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Last Month Summary

- UK gas prices jumped significantly during November. Gas prices soared 25.9% to 5.24 p/kWh, while Electricity prices posted even greater gains of 34.7% to 17.40 p/kWh. A colder-than-normal start to winter has made unusually large inroads into the already meagre volume of gas in storage. Previous market expectations Russia would begin large-scale gas deliveries to Europe via existing pipelines and the newly completed but not yet approved Nord Stream 2 have not been borne out. Instead the winter heating season has started with unusually low temperatures which have led to a big increase in demand for gas for heating and power generation.
- Northwest Europe has been hit by repeated waves of colder-than-average temperatures over the last two months. Daily temperatures at Frankfurt airport, a proxy for the major population centres of Northwest Europe, have averaged more than 0.4°C below the long-term seasonal average since the start of October.
- Carbon recorded a 26.4% increase in European prices to €74.21/tCO₂, as bullish gas signals and lower wind output have increased the demand for coal-fired generation. Brent crude oil prices moved 13.0% lower to \$73.44/bbl, as another wave of lockdowns could result in up to 3 million bpd of oil demand lost in Q1-22 as the Omicron variant of Covid-19 has governments worried.

Wholesale Energy Prices

Contract	29 Oct 21	29 Nov 21	Δ	Change
Gas (p/kWh)*	4.16	5.24	▲	1.08 +25.9%
Electricity (p/kWh)*	12.91	17.40	▲	4.48 +34.7%
Oil (\$/bbl)	84.38	73.44	▼	-10.94 -13.0%
Coal (\$/t)	101.50	107.97	▲	6.47 +6.4%
Carbon (€/tCO ₂)	58.71	74.21	▲	15.50 +26.4%
£/\$	1.37	1.33	▼	-0.04 -2.7%
£/€	1.18	1.18	▼	-0.00 -0.2%

*[12 month Rolling Contracts]

Beond Rolling Annual Energy Indices



Wider Market

Energy users to cover bill for suppliers going bust: the energy crisis could cost each home in Great Britain an extra £120 to cover the expense of dozens of energy supplier collapses this winter, which would plunge hundreds of thousands of households into fuel poverty for the first time. Consumers in England, Scotland and Wales could be on the hook for a total of £3.2bn to cover the costs left behind by bust gas and electricity providers, on top of paying for record gas and electricity market prices, according to analysts at Investec. The bank warned of a "substantial" burden on households to provide a safety net for the customers of bust suppliers, including the largest to go under so far, Bulb Energy, which plunged into a special administration process last week.

Bearish Price Drivers



- The UK will announce by Dec. 14 how it will respond to a three-month rise in UK carbon allowance prices that has taken the market above the threshold for possible intervention,

Bullish Price Drivers



- A strong drop in temperatures across Europe and low wind production means we could see even higher prices during December and January.
- European gas storage levels are at just 69% of maximum capacity, significantly lower than last year when facilities were 88% full.
- Germany has paused approval for the Nord Stream 2 pipeline, meaning Russian supply to Europe remains a significant concern.

Recommendations

- With prices rising, clients with volume to buy during 2021 or Q1-22 may want to consider locking this in as soon as possible. While prices are already at record highs, increases concerns over winter gas supply to Europe means prices could rise even higher in December and January.
- 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.

Two more suppliers go into administration: Two more energy suppliers have gone bust amid the surge in gas prices, the regulator Ofgem has said. Entice Energy and Orbit Energy, which have about 5,400 and 65,000 customers respectively, ceased trading on Wednesday. The two firms are the latest companies to go under as higher wholesale gas prices have made price promises by suppliers to customers undeliverable. Ofgem said new suppliers would be found for the two companies' customers. However, it seems inevitable that more domestic energy suppliers will go bust before the winter's coldest months come to an end.