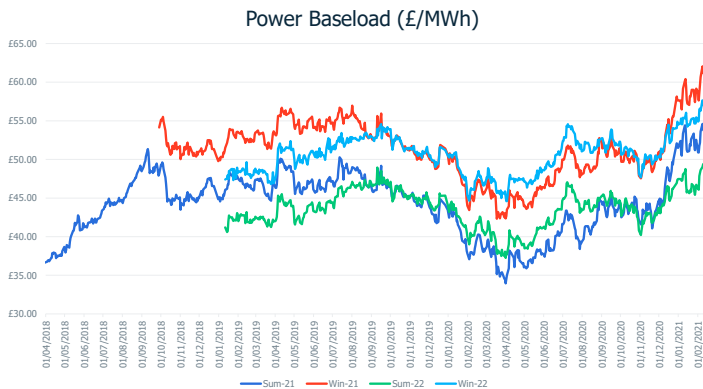


Weekly Energy Report

22 February 2021

Power

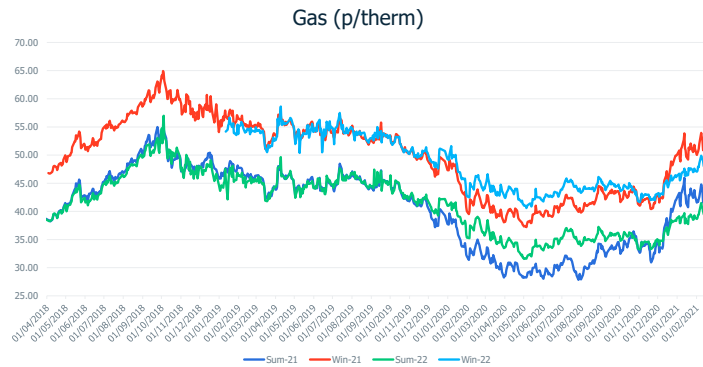


Contract	Price (£/MWh)		
	Previous Weeks Close	Last Weeks Close	
Mar-21	£ 55.43	£ 54.15	▼
Apr-21	£ 55.75	£ 53.03	▼
May-21	£ 52.55	£ 50.63	▼
Q2-21	£ 53.33	£ 51.34	▼
Q3-21	£ 53.17	£ 50.85	▼
Sum-21	£ 53.25	£ 51.09	▼
Win-21	£ 60.00	£ 59.25	▼
Sum-22	£ 49.07	£ 48.26	▼
Win-22	£ 57.75	£ 56.05	▼
Sum-23	£ 46.63	£ 45.73	▼
Win-23	£ 55.76	£ 54.66	▼

Summary

The March 21, Summer 21 and Winter 21 baseload contracts decreased by £1.28/MWh, £2.16/MWh and £0.75/MWh respectively from the previous weeks close. The power contracts followed the gas market on comfortable supply fundamentals and a technical sell-off in the carbon market. Milder weather conditions led to a fall in demand and higher renewable generation put less stress on the system reflected by the near curve prices. Renewables accounted for 46% of the generation mix over the week mostly from wind generated power whilst gas-fired output was much lower at 29%. Temperatures are forecast to remain above seasonal normal this week and then return closer to the average in the first half of March. The December 21 EUA decreased by €2.79/tonne on the week, settling at €37.40/tonne. It was another volatile week for carbon with the contract setting an all-time high on Monday of €40.64/tonne. Since then, the market gains were exposed to potential downside risk, notably from an expected end to the cold snap in Europe, returning nuclear generation and the passing of the annual compliance period. An introduction of a new price floor of £22/tonne has been announced for the UK ETS rising from £15/tonne, and details of a cost containment mechanism (CCM) have emerged. The CCM will work to reduce any erratic price movements with "trigger levels" to review supply structure. However, it is rational that the UK carbon price may edge ahead of the EU price simply because the UK has more aggressive emission reduction targets. Auctions for the scheme are expected to start in March.

Gas



Contract	Price (p/therm)		
	Previous Weeks Close	Last Weeks Close	
Mar-21	44.85	42.10	▼
Apr-21	43.06	41.23	▼
May-21	41.30	39.56	▼
Q2-21	41.78	40.00	▼
Q3-21	41.62	39.99	▼
Sum-21	41.70	40.00	▼
Win-21	50.90	49.45	▼
Sum-22	39.51	38.57	▼
Win-22	48.08	47.20	▼
Sum-23	37.14	36.83	▼
Win-23	48.46	47.72	▼

Summary

The March 21, Summer 21 and Winter 21 NBP contracts decreased by 2.75p/therm, 1.70p/therm and 1.45p/therm respectively from the previous weeks close. The two main elements behind this drop were an upward revision in temperature forecasts and a recovery in LNG supply after a flurry of shipments from the U.S and Russia, with a return of Qatari cargoes expected later this month. Both factors have reduced the reliance on storage withdrawals going forward as stock levels in the UK are at 49% of medium range capacity, just below the 5-year average, and LNG stocks are higher than this time last year. There was a brief surge in prices during the week after some unplanned outages in Norway and weather-related LNG supply disruptions in the U.S however this risk was proven to be short lived. The April 21 Brent contract gained \$0.72/bbl over the week, settling at \$62.91/bbl. The first half of the week saw prices rise after fears of heightened tensions in the Middle East as Saudi Arabia intercepted drone attacks aimed at their oil facilities. Furthermore, a cold snap shut wells and refineries in Texas, the biggest crude producing state in the U.S halting 1mbpd of production and around 3mbpd of refining. EIA displayed a 7.25MB drawdown in U.S stocks which have tightened to the 5-year average. In the second half of the week prices fell the most in nearly a month as some U.S. refineries may bring forward about 500,000bpd of maintenance work normally scheduled for the spring, over next month. This could see a build in U.S crude stocks over March as refinery capacity would return slower than production. OPEC+ is set to meet on 4th March where supply cuts are expected to ease from the start of April, which would bring 2.2mbpd of output back to the market.