

# Beond Weekly UK Insight

10 February 2020

## Gas

| p/therm        | 31 Jan 20 | 7 Feb 20 | Change |
|----------------|-----------|----------|--------|
| Day-Ahead      | 25.10     | 22.63    | -9.8%  |
| Mar 2020       | 24.18     | 22.13    | -8.5%  |
| Summer 2020    | 24.58     | 23.73    | -3.5%  |
| Winter 2020/21 | 35.25     | 35.99    | 2.1%   |

The UK's **Day-Ahead** gas price fell 9.8% to 22.63 p/therm, as higher LNG imports and plentiful gas supply in Northwest Europe complimented Britain's above seasonal normal temperatures last week.

The **Summer 2020** gas price declined 3.5% week-on-week to 23.73 p/therm, with the equivalent power contract also losing 2.6% to £33.76/MWh.

The UK and Europe's high levels of gas storage, combined with record deliveries of LNG and unseasonably strong power production in Europe's Nordic and Central European regions, mean the outlook for next summer's supply and demand balance continues to look comfortable.

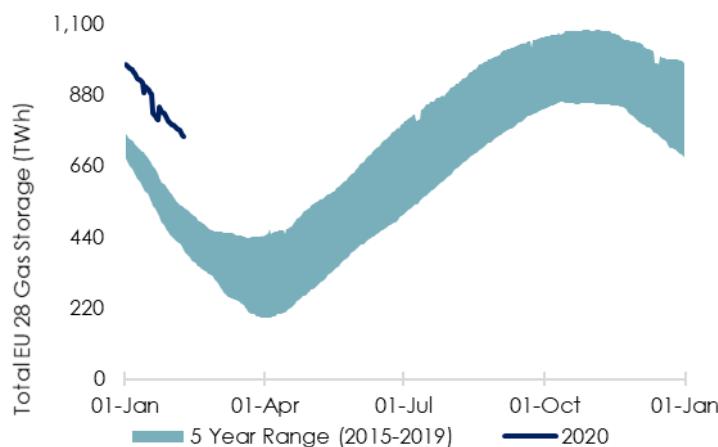
Benchmark Asian LNG prices hit record lows last week while China's top LNG buyer China National Offshore Oil Corporation (CNOOC) declaring force majeure on some prompt LNG deliveries with several suppliers. The drop in Asian LNG demand means global LNG supply could be diverted into the already saturated European gas market.

Six more LNG tankers were added to Northwest European terminal arrival schedules on Monday, with 23 tankers set to arrive this month.

Lower crude oil and carbon prices also contributed to price declines for the upcoming season, although winter prices edged higher in response to uncertainty over power capacity concerns in Central Europe.

Prices for seasonal contracts are now fairly mixed, and the uncertain nature of energy markets means we recommend going to market now and getting contracts locked in before the end of June.

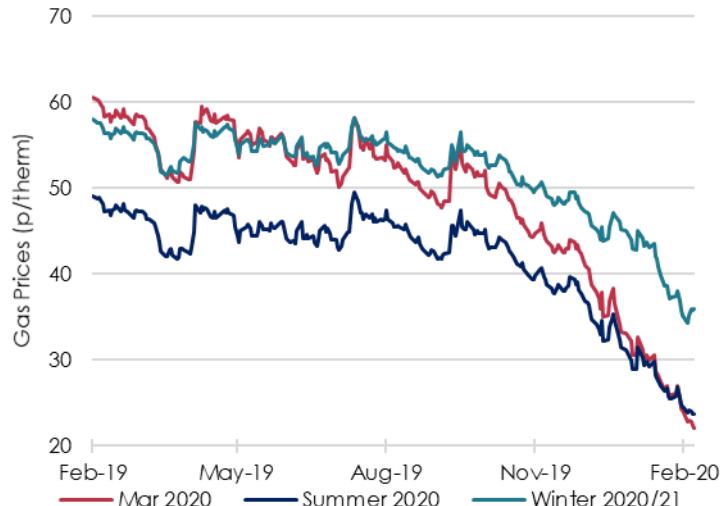
## European Gas Storage



## Power

| £/MWh          | 31 Jan 20 | 7 Feb 20 | Change |
|----------------|-----------|----------|--------|
| Day-Ahead      | 24.87     | 30.36    | 22.1%  |
| Mar 2020       | 34.24     | 32.50    | -5.1%  |
| Summer 2020    | 34.67     | 33.76    | -2.6%  |
| Winter 2020/21 | 42.60     | 43.02    | 1.0%   |

## UK Gas



## UK Power



## Global LNG (Japan v UK v USA)



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## Oil

| \$/bbl             | 31 Jan 20 | 7 Feb 20 | Change |
|--------------------|-----------|----------|--------|
| Brent Crude Apr 20 | 58.16     | 54.47    | -6.3%  |

Source: Reuters

**Brent crude oil** prices slid to a 13-month low, falling 6.3% to \$54.47/bbl, as plans by OPEC and its major oil producing partners (OPEC+) failed to agree on deeper output cuts. Coronavirus also continues to disrupt oil and gas markets.

The OPEC committee recommended the cartel cut production by another 600,000 bpd in response to the Coronavirus. However, Russia has asked for more time to consider deeper cuts.

OPEC+ ministers are next scheduled to meet on 5-6 March in Vienna, Austria.



## Carbon

| €/tCO <sub>2</sub> | 31 Jan 20 | 7 Feb 20 | Change |
|--------------------|-----------|----------|--------|
| EUA Dec 2019       | 23.81     | 23.26    | -2.3%  |

Source: Reuters

**European carbon** prices fell 2.3% to €23.26/tCO<sub>2</sub>, amid tepid power generation demand from fossil fuels and ample supply from renewables in Central Europe. Traders also continued to factor in the likely impact on demand of the deadly Coronavirus.



## Exchange Rates & Economics

| £/\$    | 31 Jan 20 | 7 Feb 20 | Change |
|---------|-----------|----------|--------|
| GBP/USD | 1.3199    | 1.2891   | -2.3%  |

Source: Reuters

The **Pound Sterling** was trading lower last week versus the U.S. dollar, after Boris Johnson laid out a hard-line approach to Brexit negotiations with the European Union. This prompted renewed fears that Britain will leave the EU without a trade deal in 11 months.

The PM will lay out his vision for a "Canada-style" free trade deal, to ensure that the UK will not be bound by any EU rules on social protections and the environment.

However, the EU's chief negotiator Michel Barnier said that Brussels would only offer a "highly ambitious" trade deal with zero tariffs on goods if Britain aligned with EU standards.



## Coal

| \$/tonne          | 31 Jan 20 | 7 Feb 20 | Change |
|-------------------|-----------|----------|--------|
| API2 CIF ARA 2019 | 59.50     | 59.60    | 0.2%   |

Source: Reuters

**European coal** prices saw little change last week, settling at \$59.60/tonne as China's domestic coal mines struggle to increase production in the face of the ongoing Coronavirus epidemic.



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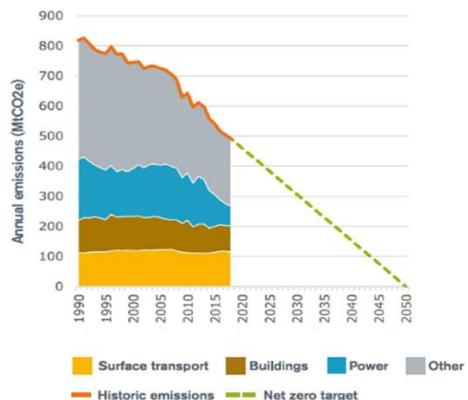
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## Regulatory and Market News

### Ofgem reveals 9-point Decarbonisation Action Plan for net zero 2050

Ofgem's new chief executive Jonathan Brearley used his first day in post to unveil a 9-point Decarbonisation Action Plan, as Britain's energy regulator said it will change how it governs the industry to help meet the government's climate targets, after coming under fire for failing to prioritise the climate emergency.

#### UK greenhouse gas emissions, historic and targeted



Ofgem themselves promise to be more adaptive in tackling the decarbonisation challenge.

Ofgem want to network companies to invest efficiently and come up with innovative solutions. We will need a coordinated and cost effective offshore grid to bring even more wind power on-shore.

Ofgem need to work on a plan to decarbonise heating. The whole energy system needs to be flexible and "fit for net-zero" and lowest cost. Ofgem need to support the roll-out of electric vehicles; the Government has brought forward the ban on petrol, diesel and hybrid car sales to 2035.

Ofgem discuss low carbon products and services in the retail market. They highlight consumer behaviour change which will become important when energy availability depends on the wind and the sun. They also discuss a subject of immediate interest to our clients: "Green" energy tariffs are increasingly popular, as more and more consumers seek to play a role in tackling climate change."

They are aware of growing concerns about 'greenwashing', as consumers are entitled to ask if there is a "positive impact for the planet, for example by stimulating additional investment in renewable generation"?

[LINK: Ofgem - 9-point Decarbonisation Action Plan](#)

Disclaimer: These views and recommendations are offered for your consideration and Beond makes every effort to ensure that the data and information in this report is accurate. However, due to the volatile and unpredictable nature of the energy markets, Beond cannot guarantee the accuracy of both the information and the recommendations provided. Beond does not accept any responsibility for errors or misstatements, or for any direct, indirect, consequential or other loss arising from any use of this information and/or further communication in relation to this information.

### New petrol and diesel cars to be phased out five years earlier than planned, under government plans

A ban on selling new petrol, diesel or hybrid cars in the UK will be brought forward from 2040 to 2035 at the latest, under government plans. Prime Minister Boris Johnson said the ban on selling new petrol and diesel cars would come even earlier than 2035, if possible.

Hybrid vehicles are also now being included in the proposals, which were originally announced in July 2017.

People will only be able to buy electric or hydrogen cars and vans, once the ban comes into effect.

The change in plans, which will be subject to a consultation, comes after experts warned the previous target date of 2040 would still leave old conventional cars on the roads following the clean-up date of 2050.

Boris Johnson unveiled the policy as part of a launch event for a United Nations climate summit in November. He said 2020 would be a "defining year of climate action" for the planet.

Some 37,850 battery electric cars were sold in the UK in 2019, over double the number a year earlier. However, electric cars still make up only 1.6% of new cars sold last year and 0.2% of total vehicles on British roads.

[LINK: BEIS - Petrol cars being phased out earlier 2035](#)

### End of Britain's coal-fired power generation to be brought forward to 2024 in drive towards net zero

Coal power will be phased out by 2024, one year earlier than planned, says Prime Minister Boris Johnson who declared the UK had a duty as the first industrialised nation to lead the fight against climate change.

Britain's reliance on coal for electricity has dropped from 70% in 1990 to less than 3% today. But "we want to get it down to zero by 2024," he added, confirming that the previous target date of 2025 had been pulled forward. "And we are able to do that because this country is driving a revolution in renewable energy."

The 2025 phase out date was originally announced in 2015 and was followed by a wave of coal plant closures as operators struggle to turn a profit in the face of the government's carbon floor price. Today, the only UK coal plants remaining are at West Burton and Ratcliffe, and two of the six power generation units at Drax, while Fiddlers Ferry and Aberthaw are both due to close at the end of March.

[LINK: BEIS - Coal phase out brought forward to 2024](#)