

Contact Beond

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Last Month Summary

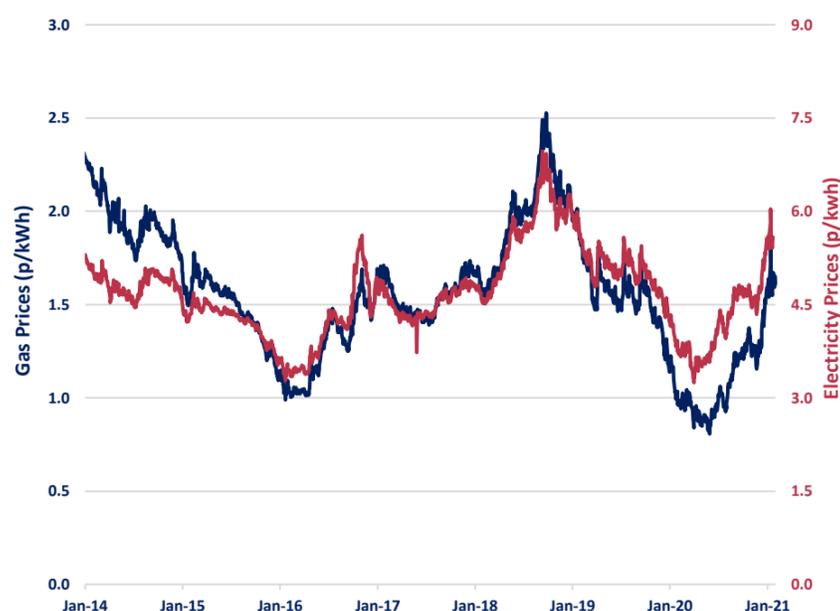
- UK gas prices posted moderate gains during January. Gas prices rose 3.6% to 1.65 p/kWh reflecting European colder temperatures and a surge in global gas prices during the first week of January, driven by record demand in Japan. At the same time as a severe cold snap hit Japan and much of north-east Asia, Japan's government was advising residents to keep the windows open in order to tackle Covid-19, resulting in a massive surge in heating demand.
- Power prices also recorded gains, rising 2.5% to 5.64 p/kWh, tracking the surge in gas in response to colder temperatures and forecasts for greater energy demand. Gains in carbon also provided support. However, after three years of construction low carbon electricity has now started to flow at full capacity through IFA2, the new 1,000MW subsea electricity cable linking France to the UK.
- Carbon recorded a 4.0% increase in European prices to €33.88/tCO₂, as market participants wait to see how the UK's own emission trading system will take shape and whether it will be linked to the existing European framework. Brent crude oil prices moved 7.2% higher during January to \$55.53/bbl after Saudi Arabia voluntarily committed to cut their oil production by 1 million bpd for the rest of Q1 2021.

Wholesale Energy Prices

Contract	31 Dec 20	28 Jan 21	Δ	Change
Gas (p/kWh)*	1.60	1.65	▲	0.06 +3.6%
Electricity (p/kWh)*	5.50	5.64	▲	0.13 +2.5%
Oil (\$/bbl)	51.80	55.53	▲	3.73 +7.2%
Coal (\$/t)	69.40	69.25	▼	-0.15 -0.2%
Carbon (€/tCO ₂)	32.57	33.88	▲	1.31 +4.0%
£/\$	1.37	1.37	▲	0.00 +0.3%
£/€	1.12	1.13	▲	0.01 +1.2%

*(12 month Rolling Contracts)

Beond Rolling Annual Energy Indices



Wider Market

Coronavirus (Covid-19): Last week the UK passed the halfway point towards its mid-February target of administering at least one dose of Covid-19 vaccine to 15 million people.

By the end of 30 January, 7,792,996 people UK-wide had received at least one dose of COVID-19 vaccine, according to government figures

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 on the impact of lockdown restrictions on your energy contract.

Bearish Price Drivers (↓)

- From March, temperatures are expected to rise, reducing energy demand for heating. A trend that is likely to continue until the end of Q2 2021.
- The launch of the IFA2 electricity cable between the UK and France will provide greater security of supply, helping ease prices when demand is high.

Bullish Price Drivers (↑)

- Temperatures are forecast to remain below seasonal normal levels for February, meaning that demand for heating will remain high in the short 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

- Current winter temperatures mean that prices are likely to remain elevated throughout February. As such, clients should be planning ahead to later 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 schedule auctions for late-Feb/early-Mar.
- For businesses not renewing until Oct 2021, there is more time but they should still think of locking in their renewals before the end of June.

UK water sector joins UN 'Race to Zero' campaign: UK water companies have joined forces as part of the UN's Race to Zero campaign, pledging to deliver a net zero emissions water supply for customers by 2030. It is estimated that water companies will prevent the emission of 10 million tonnes of greenhouse gases by reaching net zero two decades earlier than the UK Government's legally binding target for 2050.

UK Power Networks predicts heat pumps and EVs could become central to everyday life by 2030: Research published by UK Power Networks suggests that by 2030 there could be over 700,000 electric heat pumps across London, the East and South East, as well as up to 4.5 million EVs.

IFA2 - low-carbon electricity now flowing through second UK-France interconnector: Overall the subsea cable is expected to meet 1.2% of Britain's electricity demand. The IFA2 interconnector linking the UK and France takes the UK a step further on the journey to net zero.