# Beond Weekly UK Insight

15 June 2020

## Gas

| p/therm | 5 Jun 20 | 12 Jun 20 | Change |
|---|---|---|---|
| Day-Ahead | 13.00 | 13.75 | 5.8% |
| Jul 2020 | 13.89 | 13.96 | 0.5% |
| Winter 2020/21 | 32.11 | 30.86 | -3.9% |
| Summer 2021 | 29.86 | 28.80 | -3.5% |

## Power

| £/MWh | 5 Jun 20 | 12 Jun 20 | Change |
|---|---|---|---|
| Day-Ahead | 15.31 | 28.99 | 89.4% |
| Jul 2020 | 28.12 | 27.87 | -0.9% |
| Winter 2020/21 | 43.33 | 42.17 | -2.7% |
| Summer 2021 | 38.72 | 37.71 | -2.6% |

The UK's Day-Ahead gas price increased by 5.8% to 13.75p/therm at the end of last week as many UK businesses, including non-essential retail shops, are due to reopen this week boosting the demand for gas for power generation.

Day-Ahead power saw a surge of 89.4% to £28.99/MWh as the easing of lockdown in the UK continues ahead of the reopening of UK businesses on Monday expected to increase power demand significantly.

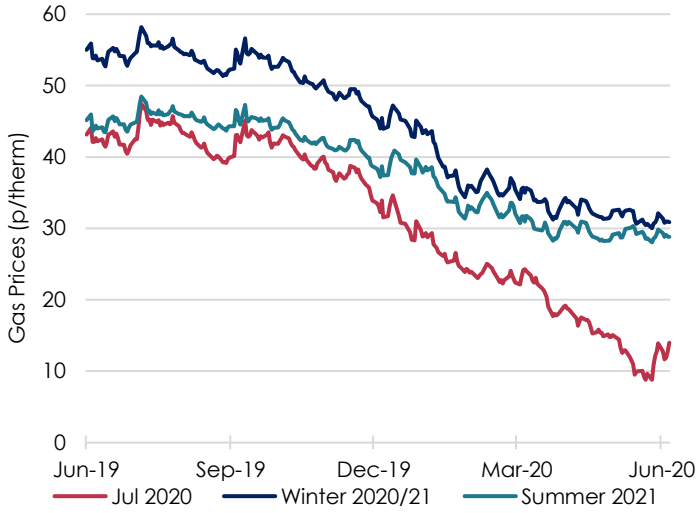
Winter 2020/21 gas decreased by 3.9% to 30.86 p/therm following drops in both oil and equities, with concerns over a potential second wave of the Coronavirus in the US and China weighing on markets. Covid-19 cases jumped in both Beijing and the US last week to fuel fears of further lockdowns and demand slumps later this year.

Planned maintenance at the Barrow North and Britannia gas pipelines this week will lower supply while day ahead gas for power demand is expected to increase next week on the continent as French Nuclear outages are scheduled, meaning Britain could end up increasing power exports to Europe.

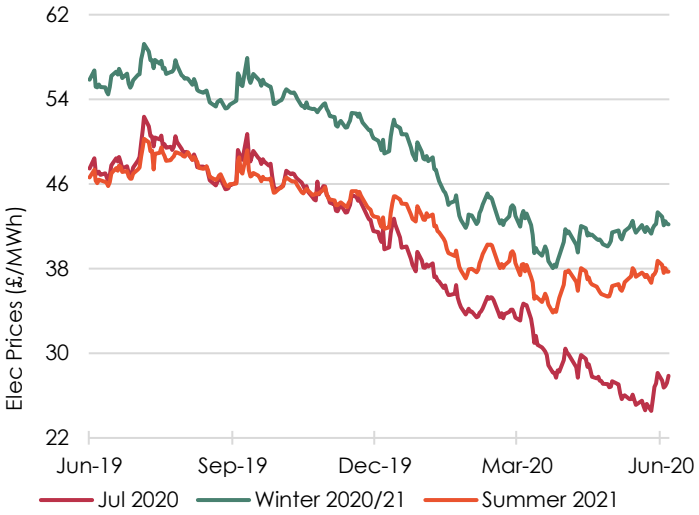
The UK passed a landmark at midnight on Wednesday as the country went two full months without burning coal to generate power. The current coal-free period smashed the previous record of 18 days, 6 hours and 10 minutes which was set in June last year.

Our recommendation remains to lock in contracts as soon as possible as prices begin to rise following the easing of lockdown restrictions. This is compounded by economic uncertainty around a potential second wave of Covid-19.

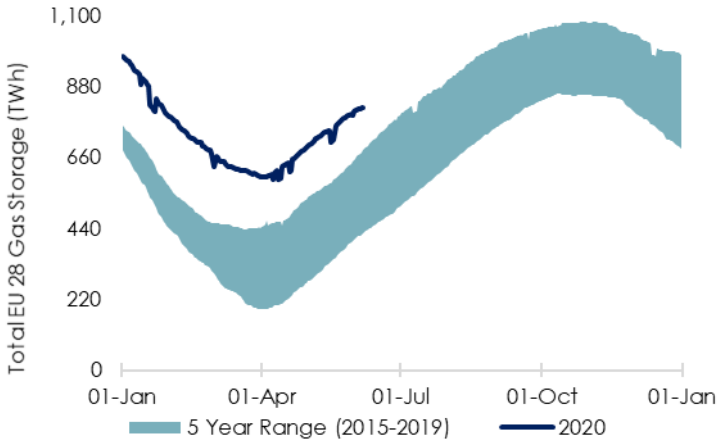
### UK Gas



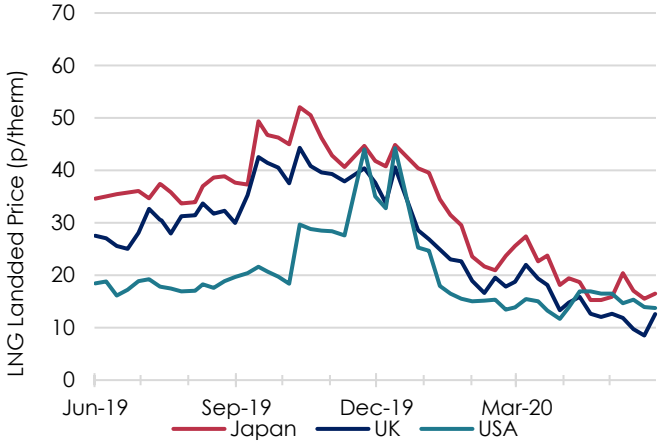

### UK Power




### European Gas Storage




### Global LNG (Japan v UK v USA)





Beond

Building 11, Chiswick Business Park
566 Chiswick High Rd,
London, W4 5YS

T: +44 208 634 7533
E: strategicclients@beondgroup.com
W :www.beondgroup.com


Rewarding Climate Action

# Beond Weekly UK Insight

15 June 2020

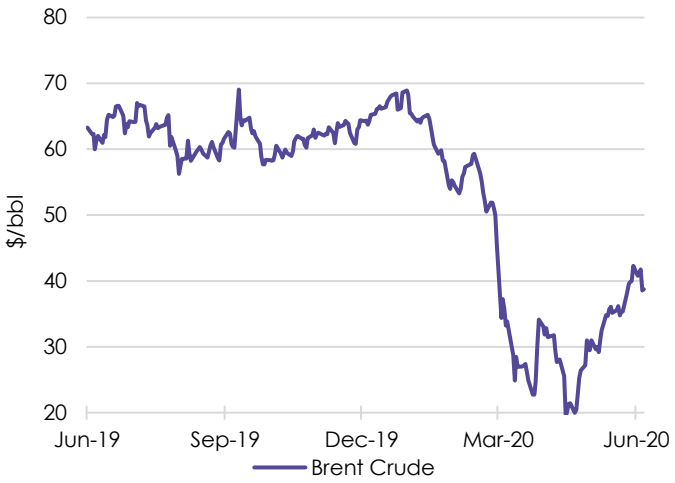
## Oil

| $/bbl | 5 Jun 20 | 12 Jun 20 | Change |
|---|---|---|---|
| Brent Crude Aug 20 | 42.30 | 38.73 | -8.4% |

*Source: Reuters*

**Brent Crude oil** prices fell 8.4% last week to $38.73/bbl, the first week-on-week decline since April. This follows news of new Covid-19 infections in the US and China, the two largest importers of crude oil, raising fears new outbreaks could counter any increase in the recovery of fuel demand.

On Thursday this week, an OPEC-led monitoring panel are to meet to review ongoing production cuts. It was agreed earlier in June, cuts equivalent to 10% of pre-pandemic levels would be extended until the end of July.



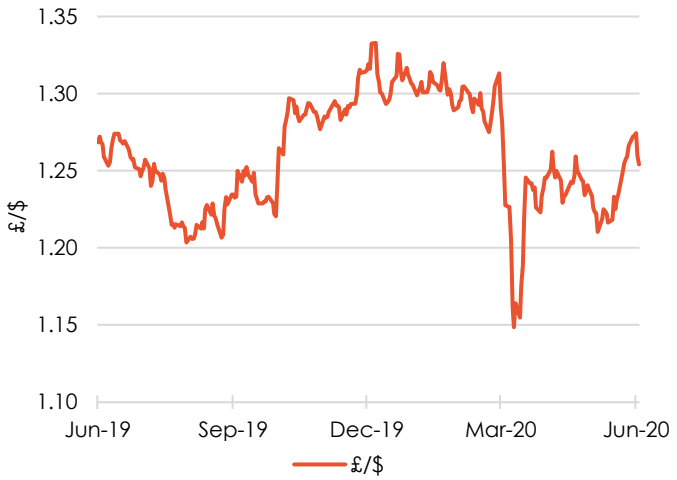

## Exchange Rates & Economics

| £/$ | 5 Jun 20 | 12 Jun 20 | Change |
|---|---|---|---|
| GBP/USD | 1.2663 | 1.2540 | -1.0% |

*Source: Reuters*

The **Pound Sterling** fell 1.0% last week to 1.2540 £/$ as the market awaits the outcome of Brexit discussions between PM Boris Johnson and European Commission President Ursula von der Leyen on the 15th June 2020. Expectations for a lack of resolution at these talks has led to a softening of the Pound.

The Pound remains heavily influenced by stocks and commodity prices, therefore should concerns over a second wave of Covid-19 continue, the Pound is likely to decline in value.




## Carbon

| €/tCO2 | 5 Jun 20 | 12 Jun 20 | Change |
|---|---|---|---|
| EUA Dec Yr | 23.17 | 21.93 | -5.4% |

*Source: Reuters*

**European carbon** fell 5.4% to €21.93/tCO2 last week, as traders were concerned over macroeconomic and Covid-19 related factors. EUAs followed oil and coal prices, in response to fears of a second wave, which could derail energy demand.


## Coal

| $/tonne | 5 Jun 20 | 12 Jun 20 | Change |
|---|---|---|---|
| API2 CIF ARA Yr | 55.85 | 53.45 | -4.3% |

*Source: Reuters*

**European coal** prices saw a fall of 4.3% to $53.45/tonne as record low gas prices continued to undermine coal burn globally. This fall is bolstered by Germany, the largest coal burner in Europe, also now looking to pass a coal exit law by the 4th July. This will see a complete transition away from coal generated electricity by 2038.

# Beond Weekly UK Insight

15 June 2020

## Regulatory and Market News

### UK's power grid goes two months without coal-fired generation

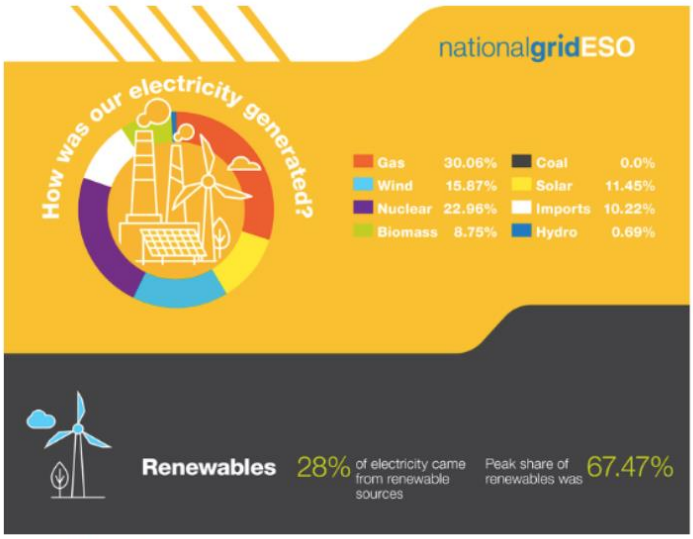
Last week, the UK's National Grid network passed a significant landmark, going two full months without nurning coal to generate power.

A decade ago about 40% of the country's electricity came from coal. The impact of Covid-19 is part of the story, but far from all of it.

When Britain went into lockdown, electricity demand plummeted; the National Grid responded by taking power plants off the network.

However, coal use has declined dramatically in recent years, with the few remaining UK plant now only able to stay open if they secure contracts to provide other services.

Rendered uneconomic, unabated coal-fired power stations must close by 2025, though some may be mulling conversion to burn waste. Others, such as Drax, have mostly converted to biomass, burning wood pellets shipped by boat from forests in US southern states.




Source: National Grid ESO

However, the National Grid state that renewables from wind, solar and hydro sources provided 28% of the generation mix for the month.

On top of that, Biomass supplied an additional 9%, taking the percentage of power provided by renewables in total to 37%.

The decline in the role of fossil fuels in general and coal in particular looks set to continue. The remaining three coal plants in the UK will be shut down within five years.

LINK: BBC - UK 2 months coal-free

### National Grid extends EDF contract to turn down Sizewell B

National Grid has extended the contract it struck with EDF to reduce power output from its Sizewell B nuclear station in a bid to keep the electricity network system stable over summer.

The electricity system operator (ESO) is having to work harder to balance the power system due to exceptionally low demand with businesses closing operations as a result of the Covid-19 lockdown.

Electricity demand on the UK's National Grid is only forecast to peak at 29GW over the next two weeks, nearly 20% lower than normal levels for this time of year.

National Grid agreed the contract with EDF last month and has now extended the deal until August. National Grid said the contract will be worth between £34m and £46m to EDF, depending on market power prices.

The ESO has also created a new turndown service, which pays embedded generators to curtail output, and clarified powers to instruct distribution networks to disconnect generators as a last resort.

LINK: National Grid contract with Sizewell B

### Firms urge Ofgem to push harder on flexibility and half hourly settlement

A collaboration of energy and technology companies have urged Ofgem to increase the rollout rate of market-wide half hourly settlement to unlock flexibility from small businesses, households and electric vehicles.

The Flexibility First forum suggested the right market framework and market-wide half hourly settlement would save hundreds of millions a year on balancing costs alone.

It also suggests National Grid ESO needs to move faster in opening up markets for smaller scale flexibility and says this summer's extra £500m in balancing costs as a result of Covid-19 demand destruction will soon become the norm.

Ofgem has committed to market-wide half hourly settlement. But following years of delays, there is currently no firm deadline, with the rollout project expected to take at least another four years.

Meanwhile, the regulator has told distribution network operators to make faster progress on flexibility this year if they want Ofgem to recognise it in their allowed spending for the next five-year period. The DNO's appear to have responded, with plans to buy up to 2GW of flex by the end of 2020.

LINK: Energyst - Flexibility First Forum