# Pricing Report

July 2022

Energy bills are driven by both the price of energy on the wholesale market and Third-Party Costs (TPCs). TPCs include non-energy costs set by the government, network (the National Grid), policy and system costs and electricity transmission/distribution costs.

The biggest single cost on a bill is the price of the energy. The wholesale cost of the energy makes up approximately 40% of an electricity bill and 70% of a gas bill, with the remaining being TPCs, which have been continuously rising in recent years and can be volatile.

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:

**Benchmark gas prices are trading at the highest level in almost four months and many energy suppliers have withdrawn their pricing until there is some stability in the marketplace.**

**Europe is facing the most severe energy crisis in decades. Russia, which is the biggest supplier for Europe, has been curbing shipments amid growing tensions over the war in Ukraine. There are growing concerns that Russia may not resume flowing gas into Europe after the planned maintenance to the Natural Gas Interconnector Nord Stream 1 has occurred this month.**

**Some reports show that continental gas storage levels are only at 40% and not closing on the mandated 80%. This time of year, is usually when countries build their storage for winter, however, the low numbers point to Europe being undersupplied as we enter the colder months and demand intensifying in order to try and meet the mandated storage levels.**

**Prices are not at the peak levels seen at the end of 2021 and in March this year when Russia first invaded Ukraine, but the market is highly volatile, and pricing could move that way as we are seeing no relief until Summer 2024.**

**Bullish Factors (*upward pressure on markets*):**

- Russian natural gas supply cuts to Europe
- Low storage levels
- Concern over Nord Stream 1 not returning after maintenance
- Worries that winter will be undersupplied
- Strong cooling demand expectations

**Bearish Factors *(downward pressure on markets):***

- Norwegian strike action in the NCS coming to an end
- Steady exports streaming in from Norway
- Currently 4 cargoes are on their way to UK terminals

# PACE COMMS

# MARKET REPORT

## Gas and Power

Contract prices have gained value ahead of the upcoming Nord Stream 1 outage as market participants apply a risk factor and gas supplies tighten. Following the resolution of the Norwegian oil and gas workers' dispute, gas and power contracts starting now (Spot) and those within the month ahead (M+1) both continue to trade lower than those purchased now for the next season (S+1), as shown in the graph.

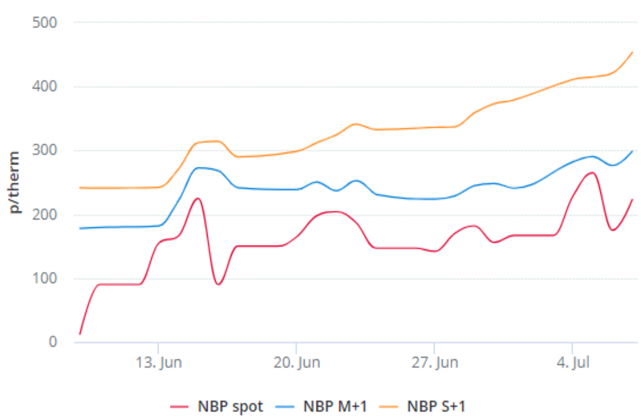
The S+1 prices represent contracts purchased now that start this winter. These increase as fears that Russia will continue to cut gas flows to Europe after the planned Nord Stream 1 outage. That, along with the current low levels of storage for winter leaves extreme volatility and uncertainty within the energy market. A season in the business energy market is a 6-month spread and these are from April to September for "Summer" and October to March for "Winter".

### GAS

223.00 **NBP DA** p/therm

** Settlement from 7 Jul 2022*

**NBP Front Contracts**

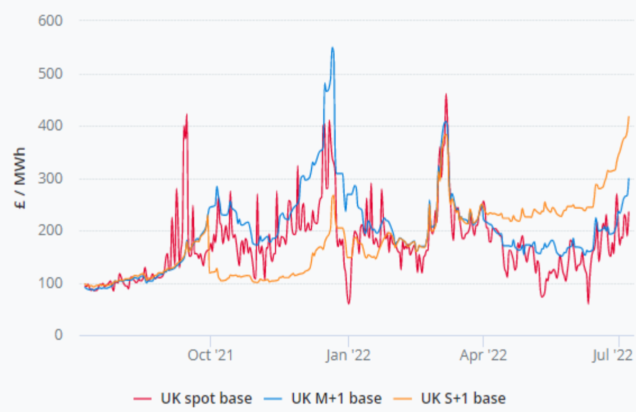



### POWER

234.55 **UK DA Base** £ / MWh

** Settlement from 7 Jul 2022*

**UK Base**

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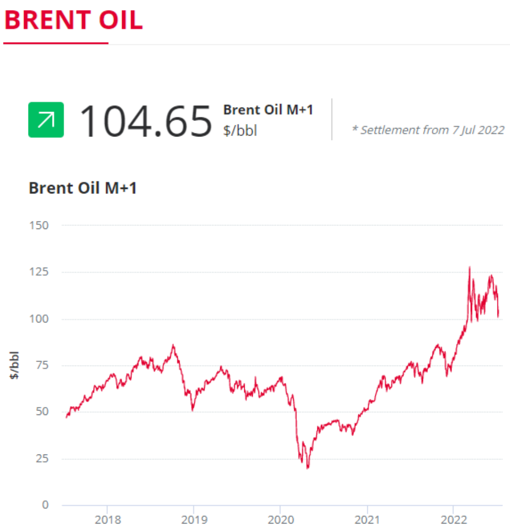
## Crude Oil

Brent crude continues to trade above $100/bbl at $104.65/bbl despite fears of a global recession growing as US and European interest rates increased. It firmed further this week as the focus switched to a tighter supply outlook which outweighed concerns of weakening demand as a global recession begins to bite.

Oil prices are 31.9% more expensive than at the start of 2022 and over 413.7% more expensive than in 2020 when prices reached multi-year lows.

Current price standings:
Brent Crude = $104.65/bbl




# ENERGY NEWS

## Russian Flows to Europe Cause Concerns For Winter

Nord Stream 1, a key pipeline that delivers natural gas from Russia to Europe, may not return to full capacity after the planned maintenance this month. The pipeline is due to be down for maintenance from the 11th of July to the 21st, however many fear the temporary outage could become permanent.

This has seen the market tighten even further, with Moscow having already slashed flows through the pipe to just 40% of capacity. German leaders saw the move as an attack on Europe over its rebuke of Russia's war in Ukraine and now worry next week's maintenance could drag on longer. Any indication to further withhold energy supplies will hurt efforts to refill Europe’s stockpiles for winter severely.

Nord Stream 1 has a slow gas delivery and is in disrepair with an estimated £6 billion repair bill to stop all leaks. Russia completed their Nord Stream 2 pipeline at the end of last year which was designed to double the flow of Russian gas direct to Germany. However, German Chancellor Olaf Scholz announced it would not go into operation after relations with Moscow broke down ahead of Russia's invasion of Ukraine.

Nord Stream pipelines from Russia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Goldman Sachs Group Inc. analysts have said, "While we initially assumed a full restoration of NS1 flows following its upcoming maintenance event, we no longer see this as the most probable scenario." The bank has increased its gas-price forecasts for Europe into next year, citing increased risks to supply.

The benchmark for gas prices is now trading at the highest level in almost four months. Some major utilities are seeking bailouts while countries race to refill storage sites. These are reported to only be at 40% across the continent, which is causing huge concerns around the possibility of being undersupplied and increasing the demand to try and meet the mandated 80% storage levels by winter.

**CONTACT US TODAY ON 01384 898269 OR EMAIL ENERGY@PACE-COMMS.CO.UK TO SEE HOW WE CAN HELP WITH YOUR ENERGY PROCUREMENT**

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