



## **Market Intelligence**

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June 2020



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**GAS  
REVIEW**



**Gas News**

**Two steps forward**

Volatility in the power markets has not been mirrored in the gas market in June, although there were a couple of step changes during the first month of the summer.

At the beginning of the month, UK gas prices rebounded as UK temperatures dropped below seasonal norms and homeowners found themselves turning up the thermostat for a few days.

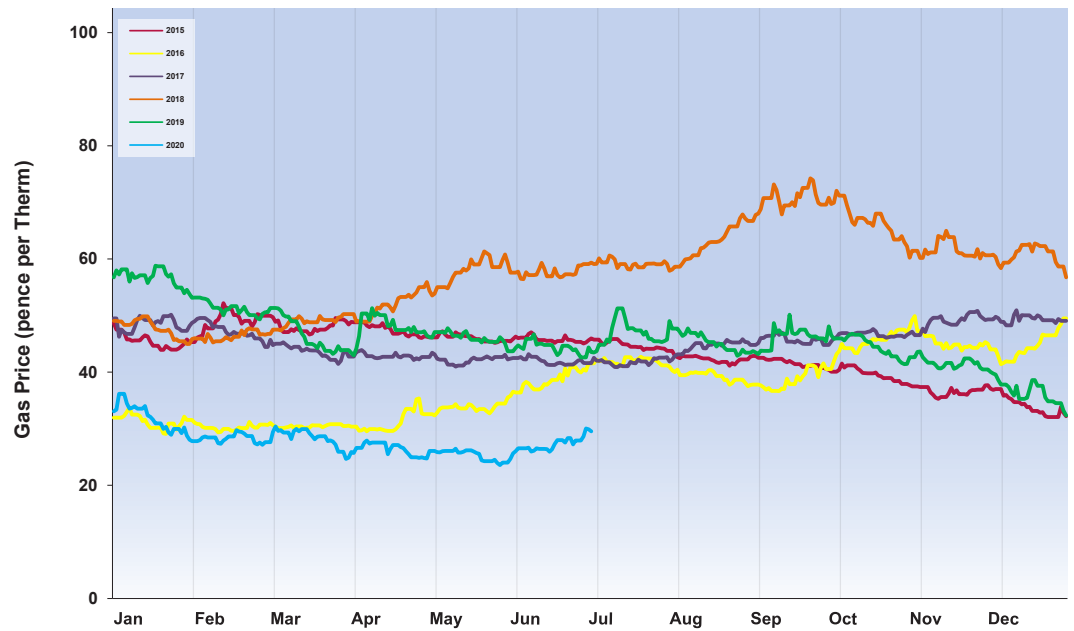
Combined with a lack of electricity generation from UK wind farms, which increased the need for gas-fired

generation, gas demand rose sharply and gathered up short-term prices with it.

A further step change, mid-month, was prompted by encouraging news on the UK's plans to pin a date on the next phase of lockdown easing.

Gas prices have remained at a reasonably steady level, with LNG imports into the UK remaining robust (transit sites reached close to 90% fullness), helping to offset a fall in Norwegian exports to the UK in the first half of the month

**Historic NBP Gas Graph**



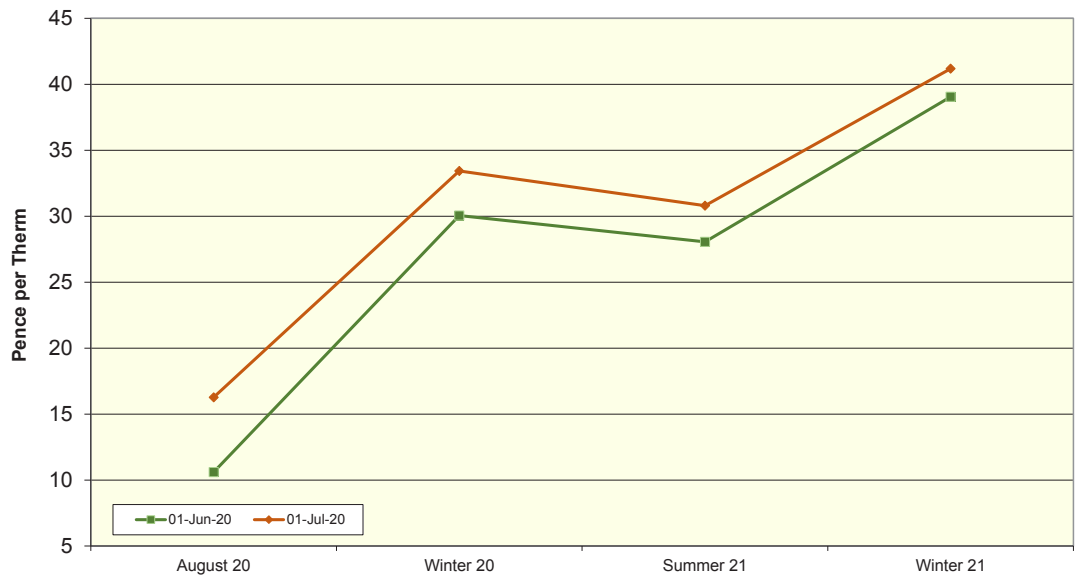
**GAS  
REVIEW**



**NBP Gas Prices**

	Trading date		
	01-Jun-20	01-Jul-20	Increase
<b>August 20</b>	10.60	16.27	5.67
<b>Winter 20</b>	30.05	33.43	3.38
<b>Summer 21</b>	28.05	30.80	2.75
<b>Winter 21</b>	39.05	41.18	2.13

**Forward NBP Gas Curve**



**ELECTRICITY  
REVIEW**



**Electricity News**

**Lift-off!**

At the end of May/early June, the bulls ran for the first time in almost two months.

Both short-term prices and long-term prices underwent considerable upward pressure, despite demand being still well below average as many coronavirus restrictions remained in place.

Short-term prices saw the largest increase initially, as prices climbed above their pre-lockdown value for the first time since late March.

This was mainly due to a sharp drop in wind output as weather conditions became less than favourable for the UK's largest form of renewable energy generation.

Meanwhile, mid-term prices were bolstered by expectations that a further loosening of the lockdown, and the phased return to work of many businesses, will once again lift power demand.

Long-term pricing has been a little more erratic with the upcoming winter period and

Summer 2021 moving in both directions over the past month, although the underlying trend has resulted in an increase in market cost.

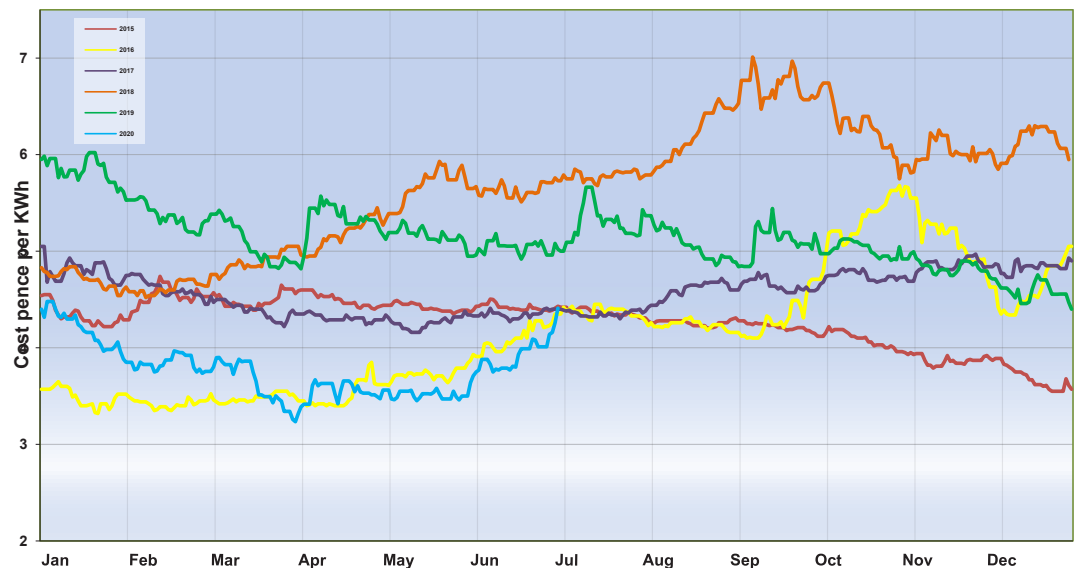
Another pricing influence carried over from previous months is the concern over generation plant maintenance and what impact this may have on output, particularly with regard to the French Nuclear industry.

Also, alarm bells have been ringing following recent announcements over significant amendments to planned outages and refuelling schedules over the next few years due to Covid-19 disruption.

Now, as the first month of summer passes us by, we are seeing just how much the current suppressed short-term market price has influenced contract pricing over the past few months.

June, July and August have been trading around £30 per MWh mark, while Summer 2021 is currently trading at around £40 per MWh.

**Undelivered Wholesale Electricity Rates**



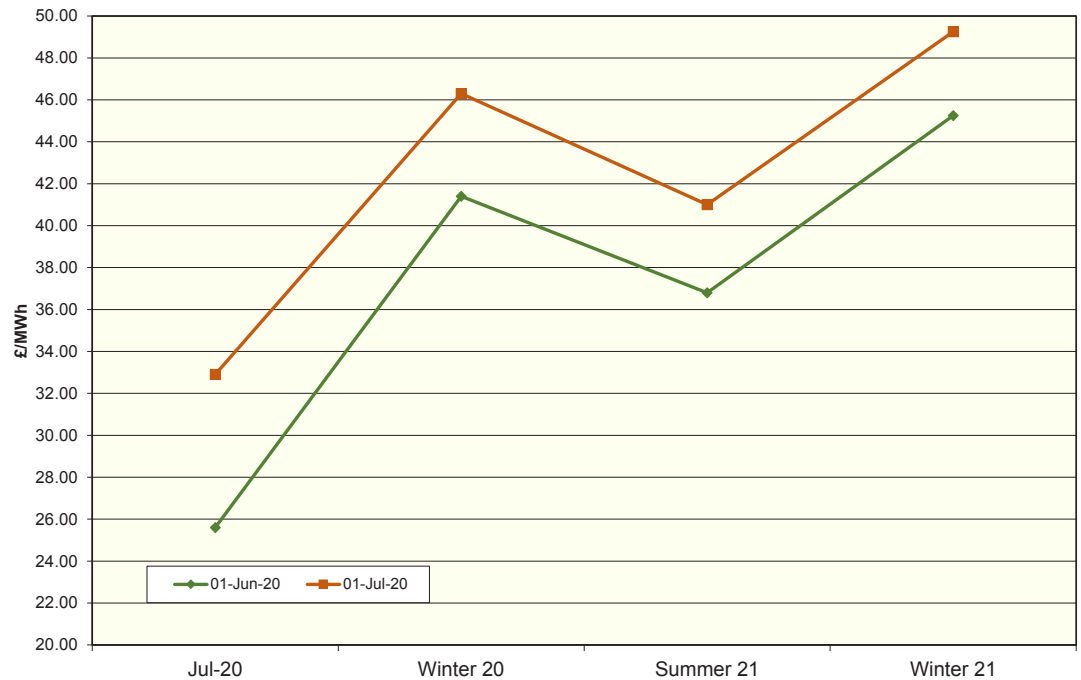
**ELECTRICITY  
REVIEW**



**OTC Power Price Assessments £/MWh**

	Trading date		
	01-Jun-20	01-Jul-20	Increase
<b>Jul-20</b>	25.60	32.90	7.30
<b>Winter 20</b>	41.40	46.30	4.90
<b>Summer 21</b>	36.80	41.00	4.20
<b>Winter 21</b>	45.25	49.25	4.00

**OTC Electricity Forward Price Curve**



**OIL REVIEW**



**The only way appears to be up**

Brent Crude has spent most of June with prices in excess of US\$40 per barrel – a level not seen since early March. A primary driver was OPEC’s decision to agree to extend current emergency production cuts through to July, and possibly beyond, subject to worldwide demand.

Markets have only been slightly tempered by news that US oil inventories have still been increasing and are heading towards a

record high.

There is very little to suggest oil pricing will fall back, despite the threat of a second wave of coronavirus infection.

OPEC appear to remain firm on their current production cut pledges, and US and Chinese relations seem to be considerably stretched as political issues in Hong Kong continue to dominate the news outside of the current worldwide pandemic.

**SALES**

**Green choices**

The climate change emergency was at the front and centre of the news agenda before Covid-19, and even while we are still in the grip of the pandemic, it is an issue that has rightfully refused to go away.

We have found that in our discussions with clients and potential new customers that the drive towards a carbon-neutral position – by 2050, or even 2030 in some cases – is still a key focus.

Figures released by BloombergNEF showed how purchasing green energy contracts rose by 40% on the previous year in 2019, reaching almost 20 gigawatts (GW), and that appetite for change is still there if our experience is anything to go by.

Our Choice Energy Framework is proving to be a popular option for those public sector organisations looking to not only save money in their energy procurement but also be more ethical in the way they power their facilities.

There has been tremendous interest in securing green energy contracts – ones that use wind and solar energy, for example – as opposed to traditional brown energy that relies on fossil fuel power generation.

The Choice Energy Framework involves up to six energy suppliers who have been shortlisted on the basis of tariff competitiveness, billing accuracy, max/min volume threshold restrictions and terms



and conditions.

Fixed and flexible contracts will be offered by the suppliers with the length of the contract varying from 12 months to as long as four years.

If you would like to find out more, please contact one of our team on 01225-867722

