Beond Weekly UK Insight

6 April 2020

Gas

p/therm	27 Mar 20	3 Apr 20	Change
Day-Ahead	19.00	16.00	-15.8%
May 2020	17.90	16.22	-9.4%
Winter 2020/21	32.41	32.71	0.9%
Summer 2021	29.28	29.66	1.3%

The UK's **Day-Ahead gas** price fell by 15.8% to 16.00 p/therm as the decline in demand due to the Covid-19 pandemic continues to hit the UK wholesale market. Measures to contain the spread of the coronavirus have led to an unprecedented loss in demand of up to a quarter of global consumption.

The **Winter 2020 gas** price rose by 0.9% week-on-week to 32.41 p/therm, with the equivalent **Winter 2020 power** price falling 1.3% to £38.71/MWh. Minor gains in the gas market were supported by a rally in oil prices on hopes of a cut to global supply whereas for power, a bearish expected rise in temperatures over the weekend offset the drop in renewable availability.

Pipeline gas flows from Norway to the UK fell 44% on Friday from the start of the week as the summer gas season. Pipeline gas flows to Britain fell to 50 mcm/d on Friday, down from 89 mcm/d on Monday.

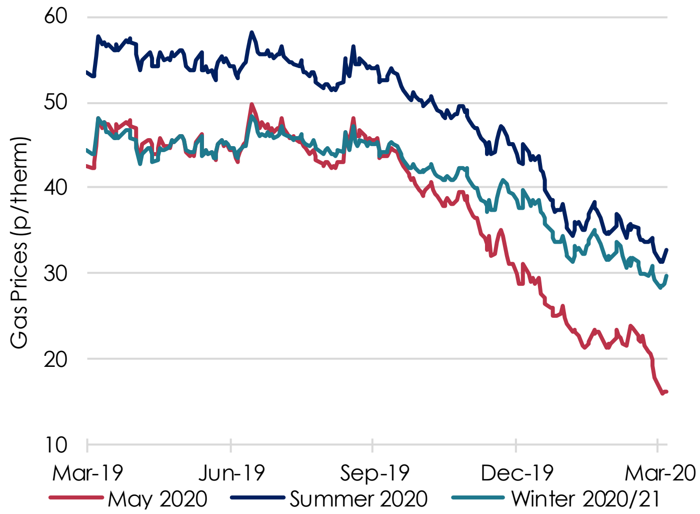
Besides the massive decline in oil prices and reduction in demand the gas market is already under pressure from record-high stocks, which are currently 25% fuller than the average level at this time of year compared to the past five years. This is the result of last year's record-high shipments, combined with a mild winter.

Seasonal contracts remain low and continue to fall. Sum-21 and Win-21 once again posted decreases across gas and power. Our recommendation is to lock in contracts before June 2020 ahead of expected volatility related to Covid-19 driven economic slowdown.

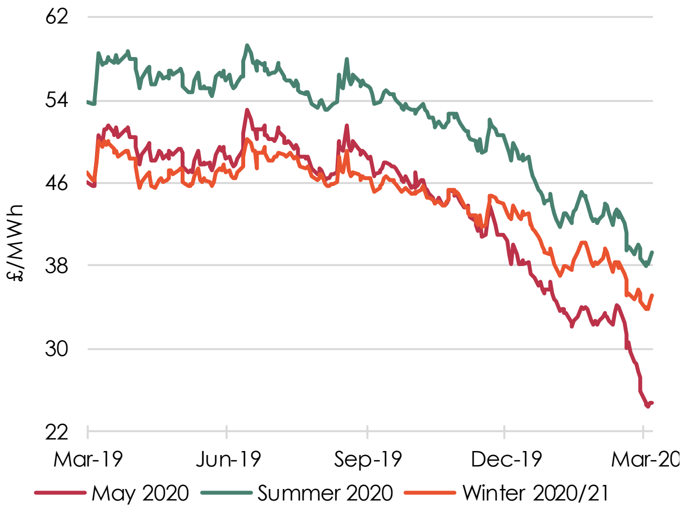
Power

£/MWh	27 Mar 20	3 Apr 20	Change
Day-Ahead	22.44	27.50	22.5%
May 2020	25.91	24.70	-4.7%
Winter 2020/21	38.71	39.22	1.3%
Summer 2021	34.58	35.22	1.9%

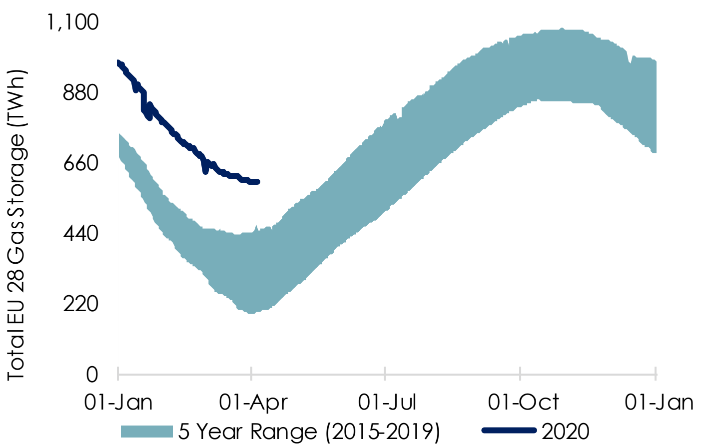
UK Gas



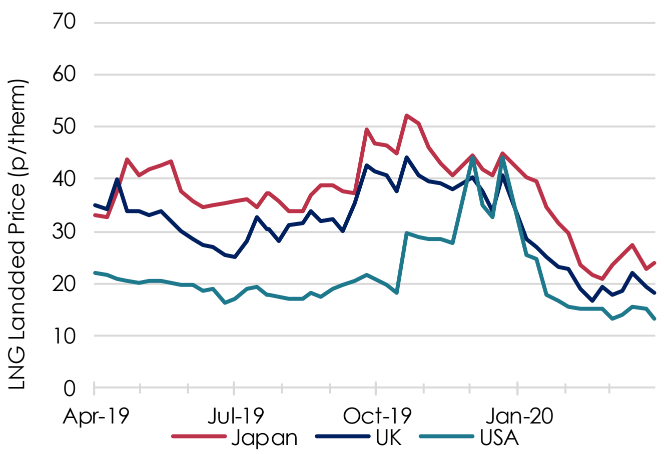
UK Power



European Gas Storage



Global LNG (Japan v UK v USA)



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Oil

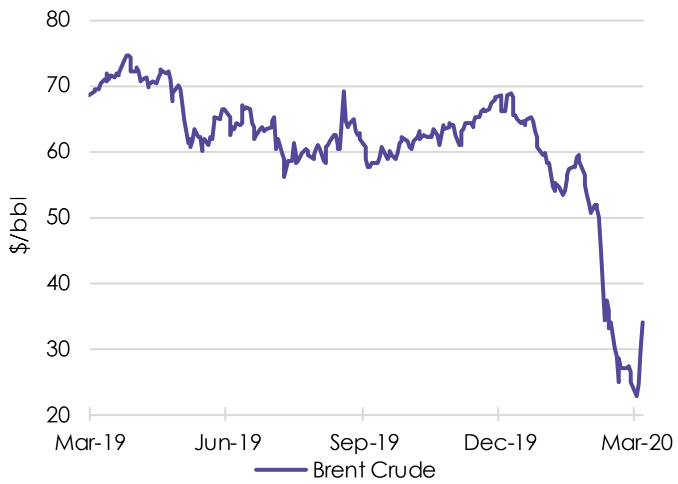
$/bbl	27 Mar 20	3 Apr 20	Change
Brent Crude Jun 20	24.93	34.11	36.8%

Source: Reuters

Brent crude oil prices rebounded last week to $34.11/bbl, an increase of 36.8%.

Prices had been tumbling due to lower demand as a result of COVID-19 and increased supply caused by the ongoing price war between Russia and Saudi Arabia.

However, news last week that week US President Donald Trump expected the two sides to cut supply caused prices to rise, with Thursday experiencing the biggest one-day gain on record of 20%.



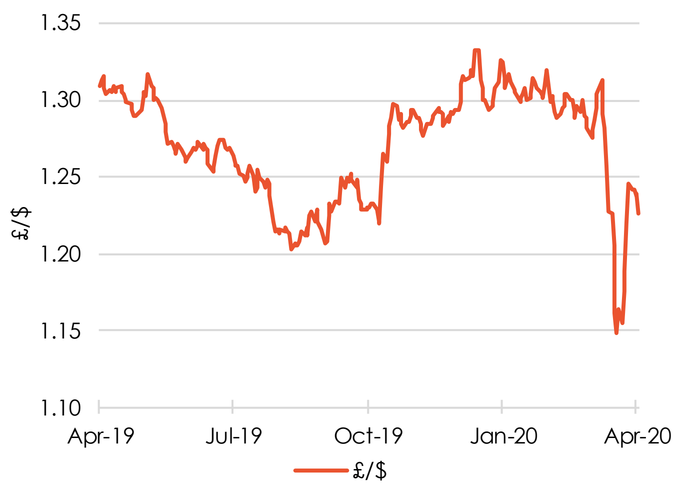
Exchange Rates & Economics

£/$	27 Mar 20	3 Apr 20	Change
GBP/USD	1.2456	1.2260	-1.6%

Source: Reuters

The **Pound Sterling** has seen a small fall of 1.6% against the US dollar as fears the lockdown in the UK will continue for far longer than previously thought.

As the scale of the impact of COVID-19 on the economy begins to materialise. The main influences are the result of decreased *demand*, in two forms: customer and credit. Customer demand has dropped as people buy less. However, credit demand is the main concern. As customers spend less money, businesses have little impetus to take on further debt. Some are now calling for an 'vaccine' for the economy as urgently as for the disease.

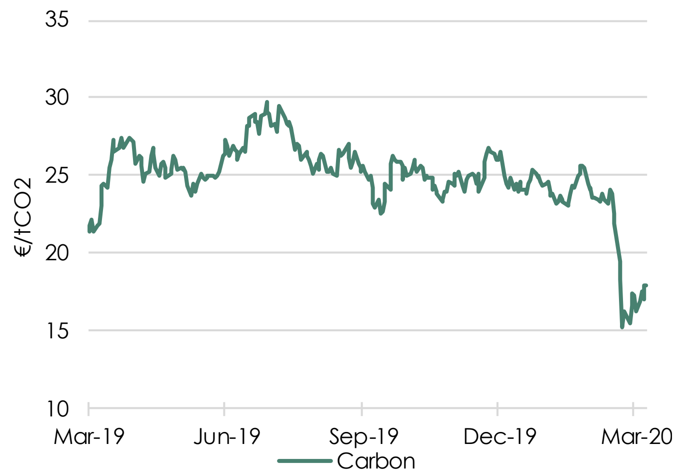


Carbon

€/tCO2	27 Mar 20	3 Apr 20	Change
EUA Dec 2019	16.26	17.86	9.8%

Source: Reuters

European carbon prices rose 9.8% to €17.86/tCO2 last week, as prices reacted to movements in other markets. News that the oil price war could be coming to an end is thought to have boosted prices.



Coal

$/tonne	27 Mar 20	3 Apr 20	Change
API2 CIF ARA 2019	56.35	54.20	-3.8%

Source: Reuters

European Coal prices saw a fall of 3.8% as more European nations announce extending lockdowns and an LNG oversupply limits coal demand.

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Regulatory and Market News

Landmark moment for UK coal generation after closure of SSE's Fiddler's Ferry and RWE's Aberthaw plants

On 31 March, SSE finally closed its last coal-fired power station, Fiddler's Ferry. Located in Warrington, Cheshire, the power station has closed after nearly 50 years of generation. It was first announced in June 2019, with the station seeing out its existing Capacity Market contract to September 2019.

Fiddler's Ferry had an original capacity of 1995MW, dropping to 1510MW after the closure of Unit 1 in 2019. It lost around £40 million in a single financial year, a figure which SSE said made the station unsustainable.

National Grid, the UK government and Ofgem have been consulted throughout the last year, with the closure having been factored into wider GB electricity system planning.

The closure also comes as part of SSE's commitment to net zero, and ahead of the government's target of ending unabated coal-fired generation by 2025. A government consultation is currently underway, however, to bring the date forward to 2024.

SSE closed its other coal-fired plant, Ferrybridge C, in 2016. It isn't the only company to close a coal-fired power station in the UK today, however.

RWE's 1560MW Aberthaw B is also slated for closure today. Its existing Capacity Market agreements for the years 2019/20 and 2020/21 are to be transferred to third parties and a small proportion to other units within RWE's fleet.

Its closure was announced in August 2019, with RWE citing 'challenging' market conditions as making the closure necessary.

The two closures take the UK's operational fleet down to four, however Drax recently announced it plans to end coal generation from March 2021, although its remaining to coal units will stay available until September 2022 in line with its Capacity Market agreements.

This would take the UK's fleet down to three, with EDF's West Burton A, EPH's Kilroot and Uniper's Ratcliffe on Soar still generating.

The shuttering of the UK's coal fleet comes as renewables and low carbon generation soar. In 2019, renewables produced nearly 37% of the UK's power, with renewables and nuclear together accounting for a record 54.2%. The year also saw a landmark fortnight of coal-free generation.

LINK: Guardian - Coal closures 31 March 2020

Ofgem agrees to delay controversial network charge reform until April 2022

UK energy regulator Ofgem has officially agreed to delay their reform of network charges, called CMP332 Transmission Demand Residual Bandings and Allocation (TCR).

The system operator and energy suppliers were concerned that clarity over the new banded charges would come too late in the year, making it difficult for suppliers to quote renewal prices to customers and prospects. IT system changes would also be rushed which could compound problems, they argued.

This contracting activity could lead to disruption for some non-domestic consumers. If a significant number of contracts do not account for these increases, suppliers may need to re-open their non-domestic contracts to recover the additional charges.

The changes – which will move the residual element of transmission network charges (TNUoS) from demand to a fixed charge based on a site's available capacity, or recent annual demand – will now take effect from April 2022, in line with similar changes to distribution charges.

Companies that load shift over winter to reduce their bills – known as Triad avoidance – will welcome the move.

LINK: Ofgem - TCR delayed until April 2022

100% of Hackney Council electricity now supplied by renewables

Hackney Council is now sourcing 100% of the electricity it uses from renewable sources - as part of its decisive action to reduce carbon emissions.

The decision to source the Council's electricity from wind and solar power was made alongside a range of other radical decarbonisation measures.

These include large rooftop solar panel schemes across Council buildings, and the recently-announced Green Homes programme, which will provide free insulation and trial renewable heating upgrades to help residents save money on energy bills while reducing greenhouse gas emissions. These schemes are being delivered through the Council's publicly-owned energy services company, Hackney Light and Power.

The Council is also set to install an additional 182 electric vehicle charging points this year, alongside a feasibility study into delivering chargers on every street in the borough, and is also converting all street lamps in the borough to energy-efficient LED bulbs by 2022.

LINK: Hackney Council - Renewable energy