

Weekly European Energy Report

28 August 2020

Power

Wider bullishness, stemming from both greater economic optimism and a sharp jump in European gas and emissions prices, pushed European power futures higher this week. French, German and Dutch front-month power contracts climbed 15% Friday-to-Friday while the Nordic equivalent jumped 35%, following drier weather and reduced nuclear availability. Calendar-year futures received a boost from the short-end of the market while an increase in the European Commission's benchmark economic confidence index, and the price of carbon EUAs, lent further support.

Natural Gas

Europe's northwest has been receiving less gas via numerous major supply lines in recent weeks and, this week, supplies tightened further. Unplanned outages at the Kollsnes and Aasta Hansteen gas fields in Norway saw spot and short-end pricing rally on major gas hubs. Intraday gas flows into the UK fell by 70%, sparking fears of more widespread supply issues as the winter period draws nearer. Moreover, LNG imports remain low in Europe. Rising gas prices in Asia are limiting the number of LNG tankers scheduled for arrival in Europe. Just 6 LNG tankers are so far expected to arrive at LNG terminals in northwest Europe in the first two weeks of September, versus 12 in the first two weeks of August. Further support has been lent to European gas prices following gains in carbon EUAs and coal futures, as well as a more bullish economic outlook.

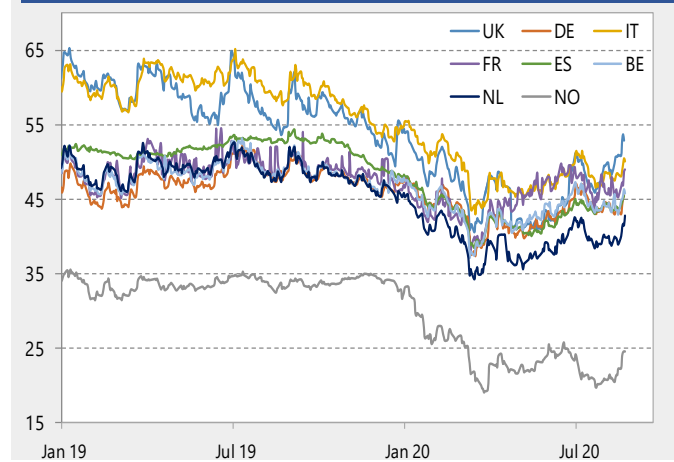
Energy Complex

Carbon EUAs rallied early this week, with the emissions benchmark featuring in publications from the Financial Times and German think tank Agora Energiewende. Both suggested that the EU either should, or probably will, use the existing emissions trading scheme as a primary tool to meet its climate goals. Between Monday's opening bell and close of play on Wednesday, the European emissions benchmark had climbed 11.5% to €28.61/tonne. EUAs continued to climb throughout Friday's session, despite auction volumes doubling from September 1st. Euro-area confidence rose for a fourth consecutive month in August, with demand growing in major sectors such as manufacturing and services. Additionally, Germany looks set to revise upwards its economic growth forecast for the rest of the year. The figure currently stands at -6.3%, but economy minister Peter Altmaier could announce a revised forecast contraction of less than 6.0% when the latest economic outlook is presented early next week.

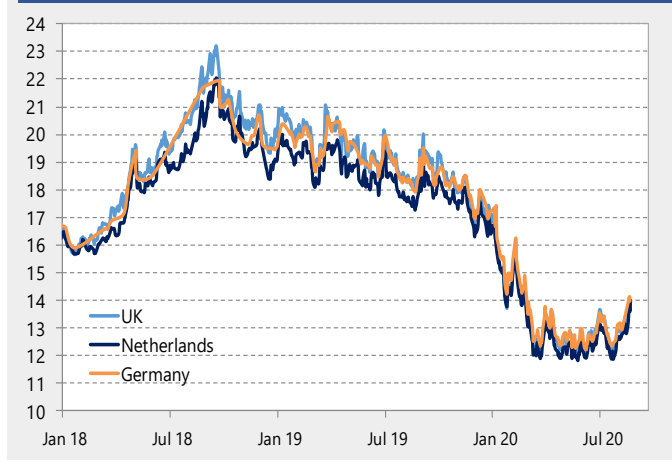
Calendar Year Baseload Power Markets (€/MWh)

Country	20-Aug-20	27-Aug-20	Change	%
Belgium	39.62	41.72	↑ 2.10	5.3%
France	44.93	46.86	↑ 1.93	4.3%
Germany	39.58	41.64	↑ 2.06	5.2%
Hungary	48.38	49.74	↑ 1.36	2.8%
Iberia	43.95	45.25	↑ 1.30	3.0%
Italy	48.31	50.05	↑ 1.74	3.6%
Netherlands	39.12	41.35	↑ 2.23	5.7%
Nordics	22.20	24.50	↑ 2.30	10.4%
UK	44.45	46.66	↑ 2.21	5.0%

Annual Power Contracts (€/MWh)



Annual Gas Contracts (€/MWh)



Calendar Year Gas Markets

Country	20-Aug-20	27-Aug-20	Change	%
UK (p/therm)	35.33	36.61	↑ 1.28	3.6%
UK (€/MWh)	13.43	13.95	↑ 0.51	3.8%
Netherlands (€/MWh)	13.12	13.60	↑ 0.48	3.7%
Germany (€/MWh)	12.95	13.98	↑ 1.03	7.9%

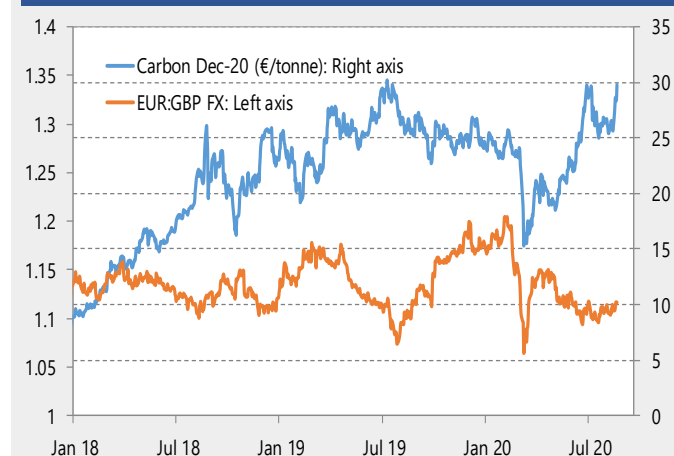
Commodity Markets

Commodity	20-Aug-20	27-Aug-20	Change	%
Brent (\$/bbl.)	44.90	45.09	↑ 0.19	0.4%
Coal CIF ARA (\$/tonne)	54.40	56.00	↑ 1.60	2.9%
EUR:GBP FX	1.1142	1.1166	↑ 0.002	0.2%

Carbon Markets

Contract	20-Aug-20	27-Aug-20	Change	%
CO2 EUA Dec-20 (€/tonne)	25.90	28.37	↑ 2.47	9.5%
CO2 EUA Dec-21 (€/tonne)	26.24	28.73	↑ 2.49	9.5%
CO2 EUA Dec-22 (€/tonne)	26.75	29.23	↑ 2.48	9.3%

Carbon and FX



EU Gas Storage (% full)

