

Weekly European Energy Report

04 September 2020

European power futures have extended last week's gains as natural gas continues to climb. Carbon EUAs fell from last week's highs but found support for most of the week around the €28/tonne, limiting and downside movements in power that may have followed some weaker-than-expected Purchasing Managers Index (PMI) data and record low, core eurozone inflation.

Natural Gas

September is shaping up to be the quietest month for European LNG imports since January 2018. Just 11 tankers are expected for arrival before October 1st with global LNG supplies tighter amid outages at major Australian and U.S. LNG facilities. European futures extended last week's gain on less LNG and renewed E.U.-Russia tensions, which have followed the alleged poisoning of a Alexei Navalny, the would-be challenger of Vladimir Putin for Russia's top job. The still-unfinished Nord Stream 2 pipeline could end up in the firing line if political tensions flare up. However, Germany, who are leading the charge against the Putin administration, tend to avoid any discourse that could jeopardise its Russian gas imports.

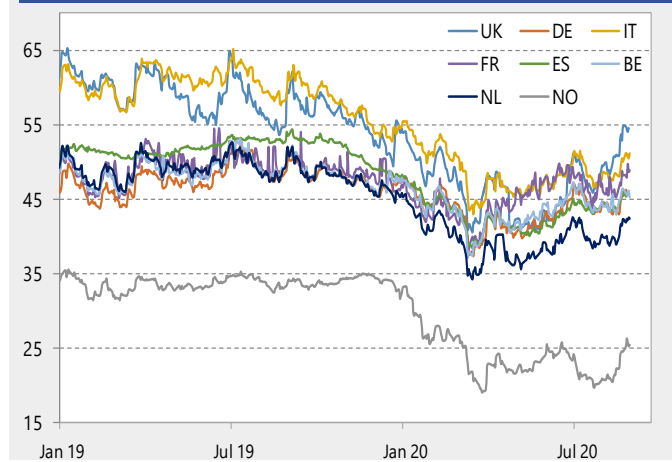
Energy Complex

The two-fold increase in carbon EUA auction volumes from Monday has seen the emissions benchmark trim a degree of the last week's gains. The Dec-20 future lost €1/tonne on Friday, and fell to a weekly low of €27.74/tonne, falling sharply with oil futures. Brent crude and WTI futures erased the best part of \$3/bbl. on Friday amid dollar strength and weak U.S. equities; while oversupply fears weighed on the market from early on in the week. The shaky nature of the ongoing economic recovery applied further pressure to the wider energy complex. Mixed PMI data generated little optimism, while it was revealed on Friday that German manufacturing growth slowed dramatically in July. The ECB is expected to, once again, step up its crisis response later in the year to revive the stuttering recovery.

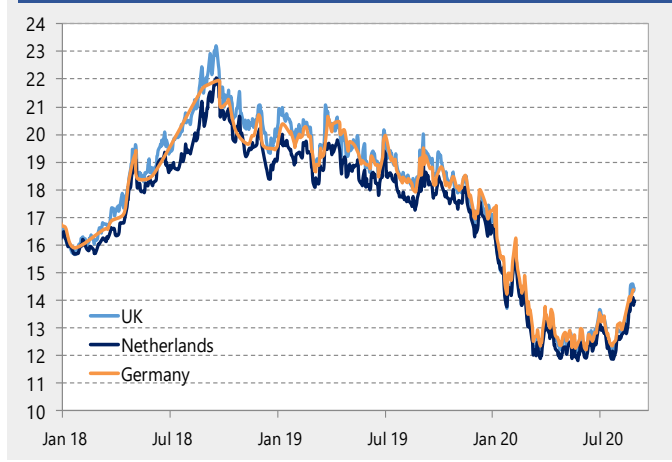
Calendar Year Baseload Power Markets (€/MWh)

Country	27-Aug-20	03-Sep-20	Change	%
Belgium	41.72	42.64	↑ 0.92	2.2%
France	46.86	48.55	↑ 1.69	3.6%
Germany	41.64	42.40	↑ 0.76	1.8%
Hungary	49.74	50.50	↑ 0.76	1.5%
Iberia	45.25	45.83	↑ 0.58	1.3%
Italy	50.05	51.11	↑ 1.06	2.1%
Netherlands	41.35	42.34	↑ 0.99	2.4%
Nordics	24.50	25.40	↑ 0.90	3.7%
UK	46.66	47.54	↑ 0.87	1.9%

Annual Power Contracts (€/MWh)



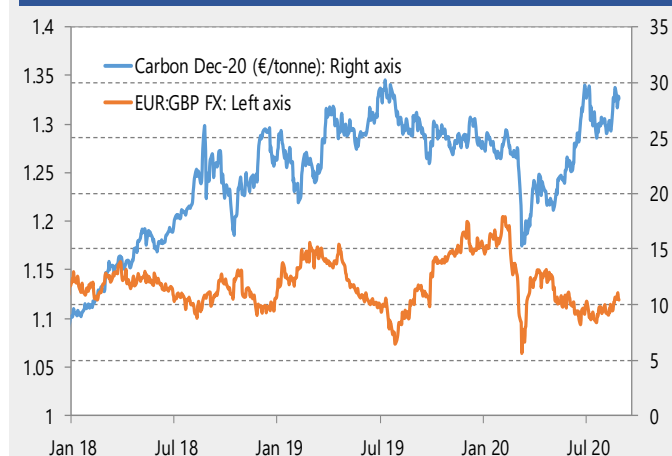
Annual Gas Contracts (€/MWh)



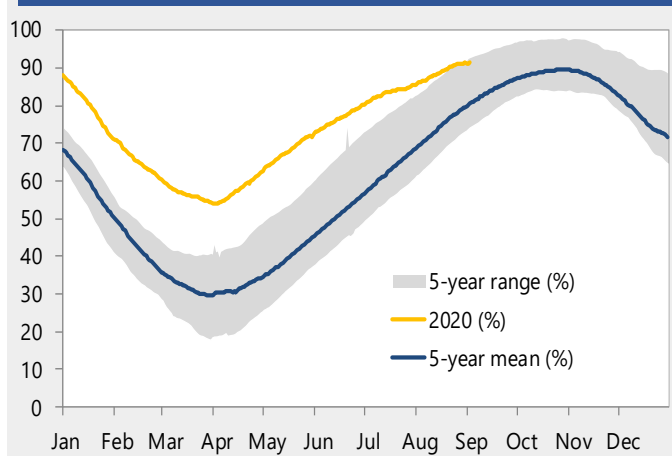
Calendar Year Gas Markets

Country	27-Aug-20	03-Sep-20	Change	%
UK (p/therm)	36.61	37.78	↑ 1.18	3.2%
UK (€/MWh)	13.95	14.45	↑ 0.50	3.6%
Netherlands (€/MWh)	13.60	13.98	↑ 0.38	2.8%
Germany (€/MWh)	13.98	14.38	↑ 0.40	2.9%

Carbon and FX



EU Gas Storage (% full)



Commodity Markets

Commodity	27-Aug-20	03-Sep-20	Change	%
Brent (\$/bbl.)	45.09	44.07	↓ -1.02	-2.3%
Coal CIF ARA (\$/tonne)	56.00	56.50	↑ 0.50	0.9%
EUR:GBP FX	1.1166	1.1206	↑ 0.004	0.4%

Carbon Markets

Contract	27-Aug-20	03-Sep-20	Change	%
CO2 EUA Dec-20 (€/tonne)	28.37	28.74	↑ 0.37	1.3%
CO2 EUA Dec-21 (€/tonne)	28.73	29.08	↑ 0.35	1.2%
CO2 EUA Dec-22 (€/tonne)	29.23	29.53	↑ 0.30	1.0%