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Last Month Summary

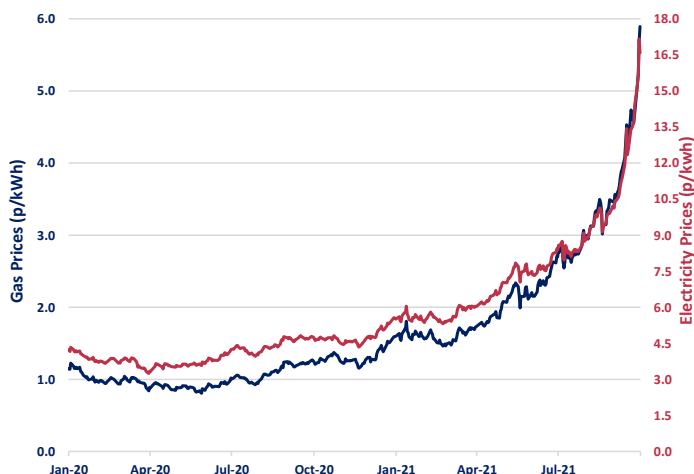
- UK gas prices soared during September, hitting all time highs. Gas prices rose 70.2% to 5.89 p/kWh, while Electricity prices posted unprecedented gains of 62.4% to 16.59%. At the heart of the energy rally is the cost of natural gas. Prices continue to surge higher as flows from top suppliers Russia and Norway have been limited. Cargoes of liquefied natural gas are being redirected to Asia, leaving the UK and the rest of Europe struggling to rebuild depleted storage sites a month before the heating season starts.
- The UK can't count on its nuclear fleet either. EDF is reporting five nuclear units currently offline, removing about 3,000 MW from available generation. An unplanned halt at one unit and extended maintenance at two others have reduced expected supply. By 2024 five of the UK's eight nuclear plants will be halted permanently.
- Carbon recorded a 1.6% increase in European prices to €61.69/tCO₂, as gas shortages have resulted in European markets turning on mothballed coal generation. Brent crude oil prices moved 7.6% higher to \$78.52/bbl, supported by growing fuel demand and a draw in U.S. crude inventories as production remained hampered in the Gulf of Mexico after two hurricanes.

Wholesale Energy Prices

Contract	31 Aug 21	30 Sep 21	Δ	Change
Gas (p/kWh)*	3.46	5.89	▲	2.43 +70.2%
Electricity (p/kWh)*	10.22	16.59	▲	6.37 +62.4%
Oil (\$/bbl)	72.99	78.52	▲	5.53 +7.6%
Coal (\$/t)	114.70	155.00	▲	40.30 +35.1%
Carbon (€/tCO ₂)	60.72	61.69	▲	0.97 +1.6%
£/\$	1.38	1.35	▼	-0.03 -2.0%
£/€	1.16	1.16	▼	-0.00 -0.1%

*(12 month Rolling Contracts)

Beond Rolling Annual Energy Indices



Wider Market

Energy suppliers going bust: Nine energy companies have ceased to trade in recent weeks, leaving over 1.5 million customers dependent on the safety net provided by the market regulator, Ofgem, to maintain their supplies and protect their credit balances while it moves them to a new supplier.

Ofgem announced in August that its domestic price cap, which sets a limit on how much energy firms can charge its customers per unit of energy and associated standing charges, would rise by £139 to £1,277 on 1 October. However this doesn't apply to non-domestic energy users.

Bearish Price Drivers



- There's little chance of prices falling in October, but towards the end of Q4-21 if supplies turn out to be sufficient we could see prices dip in Q1-22.

Bullish Price Drivers



- Low EU gas storage means many European countries must pay high premiums to attract global gas to European markets.
- Colder weather forecasts for Q4-21 would signal an increase in energy demand for heating.
- Even though the common 1 October renewal date has now passed, global sentiment over rising prices means speculative buying.

Recommendations

- Concerns over EU gas storage and massive gas demand in Asia means it is likely prices will head even high in the short to medium-term. Clients with energy supply contracts renewing between now and 1 Apr 2022 should consider locking in their renewals urgently.
- Customers renewing in summer or winter 2022 may prefer to wait, ride out the winter volatility and hope that European temperatures don't drop below seasonal norms for too long.

Norwegian power cable begins testing: The new 1,400 MW sub-sea power interconnector North Sea Link (NSL) linking Norway to Britain went live last Friday. The cable will operate at half capacity for a three-month trial period. Supporters of the project say both nations will benefit, as Britain gets access to Norway's hydropower resources to help balance intermittent wind power, while Norway will be able to import power during times of high wind to save water in reservoirs.

SSE wind generation lower than normal: Energy giant SSE said its renewable assets produced 32% less power than expected between April 1 and Sept. 22 thanks to historically dry and low-wind conditions. This equates to 11% of its full-year output target.