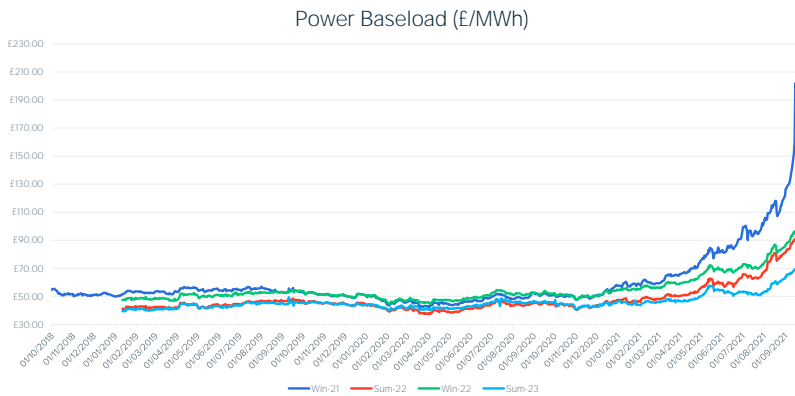


Weekly Energy Report

27 September 2021

Power

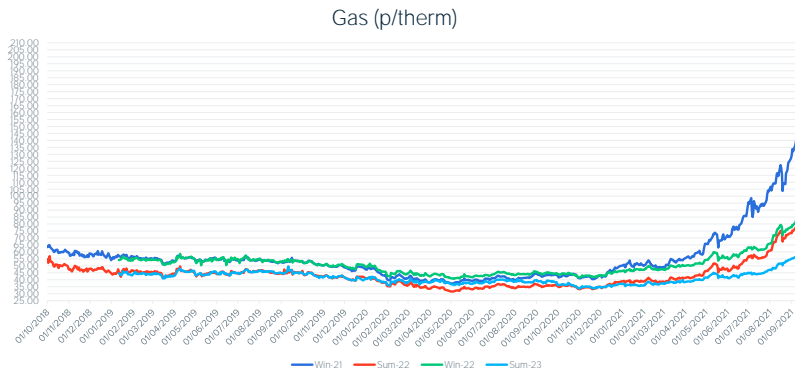


Contract	Price (£/MWh)		
	Previous Weeks Close	Last Weeks Close	
Oct-21	£ 162.03	£ 186.01	▲
Nov-21	£ 165.87	£ 198.25	▲
Dec-21	£ 164.28	£ 186.76	▲
Q4-21	£ 164.04	£ 190.26	▲
Q1-22	£ 159.59	£ 177.56	▲
Win-21	£ 161.84	£ 183.98	▲
Sum-22	£ 89.46	£ 99.16	▲
Win-22	£ 94.71	£ 99.61	▲
Sum-23	£ 68.40	£ 71.90	▲
Win-23	£ 76.21	£ 81.53	▲
Sum-24	£ 62.34	£ 64.53	▲

Summary

The October 21, Winter 21 and Summer 22 baseload contracts increased by £25.35/MWh, £24.35/MWh and £11.95/MWh respectively over the week. The curve was supported by bullish oil, coal, gas and carbon markets with higher spark spreads following ongoing concerns of a tight system during Winter after the IFA 1 interconnector outage was extended. Small suppliers continued to impact the market as a total of 5 suppliers have gone bust in recent weeks and the energy minister on Thursday announced the UK will not be bailing out small suppliers who go bust. In the generation mix, gas-fired output accounted for 36% whilst renewables averaged 41% over the week. Supply margins are expected to improve with wind generation forecast to remain above seasonal normal for the next week which will limit gas for power demand and may keep day-ahead contracts at a discount to the front season. The new North Sea Link is also due to be operational on 1st October at reduced capacity of 700MW due to security reasons. The December 21 EUA gained €3.46/tonne over the week, settling at €62.94/tonne whilst UK carbon market gained by €9.60/tonne widening UKA/EUA spread by £10.81/tonne. This is related to limited supply in UKA's compared to the EU counterparts with signs of increasing investor interest. The UK auctioned 5.2m allowances on Wednesday which cleared £0.49/tonne below the secondary market with a bid-to-cover ratio of 1.86 indicating demand for permits are strong. A higher coal-to gas fuel switching price also leads to further support as profitability for carbon intensive coal generation remains higher than gas-fired output for this quarter.

Gas



Contract	Price (p/therm)		
	Previous Weeks Close	Last Weeks Close	
Oct-21	162.8	175.95	▲
Nov-21	168.15	183.95	▲
Dec-21	169.72	185.95	▲
Q4-21	166.88	181.93	▲
Q1-22	164.8	180.87	▲
Win-21	165.85	181.4	▲
Sum-22	83	93.56	▲
Win-22	87.12	96.84	▲
Sum-23	58.84	65.88	▲
Win-23	65.1	72.31	▲
Sum-24	50.65	65.69	▲

Summary

The October 21, Winter 21 and Summer 22 NBP contracts increased by 13.15p/therm, 15.56p/therm and 10.57p/therm respectively over the week. Prices remained bullish as Gazprom only booked 30.75mcm/d out of 87.2mcm/d natural gas transportation capacity offered on the Yamal pipeline from October and no additional transit capacity booked through Ukraine, tightening supply into Europe and increasing prices across the curve. There was some softness towards the middle of the week driven by improved supply fundamentals as a reduction in Norwegian outages brought gas flows back to the 10-day average along with UK gas storage levels at 96% capacity. Norway has agreed to increase natural gas annual exports to the rest of Europe and Britain by 2bcm for the 2021 gas year, with 1bcm more gas coming from both Troll and Oseberg. Longer term market drivers remain unchanged as demand for LNG in Asia continues to remain high leading to increased LNG prices in the region and keeping deliveries to Europe limited. The November 21 Brent contract increased by \$2.75/bbl over the week, settling at \$78.09/bbl. Global oil demand is expected to reach pre-pandemic levels in 2022 according to OPEC estimates. High gas prices may also lead to some gas to oil switching, which would be supportive of oil demand. This stronger demand coupled with supply losses in excess of 30 million barrels from the US Gulf of Mexico due to Hurricane Ida suggest a tighter than expected market. Despite the proportion of offline production easing, full production recovery is not expected until early 2022, with Shell reporting extensive damage to its infrastructure. US crude oil inventories fell by 3.48MB on the week to 414MB adding further support. Further direction will come from the next OPEC meeting on 4th October where discussions about the strength of the energy market will take place.