

Contact Beond

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Last Month Summary

- UK gas prices posted further price gains during May. Gas prices rose 5.3% to 2.19 p/kWh as gas supply from Norway and the rest of Europe was hindered by cross-border disruptions and maintenance outages. The European storage surplus triggered by Covid-19 peaked near 30 bcm vs the five-year average last spring but now stands at a 13 bcm deficit, sitting at just 36% of maximum capacity. In the UK, gas storage is just 8% full.
- Power prices also continued to climb significantly last month, gaining 6.9% to 7.53 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 6.2% increase in European prices to €51.76/tCO₂, following further EU talks about plans to meet ambitious climate target. However, carbon prices towards the end of the month started to stabilise, potentially signalling a smaller reversal. Brent crude oil prices moved 3.3% higher to \$69.46/bbl, as OPEC predicts an increase in economic activity as the Covid vaccine rollout continues.

Wholesale Energy Prices

| Contract | 30 Apr 21 | 27 May 21 | Δ | Change |
|------------------------------|-----------|-----------|---|------------|
| Gas (p/kWh)* | 2.08 | 2.19 | ▲ | 0.11 +5.3% |
| Electricity (p/kWh)* | 7.04 | 7.53 | ▲ | 0.49 +6.9% |
| Oil (\$/bbl) | 67.25 | 69.46 | ▲ | 2.21 +3.3% |
| Coal (\$/t) | 76.15 | 80.40 | ▲ | 4.25 +5.6% |
| Carbon (€/tCO ₂) | 48.74 | 51.76 | ▲ | 3.02 +6.2% |
| £/\$ | 1.38 | 1.42 | ▲ | 0.04 +2.8% |
| £/€ | 1.15 | 1.16 | ▲ | 0.02 +1.4% |

* (12 month Rolling Contracts)

Beond Rolling Annual Energy Indices



Wider Market

Coronavirus (Covid-19): Over 65 million doses of the COVID-19 vaccine have been administered in the UK, with over a quarter of adults having received both doses.

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, concerns over a 3rd wave may hinder economic demand across Europe.

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.

- It looks like carbon prices have run out of steam and could decline in the coming months.

Recommendations

- Concerns over EU gas storage and carbon prices means here's a lot of uncertainty over price movement. However, what the month-on-month price movement doesn't clearly show is that prices have declined over the last 10 days as carbon prices stabilise.
- If prices do slide over the next 1-2 months it makes sense that clients should already be discussing their renewal with their account manager, with a view to scheduling auctions for July or August. But keep in mind that this period is the busiest tender period for suppliers, so participation may be impacted.

UK carbon trading system likely to lead to government intervention: While UK gas and power prices are still heavily impacted by European prices, the UK is no longer part of the EU carbon market. Instead UK carbon started trading in May and prices shot up to around £48/tCO₂, similar to the equivalent EU carbon price. What this means is that the UK government could intervene quickly to boost supply of carbon permits and bring carbon prices back under control.

E.ON finishes with migration of 2m former npower customers to E.ON Next: E.ON has today announced it has transferred more than two million former npower home and business customers to its new platform E.ON Next. That follows E.ON's acquisition of npower in late 2019.