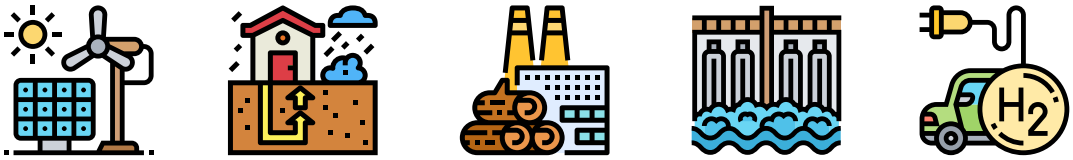
PSP | PLACE SUPPORT PARTNERSHIP

Energy Report [Update]



We assist our clients in getting the most out of their energy contracts by lowering their energy usage, lowering their carbon footprint, and ensuring that their bills are accurate. To accomplish this, we regularly monitor the market for any new developments so that our clients are kept informed about changes in the energy market.

This pricing report will focus on the energy element of a bill to help you keep track and understand the wholesale energy market and the factors affecting the price of your contracts.

Overview

1. The market was buoyed last week by news that Russian gas would now need to be purchased in Russian Rubles as opposed to the previously dominant Euro. This led to some speculation that it could drive off-takers away from Russian gas quicker as buyers may not want to shift to Rubles, and without an immediate replacement source of gas this would likely tighten the supply picture

2. Chinese companies and government officials are rushing to find out how to comply with U.S. sanctions on Russia, easing concerns in the Biden administration that Beijing will help Vladimir Putin evade them. Overall, U.S. officials have said there is little evidence to show China is circumventing American sanctions, amid near-daily warnings from the White House and officials in Europe

3. Wholesale gas prices are currently at 250 pence per therm, which is a decrease compared to the highs at the start of March at 515 pence per therm, but it is still an increase of over 456% compared to this time last year when gas prices were under 45 pence per therm.

4. Energy markets continue to be extremely volatile, with many energy suppliers pulling their pricing or changing their conditions at the last minute in order to protect themselves and minimise their market exposure.

If you are currently out of contract or coming up to the end of your contract in the next few months, we recommend looking to secure a contract with one of our suppliers who are still offering pricing at the moment. This will help to ensure you do not end up on out of contract rates which energy suppliers can raise if they wish to an uncapped limit, as business energy consumers are not protected by the energy price cap that comes into effect in April, only households are.

PSP | PLACE SUPPORT PARTNERSHIP

Bullish Factors (upward pressure on markets):

- Colder than seasonal average weather expectations
- EU countries remaining split over implementing a Russian oil embargo
- Unplanned maintenance reducing gas flows to UK
- Continued fears of supply disruption

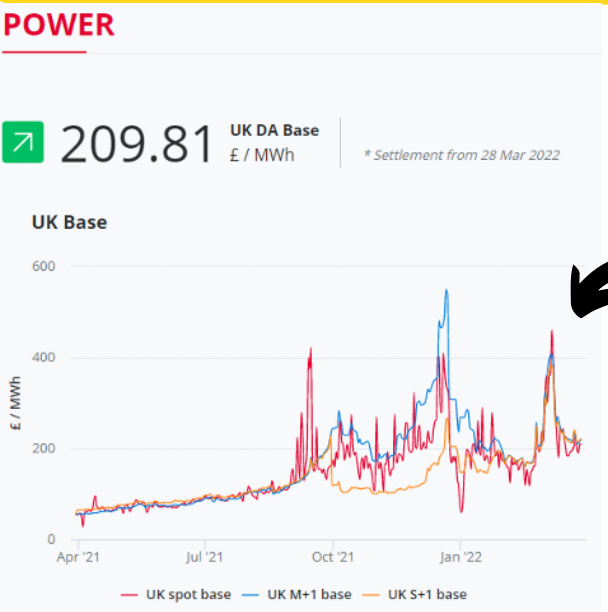
Bearish Factors (downward pressure on markets):

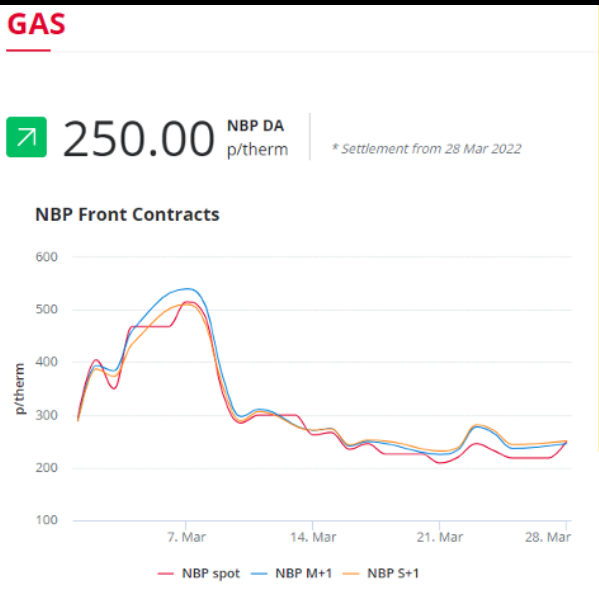
- Healthy LNG supply forecast
- Decline in demand from China and South Korea

GAS AND POWER

Suppliers do this in the hope that their customers will just simply renew their contracts with them as it is easier than either falling onto an out of contract tariff or having to manage the hassle of a switch themselves.

Wholesale gas and power contracts have continued to decrease in price (gas by 52% and power by 54%) when compared to the record highs seen on the 7th March. However, they are still exceptionally high and remain volatile and dependant on how the course of the war in Ukraine and reactions to any current or new sanctions on Russia.





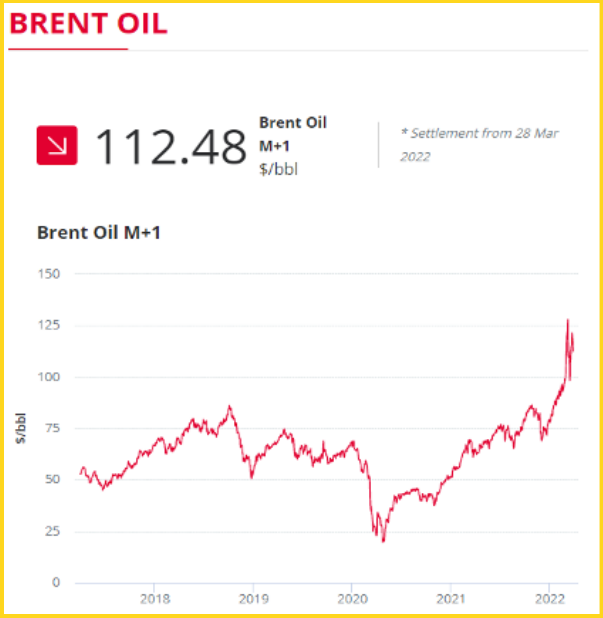
In the graphs, you can see that gas contracts starting now (Spot), those within the month ahead (M+1) and those purchased now for the next season (S+1), are all a similar price. If you are not out of contract until summer and have waited to secure a fixed contract, you will be paying a lot more than if you had locked a rate in back in January.

PSP | PLACE SUPPORT PARTNERSHIP

Crude Oil

Brent crude traded slightly lower on Thursday, as G7 leaders met with discussions centred on the ongoing conflict between Russia and Ukraine and a potential release of additional oil reserves to help balance global supplies.

It also fell from above $120/bbl on Friday amid possible demand destruction in China after the country began a four-day Covid-19 lockdown today in Shanghai, the financial and manufacturing hub.



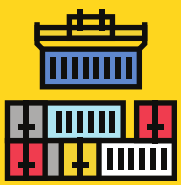
Current price standings:
Brent Crude = $112.48/bbl

Why the UK is Among the Worst Affected by Rising Prices

The geopolitical crisis between Russia and Ukraine has seen the wholesale costs of energy hit new record levels, but the UK is among the worst affected.

One of the main reasons for this is the general uncertainty surrounding supplies and whether Russia will cease flows to the EU. A lot of European countries are dependent on Russian gas imports. Italy uses gas to generate 40% of its electricity and imports more than 90% of its gas mostly from Russia. This means countries have started to look for alternative supplies, causing the demand for these to surge.

Another reason is the UK already have a low number of energy stores due to the colder winter and increased demand rebound after lockdown. However, it also does not have the storage capacity to stockpile and increase the levels needed to help cushion the fall. The UK has around nine terawatt hours of stored gas reserves, compared to 168 in Italy, 151 in Germany and 117 in France.



The UK has also reduced the dependency on Russian gas to under 5%. However, the increased demand for alternative supplies and potential rationing of these leave the UK vulnerable. Despite the wealth of oil and gas in the North Sea, the UK does not produce all of its electricity and still relies upon imports. The privatisation of UK supplies in the North Sea ties consumers to the going rate on international energy markets, leaving the UK as exposed as any other country to the rising, volatile prices.

PSP | PLACE SUPPORT PARTNERSHIP

UK GOVERNMENT TO INCREASE NORTH SEA PRODUCTION

The government has hinted at setting an energy strategy in the coming weeks, which involves increasing the oil and gas production in the North Sea to try and help bring down the rising price of energy.

IN AN INTERVIEW, THE CHIEF SECRETARY TO THE TREASURY SIMON CLARKE SAID:

> **It simply would not be right to support Putin's war in Ukraine by buying Russian oil and gas, but there are costs to that. We are very candid about that.**
>
> **The government will be setting out our wider energy security strategy in the coming weeks. But in essence, it means doing more of all the things that we know we need to do. So, it means more new renewables, it means more new nuclear, and it means more oil and gas from the North Sea. And it's all of those things in tandem.**

Trustpilot Reviews

We recently set up a Trustpilot account, to gather honest reviews from our partners and customers in order to gain invaluable feedback on what we are doing well, where we can make improvements and allow any potential customers to make more informed decisions.