

## Contact Beond

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## Last Month Summary

- UK gas prices fell significantly during October. Gas prices declined 16.5% to 4.92 p/kWh, while Electricity prices posted similar losses of 15.7% to 13.98 p/kWh. At the heart of the energy price crash have been further signs that Russia will increase exports to the EU after previously restricting supplies for months. Russia's state-run gas exporter Gazprom said it had hit its target for filling domestic storage two days after President Vladimir Putin ordered the company to start filling its European storage facilities.
- In the UK's Autumn Budget, Chancellor Rishi Sunak has announced a range of funding measures aiming to increase decarbonisation in the UK's power sector. Sunak made the speech ahead of the upcoming COP26 conference. The budget continued the environmental theme in places, promising a £30bn fund for green infrastructure investment
- Carbon recorded a 4.8% drop in European prices to €58.71/tCO2, as encouraging gas signals and higher wind output have reduced the demand for coal-fired generation. Brent crude oil prices moved 7.4% higher to \$84.32/bbl, extending gains to multi-year highs, bolstered by worries about coal and gas shortages in China, India and Europe, which spurred fuel-switching to diesel and fuel oil for power.

## Wholesale Energy Prices

Contract	30 Sep 21	29 Oct 21	Δ	Change
Gas (p/kWh)*	5.89	4.92	▼	-0.97 -16.5%
Electricity (p/kWh)*	16.59	13.98	▼	-2.61 -15.7%
Oil (\$/bbl)	78.52	84.32	▲	5.80 +7.4%
Coal (\$/t)	155.00	98.00	▼	-57.00 -36.8%
Carbon (€/tCO2)	61.69	58.71	▼	-2.98 -4.8%
£/\$	1.35	1.37	▲	0.02 +1.7%
£/€	1.16	1.18	▲	0.02 +1.4%

\*(12 month Rolling Contracts)

## Beond Rolling Annual Energy Indices



## Wider Market

**COP26:** There is a lot of anticipation over the 2021 United National Climate Change Conference, also known as COP26, which is scheduled to take place in Glasgow, Scotland between Oct. 31 and Nov. 12, 2021. Most countries will set out their plans to reduce emissions before the summit starts - so, we should get a sense of whether we are on track beforehand.

Some announcements could include: making a faster switch to electric cars, speeding up the phasing out of coal power, cutting down fewer trees, and ultimately protecting more people from the impacts of climate change, such as funding coastal-defence systems.

## Bearish Price Drivers



- Encouraging signals from Russia suggest Gazprom could increase gas flows to Europe during November.
- The busy tender period prior to 1 October meant prices are artificially high a month ago. Lower tendering activity could see prices slide.

## Bullish Price Drivers



- Despite the improving situation, all it takes it for Russia to reduce flows to Europe for prices to spike.
- Colder weather or any unplanned gas or power outages could also see winter prices rise.

## Recommendations

- With prices falling, clients may wish to see if the trend continues and hope that they can purchase their energy once markets have fallen. However, customers renewing between now and 1 April 2022 will still be open to winter price volatility due to demand uncertainty and Russia's influence over supply.
- 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.

**Scottish Power asks for Ogem intervention:** Scottish Power Chief Executive Keith Anderson argued that Britain's energy market faces even more uncertainty that could claim another 20 suppliers before the end of winter unless the government urgently reviews the domestic energy price cap. Anderson said the regulator Ofgem and the government should look at changing Britain's price cap earlier than its next scheduled review in April so suppliers can pass on spikes in their costs sooner. While most suppliers that have gone into administration are limited to the domestic supply market, there has been increased concerns over the stability of some business energy suppliers.