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Last Month Summary

- ◆ UK gas prices rose during January as colder temperatures across Britain and lower Russian gas supply to Europe meant the UK gas system was fairly tight. Gas prices increased 10.6% to 7.43 p/kWh, while Electricity prices also posted smaller gains of 1.8% to 20.13 p/kWh. The Yamal pipeline was expected to revert to its normal mode of exporting west after Gazprom booked transit capacity for eight hours from 9pm on Tuesday, but after an hour of western flows early on Wednesday the pipeline switched back to eastbound flows.
- ◆ Lower temperatures will increase heating demand although the increase will be outweighed by stronger wind generation with total demand forecast 57 mcm/d below seasonal normal with the UK gas system forecast 2 mcm/d short. Meanwhile, the geo-political situation between Russia and Ukraine continues to generate friction between Moscow and western powers.
- ◆ Carbon recorded an 11.3% increase in European prices to €89.22/tCO₂, as bullish gas signals and changeable wind output have increased the demand for coal-fired generation. Brent crude oil prices moved 13.5% higher to \$90.03/bbl, after OPEC+ agreed to maintain moderate monthly production increases despite pressure to raise output more quickly.

Wholesale Energy Prices

Contract	30 Dec 21	28 Jan 22	Δ	Change
Gas (p/kWh)*	6.72	7.43	▲	0.71 +10.6%
Electricity (p/kWh)*	19.78	20.13	▲	0.35 +1.8%
Oil (\$/bbl)	79.32	90.03	▲	10.71 +13.5%
Coal (\$/t)	100.44	117.28	▲	16.84 +16.8%
Carbon (€/tCO ₂)	80.16	89.22	▲	9.06 +11.3%
£/\$	1.35	1.34	▼	-0.01 -0.7%
£/€	1.19	1.20	▲	0.01 +0.8%

*(12 month Rolling Contracts)

Beond Rolling Annual Energy Indices



Wider Market

Domestic users facing cost hike as price cap set to increase: Millions of domestic users facing a spike in energy costs will find out shortly how much more they will have to pay. Ministers are reported to have plans to provide loans for energy firms to help them cut money from customers' bills.

The energy regulator's new price cap - the maximum amount suppliers can charge customers for each unit of energy - is likely to add hundreds of pounds onto the annual bill for 22 million homes.

Ofgem's new cap will take effect in April, but will not have any impact on businesses or public sector organisations.

Bearish Price Drivers



- ◆ There's little to drive lower prices during the cold months of February and March, but edge lower once spring temperatures arrive in April.

Bullish Price Drivers



- ◆ A drop in temperatures across Europe means we could see even higher volatile prices continue during January and February.
- ◆ European gas storage levels are at 37% of maximum capacity, materially lower than last year when facilities were 49% full.
- ◆ The U.S. continue to threaten Russia with sanctions over the new Nord Stream 2 gas pipeline to Germany if tensions escalate in Ukraine.

Recommendations

- ◆ With prices still high, clients with volume to buy during 2022 should engage with their account managers as soon as possible to setup a schedule so that your tender can be completed as quickly as possible once temperatures rise.
- ◆ Even once temperatures start to rise, we don't expect the issues around Asian and Russian gas, and European storage levels, to disappear anytime soon. As a result, prices are likely to remain elevated throughout 2022 and Q1-23.

MPs urge government to set more detailed ban on gas boilers: MPs have called on the government to set a "clear and specific" end-date for the already announced phase-out of gas boilers.

A few months ago, the government published its Heat and Buildings Strategy outlining its ambition "to phase out the installation of new natural gas boilers beyond 2035.

However, Ministers have clarified that the 2035 date does not mean an outright ban whereby consumers will be forced to remove their boilers, instead it is an overall policy goal.