

# Price Watch Report

# Beond

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## Last Month Summary

- ◆ UK gas and power prices posted gains during April. Gas prices rose 2.9% as several major Continental European economies (including Germany) considered emerging from lockdown, but remain close to 13-year lows at 0.89 p/kWh. Strong LNG supply, high gas storage, stable pipeline supply and no major outages limited price increases. Gas stockpiles in Europe are still around 54% of full capacity, compared to 46% at the same point in 2019, meaning that less storage capacity needs to be refilled during the upcoming summer gas injection season.
- ◆ Power also rose last month, gaining 8.7% to 3.60 p/kWh in response to higher carbon and European energy prices.
- ◆ Brent crude oil prices moved lower, losing 1.0% during April to \$22.54/bbl, as investors continue to fret about an excess supply of crude at a time when buying interest is at historic lows. Carbon jumped 18.8% to €20.12/tCO<sub>2</sub> following reports that the COVID-19 response may not need to be as extreme as first thought, with a slowdown in cases. Particularly news from China, easing the lockdown, has seen wider sentimental rises.
- ◆ European coal prices edged lower, reflecting lower European power consumption.

## Wholesale Energy Prices

Contract	30 Mar 20	29 Apr 20	Δ	Change
Gas (p/kWh)*	0.87	0.89	▲	0.03 +2.9%
Electricity (p/kWh)*	3.31	3.60	▲	0.29 +8.7%
Oil (\$/bbl)	22.76	22.54	▼	-0.22 -1.0%
Coal (\$/t)	55.50	52.70	▼	-2.80 -5.0%
Carbon (€/tCO <sub>2</sub> )	16.93	20.12	▲	3.19 +18.8%
£/\$	1.24	1.25	▲	0.00 +0.4%
£/€	1.12	1.15	▲	0.02 +2.0%

\*(12 month Rolling Contracts)

## Beond Rolling Annual Energy Indices



## Wider Market

**Coronavirus (Covid-19):** UK Prime Minister Boris Johnson is preparing a plan for the UK's exit from lockdown after declaring that the country is "past the peak" of its coronavirus outbreak. Meanwhile, the public waits to find out if the Government has reached its 100,000-a-day testing target.

Please be aware of government guidance regarding Covid-19: "Stay at home, save lives".

- Only go outside for food, health reasons or work (but only if you cannot work from home)
- If you go out, stay 2 metres away from other people at all times
- Wash your hands as soon as you get home
- Do not meet others, even friends or family. You can spread the virus even if you don't have symptoms.

Please contact your Beond Account Manager if you are at unsure what impact Covid-19 may have on your energy contracts.

## Bearish Price Drivers



- ◆ Businesses closing or switching to working from home has had an enormous impact, with National Grid reporting UK electricity demand fell 15%.
- ◆ European storage remains high around 54% of total capacity, meaning there is surplus gas on the market ahead of summer gas injections.

- ◆ Global LNG production continues to grow, boosting supplies of gas to Europe at a time that Asia's gas demand is low.

## Bullish Price Drivers



- ◆ Major European economies incl. Germany have discussed options around emerging from lockdown. When that happens, prices will eventually recover.

## Recommendations

- ◆ Despite a recovery in energy markets, UK gas and power prices remain close to record low levels and so are extremely favourable for clients looking to lock in savings for long-term energy contracts.
- ◆ It remains unclear when the UK will end the lockdown or when Covid-19 concerns will come to an end, but the unpredictable nature of energy markets closer to winter means businesses should start their energy renewals immediately, and consider locking in longer-term gas and power contracts by the end of June.

**Closure of SSE's Fiddler's Ferry and RWE's Aberthaw plants:** On 31 March, SSE finally closed its last coal-fired power station, Fiddler's Ferry. Located in Warrington, Cheshire, the power station has closed after nearly 50 years of generation. It was first announced in June 2019, with the station seeing out its existing Capacity Market contract to September 2019. RWE's 1560MW Aberthaw B also closed last month.

**UK Solar output nears 10GW record:** Britain's solar PV set a new generation record this week. Output of 9.68GW at lunchtime on Monday 20 April accounted for nearly 30% of all UK electricity, as reported by Sheffield University's PV Live tracker. The record comes as UK power demand has slumped amid the Covid-19 shutdown. Four weeks ago, National Grid reported grid demand down 10% overall, and up to 18% lower during morning peaks. Embedded solar and reduced baseload will therefore prove more challenging than usual for the system operator this summer, which requires a minimum draw on the transmission system in order to keep it stable.

Disclaimer: These views and recommendations are offered for your consideration and Beond makes every effort to ensure that the data and information in this report is accurate. However, due to the volatile and unpredictable nature of the energy markets, Beond cannot guarantee the accuracy of both the information and the recommendations provided. Beond does not accept any responsibility for errors or misstatements, or for any direct, indirect, consequential or other loss arising from any use of this information and/or further communication in relation to this information.