

Gas

p/therm	28 Feb 20	6 Mar 20	Change
Day-Ahead	25.00	23.50	-6.0%
Apr 2020	21.70	21.85	0.7%
Summer 2020	22.65	22.55	-0.4%
Winter 2020/21	34.86	35.43	1.6%

The UK's **Day-Ahead gas** price fell by 6.0% to 23.50 p/therm. This has been due to milder weather reducing heating consumption and an increase in LNG send-out.

The **Summer 2020 gas** price fell very slightly by 0.4% week-on-week to 22.55 p/therm, with the equivalent **power** contract matching the trend in gas falling 0.1% to £33.20/MWh. Markets have moved broadly sideways due to the balance of bullish and bearish drivers largely offsetting one another.

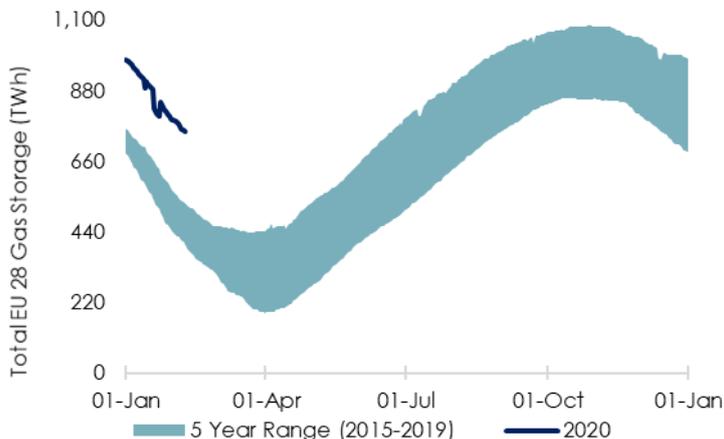
Bullish drivers this week are mainly due to the market anticipating an increase in gas demand resulting from a drop in wind power generation, with gas for power consumption increasing by 16% to 81 mcm/d.

Bearish drivers appear to be much more tangible. Following drops in wind speeds, a queue of LNG cargoes has begun supplying the network, with a further six LNG tankers set to complete regasification before the end of the week. Consumption is also set to decrease by 11 mcm/d responding to milder temperatures in the UK, all of which have marginally lowered both Day-Ahead and Summer 2020 gas prices.

On top of milder temperatures, northern UK wind speeds are expected to increase moving into next week. This is likely to see a movement back towards reducing gas for power generation, as wind generation improves, leading to net injections into gas storage at a rate of 20 mcm/d across the week.

Seasonal contracts have moved sideways, with Sum-20 and Win-20 remaining low. Sum-21 and Win-21 are relatively steady with marginal decreases across gas and power. Our recommendation is to lock in contracts before June 2020 ahead of expected volatility related to coronavirus driven economic slowdown.

European Gas Storage



Power

£/MWh	28 Feb 20	6 Mar 20	Change
Day-Ahead	29.26	33.53	14.6%
Apr 2020	32.60	32.68	0.2%
Summer 2020	33.22	33.20	-0.1%
Winter 2020/21	42.47	43.00	1.2%

UK Gas



UK Power



Global LNG (Japan v UK v USA)



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Beond Weekly UK Insight

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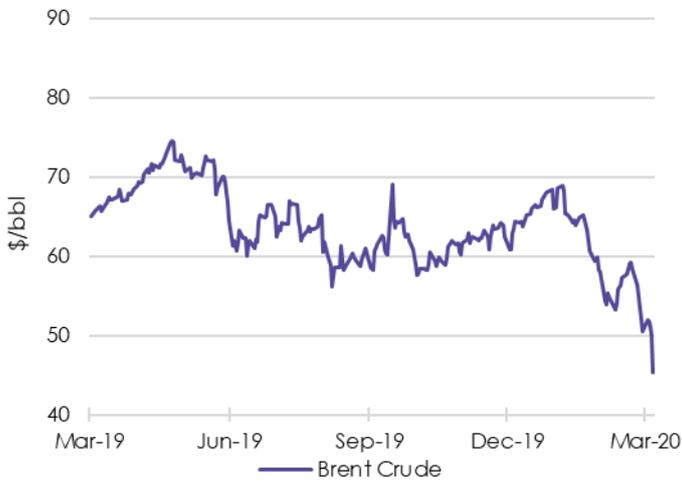
Oil

\$/bbl	28 Feb 20	6 Mar 20	Change
Brent Crude May 20	50.52	45.27	-10.4%

Source: Reuters

Brent crude oil fell 10.4% to \$45.27/bbl last week as the number of coronavirus cases continues to grow and spread globally. Demand for Jet fuel has already suffered unprecedented losses this year due to the virus contributing further to increasingly low forecasts for global economic and energy demand.

Gains made earlier in the week were short lived as OPEC worked on large output cuts however struggled to bring Russia on board for deeper supply cuts to try to offset the slump in demand caused by the coronavirus outbreak.



Exchange Rates & Economics

£/\$	28 Feb 20	6 Mar 20	Change
GBP/USD	1.2820	1.3047	1.8%

Source: Reuters

The **Pound Sterling** rose against the US Dollar after British manufacturing recorded its first month-on-month growth since April 2019. UK construction also grew more than expected during February.

The first Budget of Boris Johnson's majority government is just a few days away, as Chancellor Rishi Sunak confirmed plans to deliver the financial statement on Wednesday 11th March. Changes to tax, pensions, housing and social care are all likely to feature, as well as increased spending in the north of England.



Carbon

€/tCO2	28 Feb 20	6 Mar 20	Change
EUA Dec 2019	23.57	23.39	-0.8%

Source: Reuters

European carbon prices slid 0.8% to €23.39/tCO2 but overall remained relatively flat last week despite the impact of coronavirus disrupting wider markets amid economic slowdown.

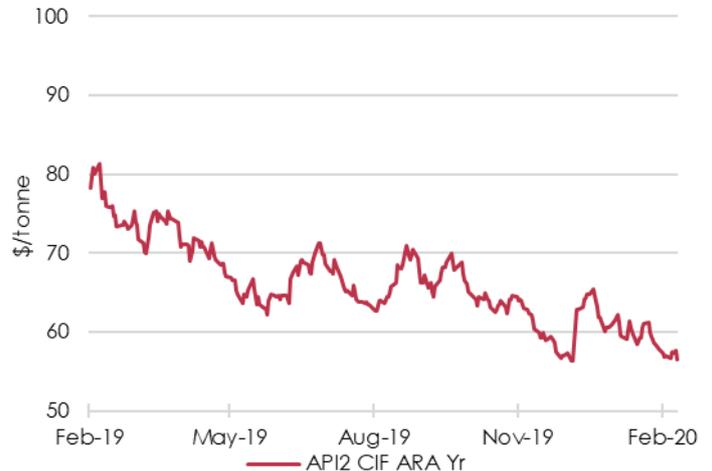


Coal

\$/tonne	28 Feb 20	6 Mar 20	Change
API2 CIF ARA 2019	57.00	56.55	-0.8%

Source: Reuters

European coal prices fell 0.8% to \$56.55/tonne, as the world coal market recorded a substantial drop in demand over January and February 2020. Asia was hit hardest, where South Korean imports dropping to 6.9 million tonnes in February from 11.4 million in January and 9.4 million in February 2019.

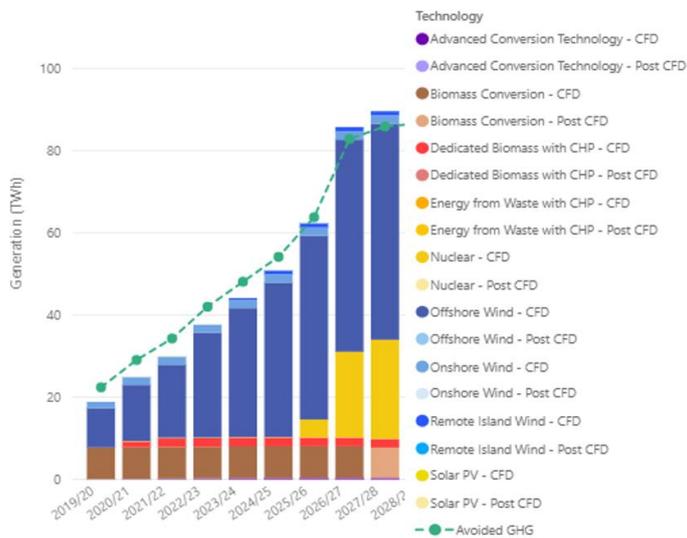


Regulatory and Market News

UK government lifts ban on new onshore windfarm subsidies for Contracts for Difference Round 4

The Department for Business, Energy and Industrial Strategy (BEIS) has launched a consultation on the next round, "Round 4", of Contract for Difference (CfD) auctions which is due to be held in 2021. With the ambition of Net Zero by 2050 they are considering these tweaks:

1. Supporting "established technologies" such as solar and on-shore wind even though these technologies are become viable without subsidy. A government price guarantee should help promote further deployment of these, the cheapest, technologies.
2. Move the most common technology, Offshore Wind from the pot "less established technology" into its own group.
3. Allow a new technology, Floating Offshore Wind to bid for the "less established technology" pot.
4. Exclude coal-to-biomass conversions. The rationale is that biomass conversions are only allowed to be subsidised until 2026/2027.



Source: Low Carbon Contracts Company

The government-backed Low Carbon Contracts Company (LCCC) has published projected volumes of all the energy subsidised by CfDs to date.

If EDFE get their new nuclear Hinkley Point C working before the end of this decade then low-carbon volume supported by CfDs will reach 90 TWh. This volume is on top of 80 TWh currently subsidised by the previous Renewables Obligation (RO) scheme, compared with current national electricity demand of 270TWh.

[LINK: BEIS - CfD round 4](#)

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.

Government to delay National Infrastructure Strategy to beef up net zero plans

The UK Government's long-awaited National Infrastructure Strategy will not be published alongside the Budget next week as expected, so as to give Ministers more time to strengthen decarbonisation plans, according to media reports.

The strategy is now expected before May, with new Chancellor Rishi Sunak poised to make a number of changes to the wide-ranging plans.

The strategy is the government's formal response to the National Infrastructure Assessment, which was published two years ago by an independent commission and called for a sharp increase in low carbon infrastructure spending covering everything from smart grids and renewable energy projects to rail links and energy efficiency upgrades.

The latest delay could have been informed by the recent Appeal Court ruling that the Government's approval for Heathrow expansion should have considered the implications for the Paris Agreement.

Meanwhile, green trade bodies are continuing to call for the Government to confirm the future of the Renewable Heat Incentive, which is scheduled to close in March 2021.

[LINK: NIC - Delay to strategy](#)

Hydrogen Taskforce established by UK Government

The UK Parliament launched a cross industry group of organisations was launched last week aiming to offer a shared vision of the role of hydrogen in the transition to net zero emissions. The Hydrogen Taskforce comprises Arup, Arval, Baxi, BNP Paribas, BOC, BP, Cadent, DBD, ITM Power, Shell and Storengy.

It aims to align a wide range of stakeholders including government, industry and an informed public with the aim of driving investment in hydrogen to promote its large-scale deployment across the economy.

It has published a report – 'The Role of Hydrogen in Delivering Net Zero' – outlining a series of policy recommendations for industry and government to work towards over the next five years.

The plan also calls for the development of financial support for the production of hydrogen for blending into the gas grid, industrial use, power generation and transport.

[LINK: Energyst - Hydrogen taskforce](#)