

UK Fuel Crisis & European Natural Gas Storage

After videos of cars lining up to get fuel amid the truck driver shortages BP just announced that 30% of their fuel stations have run out of their main fuel grades:

*BP SAYS 30% OF ITS U.K. PETROL STATIONS OUT OF MAIN FUEL GRADES

*BP SAYS 'INTENSE DEMAND' IN PAST TWO DAYS HAS DIMINISHED SUPPLY

The UK has over 8,000 fuel stations¹, of which BP owns over 1,200 (15%)², out of those BP says 360 have run out of fuel (30%). It is quite likely that 30% of the 8,000 fuel stations have hence run out of fuel, i.e. 2,400. It is incredible that a whole nation panics after only around 50-100 fuel stations (0.625 to 1.25% of all fuel stations) were closed due to truck driver shortage³. EG Group now announced to limit customers to £30 of fuel according to Bloomberg. While the government has said on Saturday to issue 5,000 additional temporary visas for truck drivers, the Road Haulage Association estimates the UK needs around 100,000 heavy goods vehicle drivers, which were all lost due to a mixture of workers leaving the industry, Brexit and the pandemic⁴. In short, the average size of an operators' fleet rose from 3.8 vehicles to 5.2 vehicles per license, meaning a 27% decline in HGV drivers, of which some are now threatening to strike⁵. This in combination with a higher oil price will likely be the pinnacle of stagflation that will ultimately move markets as a whole lower, as either profit margins are going to shrink or consumers will reduce consumption. I continue to believe that oil explorers or oil equipment companies are one of the best places to invest right now, as we realise that oil & gas is here to stay for the medium term.

*GAZPROM READY TO RAISE GAS SUPPLIES TO EUROPE, PESKOV SAYS: IFX

Although the natural gas price has moved slightly lower than its all-time high at the beginning of the week of 195 pence per therm, we are still at elevated prices of 175 pence per therm. Ofgem announced just now that Octopus Energy is going to take on the 580,000 customers of Avro Energy, the largest supplier to fail so far this year. It will be interesting to see how much energy Octopus would need to buy in the market to make up for the shortage or whether there were other technical financials in play. In total 10% of the Renewable Obligation Certificates (ROC) were unpaid by the end of August⁶, which would translate into a £700mio liability at current prices of £50.80 per ROC⁷. Octopus Energy will supply over 3mio

¹ <https://online.flippingbook.com/view/570304713/2/>

² https://www.bp.com/en_gb/united-kingdom/home/products-and-services/bp-fleet/national-network.html

³ <https://inews.co.uk/news/uk/petrol-station-closures-explained-why-hgv-driver-shortage-fuel-supply-chain-1215993>

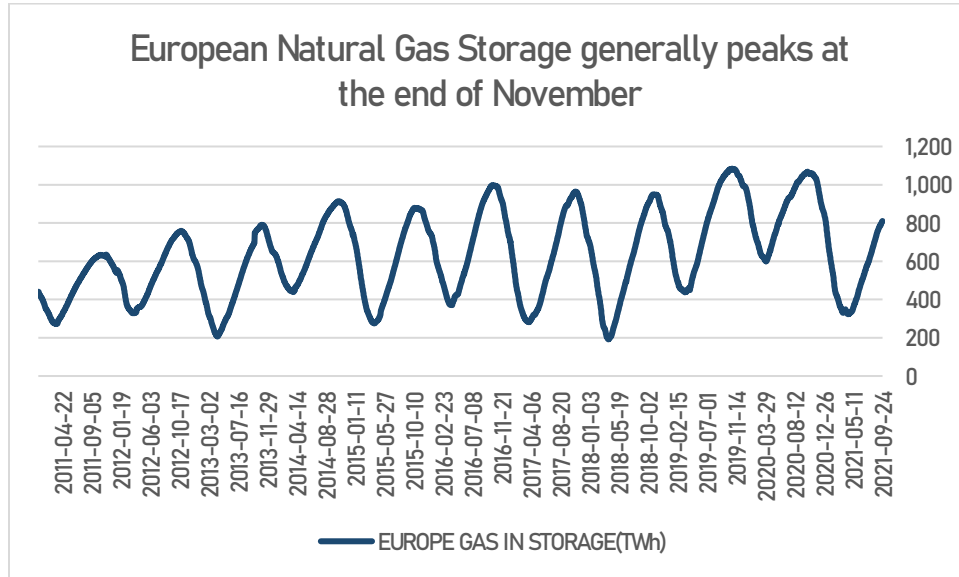
⁴ <https://www.reuters.com/world/uk/uk-warned-visa-plan-fix-truck-driver-shortage-will-not-solve-crunch-2021-09-25/>

⁵ <https://www.dailymail.co.uk/news/article-9930081/UK-transport-industry-faces-shortfall-100-000-lorry-drivers.html>

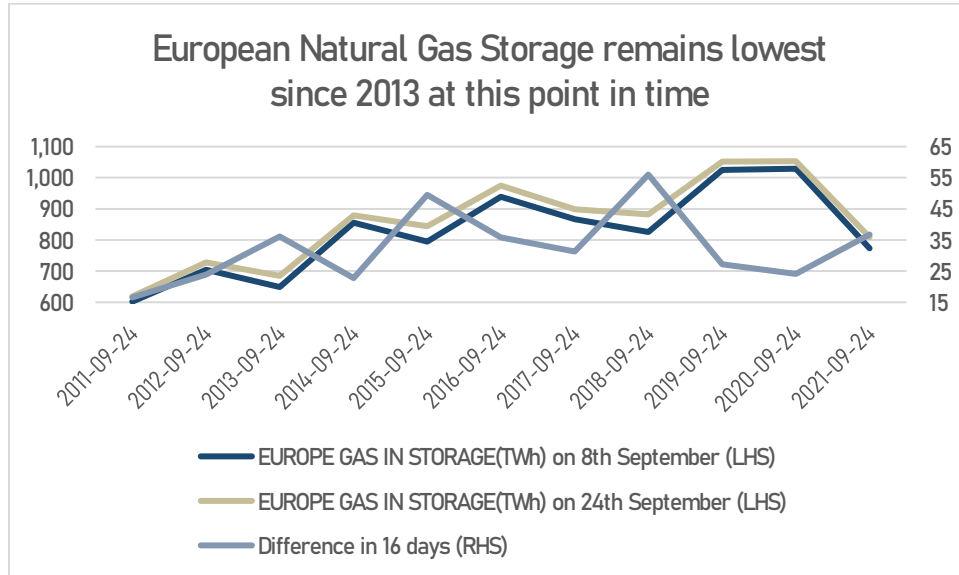
⁶ <https://www.newpower.info/2021/09/roc-payments-fall-short-by-more-than-10/>

⁷ <https://www.ofgem.gov.uk/publications/renewables-obligation-ro-buy-out-price-mutualisation-threshold-and-mutualisation-ceilings-2021->

customers with the takeover of Avro's customers (British Gas has around 7mio customers). European natural gas inventories are meanwhile growing at a pace slightly above the 10-year average over the last two weeks, but remain at an eight year low. The European winter really needs to be very bad for homes to run out of gas. I think the problem rather remains that high prices diminish profits for high energy users such as industrials.



Source: Aggregated Gas Storage Inventory



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