



Market Intelligence

June 2021

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GAS REVIEW



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Gas Review

Despite the warm weather the UK has experienced for the majority of June, gas prices continued on an upwards trajectory. Contracts have largely been dictated by an overall strengthening across global energy markets, with oil in particular displaying an impressive recovery.

However, there are other fundamentals which have contributed to the bullish sentiment. A strong demand for LNG supply in Asia, combined with the continent's lucrative pricing has reduced deliveries into the UK and Europe. This has impacted storage levels which are replenishing at a slower rate than previous years due to a lack of surplus supply.

Scheduled maintenance and unplanned outages have also played their part in regard to price increases this month, limiting imports into the UK. As a result, the system has seen very few periods of oversupply despite low demand for heating.



ELECTRICITY REVIEW



Electricity Review

Wind generation has under-performed once again this month, adding to some of the gains we have seen in recent weeks. A lack of consistent wind generation has meant that reliance on gas-fired power was unseasonably high.

The hot weather we have enjoyed this month has also increased demand for cooling across the country, creating an additional challenge for a stretched energy mix.

Rising carbon prices have played a role behind increases on the power curve too, as this makes fossil fuels such as gas, oil and coal more expensive. An unwanted variable at a time when low carbon generation sources are in limited supply.



OIL REVIEW



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Oil Review

OPEC+ members agreed to a gradual increase in production at the start of the month which helped oil prices (both Brent Crude and WTI) to reach a two-year high.

The International Energy Agency also called for a further increase in production to help meet expected demand over the next 12 months. Some projections even expect oil demand in 2022 to be greater than 2019.

As such, the agency has called on OPEC+ to increase output by 1.4 million bpd by next year, with a number of leading analysts predicting oil to trade at \$100 a barrel in 2022.



MARKET INFO



Market Info

Russia has completed the laying of the first two pipes which will make up the \$11bn Nordstream 2 pipeline, bringing additional gas capacity to Europe via the Baltic Sea.

The new pipeline has become a very controversial project, with opposition from the US and the EU due to expectations that it will increase Russian leverage over Europe's energy supply. Western states have imposed numerous financial and legal sanctions to bring a halt to Nordstream 2's construction. Nonetheless, these attempts have proven unsuccessful and the first supplies could now be sent before July.

In other news, the National Grid ESO predicts that the UK will see 'periods of true zero carbon electricity in 2025'. It is expected that there will be enough zero carbon generation connected to the grid to meet demand, this is largely thanks to the growth in wind and solar deployments.

The growth in the sector has also been accelerated by news that the government intends to bring forward the deadline to phase out unabated coal generation from 2025, to 2024.



Energy Matters – TP5



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Energy Matters – TP5

The final target period of the Climate Change Agreement (CCA) has been extended by the UK government for two years to incentivise industry to reduce its energy consumption against production in the overall drive towards achieving net-zero.

But by doing that, they have also moved the previous base line, from which data is measured against, from 2008 to 2018, to reflect any energy efficiency measures or improved productivity that may have taken place across the intervening 10-year period.

For Target Period 5 (TP5), the Department for Business, Energy and Industry Strategy (BEIS) has recommended a 6.67 per cent decrease against the 2018 figures.

Effectively the bar has been raised and companies need to do more if they are to meet the target, whether that is reducing the amount of energy used for the number of units they produce or produce more units but without using any more energy.

Our advise to clients is to consistently monitor and analyse energy consumption data, to ensure you know as a business exactly what your energy to output ratio looks like and thereby prevent any potentially nasty shocks occurring further down the line.

If you are unsure how TP5 might affect your business or you need some advice on this subject or any other area of energy management, please feel free to get in touch with Ian Scattergood on 01225-867722 or email is@energymanagementltd.com