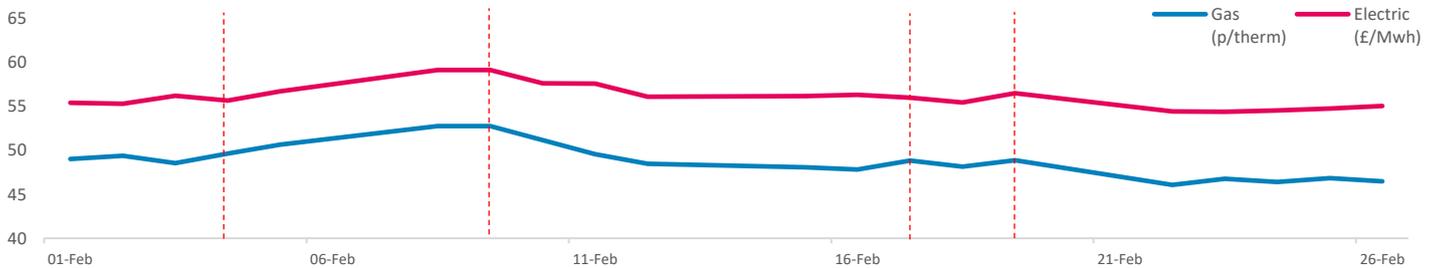


# ENERGY MARKET UPDATE

## February 2021

### YEAR AHEAD WHOLESALE GAS AND ELECTRICITY PRICE



The month started relatively flat as milder weather helped to reduce demand. This was short lived as prices began to climb around the 5<sup>th</sup> of February resulting from colder weather forecasts putting temperatures 4-7°C below seasonal norms.

Prices continued to climb as colder weather set in and was expected to last a few days longer than previous forecasts.

The 9<sup>th</sup> saw prices begin to decline as the UK system was oversupplied, putting downward pressure on prices.

The return of LNG (Liquified Natural Gas) cargoes to the UK also helped to keep the system well supplied. January saw record LNG demand in Asia amidst extreme cold weather, reducing the number of cargoes the UK received significantly. However, as colder weather in Asia subsided the cargoes returned to the UK, helping to support the system further.

Markets remained relatively flat before an upturn on the 17<sup>th</sup> caused by an outage at the Karsto gas facility in Norway, taking 14mcm (million cubic meters) offline.

Both gas and electric markets saw another upturn on the 19<sup>th</sup> of February. LNG supply disruptions in the US impacted European prices and LNG schedules as extreme cold weather gripped Texas and forced production facilities to close, restricting supply.

Following on from the increases seen on the 19<sup>th</sup> of February markets returned to bearish (downward) as milder temperatures arrived at the UK, leading to decreased demand.

Overall, February was a relatively flat month with some instances of bullish (upward) sentiments as the colder weather impacted the market.

### BRENT CRUDE OIL

Oil prices have seen sustained increases across February as Covid-19 vaccine rollouts and declining infection rates signal a possible increase to demand in the future. These bullish sentiments saw the price of oil recovering to its pre-pandemic levels on the 8<sup>th</sup> of February, passing \$60 per barrel after hitting record lows in 2020.

Prices were bolstered further as US refineries came back online at a slower than expected rate following on from the extreme cold weather. The market was also affected by an upcoming meeting between OPEC (Organisation of Petroleum Exporting Countries) and Russia, causing uncertainty as to whether the current production cuts will be extended.

For the remainder of the month Brent Crude prices were impacted by bullish sentiments as several reports suggesting oil prices could reach \$100/barrel were driving the market and pushing the prices higher.

