December 21, Summer 22 and Winter 22 NBP contracts gained by 10.32p/therm, 3.55p/therm and 3.74p/therm respectively over the week. Prices remained bullish, taking direction from above seasonal normal demand due to the colder weather. There was also speculation that Nord Stream 2 pipeline flows may not start before September 2022 following the suspension of the certification process by Germany's network regulator. Russian gas flows through Mallnow also dropped from 280GWh to lows of 229GWh. This continued to influence the seasonal contracts especially as European stocks declined further to 70% capacity. The LNG market continues to be competitive following risk of colder weather in Asia, however the UK stocks have lifted after welcoming 13 LNG cargoes so far this month with further 9 expected for December which capped gains on the front month. The January 22 Brent contract posted a loss of $6.17/bbl over the week, settling at $72.72/bbl. Prices were holding strong for the majority of the week as major oil-consuming economies announced a coordinated release of their strategic petroleum reserves that could add about 70-80MB. The impact of the oil release will be short-lived as it is too small to ease the demand-supply imbalance. Prices saw some resistance in the mid-week as the U.S dollar continued to strengthen and the EIA posted a 1.01MB build in U.S crude stocks, leaving stockpiles around 7.2% behind the 5-year average for this time of year. Prices then plunged by more than 10% on Friday as the new Omicron variant of the coronavirus posed concerns about the outlook for energy demand. The market awaits the next OPEC+ meeting on the 2nd December to see whether the group will hold off on its monthly output increase in light of the recent surge in COVID-19 infections and strategic petroleum reserve releases by major oil importing nations.