

Price Watch Report

Beond

1 October 2020

<https://beondgroup.com/>

Contact Beond

Beond's Consultancy Team • +44 (0) 208 634 7533 • info@beondgroup.com

Last Month Summary

- ◆ UK gas prices posted modest gains during September. Gas prices rose 2.4% to 1.27 p/kWh reflecting falling temperatures and reduced supply from Europe as several gas pipelines experienced restricted flows for maintenance across the Netherlands and Norway. LNG deliveries and gas storage withdrawals supplemented the gas system to some degree. However, the increase in gas demand saw prices hit their highest point since December 2019.
- ◆ Power was largely unchanged last month, fall just 0.1% to 4.77 p/kWh, as lower carbon prices reduced the cost of burning fossil fuels for power generation. French nuclear supply hit a 4-month high after recovering from minor outages in August, meaning that the supply and demand balance of UK power generation is comfortable heading into winter.
- ◆ Carbon recorded a 9.3% decline in European prices to €26.76/tCO₂, as concerns remain over whether the UK and EU will come to an agreement on a trade deal after 1 Jan 2021. Growing concerns over the possibility of a second wave of Covid-19, Brent crude oil prices moved 8.9% lower during September to \$41.03/bbl.

Wholesale Energy Prices

Contract	28 Aug 20	29 Sep 20	Δ	Change
Gas (p/kWh)*	1.24	1.27	▲	0.03 +2.4%
Electricity (p/kWh)*	4.77	4.77	▼	-0.00 -0.1%
Oil (\$/bbl)	45.05	41.03	▼	-4.02 -8.9%
Coal (\$/t)	57.05	60.20	▲	3.15 +5.5%
Carbon (€/tCO ₂)	29.50	26.76	▼	-2.74 -9.3%
£/\$	1.33	1.29	▼	-0.05 -3.7%
£/€	1.12	1.10	▼	-0.03 -2.4%

*(12 month Rolling Contracts)

Beond Rolling Annual Energy Indices



Bearish Price Drivers (↓)

- ◆ Concerns over a second wave of Covid-19 remain a risk and could impact gas prices further during winter months.

Bullish Price Drivers (↑)

- ◆ Heading into winter months, temperatures are steadily falling, meaning that demand is on the rise.
- ◆ If the UK and EU are unable to agree a trade deal from 1 Jan 2021, the Pound could weaken making energy imports into the UK more expensive.

Recommendations

- ◆ Since today is 1 Oct 2020, markets will now be looking ahead 6-months at 1 April 2021 for the next common energy renewal date for businesses. It is likely that prices will edge higher heading into winter.
- ◆ For businesses not renewing until early-2021, October may be the last opportunity to lock in contracts while energy prices remain low. If your contracts aren't renewing until Oct-2021, there may be another opportunity for you during summer 2021. But it may be a good idea to lock in any earlier renewals as soon as possible before winter temperatures arrive.

Wider Market

Coronavirus (Covid-19): The Government implemented stricter restrictions on 22 Sept to combat the spread of Covid-19. The police are able to issue penalties to those that don't comply with the law.

Please see official guidance here <https://tinyurl.com/uwt2nes>.

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 unsure what impact Covid-19 may have on your energy contracts.

UK Gov proposes Green Gas Levy: The UK government has opened a consultation that aims to scale up the production of renewable gas, also referred to as biomethane or 'green gas', for use in heating. Heating homes, businesses and industry is responsible for one-third of the UK's greenhouse gas emissions. Decarbonising heat is one of the biggest challenges the country will face in meeting its net zero target by 2050.

The Green Gas Levy would be scheduled to launch in late 2021. The Green Gas Levy would first be collected in April 2022.

UK plans to bring forward ban on fossil fuel vehicles to 2030: The UK is poised to bring forward its ban on new fossil fuel vehicles from 2040 to 2030 to help speed up the rollout of electric vehicles across British roads. An announcement from the Prime Minister is expected this autumn.

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