

Gas

p/therm	22 May 20	29 May 20	Change
Day-Ahead	9.30	9.05	-2.7%
Jul 2020	9.93	9.63	-3.0%
Winter 2020/21	30.63	30.65	0.1%
Summer 2021	29.20	28.61	-2.0%

The UK's **Day-Ahead gas** price continued to fall last week, by 2.7% to 9.05p/therm.

Day-Ahead power recovered to £21.48/MWh following the previous week's record drop into negative figures.

Winter 2020/21 gas was little changed last week, down at 30.65 p/therm. However, the equivalent **power** price recorded a small rise of 1.4% to £41.94/MWh.

The UK gas price remains low with sentiment driving prices lower as temperatures remain above the seasonal normal, limiting demand. The UK system is now close to the summer minimum gas demand. Annual scheduled maintenance works at Kollsnes is not expected to impact price this week as flows already sit below capacity.

The major potential impact to price this week will be the recovery of Russian flows into Europe following a two-week closure. Should this increase substantially it will reduce UK exports to the continent and continue to oversaturate the UK market, with gas storage 23% higher than last year, pushing prices down further.

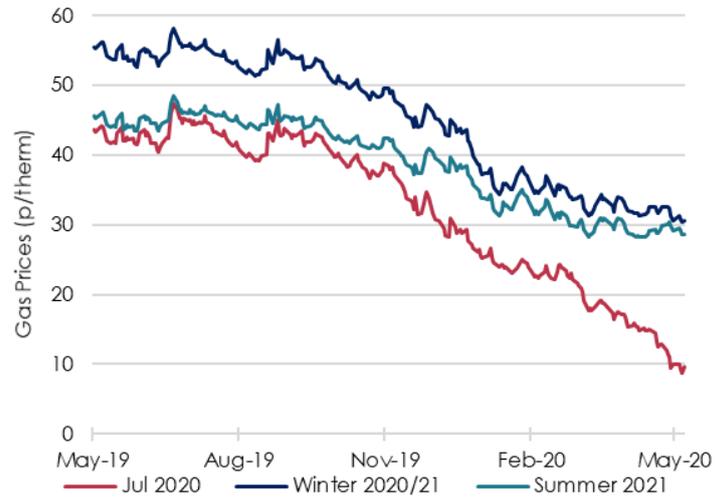
With a recent drops in wind output, matched by falling gas prices, the boost in profitability of burning gas-for-power generation is likely to increase, if weather and gas price forecasts persist.

Our recommendation remains to lock in contracts as soon as possible as economic uncertainty persists with new concerns of a potential second wave of Covid-19.

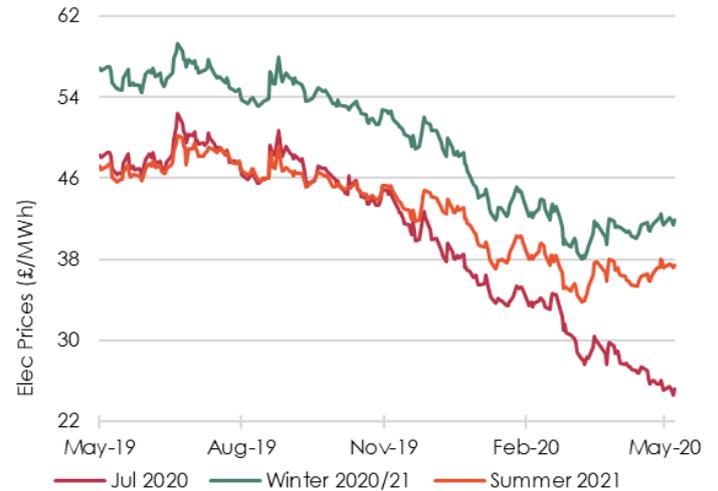
Power

£/MWh	22 May 20	29 May 20	Change
Day-Ahead	-10.13	21.48	-312.0%
Jul 2020	25.10	25.19	0.4%
Winter 2020/21	41.38	41.94	1.4%
Summer 2021	37.23	37.40	0.5%

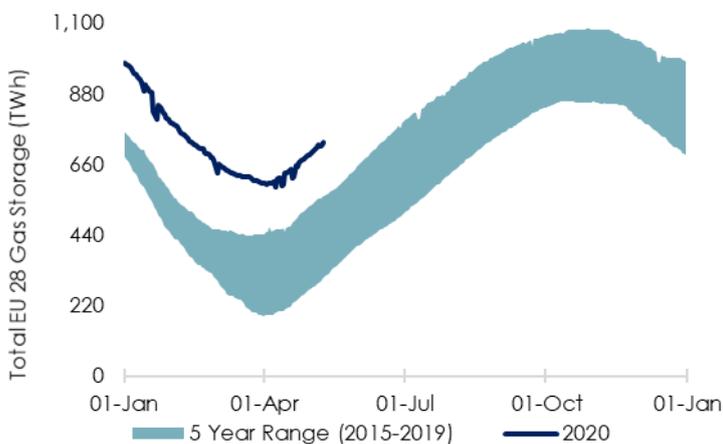
UK Gas



UK Power



European Gas Storage



Global LNG (Japan v UK v USA)



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Beond Weekly UK Insight

1 June 2020

Oil

\$/bbl	22 May 20	29 May 20	Change
Brent Crude Aug 20	35.66	37.84	6.11%

Source: Reuters

Brent Crude oil prices rose 6.11% this week to \$37.84/bbl. OPEC and Russia are nearly a month into a deal to voluntarily withhold 9.7 million bpd of oil production.

Rising tensions between the world's largest oil consumers, the U.S. and China, over moves by Beijing to impose security legislation on Hong Kong had fuelled demand outlook concerns earlier in the week. However, oil investors were put at ease as hopes that the U.S.-China trade deal would remain intact were given a boost following comments by Donald Trump.



Exchange Rates & Economics

£/\$	22 May 20	29 May 20	Change
GBP/USD	1.2164	1.2344	1.5%

Source: Reuters

The **Pound Sterling** saw an increase of 1.5% against the US Dollar last week as The Chancellor, Rishi Sunak, has announced an extension to the UK furlough scheme, which will now finish at the end of October. Support has also been extended for the self-employed in a move thought to be worth £8bn.

In other news, it has been reported that UK manufacturing saw another significant fall in May, but this was less significant than that experienced in April.



Carbon

€/tCO2	22 May 20	29 May 20	Change
EUA Dec Yr	21.33	21.33	0.0%

Source: Reuters

European carbon remained flat at €21.33/tCO2 last week.

EUAs ended last week level with the previous week's finish, having reached a one month high on Tuesday of €22.16 before easing later in the week after an increase in Covid-19 cases, caused many to speculate about how long relaxing lockdown restrictions could last.



Coal

\$/tonne	22 May 20	29 May 20	Change
API2 CIF ARA Yr	51.85	52.15	0.6%

Source: Reuters

European coal prices saw a small rise of 0.6% to \$52.15/t, as expectations of improved demand following the easing of lockdown measures were countered by oversupply and persistently low gas prices.

On 30 May Germany opened its new Datteln 4 coal plant, with capacity of 1,050 MW even though it plans to close all coal stations by 2038.



Regulatory and Market News

Statkraft adds Warrington Council's solar storage to Virtual Power Plant, hits 2.6GW in the UK

Norwegian utility Statkraft has signed a hybrid power purchase agreement (PPA) with Warrington Borough Council for its 35MW solar farm in York, co-located with 27MWh of battery storage.

Under the deal, Statkraft will take all the power from the site and trade the flexibility from the batteries in a bid to generate best returns.

Statkraft said it hoped the bespoke PPA "sets a blueprint" for other local authorities to follow.

Adding Warrington's capacity to its 'Unity' virtual power plant, Statkraft's VPP now exceeds 2.6GW of aggregated power generation in the UK, across solar, gas, wind and battery sources.

Statkraft is the largest offtaker of renewable energy in the UK market. However, Statkraft's VPP is set for further substantial growth, with a deal struck last year with Statera to add another gigawatt. The company ultimately hopes to expand its services in the UK via subsidiary b2b supply arm, Bryt Energy.

[LINK: Statkraft - Warrington Council's solar-storage](#)

National Grid and SSE to harness surplus wind to heat off grid homes

A new project has been launched to use excess wind generation to heat Highlands homes. Scottish and Southern Electricity Networks and National Grid think up to 380,000 households could benefit.

As part of Ofgem's innovation programme, the 4D Heat pilot will target communities north of the Highlands that are off the gas grid, but already in hot-spots of electrified home heating, and – importantly – where there is potential to expand those hot-spots.

The project aims to address several problems. National Grid spends tens of millions of pounds curtailing output from wind farms each year. It does this to keep the grid stable. With more wind coming on to the system, there will be more periods of excess generation.

Using excess power to heat homes helps solve that challenge. If the heat infrastructure is also made smart, it can become an additional source of flexibility for local and national system operators.

Additionally, it should help gauge the impact on power grids of greater electrification of heat. All new Scots homes built after 2023 must be heated from low-carbon sources, following a Holyrood announcement in January.

[LINK: Energyst - Surplus wind to heat off grid homes](#)

EDF submits plans for £18bn Sizewell C nuclear power plant despite local opposition

EDF Energy has announced the submission of application for the development consent order (DCO) for the new 3.2GW Sizewell C nuclear power station in Suffolk, England. EDF confirmed the application was delayed for two months due to the Covid-19 pandemic.

Sizewell C is expected to generate enough energy to keep nearly six million homes powered with low carbon electricity produced in the UK. At the same time, the nuclear project is expected to reduce the country's dependence on energy imports.

Sizewell C managing director Humphrey Cadoux-Hudson said: "Sizewell C is a net-zero infrastructure project ready to kick-start the economy following the Coronavirus crisis.

"On top of the economic benefits, Sizewell C will avoid nine million tonnes of CO2 being pumped into the atmosphere each year. The project will play a key role in lowering emissions while helping the UK keep control of its low carbon future."

Sizewell C is on track for completion in the early 2030s.

[LINK: EDF - Sizewell C submits planning application](#)

Covid-19 causes biggest energy investment drop in history

The Covid-19 pandemic has sent investment in the power sector tumbling, with the International Energy Agency (IEA) expecting power sector spending alone to fall by 10% in 2020.

A new report by the IEA, World Energy Investment 2020, suggests that this drop gives "worrying signals" regarding the development of more secure and sustainable power systems.

While renewable energy has been more resilient than many others, it has still felt the impact of Covid-19. In particular, rooftop solar has been greatly affected as lockdown measures in the UK and elsewhere have made it impossible for work to continue.

Utility-scale wind and solar have both been hit in Q1 of 2020, with final investment decisions falling back to the levels they were at three years ago.

Prior to Covid-19, the IEA was predicting investment into energy to grow 2% throughout 2020. However, global investment is now expected to plummet 20% compared with last year, coming in at almost £323 bn.

[LINK: IEA - World Energy Investment 2020 report](#)