

Contact Beond

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

Last Month Summary

- ◆ UK gas prices posted strong gains during April. Gas prices jumped 18.4% to 2.05 p/kWh as UK gas storage fell to critically low levels, currently sitting at just 7.6% of maximum capacity. With the UK gas system expected to remain short over the next few days there are concerns of gas shortages, which is driving up the price. As many as 18 LNG tankers are now expected to arrive in the UK over the next week in order to maintain UK gas supply.
- ◆ Power prices also continued to climb significantly last month, gaining 16.0% to 7.01 p/kWh. This is primarily driven by the meteoric rise in EU carbon and gas concerns. As gas shortages stretch across the EU, power providers have no choice but to use coal as a source of generation.
- ◆ Carbon recorded a 12.9% increase in European prices to €47.92/tCO₂, as traders predicted the availability of allowances will fall in order for the EU to meet climate targets, which include reducing emissions by 55% by 2030. Brent crude oil prices moved 7.9% higher to \$68.56/bbl, as OPEC released positive statements regarding global oil demand recovery following a meeting last week.

Wholesale Energy Prices

| Contract | 31 Mar 21 | 29 Apr 21 | Δ | Change |
|------------------------------|-----------|-----------|---|-------------|
| Gas (p/kWh)* | 1.73 | 2.05 | ▲ | 0.32 +18.4% |
| Electricity (p/kWh)* | 6.04 | 7.01 | ▲ | 0.97 +16.0% |
| Oil (\$/bbl) | 63.54 | 68.56 | ▲ | 5.02 +7.9% |
| Coal (\$/t) | 72.15 | 75.50 | ▲ | 3.35 +4.6% |
| Carbon (€/tCO ₂) | 42.45 | 47.92 | ▲ | 5.47 +12.9% |
| £/\$ | 1.38 | 1.39 | ▲ | 0.02 +1.2% |
| £/€ | 1.17 | 1.15 | ▼ | -0.02 -2.1% |

*(12 month Rolling Contracts)

Beond Rolling Annual Energy Indices



Wider Market

Coronavirus (Covid-19): Over 50 million doses of the COVID-19 vaccine have been administered in the UK, with over a quarter of adults having received both doses.

Health services across the UK administered a total of 50,089,549 million vaccines between 8 December 2020 and 2 May 2021, including 34 million people with their first dose and 15 million with their second.

Information on the roadmap out of lockdown is available here: <https://www.gov.uk/government/publications/covid-19-response-spring-2021/covid-19-response-spring-2021-summary>.

Please contact your Beond Account Manager if you have any questions on the impact of lockdown restrictions on your energy contract.

Bearish Price Drivers (↓)

- ◆ Temperatures are expected to steadily rise over the next few months, reducing energy demand for heating.
- ◆ Even with the Covid-19 vaccine making progress, it is unlikely business activity will return entirely to normal for many months.

Bullish Price Drivers (↑)

- ◆ With the roll out of the Covid-19 vaccine making significant progress in the UK, we could see an increase in demand as businesses return to normal.
- ◆ There remains significant uncertainty over UK and EU policy for carbon taxes. A drive to net zero could see carbon prices rise.
- ◆ Low EU gas storage means many European countries must continue burning coal for power generation, making carbon even more expensive.

Recommendations

- ◆ Bullish sentiment means prices are likely to rise higher before we see a reversal in direction. Concerns over EU gas storage and carbon prices means it won't be a surprise if prices next month are higher once again. It is unclear when, if at all, we might see prices drop by any material quantity.
- ◆ For later renewals, such as Oct 2021 and 2022, prices are beginning to decline. Prices may reverse direction and provide attractive prices around July-Aug, but there is no guarantee of that. Clients should already be discussing their renewal with their account manager, with a

Large UK energy suppliers back calls for carbon tax: Several large energy suppliers including Ovo, Eon, EDF, Scottish Power and British Gas have called on the government to shift policy costs from electricity bills and introduce a carbon tax to deliver its green heating ambitions.

UK retail electricity market to move to half-hourly settlement: UK retail electricity market to move to half-hourly settlement UK targets 78% cut in GHG emissions by 2035 Britain's retail electricity market is to transition to market-wide half-hourly settlement over the next four and a half years, targeting an October 2025 completion. This will mean suppliers will be charged for the actual energy used by every one of their customers in every half-hour, including the smaller ones. Assuming most customers have or will have smart meters, the suppliers will have an incentive to create new smarter tariffs. Like our grandparents we'll be washing and drying our clothes on sunny windy days!