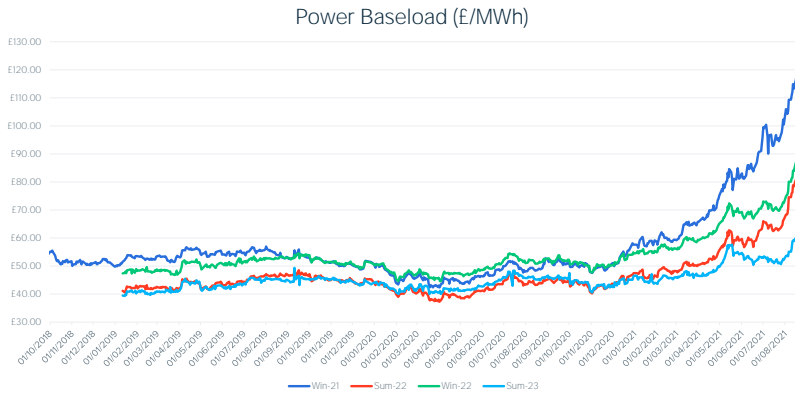


Weekly Energy Report

30 August 2021

Power

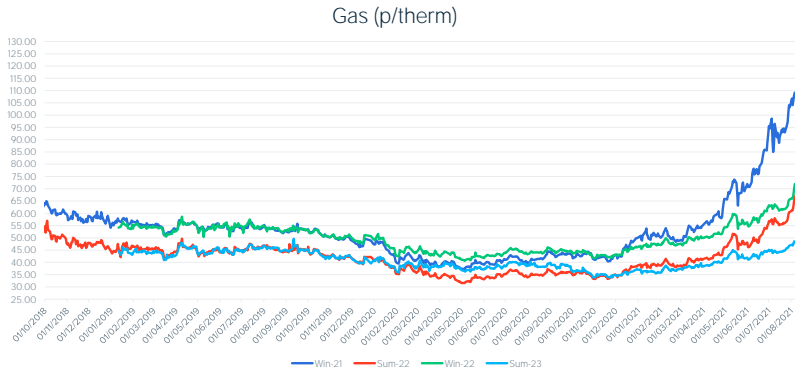


Contract	Price (£/MWh)		
	Previous Weeks Close	Last Weeks Close	
Sep-21	£ 101.48	£ 113.03	▲
Oct-21	£ 104.83	£ 115.31	▲
Nov-21	£ 109.90	£ 120.82	▲
Q4-21	£ 108.42	£ 118.31	▲
Q1-22	£ 105.80	£ 116.54	▲
Win-21	£ 107.13	£ 117.43	▲
Sum-22	£ 76.13	£ 79.66	▲
Win-22	£ 81.50	£ 84.12	▲
Sum-23	£ 58.79	£ 61.89	▲
Win-23	£ 68.23	£ 69.94	▲
Sum-24	£ 55.51	£ 56.89	▲

Summary

The October 21, Winter 21 and Summer 22 baseload contracts increased by £10.48/MWh, £10.30/MWh and £3.53/MWh respectively from the previous weeks close. At the prompt, improving nuclear availability helped supply margins and squeezed spark spreads slightly however prices were more influenced by Norwegian outages and low wind output averaging 4.31GW over the week, leading to higher requirement for gas-fired generation averaging 12.04GW. Supply margins could look better for the winter should the North Sea Link be commissioned and certified soon, but any delays will bring more risk into the front season contract. Demand forecasts are moving lower on expectations that both temperatures and wind will improve later in the week. Seasonal contracts remained supported over higher carbon pricing as auction supply will be tighter. The December 21 EUA increased by €5.42/tonne over the week, settling at €60.76/tonne. European auctions have been clearing with high demand for permits following increases in gas and coal prices. From this week auction volumes increase, although they will be lower than in the first half of the year due to more being put into the Market Stability Reserve. The UK carbon market traded at a premium to EUA's and the auction cleared close to the secondary market at £48.75/tonne, with a 3.32 bid-to-cover ratio indicating strong demand for permits. UK carbon auction volumes will also decrease to 5.18 million UKA's, compared to the first half of the year which saw 6.05 million UKA's.

Gas



Contract	Price (p/therm)		
	Previous Weeks Close	Last Weeks Close	
Sep-21	104.76	118.09	▲
Oct-21	107.39	122.61	▲
Nov-21	110.86	125.58	▲
Q4-21	110	124.92	▲
Q1-22	108.11	122.49	▲
Win-21	109.05	123.71	▲
Sum-22	69.35	72.73	▲
Win-22	74.28	76.74	▲
Sum-23	51.91	54	▲
Win-23	59.1	60.88	▲
Sum-24	46.46	48.02	▲

Summary

The October 21, Winter 21 and Summer 22 NBP contracts increased by 15.22p/therm, 14.66p/therm and 3.38p/therm respectively from the previous weeks close. The market was supported by scheduled outages in Norway during September and an extended unplanned outage at the Nyhamna processing plant keeping an additional 19.8mcm of gas offline. The delay in the construction of the final section of Nord Stream 2 and anticipation of a German court ruling regarding the pipeline led to further price increases as it remains key to relieving the tight European market. On Wednesday, the court ruled that no gas production company can simultaneously be the owner of the pipeline through which the gas it produces is transported. This means that the operator of Nord Stream 2 must be independent of Gazprom, and 50% of its capacity must be made available to other suppliers. Nord Stream 2 will now have to continue their application to act as a Transmission System Operator, which could take until February for final approval. Low European gas inventories, lack of LNG supply growth outside of the US and expectations of steep winter LNG prices in Asia were other underlying bullish factors for this winter period. The October 21 Brent contract increased by \$4.66/bbl over the week, settling at \$73.41/bbl. Concerns around the rising Delta variant were shrugged off by Mexico suffering a substantial production outage as supply fell by more than 400,000bpd after a fire on an oil platform. Further support for prices came in the mid-week as EIA U.S. crude inventory data posted a 2.97MB drawdown, bringing inventory levels to roughly 6% below the 5-year seasonal average, with higher-than-expected drawdowns in gasoline stocks. A weaker U.S. dollar has also helped increase prices after dovish comments from the Federal Reserve Chairman regarding central banks to begin tapering its bond buying programme later than expected. Oil production is also impacted by Hurricane Ida which closed as much as 1.7mbpd of crude production and 12% of the total US refining capacity. OPEC+ are due to meet on 1st September where discussions around the planned increase in supply will take place.