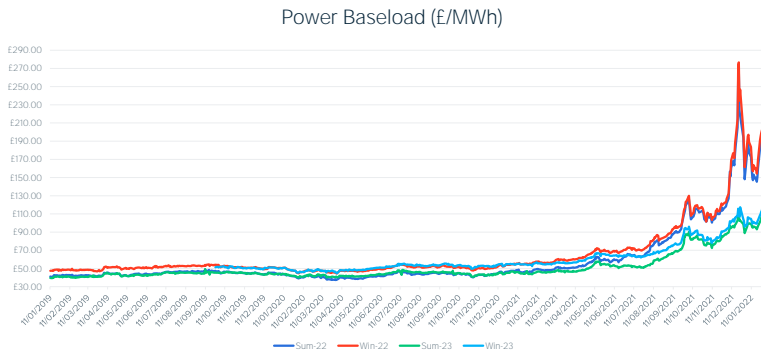


# Weekly Energy Report

## 31 January 2022

### Power

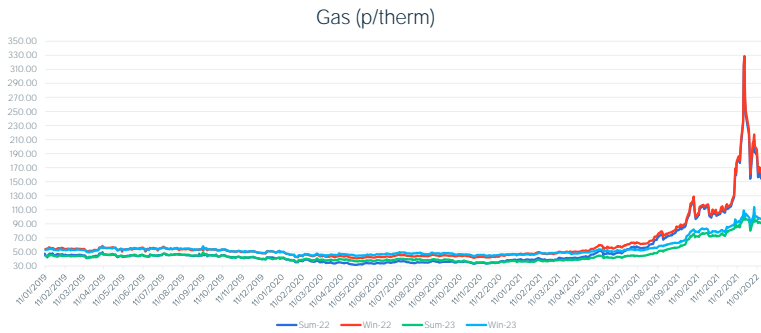


| Contract | Price (£/MWh)        |                  |   |
|----------|----------------------|------------------|---|
|          | Previous Weeks Close | Last Weeks Close |   |
| Mar-22   | £ 188.36             | £ 219.83         | ▲ |
| Apr-22   | £ 169.44             | £ 215.66         | ▲ |
| May-22   | £ 178.32             | £ 213.65         | ▲ |
| Q2-22    | £ 167.10             | £ 214.14         | ▲ |
| Q3-22    | £ 166.20             | £ 213.63         | ▲ |
| Sum-22   | £ 166.65             | £ 213.88         | ▲ |
| Win-22   | £ 174.16             | £ 222.18         | ▲ |
| Sum-23   | £ 91.00              | £ 112.93         | ▲ |
| Win-23   | £ 99.15              | £ 119.48         | ▲ |
| Sum-24   | £ 67.82              | £ 78.87          | ▲ |

### Summary

The March 22, Summer 22 and Winter 22 contracts increased by £31.47/MWh, £47.23/MWh and £48.02/MWh respectively from the previous weeks close. The front month saw less of an increase compared to seasonal contracts due to above seasonal normal temperatures and strong wind generation forecasts. This led to reduced demand for gas-fired generation compared to the previous week, averaging 38% of the power generation mix whereas renewables lifted to 38%. Contracts further out saw support from continued gains in the carbon market along with continued Russia/Ukraine tensions. The December 22 EUA increased by €4.75/tonne over the week, settling at €89.22/tonne and the December 22 UKA gained by £6.70/tonne, settling at £84.70/tonne. As part of possible sanctions should Russia invade Ukraine, Germany has said it could halt the Nord Stream 2. Russia has said the pipeline, which crosses the Baltic Sea from Russia to Germany, could calm gas markets by increasing supplies. High gas prices make it more economical for some generators to burn coal, which produces around double the amount of carbon dioxide emissions as gas plants which led to auctions performing strongly. The UK carbon auction cleared at the highest price to date at £81/tonne with a 2.29 bid to cover ratio, indicating high demand for permits.

### Gas



| Contract | Price (p/therm)      |                  |   |
|----------|----------------------|------------------|---|
|          | Previous Weeks Close | Last Weeks Close |   |
| Mar-22   | 208.13               | 189.31           | ▼ |
| Apr-22   | 206.71               | 188.36           | ▼ |
| May-22   | 168.13               | 169.44           | ▲ |
| Q2-22    | 164.04               | 167.1            | ▲ |
| Q3-22    | 161.84               | 166.2            | ▲ |
| Sum-22   | 162.94               | 166.65           | ▲ |
| Win-22   | 170.83               | 174.16           | ▲ |
| Sum-23   | 92.66                | 91               | ▼ |
| Win-23   | 98.01                | 99.15            | ▲ |
| Sum-24   | 69.02                | 67.82            | ▼ |

### Summary

The March 22 contract decreased by 18.82p/therm whilst the Summer 22 and Winter 22 contracts increased by 3.71p/therm and 3.33p/therm respectively from the previous weeks close. Losses on the near curve was led by record LNG imports to the UK, ending the month with 34 deliveries keeping storage above previous year's levels. Gazprom also booked some daily gas nominations through Ukraine which also kept prompt prices capped. Risk of invasion and the pursuing sanctions which may be placed on Russia by various countries continued to feed volatility in seasonal contract prices as it poses potential threat to long term supply. European storage levels are currently depleted to 39% capacity with close to 9 weeks of Winter remaining. The March 22 Brent contract gained by \$2.14/bbl over the week, settling at \$90.03/bbl. Concerns over potential supply disruptions were mounting up due to geopolitical tensions rise in both Eastern Europe and the Middle East. From the mid-week, EIA data provided some headwinds after displaying a 2.37MB build in U.S. crude stocks. Furthermore, Federal Reserve signalled that it could increase interest rates as soon as March 2022 to suppress inflation which capped gains towards the end of the week. OPEC+ are set to meet on 2ND February whereby a further 400,000bpd hike in production is expected.