Energy Market Analysis and Price Projections – October 2021

The surge in global gas prices is showing no signs of abating, with Australian consultancy EnergyQuest describing the current energy crisis "the first big energy shock of the green era".

With the crisis continuing to hit UK businesses and homes there is much speculation as to how long market conditions will prevail, and what actions can be taken by consumers and suppliers to weather the storm.

Formulating a comprehensive response to these questions is difficult as the situation is continually evolving and in the short term is dependent on factors such as weather conditions and geopolitics.

Russia's controversial new Nordstream2 gas supply pipeline to Germany should be up and running soon, providing some relief, and there are predictions for above average temperatures in the near term, although the longer term outlook is less certain. Whilst these factors relate to Europe, we must consider that the energy crisis is truly global in nature, and developments in China, India and beyond have a direct impact on energy prices in the UK.

October 19th, 2021.Platts Live: The energy supply crunch continues across the globe, while falling temperatures in China revive concerns over whether the world's biggest energy consumer can meet domestic heating needs. The early onset of low temperatures is likely to boost demand for coal, natural gas and electricity and is bullish for energy prices at a time when global supply remains tight.

Winter temperatures are crucial: Any repeat of the 'Beast from the East' will cause significant problems for both pricing and supply.

In the UK, medium term winter weather forecasts predict above average temperatures over coming weeks, but there is less confidence over early 2022. Whilst this is potentially good news, there remains the reality of rapidly accelerating demand for gas in China, India and much of Southeast Asia, as well as the urgent necessity to refill depleted gas storage in Europe.

Electricity prices may not return to normal until 2023

European power prices are forecast to hold near current record levels until 2023 on capacity closures and strong gas and carbon prices, before new renewables capacity and falling gas prices reduce power prices, according to S&P Global Platts Analytics. In the UK rising carbon prices, and an increase in transmission charges will also add upward price pressure.

Gas prices to remain elevated until 2023

Gas prices may not stabilise until 2023. With little new gas/LNG supply coming in the near term and consumption about to rise sharply in the winter, gas prices are expected to remain at exceptionally high levels this winter. HSBC warns that "*energy costs are unlikely to return to normal for two years. "Prices should remain elevated next summer before normalising in 2023,"* analysts said.

What can you do to mitigate the dramatic rise in costs?

Given the uncertainty in the energy market how can businesses respond?

If you are approaching your gas or electricity contract renewal within the next 6 months you are in the unenviable position of having to accept either sky-high renewal prices for the short term or opt for a longer term contract with better rates but a long-term commitment, and that leaves you with some tough decisions to make.

You can choose to accept exceptionally high short-term 12 month prices in the hope that prices will drop in 12 months' time, or you could select a longer term contract with lower rates, but at the risk prices will drop significantly in 12 months' time and you will be locked into a higher rate.

It all comes down to your attitude to risk. The examples below are all based on the same single supply and provide 12, 24 and 36 month prices. In all instances the longer term contracts offer lower prices than short term. This is a complete reversal of normal pricing models and prompts the question, which term should you select? You could risk accepting the short-term contract in the hope that prices will drop, but the evidence for that happening is not convincing. Our advice would be to choose the longer term rates as they will provide budget certainty as you grapple with increasing costs. (***Be sure that any offer you select is both a 'fully-fixed' price and for a fixed-term*).**

Our pricing model bears out analyst forecasts of slowly softening prices as we approach 2023. The shorter the contract term the higher the prices.

We've searched our network of suppliers and found these deals for your business:

Supplier	Contract Duration	Product Name	FiT Rate p/kWh	Unit Rate (Day) p/kWh	Night Rate p/kWh	E/Wknd Rate p/kWh	Standing Charge	Annual Cost
SSE	36 months	Protect - AMR DD	0.6810	See Backing Sheet	See Backing Sheet	See Backing Sheet	See Backing Sheet	£32,621
ScottishPower	39 months	Acquisition	-	See Backing Sheet	See Backing Sheet	See Backing Sheet	See Backing Sheet	£33,768
SSE	24 months	Protect - AMR DD	0.6590	See Backing Sheet	See Backing Sheet	See Backing Sheet	See Backing Sheet	£34,976
ScottishPower	27 months	Acquisition	-	See Backing Sheet	See Backing Sheet	See Backing Sheet	See Backing Sheet	£35,462
Opus energy	24 months	Renewal Tiered	-	See Backing Sheet	See Backing Sheet	See Backing Sheet	See Backing Sheet	£35,487
ScottishPower	15 months	Acquisition	-	See Backing Sheet	See Backing Sheet	See Backing Sheet	See Backing Sheet	£38,794
Opus energy	12 months	Renewal Tiered	-	See Backing Sheet	See Backing Sheet	See Backing Sheet	See Backing Sheet	£39,483
SSE	12 months	Protect - AMR DD	0.6300	See Backing Sheet	See Backing Sheet	See Backing Sheet	See Backing Sheet	£39,964

Contact the EAG for more information

Natural Gas Price Forecast by Month to October 2023

Price decrease		Price Increase	

Year	Mo	Min	Max	Close	Mo,%
2021	Oct	4.83	6.47	**5.46**	-1.4%
	Nov	5.11	5.65	**5.38**	-1.5%
	Dec	5.37	5.93	**5.65**	5.0%
2022	Jan	5.63	6.23	**5.93**	5.0%
	Feb	5.92	6.54	**6.23**	5.1%
	Mar	6.21	6.87	**6.54**	5.0%
	Apr	6.53	7.21	**6.87**	5.0%
	May	6.20	6.87	**6.53**	-4.9%
	Jun	6.09	6.73	**6.41**	-1.8%
	Jul	6.39	7.07	**6.73**	5.0%
	Aug	6.07	6.73	**6.39**	-5.1%
	Sep	5.77	6.39	**6.07**	-5.0%
	Oct	6.05	6.69	**6.37**	4.9%
	Nov	5.91	6.53	**6.22**	-2.4%
	Dec	6.20	6.86	**6.53**	5.0%
2023	Jan	6.52	7.20	**6.86**	5.1%
	Feb	6.22	6.88	**6.55**	-4.5%
	Mar	5.91	6.55	**6.22**	-5.0%
	Apr	6.20	6.86	**6.53**	5.0%
	May	5.89	6.53	**6.20**	-5.1%
	Jun	5.60	6.20	**5.89**	-5.0%
	Jul	5.32	5.89	**5.60**	-4.9%
	Aug	5.05	5.60	**5.32**	-5.0%
	Sep	4.80	5.32	**5.05**	-5.1%
	Oct	5.04	5.57	**5.30**	5.0%

What else can you do to protect yourself against disruptive energy prices?

Manage your Consumption!

We can't emphasise enough that the best way to start combating rising energy prices is to reduce your consumption. You can achieve this through ***'Monitoring and Targeting'*** and the first target is to eliminate energy waste! The EAG offers a comprehensive Energy Management platform that provides clarity on how and when you use energy.

Generate your own electricity

Generating your own electricity is the best way to reduce costs. You may think your building is unsuitable and that may be so, but you may find you have other options available.

The EAG can help you with all your energy concerns.

Call us on 01252 338777 or email: mailto:eaguk.org.