

Headline: Improving LNG supply helped keep prompt prices in check, despite freezing conditions in February

Key Market Drivers

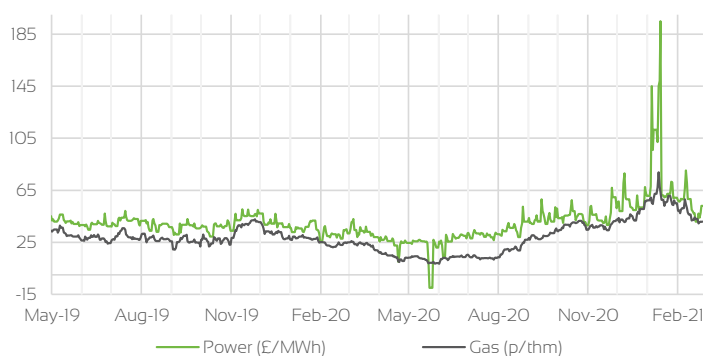
- Oil gains almost 20% during February on market optimism around vaccines rollouts and a more balanced supply picture
- The Pound hits 'new norms' of €1.14/5 on world class vaccine rollout and disappearing Brexit concerns
- The general outlook is bearish as the summer season approaches, cold weather induced volatility could remain in early March

Market Prices

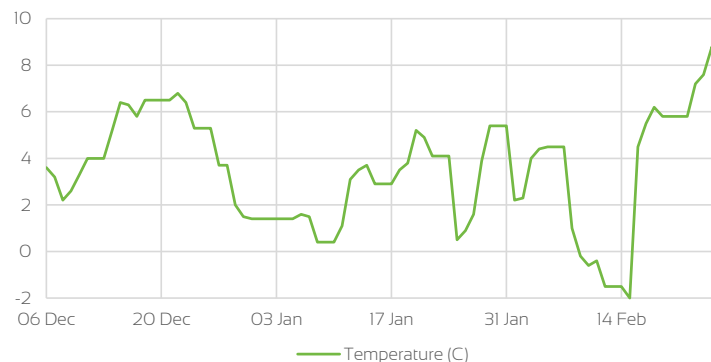
Contract	UK Baseload Power (£/MWh)			NBP Gas (p/thm)		
	Jan -21	Feb -21	Change	Jan -21	Feb -21	Change
Day-Ahead	£35.80	£36.90	3.1%	55.10	40.90	-25.8%
Sum-21	£43.33	£46.45	7.2%	42.90	38.90	-9.3%
Win-21	£0.00	£0.00		51.15	48.50	-5.2%
Sum-22	£59.25	£53.00	-10.5%	38.88	38.40	-1.2%
Win-22	£51.50	£50.25	-2.4%	47.29	47.40	0.2%
Brent Crude	Carbon		GBP : EUR		UK Destined LNG Cargos	
\$ 66.06/bbl	€ 37.64/tCO2e		€ 1.15		8	
18.2%	14.5%		1.9%			

Market Analysis: Short-Term

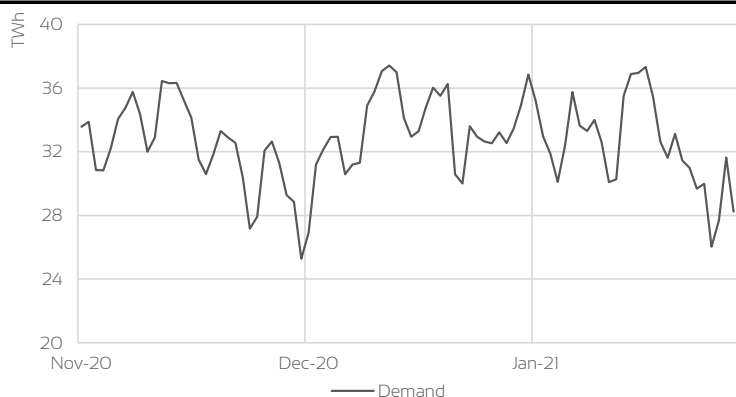
Day Ahead Prices



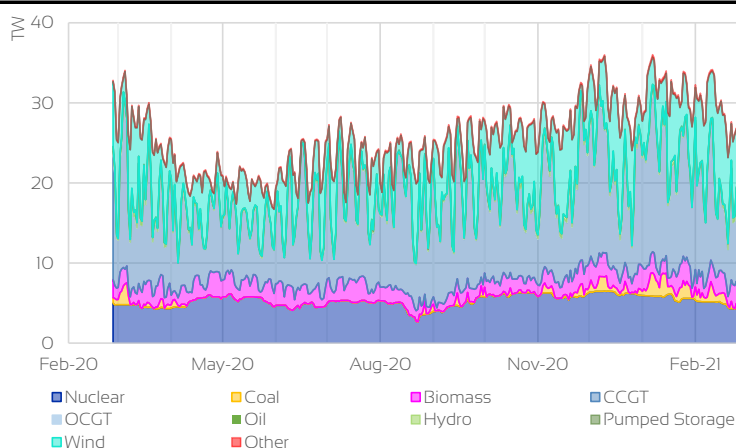
UK Temperatures



UK Demand



UK Supply Mix



Market Insight: Short-Term

A much quieter month, than last, on the prompt markets. Whilst temperatures dropped below freezing at times, and well below the levels seen during January's cold snap, gas supply remained healthy throughout the month. With the expiry of the March contract on Asian gas hubs, prices normalised and were no longer trading at such a premium to European and UK hubs. This almost immediately saw the numbers of LNG cargos destined for the UK increasing. In fact, LNG supply was so healthy during February, on average, the UK received almost one LNG cargo every other day. Norwegian supply has also been healthy throughout the month, with only minor impact outages. Wind output was much improved throughout February, taking demand pressure off gas for generation.

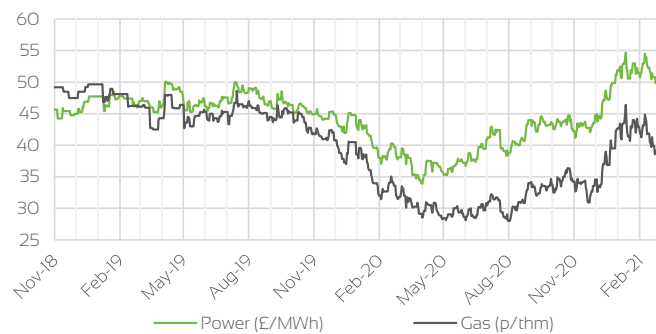
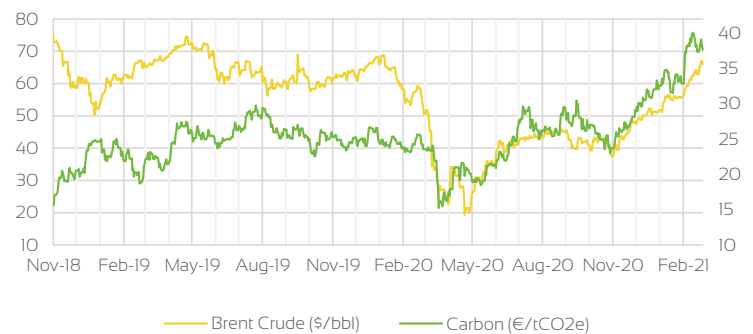
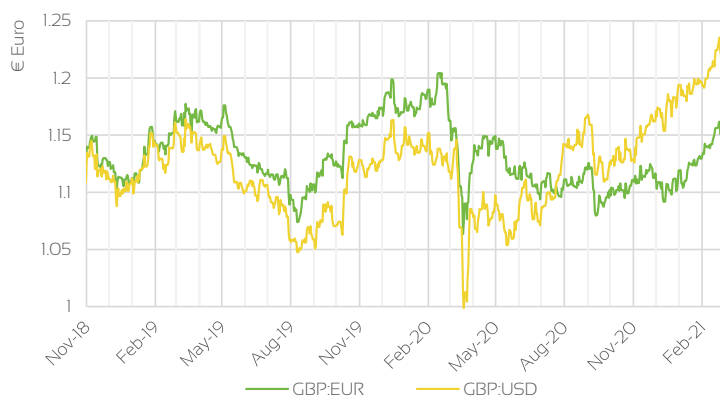
The winter storm in the US did not pass without some impact on UK energy markets. For a time, there was concern that offline US LNG production capacity could result in fewer LNG exports, however, cargos from Qatar and Russia quickly filled the gap. Furthermore, refinery capacity was also knocked offline by the storm and some is yet to return. In other news, the French nuclear regulator announced that over half of France's nuclear reactors would have their lifespan extended by 10 years, taking the lifespan of the reactors to 50 years. This provides extra reassurance on continental capacity for the coming years.

Market Insight: Long-Term

Oil gained almost 20% through February as global vaccine rollouts gathered pace and promised cuts from OPEC+ materialised. The continued cuts from OPEC+, plus extra voluntary cuts from Saudi Arabia, saw the supply/demand balance begin to shift. The market is optimistic about returning demand as vaccines are administered around the world. Goldman Sachs increased their oil forecast for 2021 by \$10/bbl, providing further reassurance to investors. All eyes will be on the next OPEC meeting, due to take place next week. With prices now back at pre-pandemic levels, it's expected that production cuts will be eased further.

The carbon market also made significant gains throughout February, touching over €40/tCO₂e at times. Most of the rally was driven by strengthening oil and equities markets, on general optimism around virus recovery. Some strength can also be attributed to the cooler weather, and the upcoming colder weather for the start of March. Cold weather increases demand so fossil fuel generators will need to buy more permits to offset increased production emissions.

Market Analysis: Long-Term

Front Seasonal Prices

Brent Crude & Carbon Price

UK, EU & US Currencies

Coal Prices


Market Outlook

In the shorter term, we expect some volatility in early March as temperatures and wind generation are forecast to sit well below norms for the first week. Continued healthy gas supply should calm some market nerves. Further ahead, we appear to have passed the winter peak, with prices now generally on a downwards trajectory as we approach the summer season. Strength from oil and carbon do feed into seasonal UK gas and power contracts so an increase in production from OPEC+ could see prices soften slightly.

Backwardation is still in full play across gas and power markets. Fixed clients with April renewals should be ready to refresh prices in the next 2 weeks with a view to signing off. Alternatively, clients should select a longer-term flexible strategy to take advantage of any emerging opportunities to secure volume further ahead.

For more information on anything covered in this month's Market Insight, please contact Optimised Energy's Trading desk:



01253 209000


markets@optimisedenergy.com

[optimisedenergy.com](https://www.optimisedenergy.com)