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Last Month Summary

- ◆ UK gas prices posted strong gains during December. Gas prices rose 21.9% to 1.59 p/kWh reflecting colder temperatures and an increase in forecast energy demand for the coming year. There were no significant maintenance outages from gas pipelines connecting the UK with the Netherlands and Norway. However, following the UK Government's decision to approve the Oxford-AstraZeneca vaccine in the fight against Covid-19, there is some hope that a majority of the UK population will have been inoculated towards the end of 2021.
- ◆ Power prices also recorded large gains, rising 16.1% to 5.54 p/kWh, tracking the surge in gas in response to colder temperatures and forecasts for greater energy demand. Meanwhile, gains in coal and carbon also provided support, even though the UK-EU trade deal meant the stronger Pound made energy imports a little less expensive overall.
- ◆ Carbon recorded a 10.0% increase in European prices to €32.05/tCO₂, as the UK and EU agreed to seriously consider linking their emissions trading systems as part of the long term trade deal that came into force on 1 January 2021. Brent crude oil prices moved 7.9% higher during December to \$51.34/bbl after several major global economies started to rollout Covid-19 vaccines.

Wholesale Energy Prices

Contract	30 Nov 20	30 Dec 20	Δ	Change
Gas (p/kWh)*	1.31	1.59	▲	0.29 +21.9%
Electricity (p/kWh)*	4.78	5.54	▲	0.77 +16.1%
Oil (\$/bbl)	47.59	51.34	▲	3.75 +7.9%
Coal (\$/t)	61.50	69.40	▲	7.90 +12.8%
Carbon (€/tCO ₂)	29.13	32.05	▲	2.92 +10.0%
£/\$	1.33	1.36	▲	0.03 +2.3%
£/€	1.12	1.11	▼	-0.01 -0.8%

*(12 month Rolling Contracts)

Beond Rolling Annual Energy Indices



Wider Market

Coronavirus (Covid-19): Prime Minister Boris Johnson has said there is "no question" the government will announce stricter measures to prevent the spread of coronavirus "in due course".

The Oxford-AstraZeneca vaccine programme has already begun its rollout, less than a week after it was approved by the Medicines and Healthcare products Regulatory Agency (MHRA).

Information on the new national restrictions, including what they mean for working from home and business closures, why they are being introduced and the financial support available: <https://www.gov.uk/guidance/full-list-of-local-restriction-tiers-by-area>.

Please contact your Beond Account Manager if you have any questions.

Bearish Price Drivers (↓)

- ◆ With the UK Gov indicating that tougher lockdown restrictions will be imposed imminently there is uncertainty over energy demand in early 2021.
- ◆ Despite colder weather in the medium term, as temperatures pick up in spring 2021 there is a chance that prices will also fall.

Bullish Price Drivers (↑)

- ◆ Heading into the coldest winter months, temperatures are falling meaning that demand for heating will inevitably in the short to medium term.
- ◆ While the UK and EU have secured a trade deal, uncertainty over how the UK will limit carbon emissions is still creating significant price risk.

Recommendations

- ◆ With colder temperatures hitting the UK, now isn't the best time to be locking out long term renewals. However, now is the perfect time to think ahead to 2021 and 2022 renewals, with a view to scheduling auctions for spring or summer 2021.
- ◆ Clients with April 2021 renewals should speak to their account managers soon to scheduled auctions for late-Feb/early-Mar.
- ◆ For businesses not renewing until Oct 2021, there is a little more time but they should still get everything in order well in advance.

Brexit: New EU trade arrangements begin on 1 January 2021 after Parliamentary approval: Around 4 and a half years after the UK originally voted to leave the EU, a long term trade deal between the UK and the EU finally became law on 1 January 2021.

The trade deal lays the ground for "ambitious" co-operation over renewable energy and climate action, according to early clues to the substance of one of the most nerve-racking international trade treaties in recent history.

According to the document a provision would trigger the suspension of the deal if either side breached its commitment to the Paris climate agreement. EU Commission president Ursula von der Leyen singled out the issues during her speech announcing the conclusion of the deal. "We will continue to co-operate with the UK in all areas of mutual interest, for example in the fields of climate change and energy."