



Market Intelligence

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**GAS
REVIEW**



Gas News

Further falls in demand forecast

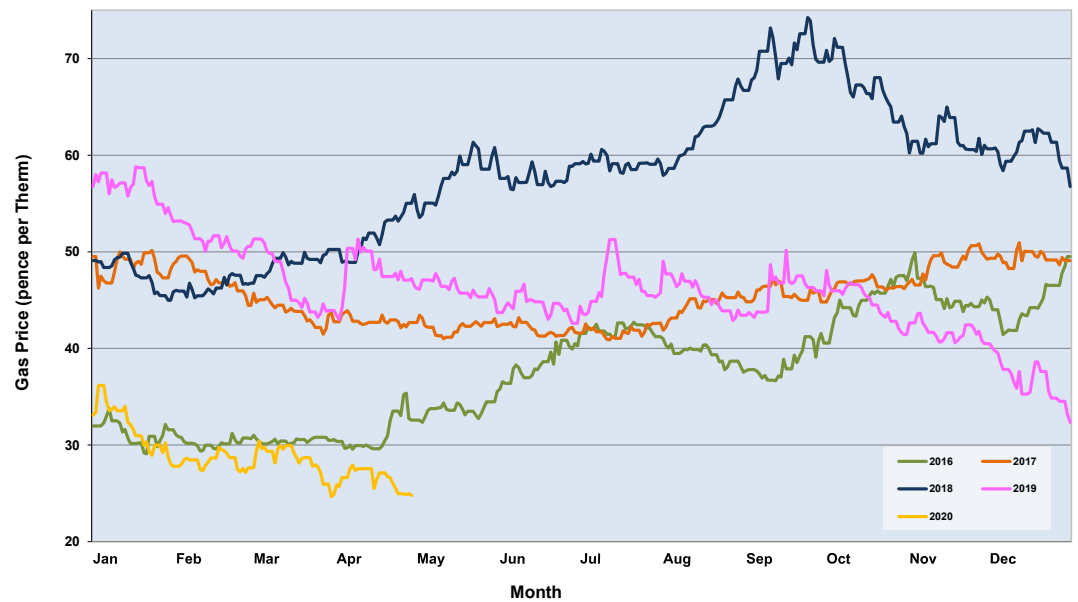
Business closures as a result of the continued lockdown have reduced gas demand throughout April, but wholesale pricing has not travelled in the same direction for the entire month. Unplanned infrastructure issues and some cold early April weather did its best to arrest the market freefall. Prices even spiked off the back of a statement from US President Donald Trump on the Saudi-Russia price war, rising by almost 20% for a short period.

Storage injections and exports through both the UK-Belgium and UK-Holland

interconnectors have helped mop up some of the surplus gas, however this has not been enough to keep overall demand at seasonally normal levels. European gas storage sites are now at 54% fullness, compared to 43% last year.

UK gas demand this summer is set to drop even further. However, according to National Grid reports, even without the pandemic, demand was already expected to drop by 3.3% year-on-year. Covid-19 and lockdown measures are simply amplifying this.

Historic NBP Gas Graph



**GAS
REVIEW**



NBP Gas Prices

	Trading date		
	01-Apr-20	01-May-20	Increase
Jun-20	17.27	13.92	-3.35
Winter 20	31.65	31.63	-0.02
Summer 21	28.65	28.49	-0.16
Winter 21	38.35	37.58	-0.77

Forward NBP Gas Curve



ELECTRICITY REVIEW



Electricity News

Prices to remain under pressure

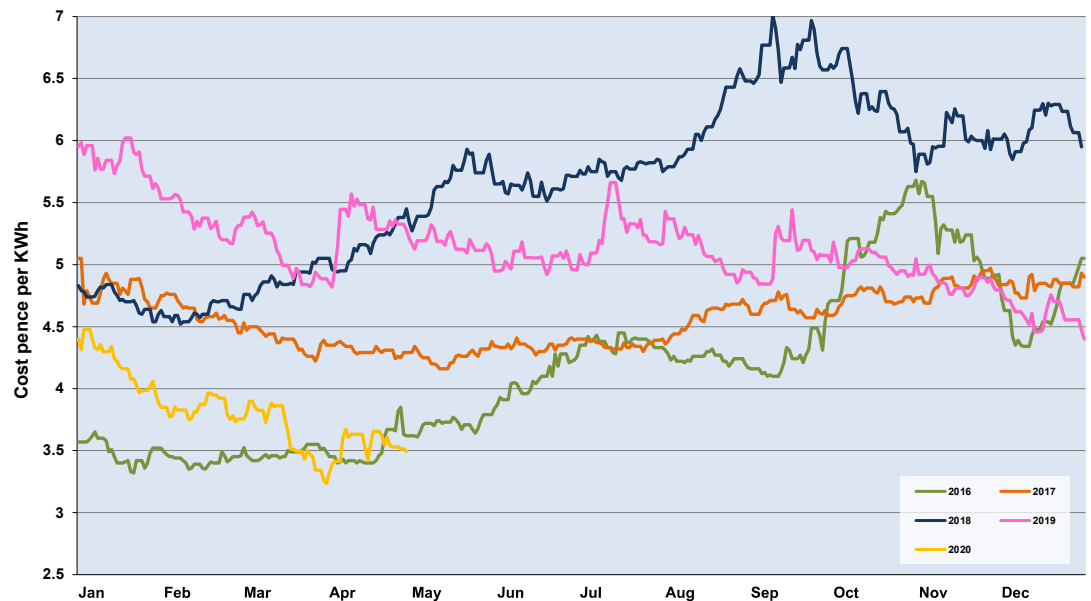
Covid-19 continues to have a huge effect on all UK power prices as global lockdowns look set to remain in place for the near future. The opening week of April saw UK forward prices rebound by as much as 11% before being dragged back down after the Easter break. Day-ahead prices remain bearish on the back of the warm/windy recent weather and a drop in consumption (10% below pre-lockdown levels).

If current lockdowns are extended across Europe as expected, prices will continue to be pressured, not just in the short-term

market but potentially in the longer term one too, as fears of further shut-ins and deepening economic gloom set in.

On the flip side, EDF extended outages at three reactors in France by 4-5 months which has boosted French Q3 prices by 26% and Q4 prices to their highest levels since January, with interconnected markets, including the UK, being pulled higher in turn. A post-Covid 19 recession would see European demand dropping by 5% and potentially not recovering until 2024.

Undelivered Wholesale Electricity Rates



**ELECTRICITY
REVIEW**



OTC Power Price Assessments £/MWh

	Trading date		
	01-Apr-20	01-May-20	Increase
Jun-20	26.00	25.40	-0.60
Winter 20	38.25	40.45	2.20
Summer 21	33.90	35.55	1.65
Winter 21	42.35	43.15	0.80

OTC Electricity Forward Price Curve



OIL REVIEW



Plummeting prices lead to job cuts

One of the most dynamic months in the history of oil trading saw a dispute between OPEC and its usual ally, Russia, involved in a spat over production cuts in response to falling demand. Both Oil powerhouses have been on the same page since 2016 but, on this occasion, cutting production to match demand, in a bid to shore up crude oil prices, did not sit well with Russia.

While the dispute was finally put to bed in Mid-April with an agreement for a record 10% oil output cut by OPEC and other oil-producing nations, it did little to bolster prices, with both WTI and Brent benchmarks taking substantial hits. While the dispute lingered on, WTI even went negative.

Royal Dutch Shell has cut its dividend for the first time since World War Two

following the Covid-19 pandemic's impact on global oil demand. Shell have decided to cut its quarterly dividend by two-thirds, as well as cutting activity at its refining business by up to 40% in response to the demand drop. The decision is bad news for investors as many people own shares directly, or through their pension, as an important income source.

A recent survey by trade body Oil and Gas UK indicated that up to 30,000 jobs are at risk in the UK sector as a result of the Covid-19 pandemic and low oil prices. With fears that the problems will last much longer than the Covid-19 pandemic itself, many workers have been laid off rather than furloughed. The predicted job losses represent about one in five of the 151,000 people employed by the sector.

SALES

Making better choices

Business and Commerce is in a very strange place at this time, some businesses have seen a sharp upturn in turnover as they fulfil the country's requirements over this "lockdown" period, such as bicycle manufacturers, while others simply had no choice but to heed the government's advice and close their doors.

The downturn in the UK and world economy has lowered the demand for energy and wholesale prices have followed suit. Short term markets have taken the biggest hit, but markets further out have also reduced during this period, reflecting an uncertain future.

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