Price Watch Report Beond

1 August 2021 https://beondgroup.com/

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Last Month Summary

- UK gas prices recorded significant price gains during July. Gas prices rose 13.5% to 3.07 p/kWh as lower supply due to outages coincided with strong demand from the gas-fired power plants amid lower output from the UK's nuclear plants. Norwegian flows are reduced due to maintenance at the Troll gas field. European gas storages are still only 57% full. This continues to be the largest supply risk ahead of the colder winter period.
- Power prices also posted significant gains last month, rising 8.3% to 9.08 p/kWh, tracking gas prices. Meanwhile, 7 of Britain's 13 operating nuclear units are currently offline reducing nuclear output by 4.2GW. In related markets, Renewable Energy Guarantee of Origin (REGO) prices have jumped to a premium of c. 0.23 p/kWh, around 5x higher than in January 2021.
- Carbon recorded a 4.0% decline in European prices to €54.00/tCO2, as speculative traders elected to sell, cashing in on profits rather than risking further volatility. Brent crude oil prices moved 1.2% higher to $76.05/bbl, as the reopening of the global economy from pandemic-enforced lockdowns are seen as bullish for oil demand.

Wholesale Energy Prices

Contract	30 Jun 21	29 Jul 21	△	Change	
Gas (p/kWh)*	2.70	3.07	▲	0.37	+13.5%
Electricity (p/kWh)*	8.39	9.08	▲	0.69	+8.3%
Oil ($/bbl)	75.13	76.05	▲	0.92	+1.2%
Coal ($/t)	87.50	96.50	▲	9.00	+10.3%
Carbon (€/tCO2)	56.26	54.00	▼	-2.26	-4.0%
£/$	1.38	1.40	▲	0.01	+1.0%
£/€	1.17	1.17	▲	0.01	+0.7%

*(12 month Rolling Contracts)

Beond Rolling Annual Energy Indices

Bearish Price Drivers

- Even with the Covid-19 vacinne making progress, concerns over the Delta variant 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 1 month 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 1 month 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 August. But keep in mind that this period is the busiest tender period for suppliers, so particiation may be impacted.

Wider Market

Coronavirus (Covid-19):

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.

Britain hits 34-day coal-burning streak: the grid's carbon intensity so far in 2021 is already higher than in 2020, marking the first year-on-year increase of this kind since 2012.

The Nuclear Industry Association (NIA) warns of the danger of falling into a “fossil fuel trap” where there is not enough low carbon nuclear power to rely on in periods of low renewable generation, resulting in gas and coal being used instead.

Britain smashes record with grid flexitricity up 45% on previous year: A total of 1.6GW has been contracted by national electricity distribution networks this year to date, freeing up this volume of capacity on the networks during peak periods of demand.