

Price Watch Report

Beond

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Last Month Summary

- ◆ UK gas and power prices posted surprise losses during July. Gas prices fell 7.5% to 0.94 p/kWh reflecting uncertainty over energy demand as emerging data implies a possible early second wave of Covid-19. Stable pipeline flows and LNG deliveries continued to supplement injections into gas storage, which was already 22% higher than it was at the same point last year. Gas stockpiles in Europe have increased to 88% of capacity, compared to 66% at the same point in 2019, meaning that less storage capacity needs to be refilled during the last couple of months of the summer gas injection season.
- ◆ Power also declined last month, slipping 5.4% to 4.01 p/kWh as the potential hit to demand of a second wave of Covid-19 across Europe could have a material impact on power grid demand. The potential drop in European power demand across Europe resulted in a 5.3% drop in carbon prices to €25.49/tCO₂ driving power prices lower.
- ◆ Despite the risk of a second wave of Covid-19, Brent crude oil prices edged 4.3% higher during July to \$42.94/bbl as countries across Europe saw a measurable ramp up in economic activity, with Covid-19 lockdown restrictions generally easing.

Wholesale Energy Prices

Contract	30 Jun 20	30 Jul 20	Δ	Change
Gas (p/kWh)*	1.02	0.94	▼	-0.08 -7.5%
Electricity (p/kWh)*	4.24	4.01	▼	-0.23 -5.4%
Oil (\$/bbl)	41.15	42.94	▲	1.79 +4.3%
Coal (\$/t)	58.00	59.60	▲	1.60 +2.8%
Carbon (€/tCO ₂)	26.91	25.49	▼	-1.42 -5.3%
£/\$	1.24	1.31	▲	0.07 +5.6%
£/€	1.10	1.11	▲	0.00 +0.1%

*(12 month Rolling Contracts)

Beond Rolling Annual Energy Indices



Bearish Price Drivers (▼)

- ◆ The risk of major companies going out of business could have a major impact on gas and power demand.
- ◆ Concerns over a second wave of Covid-19 are already impacting gas prices, and we'll monitor to whether demand is impacted also.

Bullish Price Drivers (▲)

- ◆ European countries incl. the UK and Germany are gradually emerging from lockdown. As gas and power demand picks up, prices could recover.
- ◆ Gains in carbon prices may also drive electricity prices higher, although this may depend on how serious Covid-19 has hurt the global economy.

Recommendations

- ◆ Despite an ongoing recovery in energy markets, UK gas and power prices are still not far off record low levels and so are still extremely favourable for clients looking to lock in savings for long-term energy contracts, as long as action is taken quickly.
- ◆ The UK and many other European countries have already eased lockdown restrictions meaning we will see energy demand increase, boosting prices. The volatile nature of energy markets means businesses should start their energy renewals immediately, and consider locking in longer-term gas and power contracts by the end of August.

Wider Market

Coronavirus (Covid-19): British Prime Minister Boris Johnson has delayed the easing of Covid-19 in England as spikes in infections in the UK, Europe and the US have hindered the timeline for economic recovery. Concerns remain that global fuel demand growth could stall.

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

- stay at home as much as possible
- work from home if you can
- limit contact with other people
- keep your distance if you go out (2 metres apart where possible)
- wash your hands regularly

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

Government unveils £1.5bn support package for arts sector: The UK Government has unveiled a £1.57bn support package to help protect the futures of UK theatres, galleries, museums and other cultural venues. However, there's no plans to resume live shows.

Guidance for a phased return of the performing arts, starting with performances behind closed doors and rehearsals, is expected to be published by the government shortly

Germany passes 'coal-free' exit law to phase out fossil fuels by 2038: Germany's Bundestag, the lower house of parliament, recently passed a 'coal-exit' law to stop all fossil-fuel generation facilities by 2038 at the latest and abandon nuclear power by 2022. To support the transitional energy change, the government will support lignite regions, power plant operators and employees with grants of up to €14 billion (£12.6bn) by 2038.

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