

## Gas

p/therm	10 Jan 20	17 Jan 20	Change
Day-Ahead (DA)	29.40	28.60	-2.7%
Feb 2020	30.45	28.31	-7.0%
Summer 2020	29.29	26.96	-7.9%
Winter 2020/21	43.18	39.87	-7.7%

Source: Reuters

The UK's **Day-Ahead** gas price fell 2.7% to 28.60 p/therm, as reasonably strong gas send-out from all three UK LNG terminals, moderate gas storage withdrawals and mild weather forecasts for next week left the UK gas system broadly balanced.

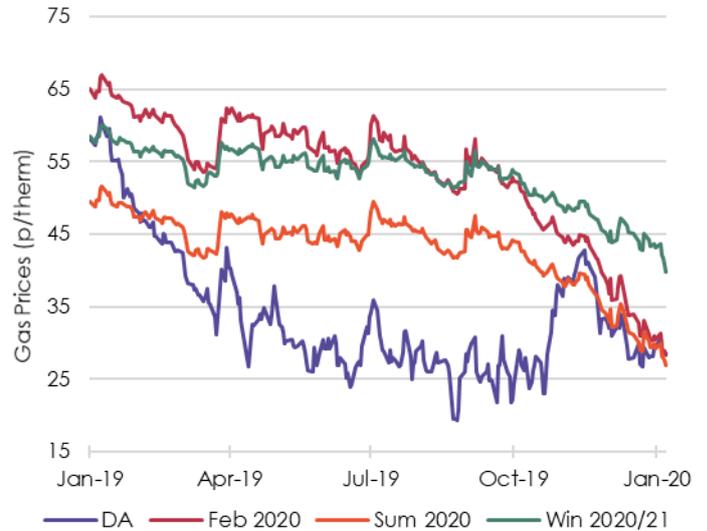
Total LNG send-out has dropped to 55 mcm/d with only six cargoes confirmed for delivery, this largely is the result of the extremely high gas storage level in Northwest Europe. Despite being mid-January, EU gas storage is still at a whopping 80%, far higher than the 60% recorded at the same time last year.

**Feb 2020** gas prices also fell 7.0% reflecting Europe's well stocked gas storage, mild weather forecasts and seasonally weak power demand. The significant growth in global LNG production year-on-year has meant that withdrawals from gas storage has been limited, leaving energy markets well stocked even during peak winter months.

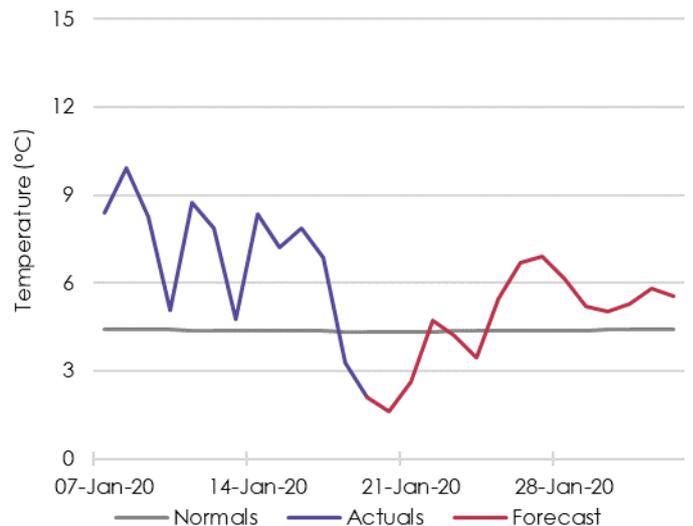
The **Summer 2020** gas price declined 7.9% week-on-week to 26.96 p/therm. The UK and Europe's high levels for gas storage, combined with record deliveries of LNG, mean the outlook for next summer's supply and demand balance continues to look extremely comfortable.

Unseasonably wet weather in the Nordic region has also boosted the level of hydro-power production supplied to Northwest Europe, lowering gas demand used in power production. Lower gas consumption during winter months means gas storages can be refilled more quickly during summer months.

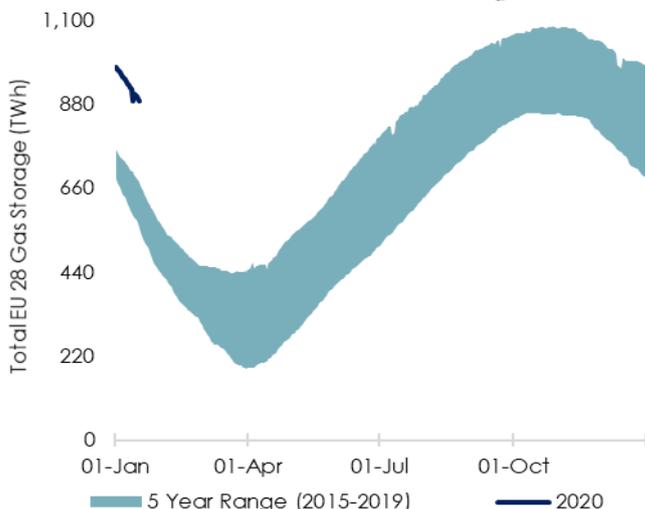
### UK NBP



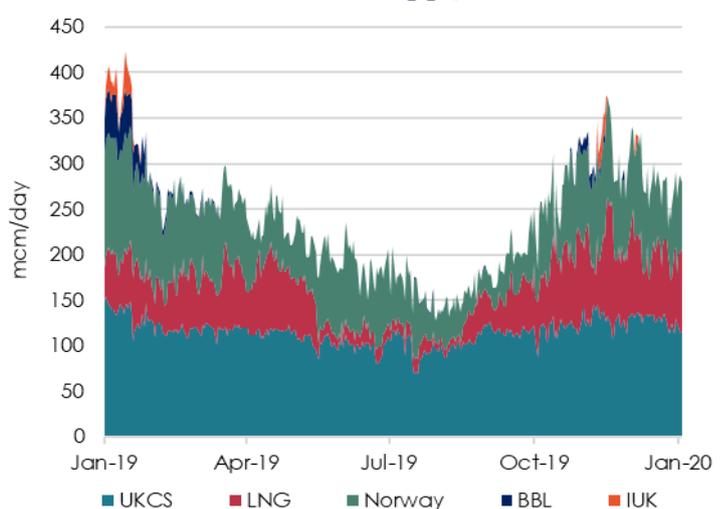
### UK Temperature Forecast



### Total EU 28 Gas Storage



### UK Gas Supply



# Beond Weekly UK Insight

19 January 2020

LNG Tanker	Regas Volume (mcm)	Expected Arrival Date	From	LNG Terminal
Umm Al Amad	126	22 Jan	Qatar	South Hook
Al Khuwair	130	25 Jan	Qatar	South Hook
Al Ghuwairiya	157	3 Feb	Qatar	South Hook
Al Nuaman	126	6 Feb	Qatar	South Hook
Al Bahiya	128	12 Feb	Qatar	South Hook
Al Hamla	129	27 Feb	Qatar	South Hook

**LNG Prices (Japan v UK v USA)**



**German Gas (Year Ahead)**



## Power

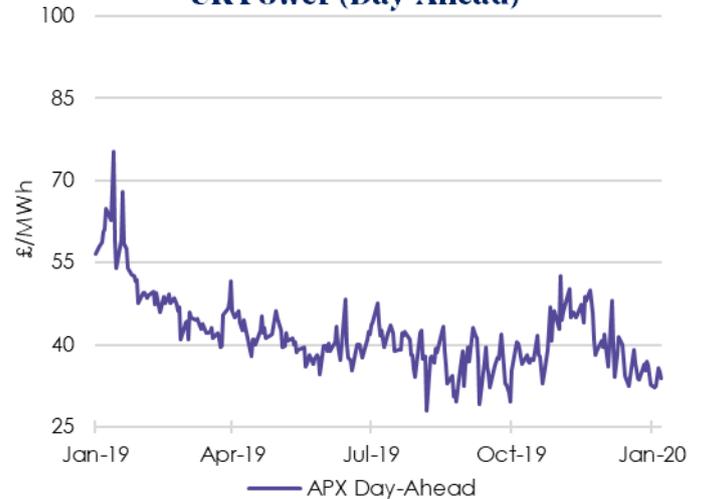
£/MWh	10 Jan 20	17 Jan 20	Change
Day-Ahead (DA)	32.78	33.89	3.4%
Feb 2020	39.56	38.21	-3.4%
Summer 2020	38.36	37.05	-3.4%
Winter 2020/21	48.14	46.25	-3.9%

Source: Reuters

**Day-Ahead** power prices rose 3.4% to £33.89/MWh, reflecting weaker wind generation and the higher cost of carbon allowances.

**Summer 2020** power prices dropped 3.4% to £37.05/MWh in response to losses in the equivalent gas and coal markets. The lower cost of gas and coal means power production is expected to be less expensive over the next year. There are also no major power plant outages across Northwest Europe.

**UK Power (Day-Ahead)**



**German Power (Year Ahead)**



**UK Power (Forward)**



# Beond Weekly UK Insight

19 January 2020

## Oil

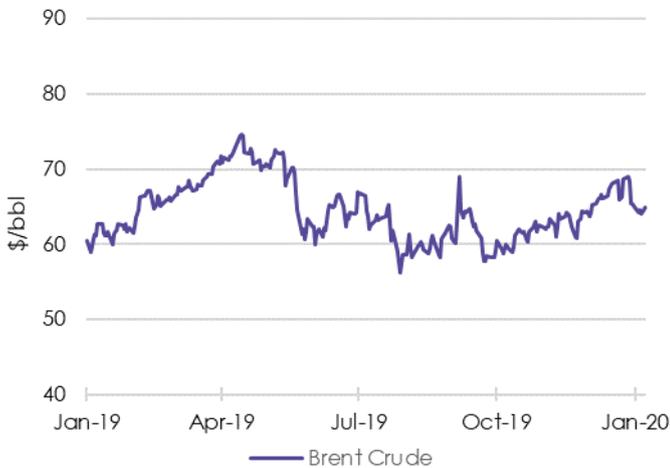
\$/bbl	10 Jan 20	17 Jan 20	Change
Brent Crude Mar 20	64.98	64.85	-0.2%

Source: Reuters

**Brent crude oil** prices fell 0.2% to \$64.85/bbl as the risk of oil supply disruptions from around the world has diminished and rising non-OPEC production offset plans to curb the oil glut.

Iran's exports are significantly reduced due to sanctions so the additional supply risk is concentrated in Iraq, where the U.S. and Iran conflict is actually playing out.

Putting aside the geopolitical risk, the EIA predict that prices will likely remain subdued this year because non-OPEC supply continues to grow faster than demand. Non-OPEC countries will add 2.1 million bpd this year, while demand will rise by 1.2 million bpd.



## Exchange Rates & Economics

£/\$	10 Jan 20	17 Jan 20	Change
GBP/USD	1.3059	1.3008	-0.4%

Source: Reuters

The **Pound Sterling** was under pressure last week, falling versus the U.S. dollar, after UK Inflation hit a three-year low of 1.3% in December, cementing the case for a Bank of England interest rate cut.

Four major developed world central banks cut interest rates last year as the global economy softened amid the U.S.-China trade war. However, some financial markets are also preferring to see the outcome of Brexit negotiations.

The BoE has left Bank Rate unchanged at 0.75% since August 2018 and has consistently prepped markets to expect hikes in the years ahead because it's always forecast rising or resilient price pressures rather than falling inflation.



## Carbon

€/tCO2	10 Jan 20	17 Jan 20	Change
EUA Dec 2019	24.12	25.36	5.1%

Source: Reuters

**European carbon** prices rose 5.1% to €25.36/tCO<sub>2</sub>, after it was revealed that Germany's revised coal phase-out plan would probably see an extra 180m tonnes of carbon emitted from 2023-2030. This was because as many as 6 GW of lignite-fired capacity could still be in operation up until the end of the final year of closures, boosting demand for EUA carbon permits.



## Coal

\$/tonne	10 Jan 20	17 Jan 20	Change
API2 CIF ARA 2019	64.75	61.85	-4.5%

Source: Reuters

**European coal** prices slid 4.5% to \$61.85/tonne as Germany's Transmission System Operator forecast gas-fired power plant capacity rising 35% to 34.2 GW by 2035 amid the country's nuclear and coal exits, even with potential delays to the coal phase-out.



## Regulatory and Market News

### Offices 'should cut energy use 60% to hit net zero', says UK Green Building Council

Offices need to cut energy use by almost two thirds to enable the UK to hit net zero carbon targets. Simply relying on decarbonisation of the power grid is not an option, according to the UK Green Building Council (UKGBC).

The council has set out a stepped trajectory for building owners and developers to achieve deep demand reduction over the coming years – and says energy efficiency should be prioritised over renewable energy or carbon offsets.

The document, which sets out the energy performance targets, builds on the UKGBC's Net Zero Carbon Buildings Framework, published last April.

**Table 1: Energy performance targets for buildings targeting net zero carbon for operational energy**

Scope	Metric	Interim Targets			Paris Proof Target
		2020-2025	2025-2030	2030-2035	2035-2050
Whole building energy	kWh/m <sup>2</sup> (NLA) / year	160	115	90	70
	kWh/m <sup>2</sup> (GIA) / year	130	90	70	55
	DEC rating	C90	C65	B50	B40
Base building energy	kWh/m <sup>2</sup> (NLA) / year	90	70	55	35
	kWh/m <sup>2</sup> (GIA) / year	70	55	45	30
	NABERS UK star rating	4.5	5	5.5	6
Tenant energy	kWh/m <sup>2</sup> (NLA) / year	70	45	35	35

NLA = net lettable area GIA = gross internal area

Source: UK Green Building Council

Building owners that cannot meet the required energy performance targets should have to disclose their failures, and state how they will meet targets in coming years, said the council.

These targets are intended to highlight to stakeholders from across the office sector the magnitude of energy reductions required to achieve net zero by 2050.

They will challenge the construction and property sector to reimagine the way offices are designed, constructed and operated, including moving towards in-use performance as the verifiable metric for energy.

The targets are based on a methodology called 'Paris Proof', developed by the UKGBC's Dutch counterpart.

Some examples of how the targets can be used are:

- Portfolio owners setting an energy reduction pathway in line with the trajectory to avoid 'stranded assets'.
- Designers delivering new offices that target higher levels of performance than required to future-proof from retrofit.
- Policy makers ensuring measurement of in-use energy to track the performance of offices in line with this trajectory.

[LINK: UKGBC - 2050 zero carbon targets](#)

### Large energy users prepare for impact of major Targeted Charging Review changes

Ofgem's Targeted Charging Review (TCR) will make sweeping changes to transmission (TNUoS) and distribution (DUoS) residual network charging structures from April 2021 onwards. A second Ofgem consultation is considering "forward looking" charges, which are designed to provide pricing signals to consumers to encourage specific consumption behaviour and may further impact time of use charging. However, details of forward looking charging changes are some way off.

But we now know what the residual charging regime change entails:

- From April 2021 the residual charges element of TNUoS will be moved from Triad demand to a fixed charge based on site available capacity.
- From April 2022 DUoS charging structure will change to place more emphasis on a fixed charged based on available capacity with a smaller element of time-of-use charging remaining.
- Ofgem has used a banding system to decide on the level of charges, these four bands will be based on site capacity and voltage of connection.
- TCR is structured in such a way to ensure that large industrial and commercial (I&C) firms are prevented from avoiding network residual costs as they currently do through Triad avoidance.

Business that have worked hard to avoid the winter Triads and other peaks through demand shifting and shedding have saved money by reducing consumption. From April 2021 there will be no way to avoid them – they will have this price impact back.

As Ofgem has not finalised the new fixed pricing bands, suppliers are not sure what network costs will be post April 2021. If a customer has a supply contract that spans beyond April 2021, they may see a change in their contract price as suppliers look to recoup any losses from the new TCR charging mechanism.

Ofgem has stated that its TCR reforms will come into force from April 2021. The industry consensus, however, is that it will be a significant challenge to respect that timetable, especially as there are currently no published charges for the four pricing bands.

A phased approach is therefore more likely, starting with non half-hourly low voltage customers, bringing in larger users over time. But businesses, particularly those that have for many years reduced bills through peak load shifting, would do well to start immediately exploring alternative options.

[LINK: Energyst - impact of TCR on energy users](#)