



## **Market Intelligence**

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January 2021



**GAS  
REVIEW**



**Gas News**

**Year-on-year storage capacity drops by 12%**

As 2021 dawned, the brief respite that Christmas and New Year brought to the market came to an end. Minor incremental price rises took place in the first few working days but then the bulls took hold of the short-term market, causing prices to leap by more than a third to a two-year high.

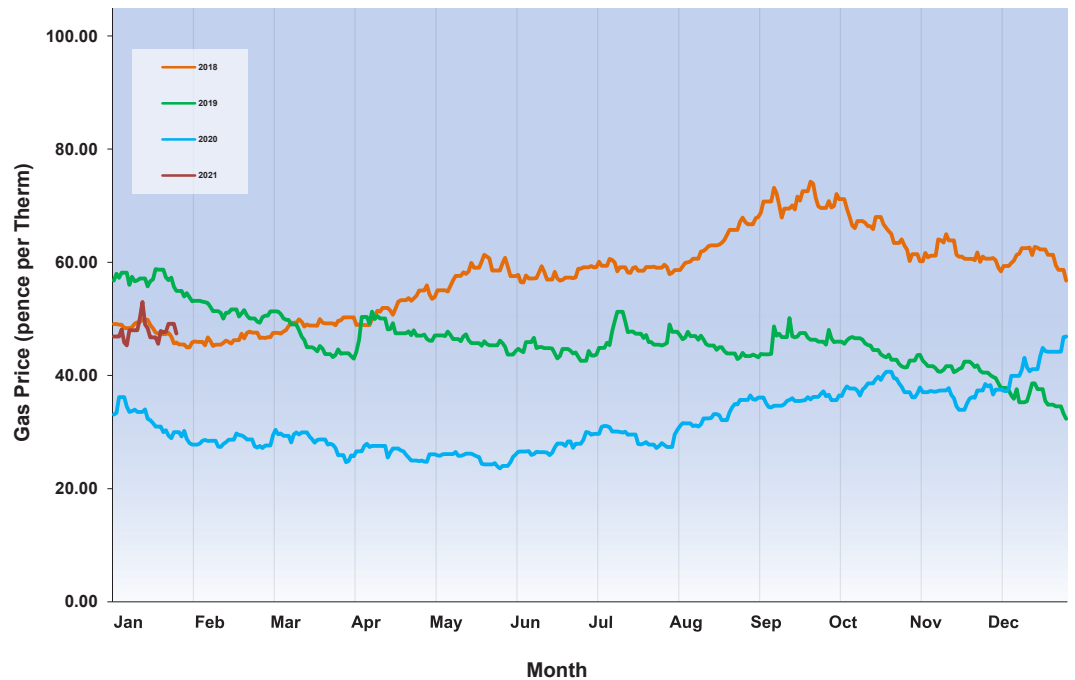
The call for gas intensified in the face of low levels of power generation from wind, as well as plummeting temperatures. The mainland European market followed the

same trend.

The cold weather also prompted significant withdrawals from gas storage sites across Europe, causing overall capacity to drop by 72% fullness, compared to 84% fullness at this time last year, according to Gas Storage Europe (the storage operators' association).

The bulls did release their grip after a few days but, in the main, the market remains highly sensitive to short term influences.

**Historic NBP Gas Graph**



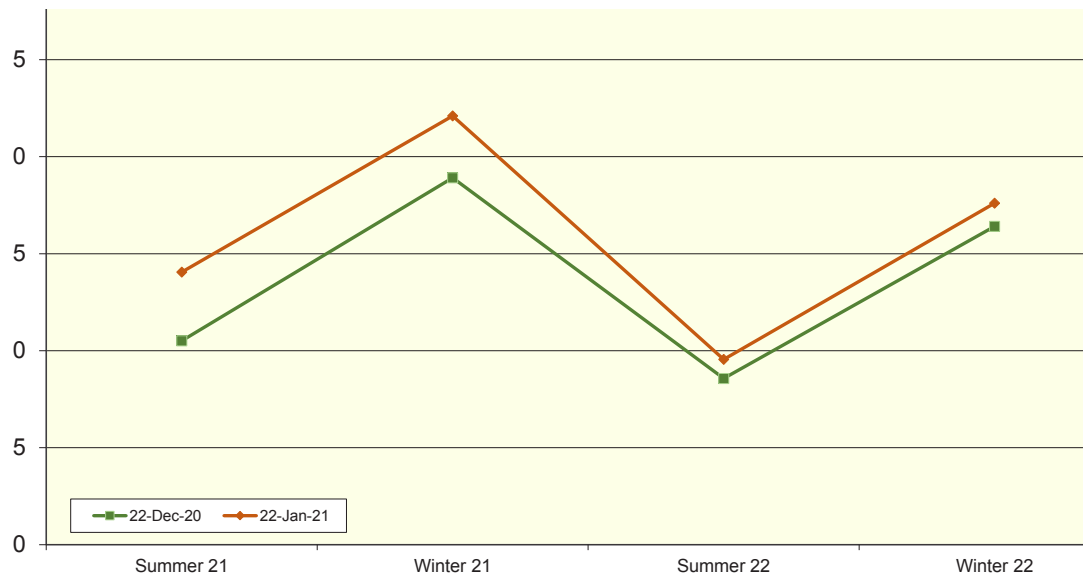
**GAS  
REVIEW**



**NBP Gas Prices**

	Trading date		
	22-Dec-20	22-Jan-21	Increase
Summer 21	40.51	44.05	3.54
Winter 21	48.91	52.10	3.19
Summer 22	38.57	39.55	0.98
Winter 22	46.41	47.60	1.19

**Forward NBP Gas Curve**



**ELECTRICITY  
REVIEW**



**Electricity News**

**EMN raises an important question**

After price rises throughout December, 2021 began with one of the most aggressive short-term spikes the market has seen in the past 18 months.

Lower-than-average temperatures here in the UK contributed to the upward curve, as did an increased reliance on natural gas to make up the shortfall from a drop in wind generated output. With a record increase in emission costs, prices could only go one way.

While most of the world remains firmly gripped by COVID-19, Asia is beginning to show signs of an economic recovery and this has led to an increased demand in LNG.

The importation of LNG is a key factor in the UK's ability to ensure fossil fuel power

generation can continue to generate at peak demand when wind output drops. Securing precious LNG deliveries often involves a bidding war with inflated prices resulting from this.

You would have thought a third national lockdown would have suppressed energy demand, as it did in the first one back in March when the economy ground to a halt.

But National Grid have already issued an EMN (Electricity Margin Notice) as renewal generation has failed to generate the volumes needed due to low winds.

The question has to be asked – where would we be if the entire country was at work under normal conditions?

**Undelivered Wholesale Electricity Rates**



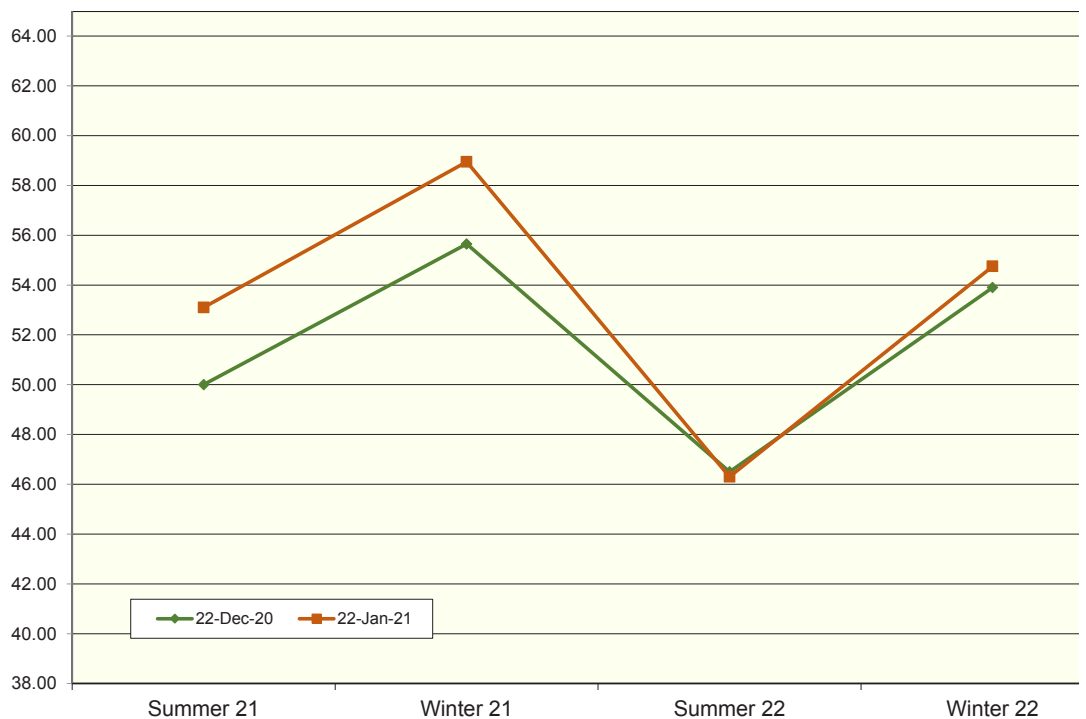
**ELECTRICITY  
REVIEW**



**OTC Power Price Assessments £/MWh**

	Trading date		
	22-Dec-20	22-Jan-21	Increase
<b>Summer 21</b>	50.00	53.10	3.10
<b>Winter 21</b>	55.65	58.95	3.30
<b>Summer 22</b>	46.50	46.30	-0.20
<b>Winter 22</b>	53.90	54.75	0.85

**OTC Electricity Forward Price Curve**



## OIL REVIEW



### Still living in the shadow of lockdown

After climbing throughout December, oil prices started the year at just over the US\$50 mark. And as January has progressed, the bulls have taken charge and prices have risen by around 10 per cent. They are now at the US\$55 mark – a level not seen since coronavirus first started to take its grip on the world.

With almost all of the world's leading economies still living in the shadow of some form of lockdown, commercial demand for

oil still remains subdued. OPEC and their partners agreed that plans to increase output would remain in Q1 of 2021 but these increases would be gradual and determined by market conditions.

News from the US remain very much uncertain as the change in presidency, along with the switch in political direction, from right to left, will no doubt bring considerable change to how the US sees itself as an energy provider, consumer and carbon emitter.

## OTHER NEWS

### The Brexit effect

After years of negotiations, a trade deal between the UK and the European Union was finally agreed and signed off a matter of days before 2020 came to a close.

With the UK now out of EU, other than some remaining transitional arrangements a totally new way of trading with the continent has to be established.

The execution of Brexit has yet to have any effect on the energy markets. The value of the £ did drop to €1.11 but it quickly recovered to €1.12 – the highest it has been for more than six months. With both the UK and the EU struggling with the impact of COVID-19, the long term effects of the split are likely to remain repressed until the respective economies begin to bounce back.

COVID-19 still continues to dominate the world's economy but a brighter outlook is hopefully on the horizon with the rollout of multiple vaccination programmes, particularly here in the UK where our record of providing vaccinations per head of population is the fourth best in the world.

### Introducing the Choice Energy Framework (CEF)

Years of experience in public sector energy procurement has enabled Energy Management LLP to understand what its clients want when they are in the process of sourcing an energy supplier, which is why we have created the Choice Energy



Framework.

Offering choice and competition, the CEF involves up to six different and highly vetted energy suppliers tendering for contract, offering more competition and choice than is perhaps normally the case.

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. Other aspects built into the framework include invoice validation and favourable energy contract terms and conditions.

As the Choice Energy Framework is compliant with the Official Journal of the European Union (OJEU), signed-up organisations will also be freed from time-consuming form filling and save as much as £20,000 on admin fees.

For more information on the Choice Energy Framework, contact Malcolm Barrington on 01225 867722 or email [cef@energymanagementltd.com](mailto:cef@energymanagementltd.com).