

Contact Beond

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

Last Month Summary

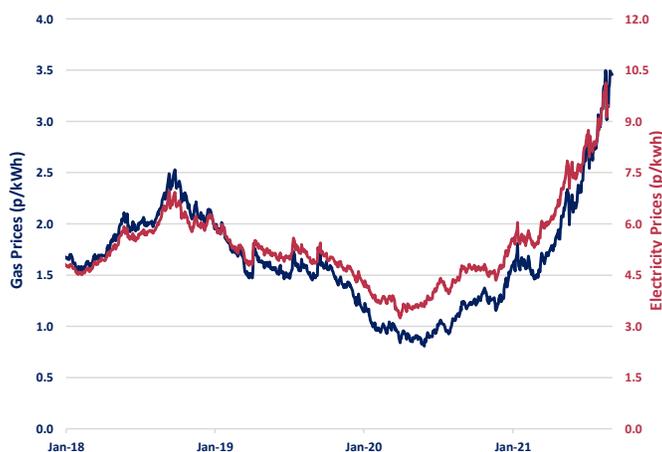
- UK gas prices recorded significant price gains during August. Gas prices rose 18.5% to 3.46 p/kWh after a German court ruling that the Nord Stream 2 (NS2) gas pipeline link with Russia must comply with EU rules requiring the owners of pipelines to be different from the suppliers of the gas that flows through them. This could delay the start of the Nord Stream 2 gas pipeline to Europe. European gas storages are still only 69% full, compared to 90% last year. This continues to be the largest supply risk ahead of the colder winter period.
- Power prices also posted significant gains last month, rising 16.9% to 10.22 p/kWh, tracking gas prices. Prices for both gas and power continue to be supported by high levels of tender activity in the run up to the 1 Oct renewal date. With only 5 weeks to go, there is very little time for customers to lock out their 2021 supply contracts. 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 13.9% increase in European prices to €60.76/tCO₂, as reduced auctions and a rise in gas prices, following a reduction in global supply due to the forecasted closures in the Gulf of Mexico, led to a jump in EUA prices. Brent crude oil prices moved 4.4% lower to \$72.99/bbl, reflecting concerns that travel restrictions to curb the spread of the Delta variant of Covid-19 will derail the global recovery in energy demand.

Wholesale Energy Prices

Contract	30 Jul 21	31 Aug 21	Δ	Change
Gas (p/kWh)*	2.92	3.46	▲	0.54 +18.5%
Electricity (p/kWh)*	8.74	10.22	▲	1.47 +16.9%
Oil (\$/bbl)	76.33	72.99	▼	-3.34 -4.4%
Coal (\$/t)	95.30	114.75	▲	19.45 +20.4%
Carbon (€/tCO ₂)	53.33	60.76	▲	7.43 +13.9%
£/\$	1.39	1.38	▼	-0.01 -1.1%
£/€	1.17	1.16	▼	-0.01 -0.9%

*12 month Rolling Contracts

Beond Rolling Annual Energy Indices



Bearish Price Drivers (▼)

- Even with the Covid-19 vaccine 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 means prices continue to climb. With just 1 month remaining for businesses to lock in their 1 Oct 2021 renewals, the increase in contracts being locked in 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 over the next week or so. But keep in mind that this period is the busiest tender period for suppliers, so participation 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.

Community boiler project: A new project has been launched to capture waste heat from electricity transformers to generate hot water and space heating for homes and businesses. The project could save millions of tonnes of CO₂ every year if rolled out across National Grid's network of transformers. Electric power transformers generate huge amounts of heat as a by-product when electricity flows through them. At the moment, the heat is vented directly into the atmosphere and wasted.

Upcoming CfD round could attract record level of bids: A record level of new-build renewables could be preparing to bid into the upcoming CfD round. The pipeline of onshore wind and solar projects has been growing significantly in the last year and it believes CfD eligible projects could now total around 8GW.