

2021: market snapshot

0191 215 5456

enquiries@icdenergymanagers.com

ICD Energy Managers Ltd, Q16, Quorum Business Park, Benton Lane, Newcastle Upon Tyne, NE12 8BX
All Rights Reserved. ©2022 ICD Energy Managers Limited. Registered in England & Wales. Company No: 13138824. VAT No: 369316177

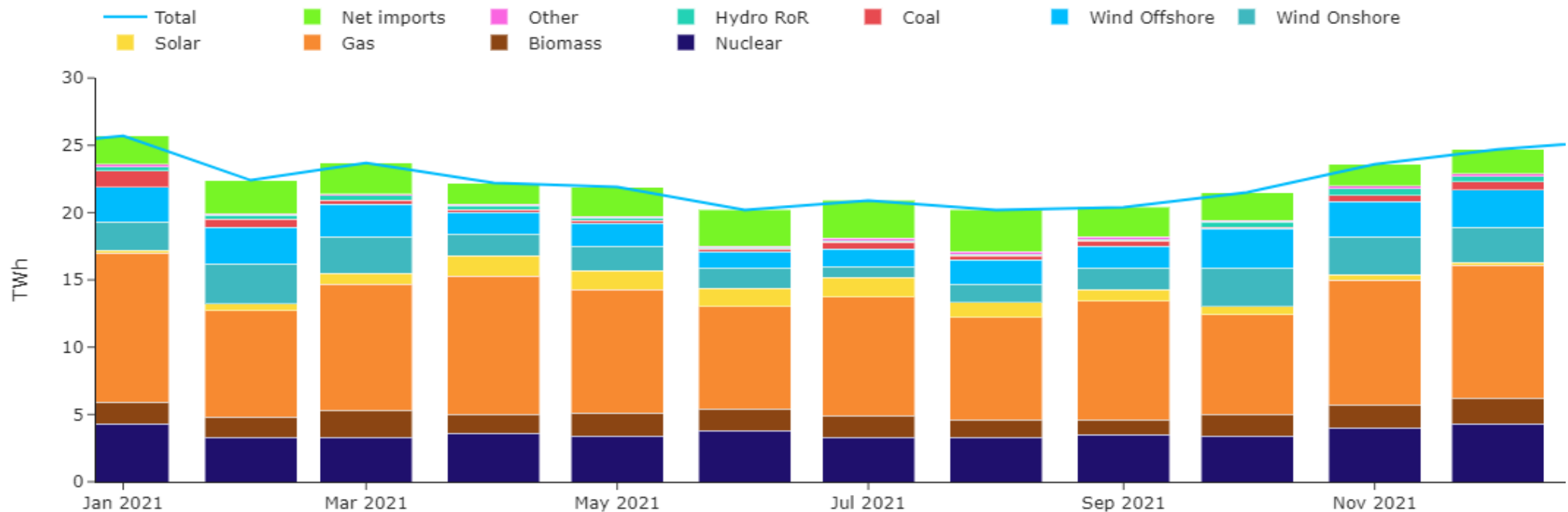
2021 Headlines:

- Post-pandemic optimism supported prices
- Increased fossil fuel demand from China and Asia
- A cold winter in Europe depleted gas storage levels
- Tensions heightened over supply security

Global natural gas consumption increased by 4.6% in 2021, more than double the drop-off seen in 2020. The strong demand growth in 2021 was driven by the economic recovery that followed 2020's lock-downs, and thereafter by a succession of extreme weather events. Supply was unable to keep pace which, combined with unexpected outages, led to tight markets and steep price increases.

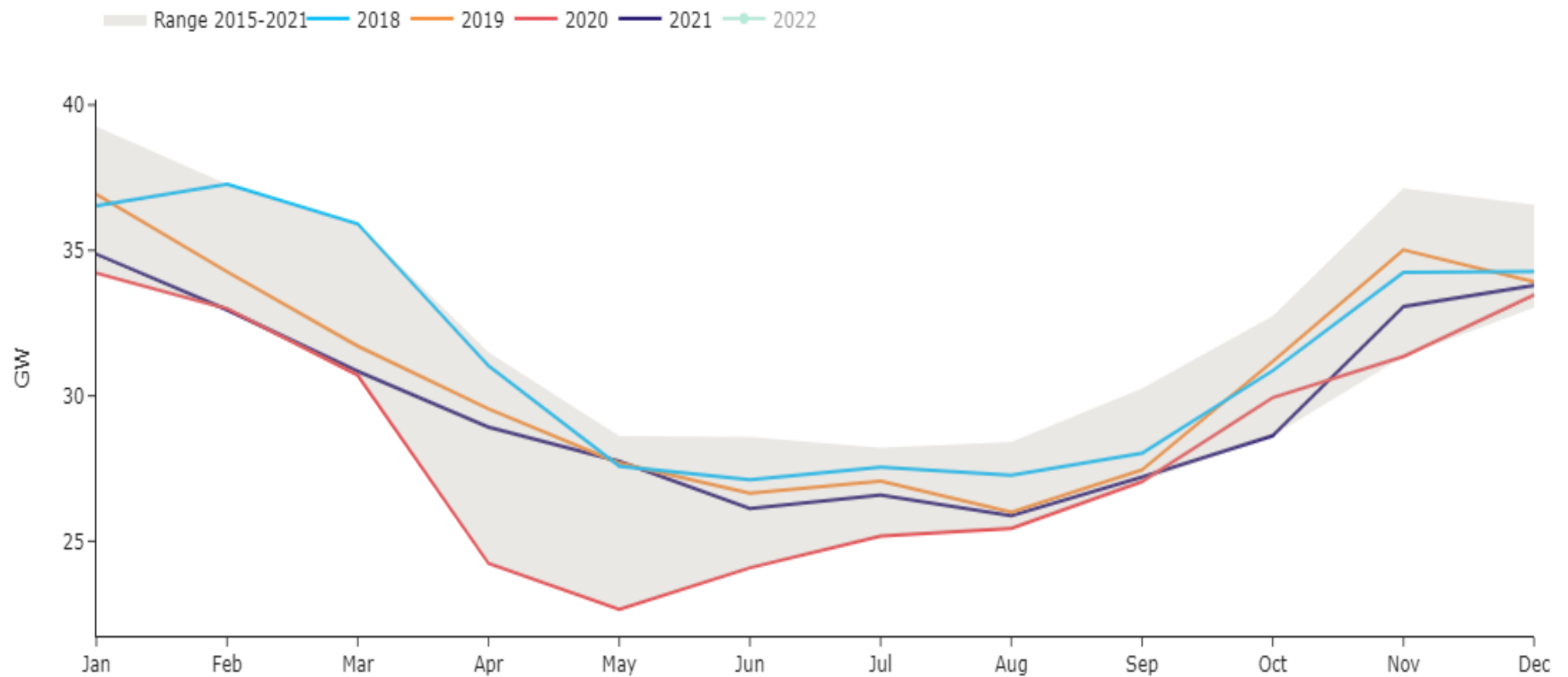
A lack of wind over the summer then hit renewable sources of **electricity generation**, increasing demand for thermal generation (gas-for-power):

- Wind dropped 14%, with further falls in both hydro and solar generation
- Renewables share of generation dropped from a record high of 43.1 to 39.3% despite a small increase in capacity
- The decrease in renewable and nuclear generation meant that low carbon sources (including nuclear) represented 54.1% of generation in 2021, 5.1 percentage points lower than in 2020
- Conversely, generation from fossil fuels increased in 2021 to 132.2 TWhs (terawatt hours), a 12% increase compared to 2020.

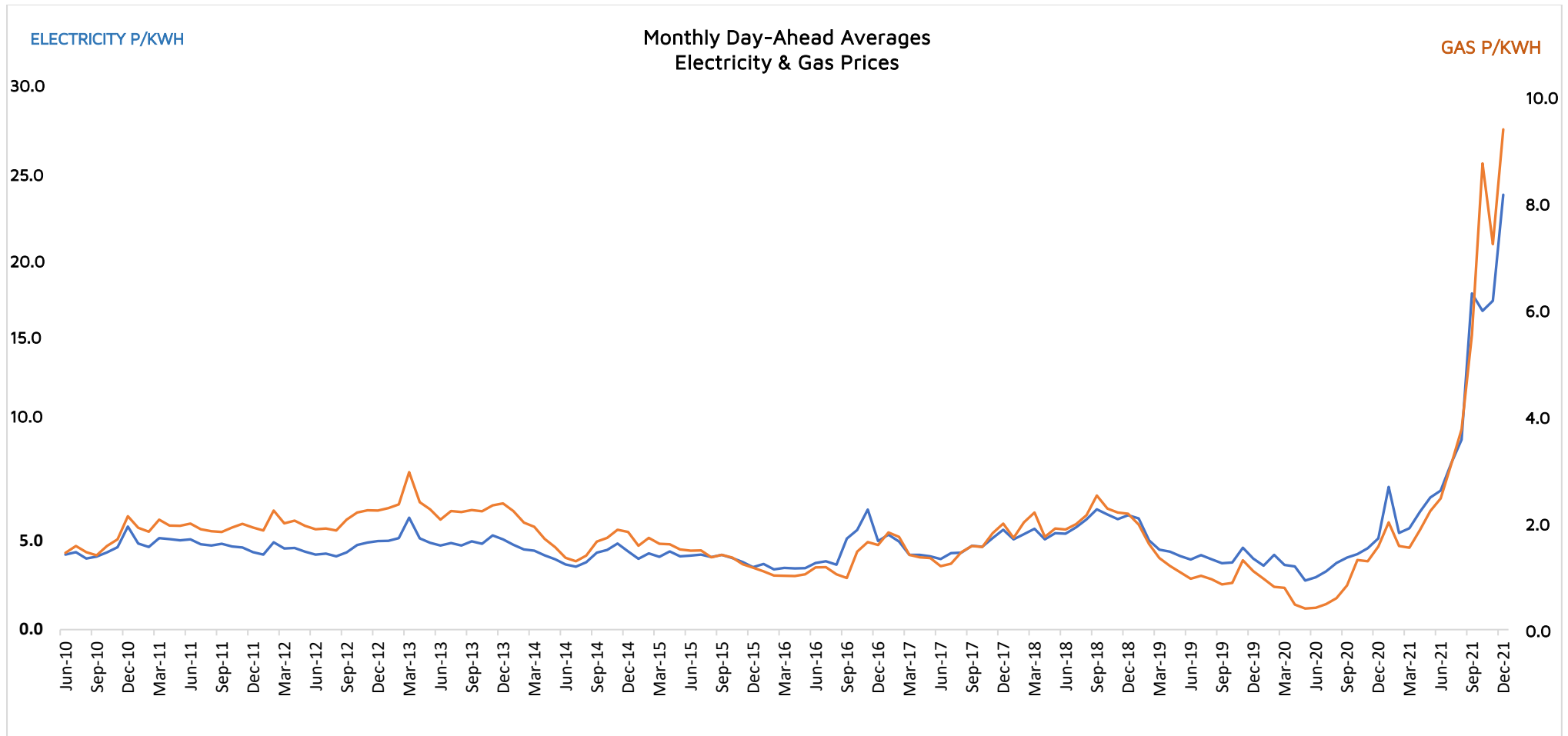


Electricity consumption figures in 2021 remained comparatively low:

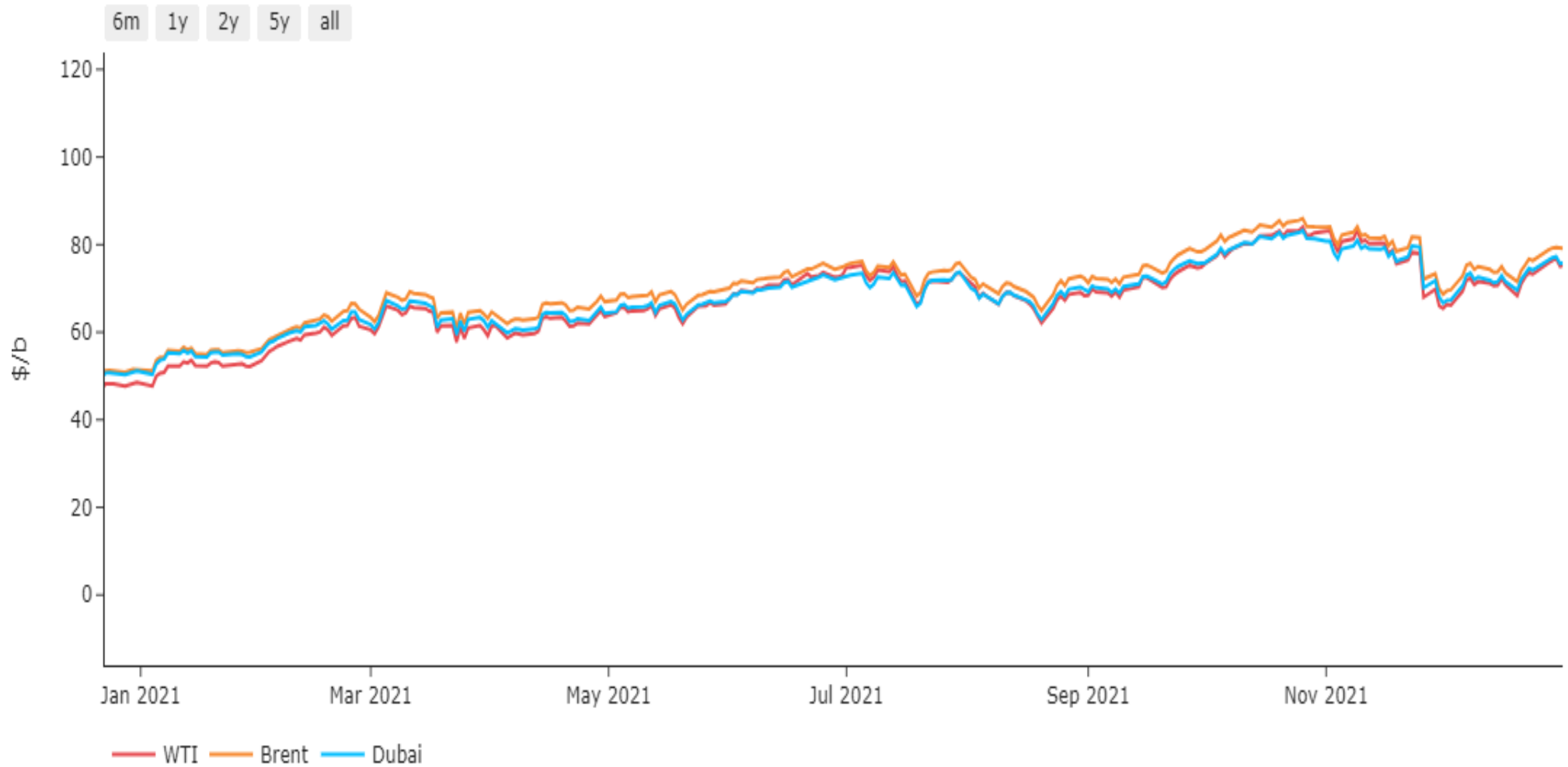
- 1.8% up on 2020
- 8.2% down versus 2019
- Demand was low at the start of the year and increased from April as restrictions eased
- Energy requirements for Industrial & Commercial use were up and returning to near pre-pandemic levels by November
- Domestic demand remained higher than usual as people continued to spend more time at home



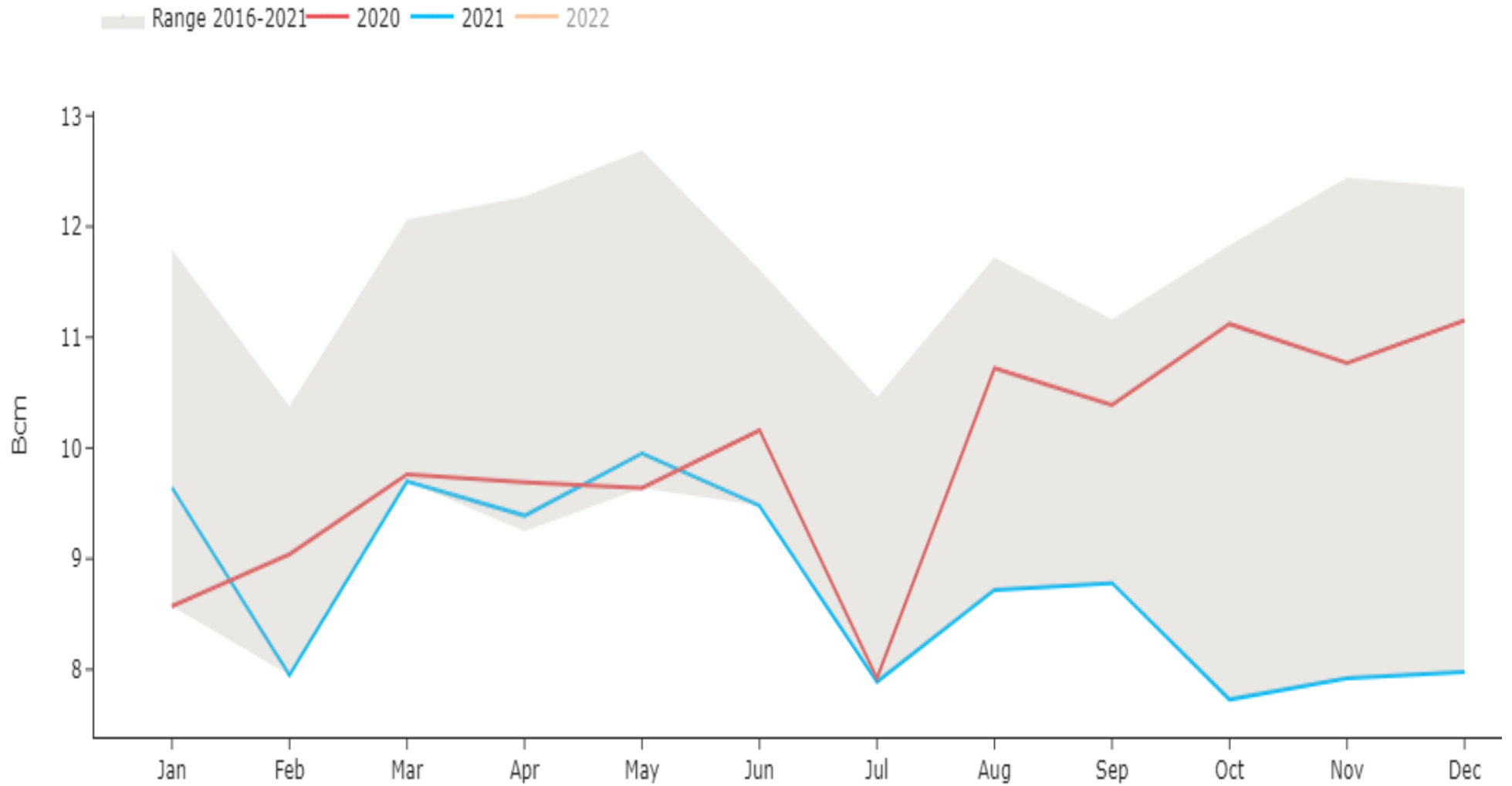
The combined impact on **gas & electricity prices** of the UK's post-pandemic surge in demand, a cold winter '20 to '21, weakened renewables generation and increased reliance on gas-for-power-burn is all too evident on the chart below when measured against delivery prices over the previous decade (monthly Day-Ahead averages):



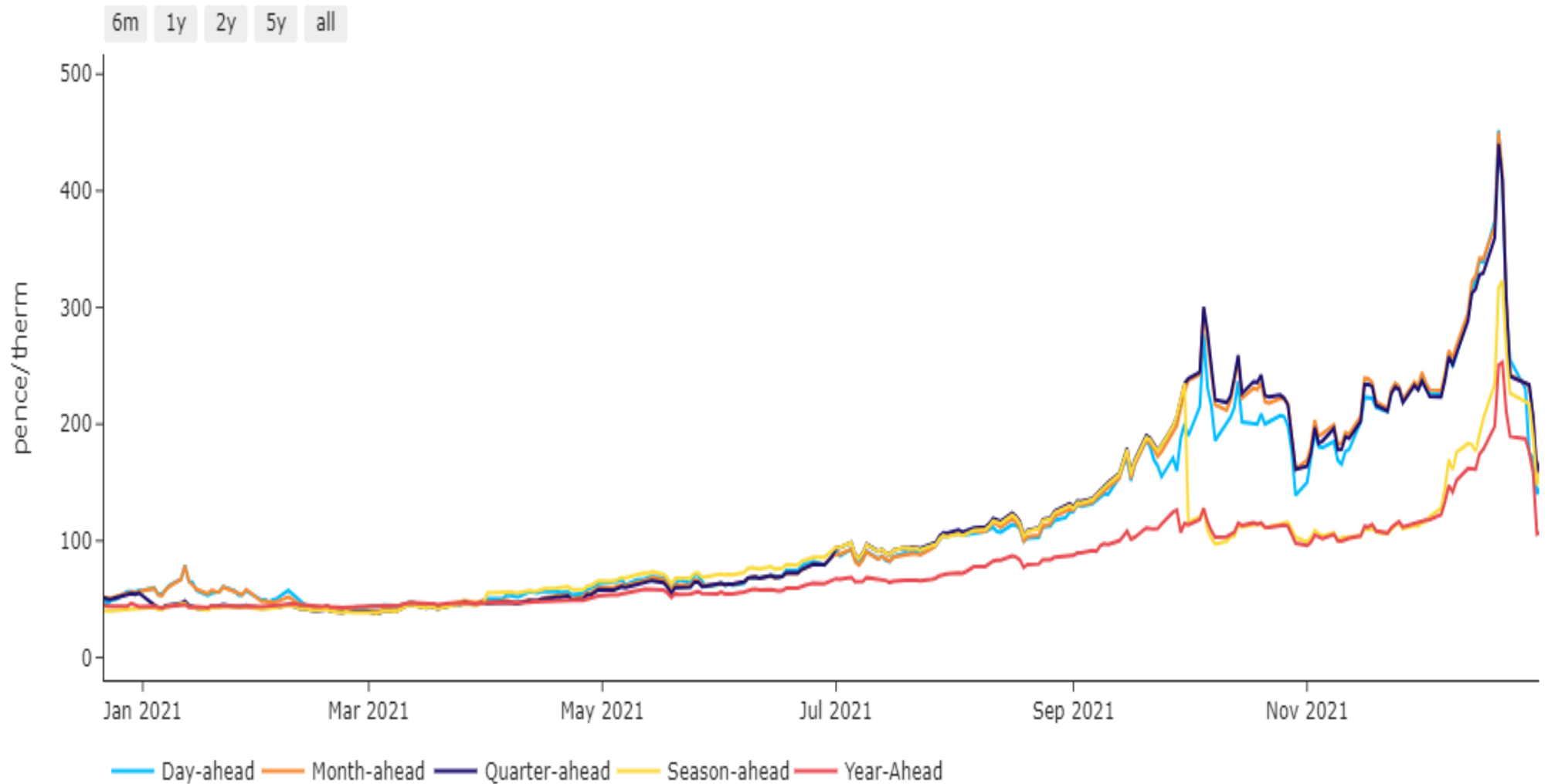
Oil prices increased by 55% and ended the year just under \$80/bbl - further evidence of a sustained recovery in wider global demand:



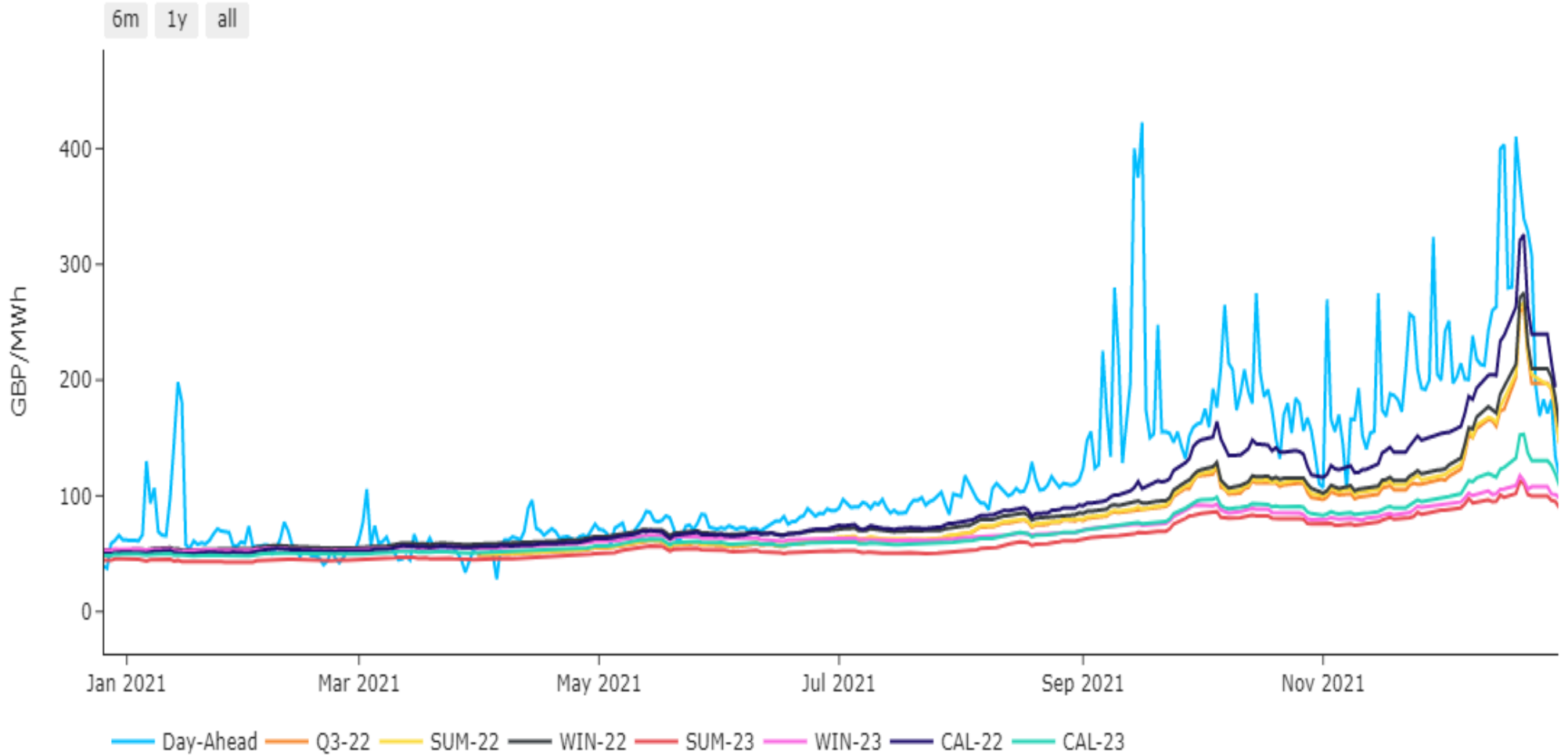
Supply constraints in major producing regions (primarily Russia), limited **gas exports** beginning June '21, after which exports into Western Europe remained at a 5-year low until year-end – limiting supply and supporting the bull run:



Despite rising throughout 2021, forward **gas prices** fell dramatically by as much as 75% (quarter-ahead) in the last fortnight of December – with Day-Ahead falling below 100p/therm for the first time since August:



Electricity prices followed suit:





author: ICD

0191 215 5456

enquiries@icdenergymanagers.com

ICD Energy Managers Ltd, Q16, Quorum Business Park, Benton Lane, Newcastle Upon Tyne, NE12 8BX
All Rights Reserved. ©2022 ICD Energy Managers Limited. Registered in England & Wales. Company No: 13138824. VAT No: 369316177