

Weekly Energy Report

07 June 2021

Power

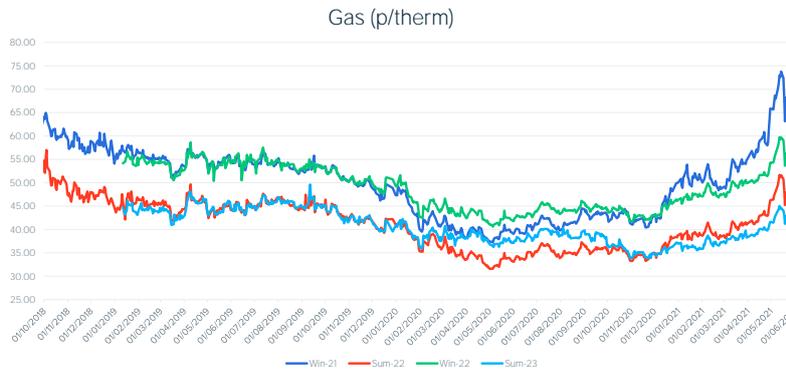


| Contract | Price (£/MWh) | | |
|----------|----------------------|------------------|---|
| | Previous Weeks Close | Last Weeks Close | |
| Jul-21 | £ 74.32 | £ 73.53 | ▼ |
| Aug-21 | £ 72.48 | £ 73.30 | ▲ |
| Sep-21 | £ 75.33 | £ 75.63 | ▲ |
| Q3-21 | £ 74.03 | £ 74.14 | ▲ |
| Q4-21 | £ 80.45 | £ 80.26 | ▼ |
| Win-21 | £ 81.12 | £ 81.12 | ▬ |
| Sum-22 | £ 59.05 | £ 56.73 | ▼ |
| Win-22 | £ 68.98 | £ 66.95 | ▼ |
| Sum-23 | £ 54.15 | £ 52.24 | ▼ |
| Win-23 | £ 64.99 | £ 63.84 | ▼ |
| Sum-24 | £ 54.23 | £ 53.69 | ▼ |

Summary

The July 21 and Summer 22 baseload contracts posted losses of £0.79/MWh and £2.32/MWh whilst the Winter 21 contract traded flat. The front month did not fall as much as Summer 22 as low wind output exacerbated the impact of curtailed gas supply, due to higher gas for power demand. However, the drop in prompt prices were attributed to renewables dominating the generation mix averaging 41% over the week whereas gas-fired output averaged 32%. The BritNed interconnector was also expected to return online this week after being delayed on two occasions, bringing back 1GW of flexible capacity. Although current forecasts suggest temperatures close to seasonal normal in the second half of June which may ease cooling demand, wind generation is remain below seasonal average over the week which could add some support. The December 21 EUA lost €1.06/tonne over the week, settling at €49.57/tonne. Losses were particularly pronounced from Wednesday following the second UK ETS auction, clearing at £44.75/tonne and as the potential for free allocations of allowances may come this month. There is a potential risk that the CCM could be triggered as it has been trading above the £44.74/tonne mark which may lead the government to add supply and limit upside. The European Commission is due to propose its carbon border tariff policy on 14th July which is designed to put EU firms on an equal footing with competitors in countries with weaker carbon policies than those of the 27-nation bloc. Carbon emissions costs on imported goods include steel, cement and electricity.

Gas



| Contract | Price (p/therm) | | |
|----------|----------------------|------------------|---|
| | Previous Weeks Close | Last Weeks Close | |
| Jul-21 | 60.68 | 62.71 | ▲ |
| Aug-21 | 60.49 | 62.52 | ▲ |
| Sep-21 | 60.97 | 62.87 | ▲ |
| Q3-21 | 60.71 | 62.70 | ▲ |
| Q4-21 | 67.44 | 69.28 | ▲ |
| Win-21 | 68.95 | 70.76 | ▲ |
| Sum-22 | 47.27 | 46.36 | ▼ |
| Win-22 | 55.50 | 54.84 | ▼ |
| Sum-23 | 41.61 | 41.30 | ▼ |
| Win-23 | 50.66 | 50.37 | ▼ |
| Sum-24 | 42.14 | 41.81 | ▼ |

Summary

The July 21 and Winter 21 NBP contracts increased by 2.03p/therm and 1.81p/therm whilst the Summer 22 contract decreased by 0.91p/therm over the week. One of the key aspects for the coming months will be how much LNG comes to Europe, as that will dictate how fast storages can fill, especially through the upcoming increase in Norwegian maintenance and Nord Stream outage in July. We have seen two LNG arrivals already this month with a further eight expected over the next 10 days. JKM LNG prices now trades at a premium to NBP following a shut-in of South Korea's biggest nuclear reactor due to a fire and high Chinese demand for LNG which adds to further global LNG competition. The warm start to June has seen an increase in gas storage levels to 19% which may provide some support if withdrawals are needed against an emergency shut down at Norway's Kollsnes processing plant on Wednesday that will take 146.5mcm capacity offline. Bearish pressure was seen on the far curve following weaker carbon prices and positive news on the construction of Nord Stream 2 expected to be completed by the end of year. The August 21 Brent contract gained by \$3.17/bbl over the week, settling at the highest since October 2018 at \$71.89/bbl. A robust rebound from the pandemic in the U.S., China and Europe and OPEC+ supply curbs has driven prices more than 40% higher this year, although the Covid-19 comeback across Asia is a reminder that the recovery will be uneven. Last week, OPEC+ agreed to stick with the planned increase in crude output in June and July and said it expects oil demand to exceed supply in H21, with OPEC forecasting that by the end of the year demand will be just under 100mbpd and supply will total 97.5mbpd. OPEC will convene on 24th June and then hold an expanded meeting on 1st July with Russia and nine other partners in the OPEC+ supply accord to decide on production quotas for August and beyond. Talks between Iran and world powers in reviving a 2015 nuclear deal have been delayed, with a fifth round of talks to take place on 10th June. EIA crude inventories data also helped to support prices after posting a 5.08MBB drawdown.