

Beond Weekly UK Insight

5 July 2021

Gas

p/therm	25 Jun 21	2 Jul 21	Change
Day-Ahead	82.40	88.75	7.7%
Aug 2021	79.69	88.94	11.6%
Winter 2021/22	85.89	94.39	9.9%
Summer 2022	54.02	56.41	4.4%
12M Annual Oct 2021	69.96	75.40	7.8%

Source: ICE

The **Aug 2021 Gas** price rose 11.6% to 88.94p/therm last week, reflecting low supply from the UK's LNG terminals, risks of unplanned pipeline maintenance outages and strong demand from the power sector led by an increase in carbon prices.

LNG send-out is still low at 7.5 mcm/d and no cargoes have been confirmed to arrive in Britain during July.

The **Oct 2021 12 Month Gas** price rose 7.8% to 75.40p/therm as European gas storages are still only 48% full. This continues to be the largest supply risk ahead of the colder winter period.

The **Oct 2021 12 Month Power** price saw an increase of 5.4% to £80.77/MWh, tracking gas prices higher as carbon and coal also provided bullish support.

In addition to the typical supply and demand fundamentals, prices for both gas and power are largely being driven higher by increased tender activity in the run up to the 1 Oct renewal date.

1 Oct is the most popular date for businesses to renew their energy supply contracts, meaning the months of July, Aug and Sept are the busiest in the industry. Any clients who haven't yet secured their new contracts will all be asking suppliers for prices at the same time, driving prices even higher.

Though energy prices are already at record highs, it is widely expected that prices will continue to rise for the next three months, meaning any clients with open volume in 2021 should be locking out their contracts as a matter of priority.

Power

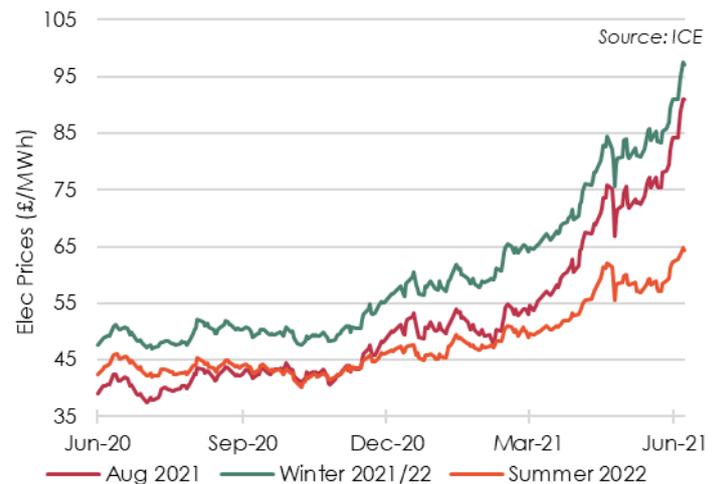
£/MWh	25 Jun 21	2 Jul 21	Change
Day-Ahead	84.98	92.83	9.2%
Aug 2021	84.25	91.01	8.0%
Winter 2021/22	90.92	97.13	6.8%
Summer 2022	62.34	64.41	3.3%
12M Annual Oct 2021	76.63	80.77	5.4%

Source: ICE

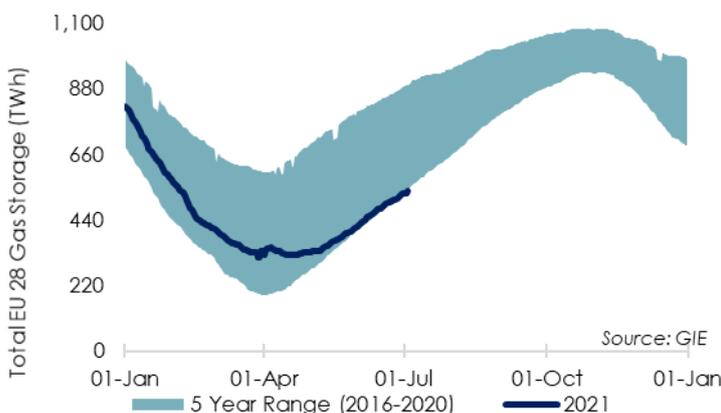
UK Gas



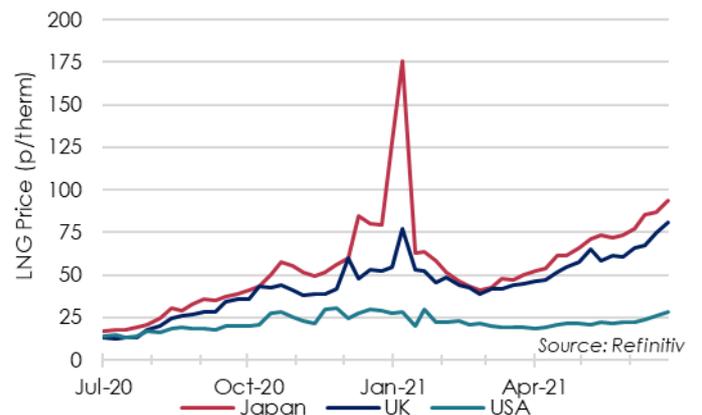
UK Power



European Gas Storage



Global LNG (Japan v UK v USA)



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Oil

\$/bbl	25 Jun 21	2 Jul 21	Change
Brent Crude Sep 21	76.18	76.17	0.0%

Source: Reuters

Brent crude oil prices remained the same last week as they started the week easing, but then saw a late price rally. This increase followed a meeting of OPEC+ whereby a tentative agreement was signed to increase supply very slowly throughout the remainder of 2021.

Despite short-term demand concerns due to the Delta variant of Covid-19, OPEC+ managing supply so tightly has boosted oil price rises, now at 3-year highs.



Carbon

€/tCO2	25 Jun 21	2 Jul 21	Change
EUA Dec Yr	54.95	57.25	4.2%

Source: Reuters

European carbon saw continued rises, with a 4.2% gain to €57.25/tCO₂. These new, record-breaking, levels for the EU ETS tracked similar record-breaking highs in the gas and coal markets, as demand remained high.

The UK ETS remains in breach of the cost-containment mechanism, set at £44.74. This gives legislators the ability to add supply to the market. However doubt remains how quickly the UK government will take action whilst the market is still in its infancy.



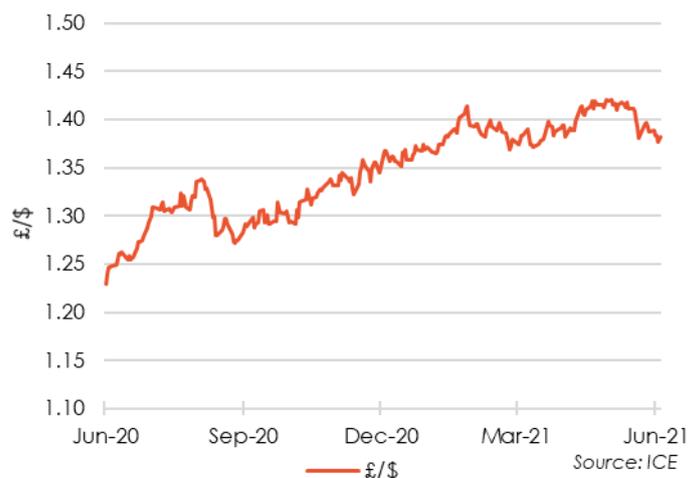
Exchange Rates & Economics

£/\$	25 Jun 21	2 Jul 21	Change
GBP/USD	1.3877	1.3821	-0.4%

Source: Reuters

Pound Sterling fell by 0.4% last week. Early last week, better than expected U.S. employment figures drove the exchange rate to its lowest level since mid-April. However, a steep decline in U.S. Treasury bond yields led to a rebound for GBP/USD.

The recent sharp rise in cases of the Delta variant in the UK also provided some bearish pressure as concerns increased over the potential impact on the country's economic recovery.



Coal

\$/tonne	25 Jun 21	2 Jul 21	Change
API2 CIF ARA Yr	85.65	88.25	3.0%

Source: Reuters

European coal prices rose 3.0% last week to \$88.25/tonne following increased seasonal electricity demand across Europe, as hotter temperatures boosted air conditioning, and a decreasing supply of LNG to the continent.

Continued low wind output from a number of European countries provided additional support for coal demand.



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