

## Gas

p/therm	14 Feb 20	21 Feb 20	Change
Day-Ahead	21.45	23.00	7.2%
Mar 2020	20.86	22.92	9.9%
Summer 2020	23.31	23.73	1.8%
Winter 2020/21	37.01	36.55	-1.3%

The UK's **Day-Ahead gas** price rose by 7.2% to 23.00 p/therm. This is due to both a technical rise as the market reached its nadir, cooling temperatures and LNG imports being hindered by bad weather.

The **Summer 2020 gas** price increased by 1.8% week-on-week to 23.73 p/therm, with the equivalent **power** contract increasing by 2.4% to £34.50/MWh as cooler February temperatures take hold.

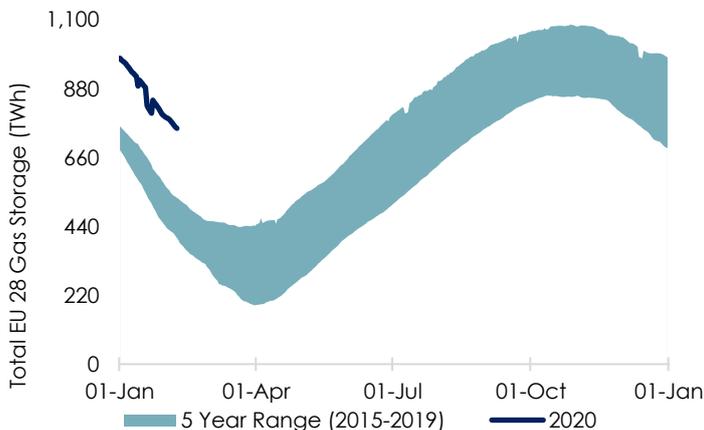
The tide appears to be turning on the recent falls in Gas and Power prices as the Winter begins catching up with us. A key reason for the increase in gas prices is due to high wind speeds disallowing cargoes to unload at Milford Haven. This undersupply is somewhat mitigated by Norwegian pipe gas flows increasing by 10 mcm per day.

Another bullish driver on gas prices is bolstered by news that Groningen gas field, the largest in Europe and 10th largest in the world, will cease production sooner than anticipated under fears of earthquake risk. Production has already been dropped by a further 15% from 11.8 bcm to 10 bcm.

Eleven LNG tankers are scheduled to arrive in Britain over the coming week set to bring a total of 2.3 mcm of LNG into the UK.

Seasonal contracts are mixed, with S-20 and W-20 remaining low, however now climbing. S-21 and W-21 are steady with power becoming static and gas showing a marginal decrease. Our recommendation is to lock in contracts before June 2020 ahead of further price climbs.

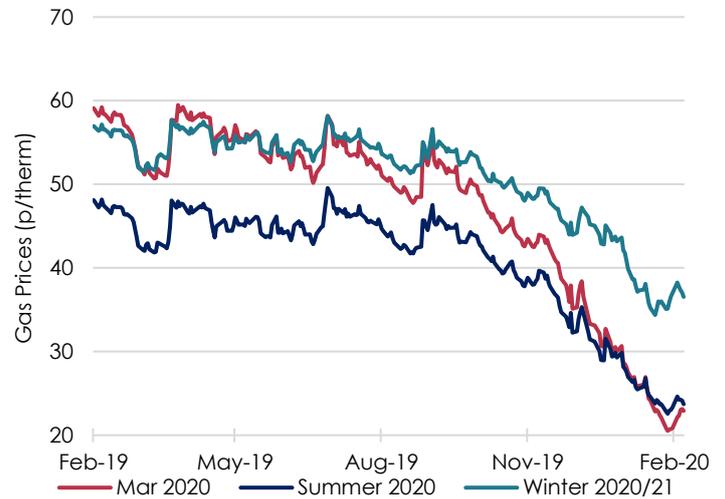
## European Gas Storage



## Power

£/MWh	14 Feb 20	21 Feb 20	Change
Day-Ahead	30.20	29.15	-3.5%
Mar 2020	31.97	33.31	4.2%
Summer 2020	33.69	34.50	2.4%
Winter 2020/21	44.04	44.05	0.0%

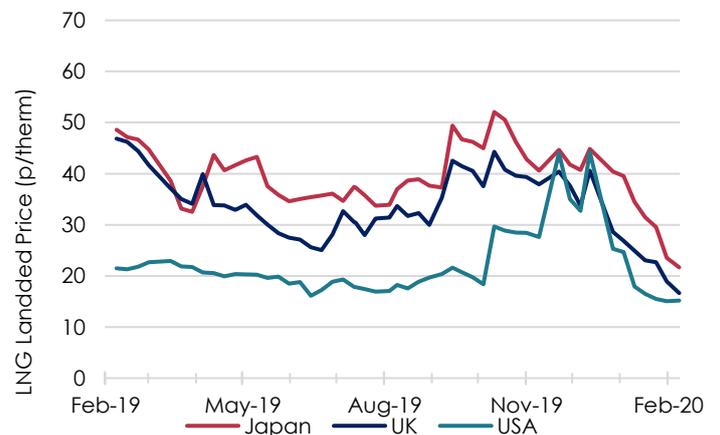
### UK Gas



### UK Power



## Global LNG (Japan v UK v USA)



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# Beond Weekly UK Insight

24 February 2020

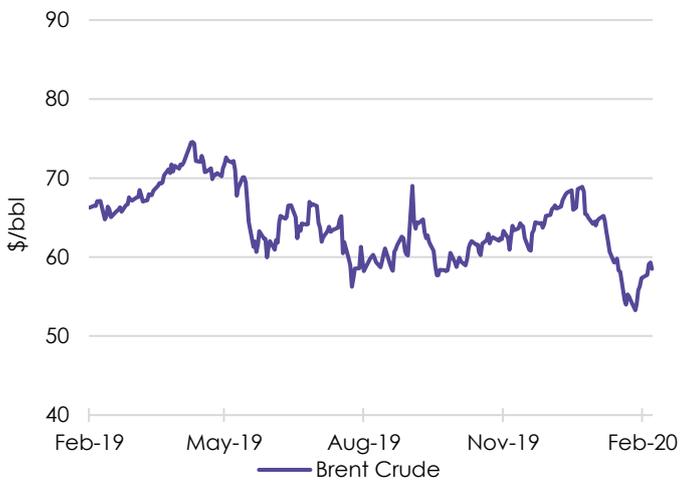
## Oil

\$/bbl	14 Feb 20	21 Feb 20	Change
Brent Crude Apr 20	57.32	58.50	2.1%

Source: Reuters

**Brent crude oil** rose 2.1% to \$58.50/bbl oil prices rose last week as concerns over the economic fallout from the coronavirus outbreak in China were offset by expectations that potential production cuts from major producers could tighten global crude.

Despite new cases of the coronavirus in mainland China decreasing, global experts said it was too early to judge if the outbreak is being contained. Forecasters including the International Energy Agency (IEA) have cut 2020 oil demand estimates because of the virus.



## Exchange Rates & Economics

£/\$	14 Feb 20	21 Feb 20	Change
GBP/USD	1.3046	1.2969	-0.6%

Source: Reuters

The **Pound Sterling** saw a small fall of 0.6% versus the U.S. dollar last week, after news of further Brexit uncertainty. The UK is in a transition period until 31st December and still bound to EU laws. Brexit negotiations are due to begin in March, with the UK expected to push for a Canada-style deal with few tariffs on goods.

However, French president Emmanuel Macron has casted doubt over an agreement between now and the end of the year, while EU chief negotiator Michel Barnier has stated such a deal is unlikely.



## Carbon

€/tCO2	14 Feb 20	21 Feb 20	Change
EUA Dec 2019	24.24	25.56	5.4%

Source: Reuters

**European carbon** prices rose 5.4% to €25.56/tCO2 last week despite prices sliding back towards €25 on Friday following a resurgence of coronavirus cases.

EUA still lodged a substantial weekly gain however driven by signs of a step-up in buying interest, with the UK set to resume its EU carbon allowance auctions as planned on 4th March.



## Coal

\$/tonne	14 Feb 20	21 Feb 20	Change
API2 CIF ARA 2019	61.00	58.50	-4.1%

Source: Reuters

**European coal prices** fell 4.1% last week, settling at \$58.50/tonne, as weather forecasts show milder and windier weather conditions on the way.

In China, coal companies controlled by the central government are back at more than 95% of their capacity after the impact of the coronavirus had largely been eliminated, thus increasing global supply.



## Regulatory and Market News

### UK Government commits £90 million of funding for projects promoting reductions to carbon emissions

Households and businesses will benefit with £90 million of funding being awarded to projects that target cuts to carbon emissions in industry and homes according to Energy Minister Kwasi Kwarteng.

£70 million will include funding for 2 of Europe's first-ever large scale, low carbon hydrogen production plants - the first on the banks of the Mersey, the second planned for near Aberdeen. A third project will develop technology to harness offshore wind off the Grimsby coast to power electrolysis and produce hydrogen.

Hydrogen is a low or zero-emission alternative to fossil fuels which could power future industry and transport. The investment will also fund projects to trial cutting-edge technologies for switching industrial production from fossil fuels to renewables in industries such as cement and glass production.

The remaining £20 million will be used to fund projects aimed at cutting household emissions and bills through nine UK-wide local "smart energy" projects. Over 250,000 people could have their homes powered by local renewable sources by 2030.

If successful, the 10 community pilot projects from Rugeley near Stafford to Coleraine in Northern Ireland could revolutionise local energy generation – allowing local communities to join the frontline in the fight against climate change.

In Rugeley, a coal fired power station is to be demolished and turned into a sustainable village of 2,300 homes. Residents will benefit from thermal storage units instead of traditional gas boilers, enabling them to draw, store and heat their homes with geothermal energy from local canals and disused mine shafts.

In Coleraine, a micro-grid of nearly 100 homes will be established, powered entirely by local wind power. It will help lower household electricity bills by as much as 50% and boost the contribution of renewables to the local energy mix by a quarter.

This investment in low carbon innovation will be crucial to help us end our contribution to climate change by 2050.

The news comes just 2 weeks after the Prime Minister announced plans to bring forward the phase-out of coal to 2024 ahead of the UN Climate Change Conference (COP26) this November.

[LINK: BEIS - £90m funding to drive carbon reductions](#)

### Renewable power generators go short on PPAs in hope prices will rise

Independent renewable generators are striking shorter term deals with offtakers in the hope that depressed power prices will rise, according to a specialist platform Renewable Exchange.

The firm was founded by former Ovo trader Robert Ogden to provide a route to market for smaller generators to sell power to licenced suppliers.

In its first full year of trading, the Bristol-based platform has attracted more than 900 generators controlling 1.5GW of contractable capacity. Assets committed range in size from barn roofs of 100kWp or less, to portfolios of 20MW-plus.

Unlike other PPA platforms, Renewable Exchange isn't yet addressing corporate PPAs. Its 34 off-takers are all suppliers and licenced re-sellers, including Ecotricity, Smartest Energy, Limejump and EDF.

However, he said an increasing number of smaller suppliers are coming to the platform to source renewable power and Renewable Energy Guarantee of Origin (REGO) certificates.

Renewable Exchange does not see corporates seeking green PPAs for self-consumption as a priority. "They're not really our target at present" said the company's Chief Commercial Officer Chris Smith. "Particularly at the smaller end, as they still require a little education".

In January Aviva Investors used Renewable Exchange's platform to close 23 PPAs with offtakers for power from 35.5MWp of its onshore wind farms, praising the platform's "resource light" simplicity.

The platform supports contracts of up to 36 months. In practice, Smith said, parties are contracting on deals of six months or shorter, in the hope that wholesale prices weighed down by a glut of gas on world markets and the UK's warm winter, must at some point turn the corner.

"PPA prices have really suffered with the collapse in power prices, which has seen further declines since December 19," Smith stated.

"We are seeing parties go for shorter and shorter terms as they look to avoid locking in low prices. If buyers or sellers see no point in contracting long, it's in our interest to let them set shorter terms."

[LINK: Energyst - Shorter PPA durations on offer](#)