

**3yr
Lows**
Energy & Gas
Markets

**£16.50
/tCO₂e**
Carbon Price

COVID-19 Update: 26/03/2020

With the UK now on lockdown, for at least 3 weeks, and many businesses being forced to close, we are taking a look at how the latest COVID-19 developments are affecting UK energy markets.

UK gas and power markets have hit 3-year lows since the COVID-19 response has escalated in the UK. From last week, many businesses decided to either close or ensure staff work from home. As a result, UK demand has fallen well below seasonal norms, and this has impacted prices. Market liquidity has been somewhat hindered as traders hesitate due to uncertainty.

Looking further ahead, the wider fuel complex begins to drive markets so the virus associated losses on Oil and Carbon have also led to softening prices.

Oil

Oil prices were already suffering from the global effects of COVID-19, including a huge drop in demand from China. Prices are being further pressured by the ongoing price war between Saudi Arabia and Russia to gain market share. Both countries are ramping up production in an already oversupplied/ under-demanded market. Front month Brent crude is currently changing hands at just over \$26/bbl compared with the equivalent contract, this time last month, trading at almost \$55/bbl.

Economic

The outlook remains similar for the next few months as the world economy continues to suffer from the effects of the pandemic. Announcements from world banks on economic stimulus packages will provide support to Oil prices, as the US announcement did yesterday. Upside may also be seen if China's economy begins to pick up. The Chinese government has asked that its citizens "fully restore" production and resume normal life as the number of new cases is just 1 in the last 5 days.

Further Information

Optimised Energy will continue to publish updates as the situation progresses. We will also be producing an Optimised Energy Insight into the Oil market in early April along with our usual monthly market update in the next few days.

As a business, we continue to operate as normal during this time. We have robust and tested systems and procedures in place to ensure that we can continue to deliver excellent services to all our clients

Carbon

Carbon prices have also plummeted in recent days. Prices this time last month sat at around €25/tCO₂e. Today, they sit at just over €16.50/tCO₂e. Demand for permits has reduced as, across Europe, manufacturers reduce production and non-renewable electricity generators reduce output to match the decline in demand. A cheaper Carbon price reduces the generation cost per MWh thus pressuring prices.

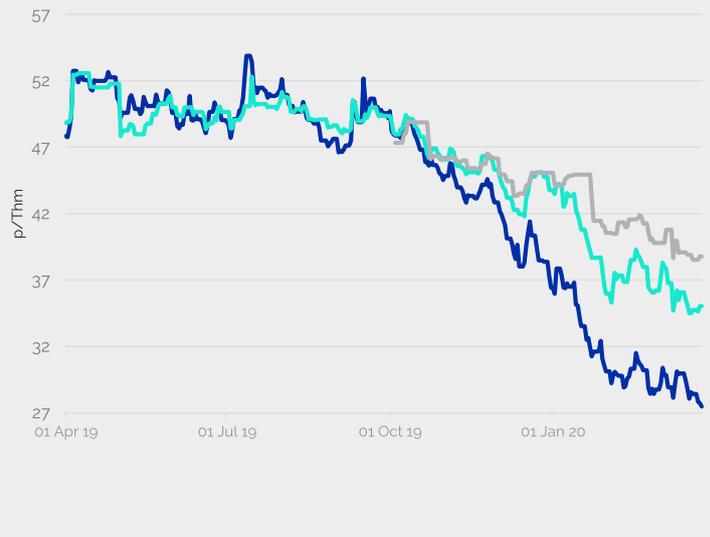
Contango

When considering purchasing ahead, it is important to note that the market remains in a state of contango i.e. forward prices trade higher than the spot or prompt contracts. This is demonstrated on the graphs overleaf; the impact of COVID-19 can be seen further out but is less pronounced than on the front seasons. For example, Sum-20 power is currently trading at £29.60/MWh whereas the Sum-22 contract is trading at £38.00/MWh.

UK Power Annuals 26/03/2020



UK Gas Annuals 26/03/2020



Annual prices are an average of Summer and Winter seasonal prices for the respective years.

If you require any further information on the impact of COVID-19 on UK energy markets, or if you have any questions, please get in touch with Optimised Energy's Trading and Risk Management Team at markets@optimisedenergy.com.

Optimised Energy will continue to publish updates as the situation progresses.

Discover our tailored approach to your energy needs.

Call us on
0333 370 2021

Optimised Energy
109-112 Lancaster House
Amy Johnson Way
Blackpool
FY4 2RP

Tel: 01253 209000
Email: info@optimisedenergy.com

optimisedenergy.com

