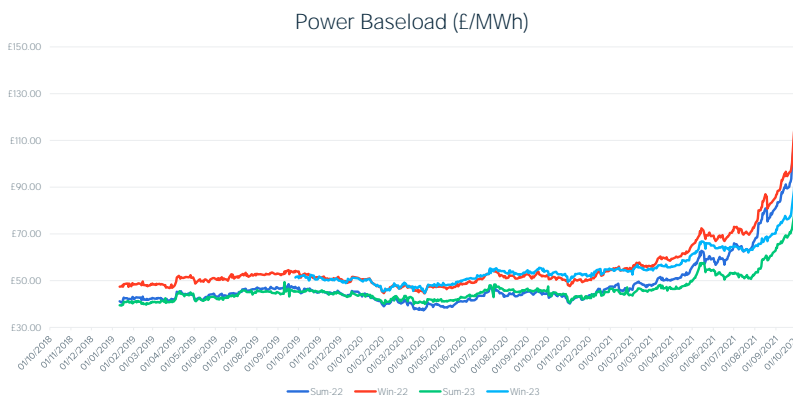


# Weekly Energy Report

## 11 October 2021

### Power

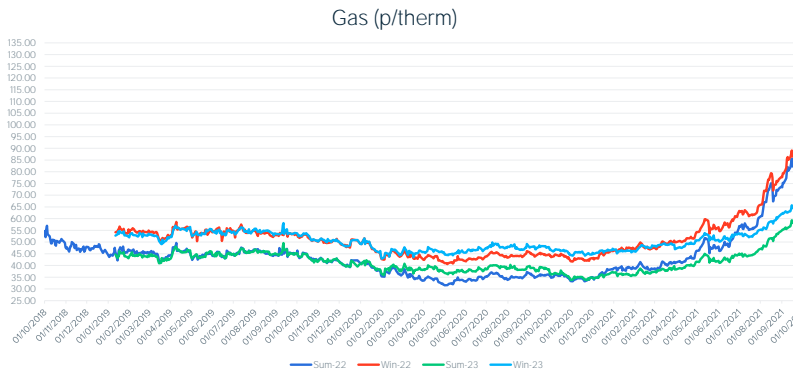


Contract	Price (£/MWh)		
	Previous Weeks Close	Last Weeks Close	
Nov-21	£ 250.11	£ 247.22	▼
Dec-21	£ 249.83	£ 244.14	▼
Jan-22	£ 251.64	£ 245.91	▼
Q1-22	£ 245.27	£ 245.31	▲
Q2-22	£ 122.37	£ 106.25	▼
Sum-22	£ 120.54	£ 103.96	▼
Win-22	£ 123.70	£ 107.91	▼
Sum-23	£ 87.69	£ 81.54	▼
Win-23	£ 93.06	£ 86.75	▼
Sum-24	£ 76.09	£ 70.51	▼
Win-24	£ 78.88	£ 76.87	▼

### Summary

The November 21, Summer 22 and Winter 22 UK baseload contracts dropped by £2.89/MWh, £16.58/MWh and £15.79/MWh respectively from the previous weeks close. It was another bullish start with prices tracking movements in gas and carbon markets on fear of supply adding risk into winter. In the generation mix gas-fired output and total renewables averaged 39% each across the week. The prompt market remained supported on a drop in temperature expectations, combined with low wind forecasts this week and extended nuclear outages keeping margins tight that will likely support thermal generation. The second half of the week saw prices tumble sharply as the Russian President announced more gas flows to Europe to help alleviate the supply tightness and wind forecasts for week 42 rose. The price fall in the carbon market also helped to alleviate pressure off UK power prices after the auction cleared at a £6 discount to the secondary market. The December 21 EUA posted a loss of €3.7/tonne over the week, settling at €58.33/tonne. The first half of the week saw support from the energy market with surging oil and gas markets. Selling action began from the mid-week from numerous bearish pressures including reports of a big emitter unwinding hedges and selling relating to margin calls. News also emerged that Poland will begin distributing free allowances to industrial installations for their 2021 output this week. The December 21 UKA dropped by £11.50/tonne on the week, settling at £62.36/tonne. The UK's fortnightly carbon allowance auction failed to sell out with just 80% of the units finding buyers amid below-market bids.

### Gas



Contract	Price (p/therm)		
	Previous Weeks Close	Last Weeks Close	
Nov-21	241.26	222.21	▼
Dec-21	247.52	230.49	▼
Jan-22	250.55	234.2	▼
Q1-22	242.83	226.34	▼
Q2-22	119.27	100.59	▼
Sum-22	115.67	96.8	▼
Win-22	118.4	100.25	▼
Sum-23	71.61	72.32	▲
Win-23	78.99	78.87	▼
Sum-24	59.92	58.37	▼
Win-24	70.54	70.65	▲

### Summary

The November 21, Summer 22 and Winter 22 NBP contracts posted a loss of 19.05p/therm, 18.87p/therm and 18.15p/therm respectively from the previous weeks close. It was another volatile week with significant gains during the first half of the week following cooler temperature forecasts and expectations of low wind output. Momentum was also driven by front month JKM LNG spiking to \$38/MMBtu over persisting supply uncertainties, strong Asian demand and greater volatility in European prices. However, the market took a steep downturn following comments by the Russian President to boost supplies to Europe and acting as a reliable partner. It remains unclear how much more Gazprom can do to boost supplies, with its own inventories holding over 70% less gas than a year ago, output already near historic highs at 1.5bcm/day and Russia's winter needs looming. Any indication of additional gas flows through Belarus or Ukraine would be key, while an early start-up of Nord Stream 2 would almost certainly see more gas come to Europe. Prices saw some support on Friday following a fire at a gas processing plant in Russia that mainly supplies to China with immediate implications of the fire not clear at the time. Despite the Russian President's positive supply comments, risk in Europe remains should colder weather arise especially as European gas storages remain at the lowest compared to the previous 8 years at just 76% capacity and LNG arrivals have slowed from the recent uptick as Asia and South America continue to attract global cargoes. The December 21 Brent contract increased by \$3.11/bbl over the week, settling at \$82.39/bbl. The week started with OPEC+ deciding to maintain its planned gradual increase of supply of 400,000bpd. This pushed prices higher as the reduced production curbs are expected to keep the market undersupplied in the near term. There were some headwinds during the mid-week as the EIA posted a 2.34MB build in US crude stocks over the week to 420.89MB, putting inventories at a four-week high but still around 7% behind the 5-year average. However, prices rose towards the end of the week as an acceleration in gas-to-oil switching could boost crude oil demand used to generate power this coming winter.