

Contact Beond

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Last Month Summary

- UK gas prices continued to record consistent price gains during June. Gas prices rose a whopping 26.7% to 2.62 p/kWh as low supply from the UK's LNG terminals and strong demand from the power sector led to an undersupplied market. LNG prices in Asia and Europe have been on the rise as warmer than usual temperatures for this time of year in different parts of the world boosted electricity usage for air conditioning. Additionally, European gas storage levels are still at just 46% of full capacity, well below the 5-year average for June.
- Power prices also posted significant gains last month, rising 14.1% to 8.22 p/kWh, tracking gas prices. In related markets, Renewable Energy Guarantee of Origin (REGO) prices have jumped to a premium of c. 0.2 p/kWh, around 50% higher than in January 2021.
- Carbon recorded a 9.0% increase in European prices to €55.54/tCO₂, as surging gas prices made it more profitable to burn coal. Brent crude oil prices moved 7.4% higher to \$74.76/bbl, as the reopening of the global economy from pandemic-enforced lockdowns are seen as bullish for oil demand.

Wholesale Energy Prices

Contract	28 May 21	29 Jun 21	Δ	Change
Gas (p/kWh)*	2.07	2.62	▲	0.55 +26.7%
Electricity (p/kWh)*	7.20	8.22	▲	1.01 +14.1%
Oil (\$/bbl)	69.63	74.76	▲	5.13 +7.4%
Coal (\$/t)	80.60	85.25	▲	4.65 +5.8%
Carbon (€/tCO ₂)	50.95	55.54	▲	4.59 +9.0%
£/\$	1.42	1.38	▼	-0.04 -2.5%
£/€	1.16	1.16	▼	-0.00 -0.1%

*(12 month Rolling Contracts)

Beond Rolling Annual Energy Indices



Wider Market

Coronavirus (Covid-19): Nearly 33 million people have received their 2nd dose of the COVID-19 vaccine in Britain.

Information on the roadmap out of lockdown is available here: <https://www.gov.uk/guidance/covid-19-coronavirus-restrictions-what-you-can-and-cannot-do>.

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

Bearish Price Drivers



- Even with the Covid-19 vaccine making progress, concerns over a 3rd wave may hinder economic demand across Europe.
- The UK government could intervene in the UK carbon scheme, boosting supply.

Bullish Price Drivers



- The Covid-19 vaccine rollout is making significant progress, so we could see an increase in demand as European businesses return to normal.
- Low EU gas storage means many European countries must continue burning coal for power generation, making carbon even more expensive.
- With just 2-3 months for businesses to lock in their Oct renewals, the increase in tender activity will drive up energy prices.

Recommendations

- Concerns over EU gas storage and carbon prices means here's a lot of uncertainty over price movement. However, with just 2-3 months remaining for businesses to lock in their 1 Oct 2021 renewals, the significant increase in tender activity is likely to drive prices higher in the short term.
- Clients with 2021 renewals should already be discussing their renewal with their account manager, with a view to scheduling auctions ASAP in July or August. But keep in mind that this period is the busiest tender period for suppliers, so participation may be impacted.

North Sea Link interconnector soon operational: The North Sea Link (NSL) power interconnector between Norway and the UK will begin testing this month and is expected to be online by September 2021. The new 1.45GW interconnector will be the longest in the world at 765 km. Once fully commissioned it will provide the UK with low carbon hydro energy. The new interconnector will bring the total UK capacity to 7.4GW, with a further 5 power interconnectors expected to go live in the next 4 years.

Domestic electricity consumption at 8-year high: Homes across the UK saw their consumption of electricity soar during Q1-2021. Official figures by BEIS reveal that domestic consumption of electricity was at its highest level since Q1-2013