

Market Intelligence

August 2021

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GAS REVIEW



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Gas Review

Gas prices have strengthened throughout August, displaying a similar trend to July, as concerns regarding winter storage levels continue to offer support to the market.

These concerns have been heightened by scarce LNG deliveries in the UK, with Western countries failing to compete with the highly competitive Asian market. Meanwhile, supply disruption in the North Sea and the JAGAL pipeline (Russia-to-Western Germany) has impacted storage levels across Europe. Issues caused by a fire at the Mallnow compressor station restricted flows into Germany, but the facility is now running as normal.

Demand has remained below the seasonal norm for the majority of the month, although intermittent wind generation and limited solar periodically lifted gas-fired power demand during an unseasonably rainy August. However, a warm and sunny forecast for the start of September should keep the system oversupplied.



ELECTRICITY REVIEW



Electricity Review

The story for wholesale power prices mirrored that of gas in a bullish month which was partly fuelled by Carbon EUA contracts nearing record highs – This led to the one-year forward price for electricity exceeding £100/MWh, all be it temporarily.

However, the 18th of August saw one of largest one-day declines ever recorded on the carbon market, almost erasing all of the gains made in the first half of the month. This reversal did not last long though and EUA contracts continued on an upward trajectory over the next week, buoyed by rising gas prices.

In terms of supply, renewable generation was inconsistent and temperatures dipped, placing greater reliance on Combined Cycle Gas Turbines (CCGT) which in turn, added to the bullish sentiment.



OIL REVIEW



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Oil Review

Oil prices saw their largest week of losses in more than nine months during the middle of August, ending a consistent and strong rally which saw the commodity rise from around \$55/b in January, to over \$77/b in July.

Since then, Brent Crude has climbed steadily to trade around \$70/b again (beginning of August levels), taking direction from a weakening US Dollar, while stronger global equity markets also boosted crude futures.



MARKET INFO



Market Info

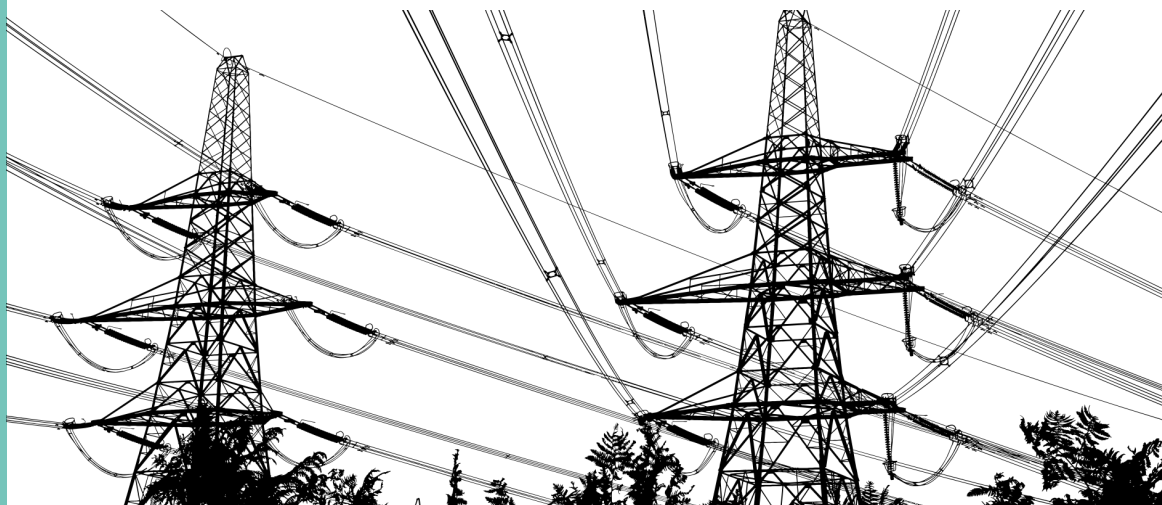
The Nord Stream 2 pipeline continued to be a major talking point throughout August as it nears completion. Construction is expected to be completed by the end of August, while testing and certification may take an additional 2-3 months.

It has been confirmed that GazProm can begin shipping 5.6bcm of gas to Germany via the Baltic Sea once the pipeline is operational.

Nord Stream 2 remains a highly controversial project as the Ukrainian President, Volodymyr Zelensky believes it could be used as a political tool to strengthen Russia's control over the region's energy supply.

Contracts to deliver Russian gas through Ukrainian pipelines are set to end in three years' time which could see the country lose billions of Dollars in transit fees, crippling its economy.

German Chancellor, Angela Merkel stated that Germany and the US could impose sanctions on Russia if the pipeline is "used as a weapon" against neighbouring Ukraine.



Energy Matters – TP5



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ESOS consultation – get involved

The Department for Business, Energy and Industrial Strategy (BEIS) is currently running a consultation process to seek views on government proposals to update and improve the Energy Savings Opportunities Scheme (ESOS).

BEIS hopes to strengthen and increase the uptake of energy efficiency measures in a variety of ways, whilst also incorporating some net zero targeting within ESOS, and has asked for feedback from eligible companies.

[Do you need to comply? You can find out here >>](#)

The closing date is 28 September, 2021.

Among the points of discussion are:

- Improved energy auditing
- The quality of training of assessors and access to ESOS expertise
- The net-zero challenge
- The transparency of the reporting process
- Extending the scheme to a wider range of businesses
- Increasing uptake by making action mandatory

Subject to feedback, government would like to introduce legislation addressing the first four points as soon as possible. ESOS is currently in Phase 3, and UK businesses have until December 2023 to comply.

The proposals to extend the scheme to more businesses and possibly make action mandatory will be considered for implementation, again subject to the findings of the consultation, for ESOS Phase 4 (compliance year 2027).

[Full details of the proposals and how to respond can be found here >>](#)