

Beond Weekly UK Insight

18 May 2020

Gas

p/therm	7 May 20	15 May 20	Change
Day-Ahead	14.35	12.30	-14.3%
Jun 2020	13.98	12.59	-9.9%
Winter 2020/21	32.46	32.48	0.1%
Summer 2021	29.11	29.95	2.9%

The UK's **Day-Ahead gas** price fell last week, again to record lows since 2007, falling 14.3% to 12.30 p/therm.

Day-Ahead power saw a decrease of 11.8%, as the weather outlook improves, providing clear and stable weather for consistent renewable generation.

Winter 2020/21 gas remained neutral from last week with a small rise of 0.1% to 32.48 p/therm. The equivalent **power** price was also stable at 41.53 £/MWh.

Month-ahead gas prices continue to fall, as Continental maintenance works shutdown the ability to export into Europe. This led to a doubling of Norwegian gas supply to the UK, in place of Europe, causing an oversupply of 34 mcm/d.

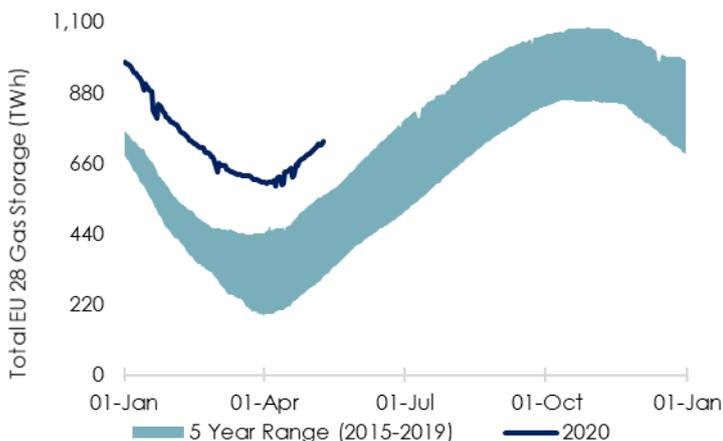
Gas consumption is expected to reach the floor for the summer this week as warmer temperatures arrive in the UK. Three LNG deliveries from Qatar are scheduled to arrive at South Hook this week, keeping the UK gas system oversupplied.

Prices are still at 13-year lows with warmer, stable, temperatures compounding storage oversupply and ongoing demand limitations, because of COVID-19.

Despite the lockdown now lifting in many areas, the combination of economic recession and some indication of a second wave of COVID-19 drive the sentiment in the market, and are a sign that short-term prices may continue to drop.

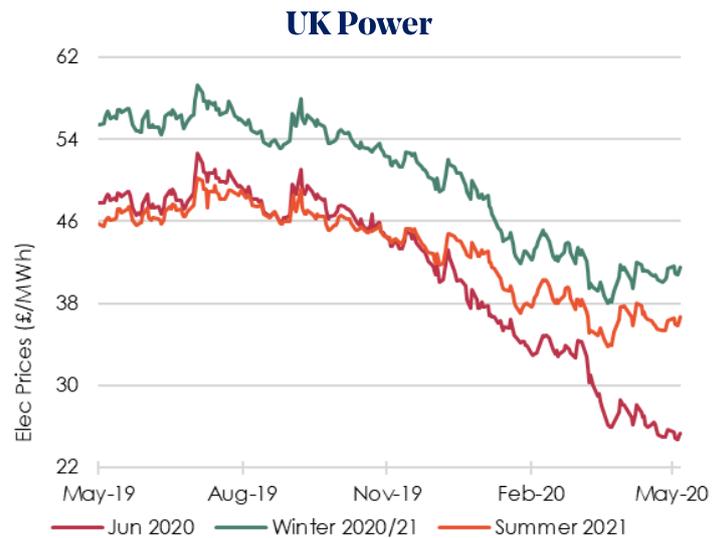
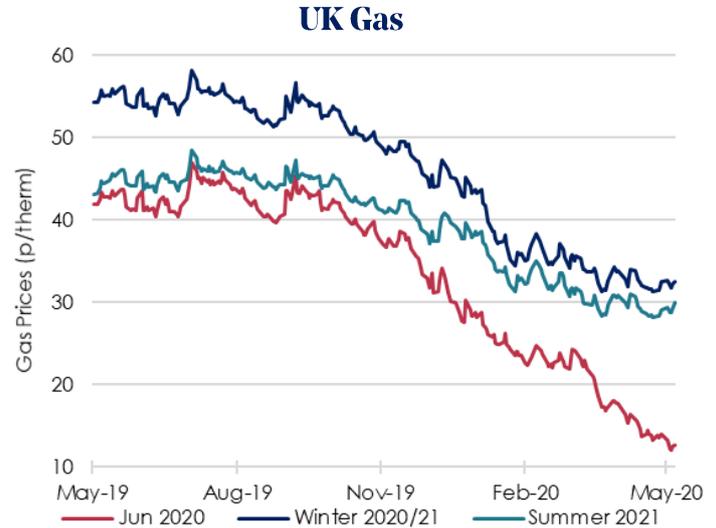
Our recommendation is to lock in contracts before June 2020 ahead of expected long-term volatility due to economic slowdown.

European Gas Storage



Power

£/MWh	7 May 20	15 May 20	Change
Day-Ahead	28.23	24.90	-11.8%
Jun 2020	25.72	25.30	-1.6%
Winter 2020/21	41.41	41.53	0.3%
Summer 2021	36.35	36.72	1.0%



Global LNG (Japan v UK v USA)



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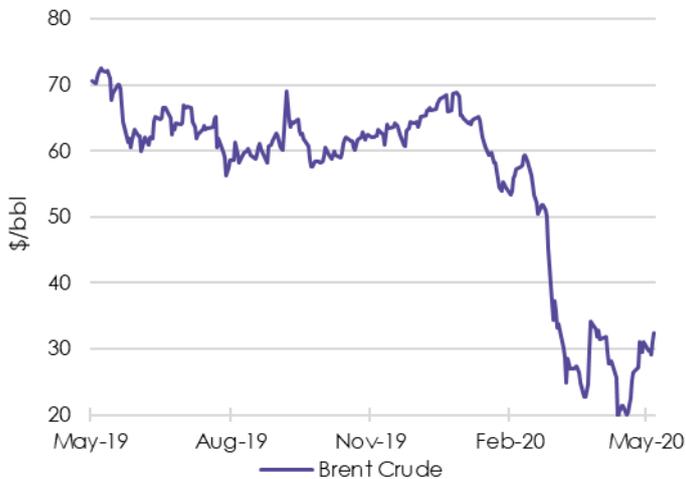
Oil

\$/bbl	7 May 20	15 May 20	Change
Brent Crude Jul 20	29.46	32.50	10.3%

Source: Reuters

Brent Crude oil prices saw a further rise of 10.3% this week to \$32.50/bbl as countries, including the UK, continue easing their respective COVID-19 lockdowns.

Oil prices rose on Thursday after the International Energy Agency (IEA) forecast lower global stockpiles in the second half of 2020. However, recoveries were limited as concerns remain that a second 'peak' in coronavirus cases remains a risk for the coming months.



Exchange Rates & Economics

£/\$	7 May 20	15 May 20	Change
GBP/USD	1.2361	1.2104	-2.1%

Source: Reuters

The **Pound Sterling** fell 2.1% last week against the US Dollar as Chancellor Rishi Sunak stated a significant recession was 'very likely'. Some economists are expecting an even bigger slump in the second quarter of 2020, compared to the first 3 months.

Former Chancellor Alistair Darling, who held the role during the 2008 financial crisis, has predicted the current crisis caused by COVID-19 would be worse than that of 2008.



Carbon

€/tCO2	7 May 20	15 May 20	Change
EUA Dec 2019	19.47	19.09	-2.0%

Source: Reuters

European carbon prices posted a small weekly loss to €19.09/tCO2. Prices fell to a 5-week low of €18.35/t on Wednesday.

EUAs bounced back above €19 on Friday amid stronger energy prices and lower supply expected over the coming weeks, but carbon still saw a small weekly loss overall amid caution over the pace of Europe's recovery from lockdown.



Coal

\$/tonne	7 May 20	15 May 20	Change
API2 CIF ARA 2019	53.05	52.65	-0.8%

Source: Reuters

European coal prices fell 0.8% to \$52.65 as it was predicted that the global coal industry may never recover from the current pandemic.

Despite easing lockdown measures, profit margins for coal fired generation in Germany have reached some of the lowest levels since the 2016 commodities slump. At the current level operators will seek to retire plants before maintenance overhauls are needed.



Regulatory and Market News

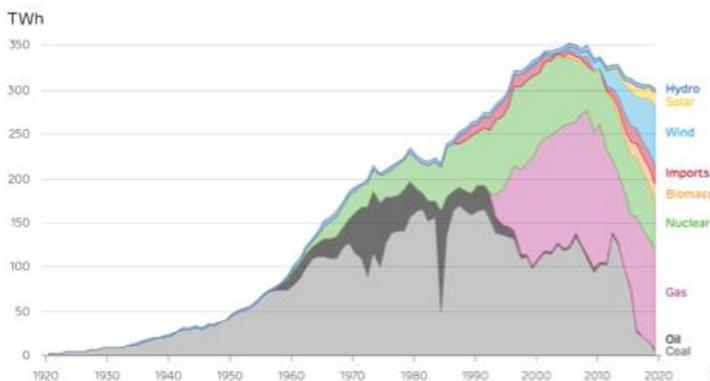
Britain records full coal-free month as National Grid balances high renewables and low demand

Zero carbon records tumbled over the bank holiday weekend, as Britain witness its first ever 30-day period of power generation without using any electricity produced from UK coal-fired power plants.

National Grid reported that coal had not been part of the UK's fuel mix since 10 April. The system operator confirmed that renewables account for 37%, followed by gas on 30%, nuclear on 21% and interconnectors, which may or may not include power from continental coal-fired generation, providing a further 11%.

As recently as 2012, coal provided 40% of Britain's power output. However, Britain is committed to closing its coal generation by 2025.

UK Power Generation Fuel Mix 1920-2020



Source: Drax

The National Grid's fuel mix figures support suggestions that renewables are becoming 'the new baseload' as power demand drops during the Covid-19 crisis.

Meanwhile, National Grid has integrated large volumes of wind and solar power despite demand dropping as much as 20% as businesses close their operations during lockdown.

Meanwhile, the National Grid has struck a deal with EDF to reduce output from the Sizewell B nuclear plant over summer in a bid to increase system resilience.

Carbon intensity last Monday, across the UK grid stood at 107g of CO₂e/kWh, as reported by National Grid. Parts of the UK, such as Scotland, were close to zero carbon for periods.

[LINK: Energyst - 30-days of coal-free power](#)

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SmartestEnergy launches new online portal for Power Purchase Agreements, called SmartFlex

SmartestEnergy have launched the next phase of their technology-based approach to Power Purchase Agreements with a new bespoke online trading portal, SmartFlex.

The Next Generation Energy Company have digitised their traditional FlexiPPA product, to enable generators to have more control over how and when they sell their power. With SmartFlex, generators can track the market, react to price opportunities and trade instantly at the click of a button.

SmartestEnergy have responded to the changing needs of their customers and collaborated with Dutch firm, Jules Energy to customise their JuleSmart platform, which allows customers to manage their market position online, instead of having to call the Hedging Desk to trade their volume.

Jules Energy are renowned for their expertise in providing innovative web-based solutions for active energy participants across Europe. They have provided a bespoke platform that allows SmartestEnergy to enhance their customer experience with a 'self-serve' online portal, enabling customers to manage their positions and hedge volumes at the click of a button.

[LINK: SmartestEnergy - SmartFlex PPA portal](#)

Exelon hit by cyber attack

Exelon, the National Grid company that administers the balancing and settlement of the UK power grid system, was hit by a cyber hack last week.

Exelon has close ties with core power system programmes and processes, particularly with the UK electricity system operator.

It settles the payments between generators, suppliers and traders, working closely with National Grid.

It also handles subsidy payments – government contracts for difference (CfDs) for renewable generators, as well as capacity market payments, paid to power generators as a winter insurance policy.

Exelon sought to reassure the market that the attack was contained to its own internal IT systems – and had not spread to either balancing and settlement code central systems or EMR.

[LINK: Energyst - Exelon cyber attack](#)