evoke telecom
making communication work

Pricing Report

27th April 2021

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 focuses 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:

Energy prices have been gradually rising further, with electricity increasing by over 50% in price when compared to the same time last year and gas by over 70%. Seasonal norms usually show gas prices dipping in April, as the weather is expected to get warmer and demand for gas to heat homes and offices reduces. However, temperatures have been unseasonably low, which has kept gas prices increasing throughout April and following the same trend as electric.

The surge in new cases in India and imposed lockdowns also has worried experts who were confident that the global demand for oil would continue to increase this year. 352,991 new cases have been reported, which is the 5th day in a row the new case numbers have reached a new record.

Wholesale oil prices are still trading steadily despite this, but the rebound could easily be threatened if the spike in India worsens. The lockdowns in India are likely to be in place for several weeks, if not months, and reports had stated demand for fuels could plunge by 20% which could impact global oil prices and make energy contracts cheaper.

Bullish Factors (*upward pressure on markets*):

- Rising Iranian oil imports to China.
- Above-average demand for gas.
- Below seasonal average temperatures.
- Low wind generation.

Bearish Factors *(downward pressure on markets):*

- Surge in new coronavirus cases in India.
- EU suing AstraZeneca over delayed vaccine deliveries.
- Further global lockdown worries.
- Energy supplies coming into the UK remain strong.

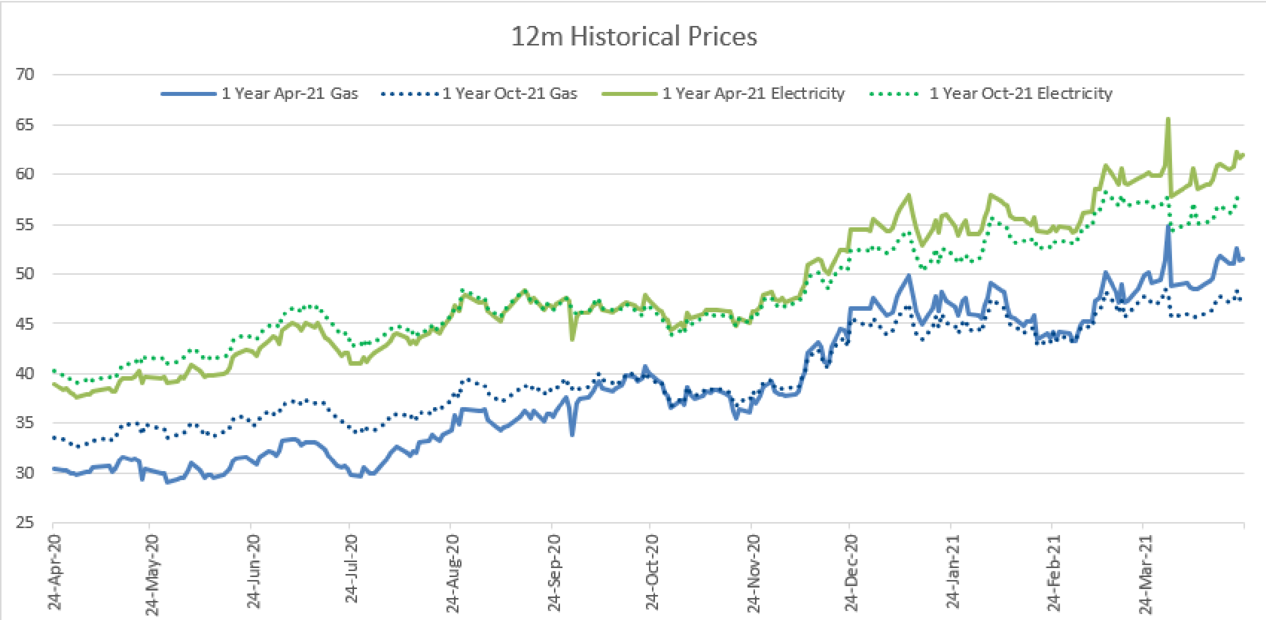
evoke telecom
making communication work

MARKET REPORT

Gas and Electricity

Energy contracts continue to increase in price, with electricity increasing by 10% this year and gas by 15%. When compared to this time in 2020, gas prices are 73% higher and electricity prices are around 55% higher.

The main reasons for these increases are due to third-party charges increasing, suppliers charging more on top of that, UK temperatures and wind generation remaining unseasonably low and trading within the carbon market gaining in strength.

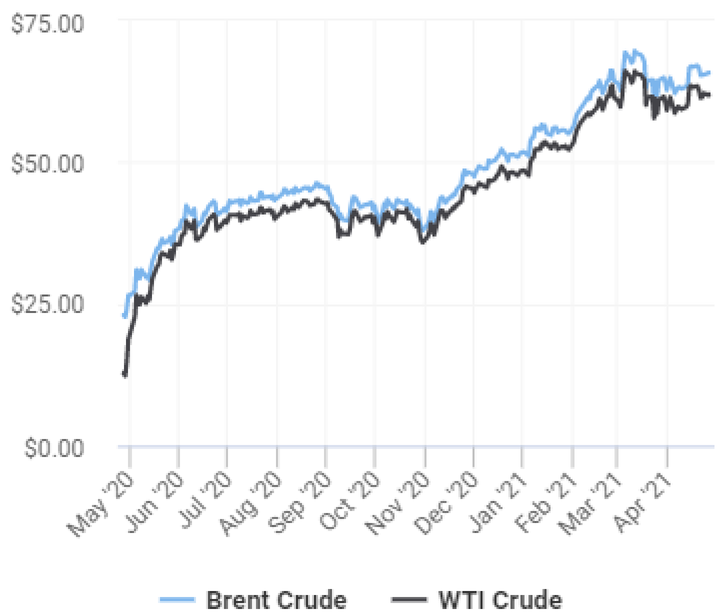


Crude

Oil prices dropped last week slightly, with Brent trading over 2% lower on Friday compared to Monday as hopes of oil demand picking up now look unlikely. is countered, as more lockdowns threaten to stall oil demand growth.

A demand recovery was looking hopeful as some European countries began easing their lockdowns. However, with India currently experiencing a huge surge of coronavirus cases, which are hitting record numbers daily, confidence has dropped as investors are now uncertain about the full demand recovery this year.

Current price standings:
Brent Crude = $66.03/bbl
WTI Crude = $62.35/bbl



ENERGY NEWS

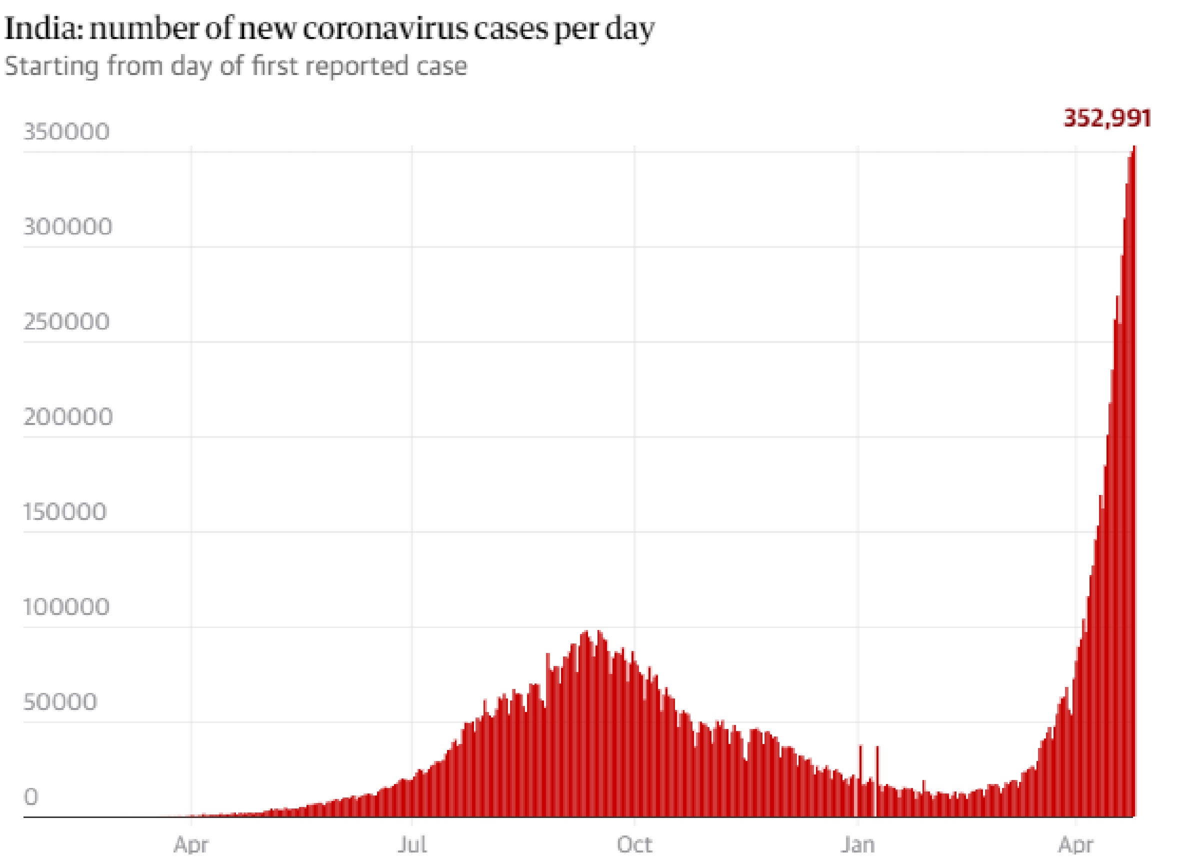
Coronavirus Surge in India

Oil prices are recovering as demand starts to bounce back. However, the surge in cases in India and the newly imposed lockdowns could threaten this, with India having limited access to tests, shortage of hospital beds, and not enough supplies of medicines or oxygen.

India recorded 352,991 new cases of coronavirus, a 5th consecutive day of world-record case numbers. The country already has a fragile health system and with many hospitals stating they can not take in any new patients as they have run out of beds and others are not due to the continued uncertainty around the supply of oxygen, the black market has opened with many charging over and above for life-saving supplies.

The worry about the threat to demand comes as India (with a population of 1.4 billion) has the 2nd largest population in the world and 17% of the world's population share. It is also the 3rd highest oil consumer, behind the US and China.

What India needs immediately are supplies for its vaccine factories, which are currently held up by US export restrictions. The US has promised to "rapidly deploy" aid to healthcare workers in India, which provides a glimmer of hope and new lockdown restrictions aim to slow the rapid spread. However, there is a lot of uncertainty around what impact this will have, especially as the numbers have reached such record highs each day and look like they will continue to increase.



Data from Johns Hopkins University at 11:27 UTC 26 Apr 2021

evoke telecom
making communication work

Rising Iranian Oil Imports to China

What has been referred to as "discounted oil" has caused a headache for OPEC (Organization of the Petroleum Exporting Countries). Record Iranian oil imports to China have forced other producers (Russia, Angola and Brazil) to cut the prices of their own crude in order to keep it competitive.

Other oil producers have also had to divert shipments to India and Europe. China is the world's top importer of oil and it was reported that China had quietly accepted record amounts of oil from Iran early this year, despite the US sanctions to penalise buyers. It is also reported that the buyers have been emboldened by the prospect that these sanctions will be lifted now that Joe Biden has been inaugurated as President of the United States.

Iran has been able to sell its oil at such a low price as there have been very few buyers whilst it is still under US sanctions. The price that Iran has been trading at is simple "too cheap" at $6-$7 a barrel below what Brazil was trading at earlier this year and the trading unlikely to stop, with the private firms facing little political pressure to cease their lucrative business dealings.

Unseasonably Low Temperatures

Colder than average temperatures have supported the increase in energy contract prices this year. The average for London in April 2020 was 12 degrees with a high of 24 degrees on the 11th April 2020. However, this April the average has been 8 degrees with the high only reaching 18 degrees on the 19th.

Gas demand usually started to dip, with the warmer weather requiring less gas needed for heating. Natural gas inventory withdrawals were 10.6% higher for this time of year than the 5-year average, due to the lower temperatures and higher than average demand for heating.

The unseasonably low temperatures were also coupled with low wind generation. When wind generation is higher, it provides the grid with more energy which decreases the reliance on more expensive commodities such as gas and oil. When the wind generation drops or is lower than expected, the grid needs to make up for the difference so the demand for fossil fuels increases, which helps to push wholesale prices up and in turn, energy contract prices.