

Gas

p/therm	12 Jun 20	19 Jun 20	Change
Day-Ahead	13.75	14.00	1.8%
Jul 2020	13.96	14.42	3.3%
Winter 2020/21	30.86	32.84	6.4%
Summer 2021	28.80	30.50	5.9%

The UK's **Day-Ahead gas** price increased 1.8% to 14.00p/therm last week as weak wind generation in the UK caused gas-fired power demand to be far higher than the previous week. However, warm weather limited gains for the week, combined with lockdown measures continuing to weigh on overall demand.

Day-Ahead power increased 2.8% to £29.80/MWh due to weak renewable generation and rises in coal and gas prices. Forecasts for this week indicate hotter weather and increased demand for electricity powered cooling.

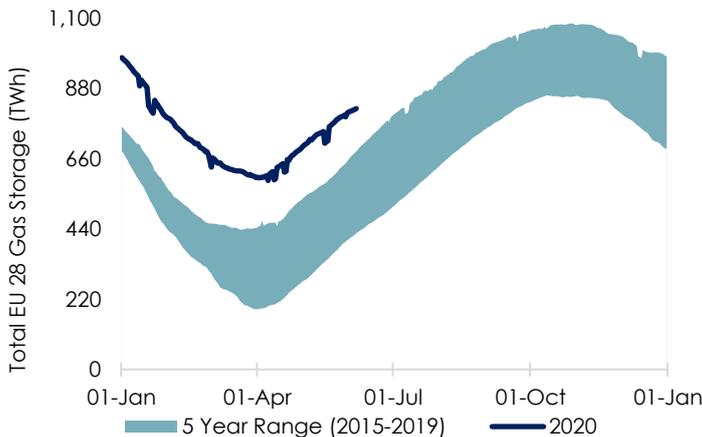
Winter 2020/21 gas increased by 6.4% to 32.84p/therm following a rise in oil and coal prices. The International Energy Agency (IEA) also announced that it was increasing its energy demand forecast for 2020. However, gains were capped by concerns over a second wave of coronavirus cases.

Several planned maintenance outages in Norway and the North Sea last week helped to limit UK gas oversupply. Up to three Qatari LNG tanker deliveries are expected this week.

The UK's historic run of over two full months without coal for power generation ended this week. The coal-free period lasted 67 days, 22 hours and 55 minutes when the Drax power station in north Yorkshire performed maintenance on one of its coal units that incidentally added some power to the national grid.

Our recommendation remains to lock in contracts as soon as possible as prices begin to rise following the easing of lockdown restrictions.

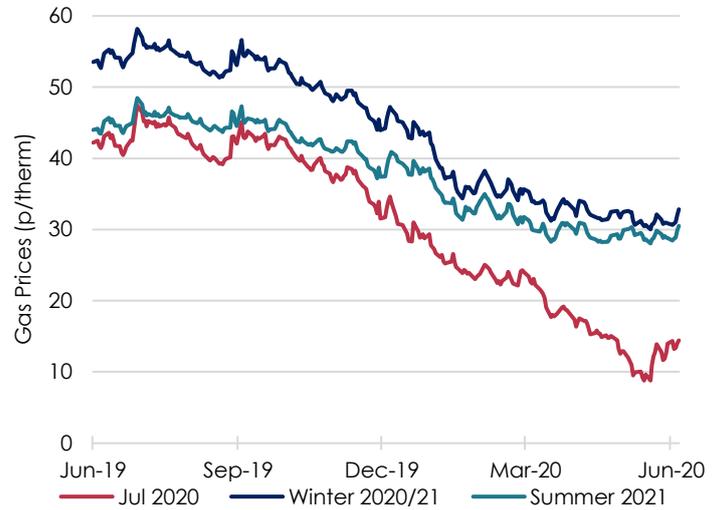
European Gas Storage



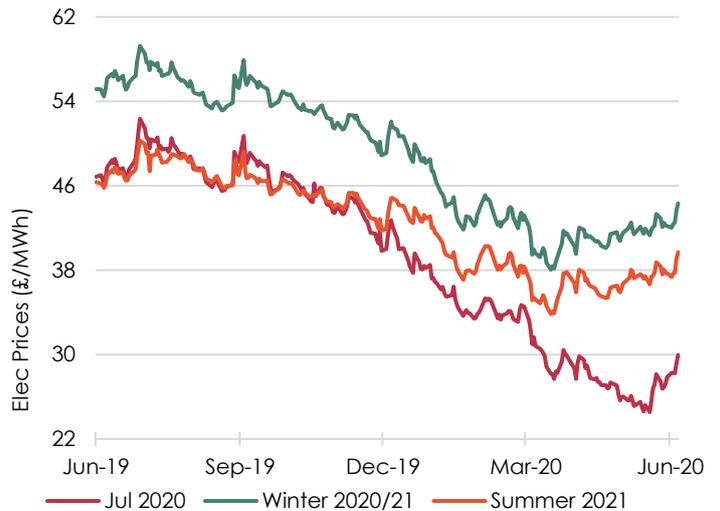
Power

£/MWh	12 Jun 20	19 Jun 20	Change
Day-Ahead	28.99	29.80	2.8%
Jul 2020	27.87	29.94	7.4%
Winter 2020/21	42.17	44.33	5.1%
Summer 2021	37.71	39.71	5.3%

UK Gas



UK Power



Global LNG (Japan v UK v USA)



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Beond Weekly UK Insight

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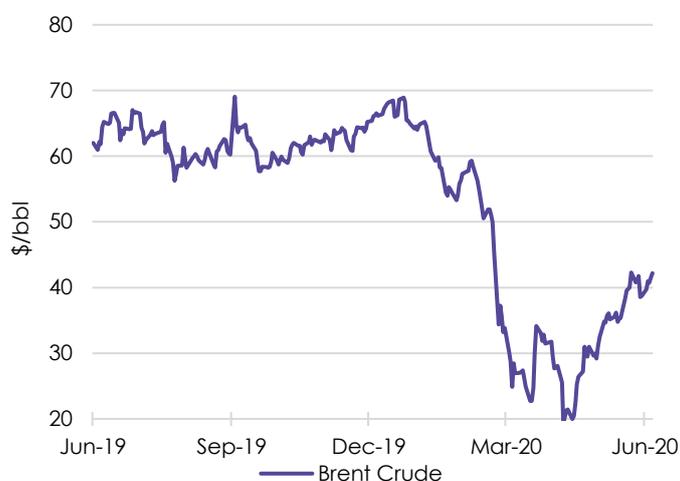
Oil

\$/bbl	12 Jun 20	19 Jun 20	Change
Brent Crude Aug 20	38.73	42.19	8.9%

Source: Reuters

Brent Crude oil prices rebounded 8.9% last week to \$42.19/bbl, offsetting the previous weeks loses and ending the week on the highest prices seen since early March.

Reduced supply has pushed prices higher. Production in the US and Canada in terms of the number of operating oil and natural gas rigs has fallen to record lows. OPEC+ production cuts also saw an increase in compliance, with Iraq and Kazakhstan agreeing to reduce output.



Exchange Rates & Economics

£/\$	12 Jun 20	19 Jun 20	Change
GBP/USD	1.2540	1.2356	-1.5%

Source: Reuters

The **Pound Sterling** fell 1.5% last week to 1.236 £/\$ as the UK's debt to GDP ratio rose above 100% for the first time since 1963. The recent trade talks between the UK and EU have however been viewed with optimism as both parties agree to intensify talks to prevent a no-deal scenario.

Additionally, the UK government is set to confirm that travel restrictions can be eased further and a new 'one meter plus' social distancing guideline being introduced.



Carbon

€/tCO2	12 Jun 20	19 Jun 20	Change
EUA Dec Yr	21.93	24.09	9.8%

Source: Reuters

European carbon rose 9.8% to €24.09/tCO2 last week, levels not seen since the start of the COVID-19 lockdown, supported by gains across the wider energy markets. Some are expecting prices to continue to rise to over €25/tCO2, potentially fuelled by speculative buying and favourable technical signals.



Coal

\$/tonne	12 Jun 20	19 Jun 20	Change
API2 CIF ARA Yr	53.45	54.70	2.3%

Source: Reuters

European coal prices rose 2.3% to \$54.70/tonne following news of a 34% increase in Indian coal imports in May, while European demand also picked up. However, supply-demand fundamentals remain weak with BP admitting that Covid-19 is likely to speed up the transition to renewable energy, weakening the coal industry in the long term.



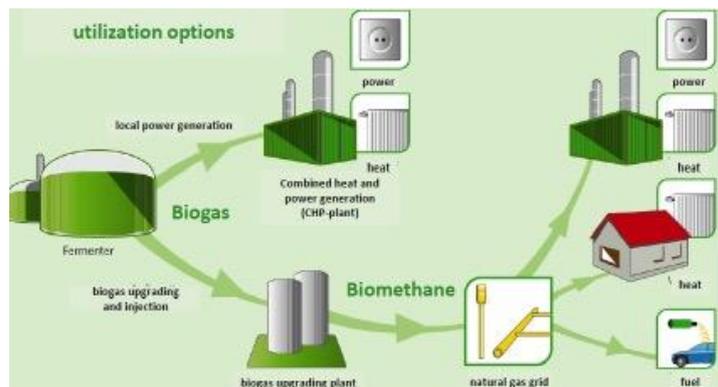
Regulatory and Market News

Three new biomethane plants and bioCNG fuelling station “on track”, says Cadent

Three biomethane production plant projects involving Cadent Gas remain on track despite the disruption caused by the coronavirus pandemic. Cadent already has 35 production plants connected to its network.

The firm said the projects are on course to start sending low-carbon “gas from trash” into Cadent’s network this year. Increasing the use of biomethane from food, farm, human and other wastes as feedstocks to produce grid-quality gas, is recognised as a key stage in the UK’s journey to net-zero emissions, according to Cadent.

Severn Trent Water looks to commission two new biomethane production facilities later this year – one at its waste treatment sites in Finham, near Coventry, and the other at Stoke Bardolph in Nottinghamshire. Cadent is also supporting developers behind a third new site, which plans to use crops and animal waste as feedstock to power the gas production processes.



Source: EuropeNow

Plans are also on track to open a new bio-compressed natural gas (bioCNG) fuelling station at Cadent’s national distribution centre in Birmingham and another in Knowsley, Merseyside. Tim Hawke, connections manager at Cadent, said: “Alongside hydrogen, biomethane is a critical part of the pathway to the UK achieving net-zero.

However, the high costs of upgrading the UK’s gas grid network are the major barriers for the development of the biomethane sector. The injection of biomethane is also limited by the location of suitable biomethane production facilities and upgrading sites, which should ideally be located close to the natural gas grid.

The lack of biomethane supply on the UK market means that consumers currently pay around a 0.9 p/kWh premium for “green gas”.

[LINK: ELN - Cadent supporting biogas](#)

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Flexitricity’s virtual power plant surpasses 500MW, in important milestone for grid’s flexibility

Aggregator Flexitricity has revealed its virtual power plant (VPP) has reached 500MW – and predicts a boom for the sector.

Founder Alastair Martin applauded the government for legislating to decarbonise the economy, but added that “reducing emissions is one thing; committing to eliminate them is quite another”.

As such, he said the firm expects to see “further dramatic growth in the demand response industry as energy users, distributed generation and battery storage increasingly come together to support the grid and help the UK reach its emissions targets”.

This year, National Grid has had to work much harder to balance the system due to exceptionally low demand as a result of Covid-19 lockdowns. As such, it expects to spend an extra £500m over summer, largely via the balancing mechanism.

The ESO has committed to be able to run the grid entirely on renewable sources whenever possible by 2025. To do so, it will require around 10GW of further flexibility, from demand-side response and storage.

[LINK: Energyst - Flexitricity hits 500MW](#)

UK Government to set energy suppliers revised annual targets for smart meter installs

The Department for Business, Energy and Industrial Strategy (BEIS) is planning to set suppliers revised annual targets starting mid-2021 in a bid to stop the smart meter rollout losing steam.

The programme originally targeted a smart meter in every house and most businesses, some 53m meters, by 2020.

Despite achieving about 40% coverage, suppliers have struggled to install meters into houses for a number of reasons. The rollout was also hampered by a delay in getting fully functioning ‘Smets 2’ meters to market.

At the end of March 2020, some 21.5m smart meters had been installed, though most of these are early Smets 1 versions without full functionality. BEIS said there were 4.3m Smets 2 meters connected to the grid.

Last September, government admitted publicly that the rollout would need more time, and consulted on extending it to 2024. The new plan involves giving suppliers annual targets to hit, which raises the prospect of annual penalties, in order to hit 85% coverage by 2024.

[LINK: BEIS - targets for smart meter installs](#)