

Wholesale Markets



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Analysis of wholesale markets

March 2021

Downward
price driver



Upward
price driver



Gas 13.8%



Power 11.2%



Short Term: Bullish

Right now, there are significantly more bullish factors driving the markets, than bearish ones. In the short term, it is hard to see prices go any other way but upwards.

Long Term: Slightly Bullish

Strong economic recovery projected over the long term and demand projected to be fully back to pre-pandemic levels in the summer, will encourage upwards prices.

Bitesize Snapshot

- Wider fuels higher in price ↑
- Carbon EUA hit record highs ↑
- OPEC + Production cuts remain ↑
- Colder weather ↑
- Colder temperatures and cold snaps ↑
- Storage levels reduced ↑
- Vaccine breakthroughs and roll out on track ↑
- Suez Canal blockage ↑
- UK restrictions take stage one steps in easing ↑
- Improving LNG schedule ↓
- Third Covid-19 wave developing in Europe ↓

Price Change from other commodities

Commodity	Value 01/03	Value 01/04	
Brent Oil	\$63.69	\$64.86	+1.8%
EUA Carbon Dec 20	€37.13	€42.47	+14.4%
Coal 2020	\$69.27	\$72.50	+4.7%
Pound/Euro Cross rate	£1.15	£1.17	+1.7%

Monthly Review and outlook of the wholesale markets for Gas and Power

March 2021

Review of market movements over March

Wholesale prices have seen very strong price gains over March, with both gas & power seeing over 10% gains in price. Prices now sit at the levels seen around the January 2021 peak again, after a slight drop off in February. So, why have we seen such strong gains this month? Read on below:

Key Drivers

Carbon EUA hit record highs in price

Carbon emission permits have an ever growing direct influence in power prices, so it's no surprise to see they are one of the key factors pushing up prices. Due to regulatory updates on emissions, and a degree of speculation trading, EUA Carbon prices hit a record €44/tonne, and overall gained €5 over the month.

This is a market that has only continued to move upwards relentlessly since 2018, however with the UK operating its own auction house separate to Europe due to Brexit it will be interesting to see how this transpires. Further details are due soon by the UK government.

Suez Canal blockage

Even the best forecasters and price predictions cannot anticipate unforeseen random events, and the Suez Canal blockage definitely fits this category. Who would have thought one sideways boat would halt all freight through one of the most key passages in the world for a week, costing millions to the global economy each day.

The direct result of the saga, was a number of LNG vessels destined to the UK caught up in the blockage, putting some fear in the markets and prices rising. The price of oil was also lifted with a number of oil tankers delayed.

Cold snaps seen in March

March itself overall was around the mean average, but it was far from a normal month when you look into the data, with extremes in temperatures witnessed. We saw a low of -8.5 degrees at the start of the month, in a harsh cold snap, while the 30th March was the warmest day in March in 53 years. The up and down weather created uncertainty in weather models, which markets tend to not like, pushing prices upwards.

UK restrictions start to ease, but Europe is heading the other way

Phase one of the 'irreversible' easing of restrictions began in March, with the schools returning, and a degree of outdoor activities permitted at the end of March. The other key change from an energy demand perspective, was the end of the *stay at home* order. With that, there is some anticipation, and expectation that traditional energy habits will begin to return, with more travel, fuel consumption and business trips taking place again. It remains to be seen over the months if there is a rush back to this, or if society has permanently shifted its habits due to technological advancements.

While the UK begins unlocking, our neighbors in Europe are heading in the other direction, with France one example of going back into a full lockdown, with schools and businesses closing and 7pm curfews in place. Right now, there is very little bearish sentiment in the markets, but this is a major one. It is notable one of the few days the markets did drop in the month was the same day PM Boris Johnson said from the lessons of last year that "what happens in Europe, inevitably washes up on our shores".

Monthly Graphs

Graph 1: Wholesale 12-month forward gas prices for March



Graph 2: Wholesale 12-month forward power prices for March



Outlook

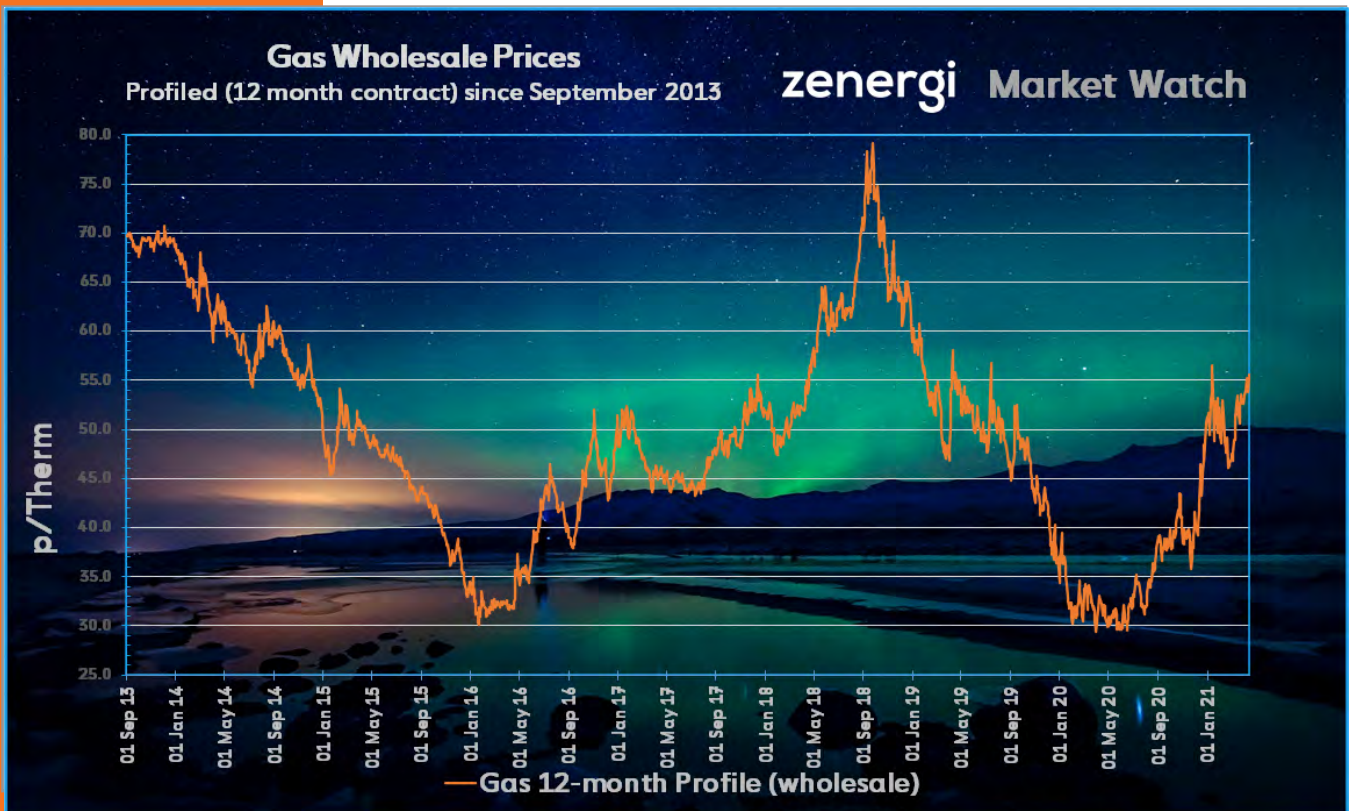
Prediction and key events for the month ahead

Weather outlook in April

Weather runs for April represent a mixed picture, and forecast to be very cold to begin with. April is traditionally when injection season begins, restoring gas storage levels for the winter ahead. A cold start to the month could delay or slow this down.

Further unlocking progress

The 12th April is the next key date in the dairy, of further easing of restrictions. The markets will be monitoring the containment of the coronavirus, which has plateaued recently after steeply dropping. Right now, all signs are overwhelmingly positive the country can progress onto the next stage.



Recommendation

It's a tough moment in the markets. Prices are quite high, simply put, and we forecast further rises in the very short term. Longer term, there is of course more scope of variation. 2021 as a year is shaping as one of a rising market period in the main. But it won't be continuous, dips and corrections are always seen, and our advise is to take advantage of the markets during these times when they occur. Savings will be much harder to come by than 2020 it feels, so more attentive attention to market movements would be recommended.

The report is based on our educated opinion taken from publicly available data. This is not a guarantee on future price movements, market prices can go up or down unexpectedly