

Gas

| p/therm | 29 May 20 | 5 Jun 20 | Change |
|----------------|-----------|----------|--------|
| Day-Ahead | 9.05 | 13.00 | 43.6% |
| Jul 2020 | 9.63 | 13.89 | 44.2% |
| Winter 2020/21 | 30.65 | 32.11 | 4.8% |
| Summer 2021 | 28.61 | 29.86 | 4.3% |

The UK's **Day-Ahead gas** price saw an increase this week, by 43.6% to 13.00p/therm following previous concerns that the gas price was well below the cost of production. Looking into next week the price rises may continue as temperatures drop below seasonal norms. National Grid are also forecasting steady storage withdrawals into next week.

Day-Ahead power saw a decrease of 28.7% to £15.31/MWh following increased wind generation relative to last week.

Winter 2020/21 gas has seen an increase of 4.8% to 32.11p/therm as, despite the gas system remaining acutely oversupplied, LNG send-out from the beginning of June has seen a clear step down.

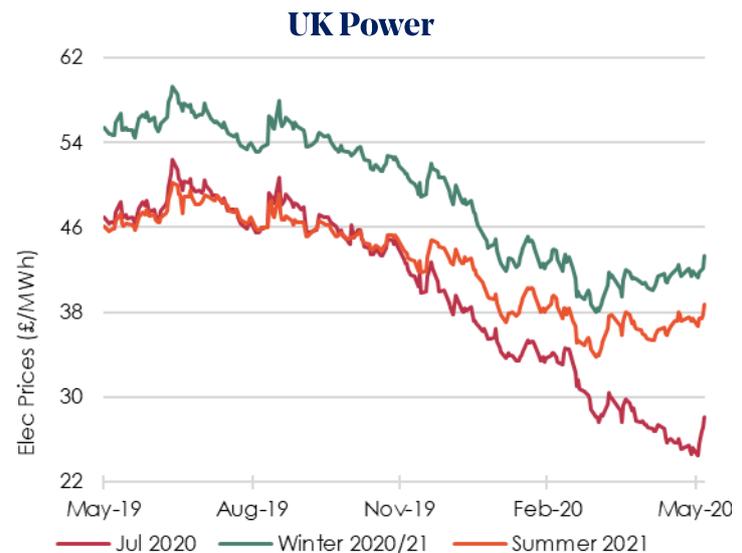
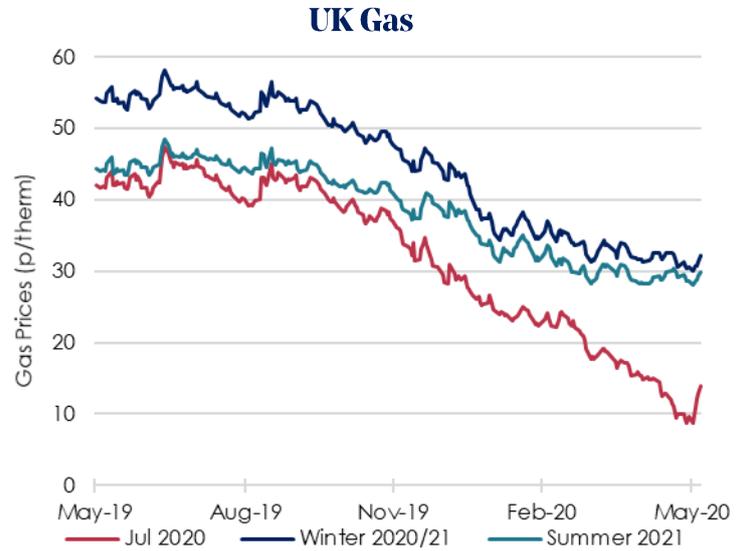
This is due to reduced U.S. LNG supply and higher Asian demand causing reduced supply access for the UK. Combined with easing lockdown conditions across Europe near-term gas prices saw a significant increase and longer-term prices also saw a small rise.

However, Russian gas supply to Europe continues to increase following last week's recovery from May's closure, up to 730GWh/d from zero at the start of May. The UK gas system remains broadly well-supplied for this time of year.

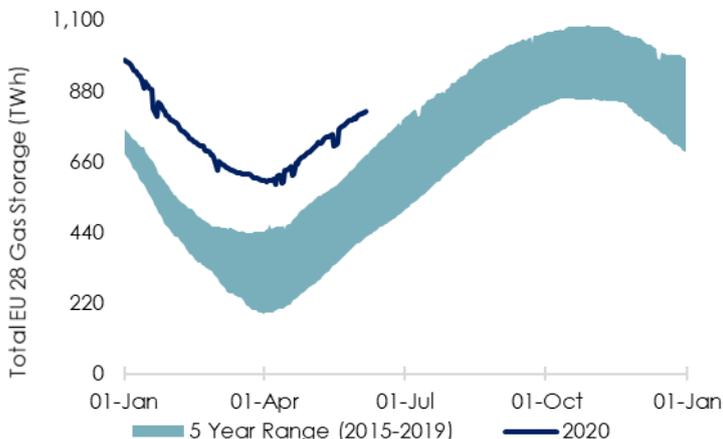
Our recommendation remains to lock in contracts as soon as possible as prices begin to rise following the easing lockdown. This is compounded by economic uncertainty around a potential second wave of Covid-19.

Power

| £/MWh | 29 May 20 | 5 Jun 20 | Change |
|----------------|-----------|----------|--------|
| Day-Ahead | 21.48 | 15.31 | -28.7% |
| Jul 2020 | 25.19 | 28.12 | 11.6% |
| Winter 2020/21 | 41.94 | 43.33 | 3.3% |
| Summer 2021 | 37.40 | 38.72 | 3.5% |



European Gas Storage



Global LNG (Japan v UK v USA)



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Beond Weekly UK Insight

8 June 2020

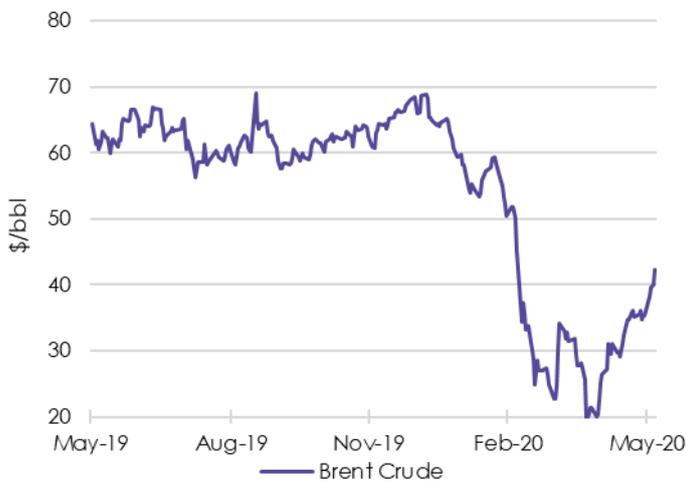
Oil

| \$/bbl | 29 May 20 | 5 Jun 20 | Change |
|--------------------|-----------|----------|--------|
| Brent Crude Aug 20 | 35.33 | 42.30 | 19.7% |

Source: Reuters

Brent Crude oil prices surged 19.7% this week to \$42.30/bbl to reach a three-month high. Anticipation of an OPEC+ meeting to agree an extension to the previously agreed output cuts and an unexpected drop in the U.S. unemployment rate all helped to boost the market amid improving fuel demand.

The U.S. Labour Department reported a surprise fall in the unemployment rate from 14.7% in April to 13.3% last month providing a surprise boost to demand forecasts.



Exchange Rates & Economics

| £/\$ | 29 May 20 | 5 Jun 20 | Change |
|---------|-----------|----------|--------|
| GBP/USD | 1.2344 | 1.2663 | 2.6% |

Source: Reuters

The **Pound Sterling** rose 2.6% against the US Dollar last week, the highest levels seen in a month. This follows news that the UK is expected to show increased flexibility over fisheries and trade rules in upcoming Brexit negotiations. The UK government has until 1 July 2020 to request an extension to the current transition period which is due to end in December

Brexit optimism, paired with wider spread hopes surrounding global market recovery could result in continued strengthening of the Pound.



Carbon

| €/tCO2 | 29 May 20 | 5 Jun 20 | Change |
|------------|-----------|----------|--------|
| EUA Dec Yr | 21.33 | 23.17 | 8.6% |

Source: Reuters

European carbon rose 8.6% to €23.17/tCO2 last week to a three-month high.

EUAs ended last week at pre-lockdown levels as oil gains and surprise US unemployment numbers helped lift the wider energy complex and boost demand for European Carbon Credits.



Coal

| \$/tonne | 29 May 20 | 5 Jun 20 | Change |
|-----------------|-----------|----------|--------|
| API2 CIF ARA Yr | 52.15 | 55.85 | 7.1% |

Source: Reuters

European coal prices saw a rise of 7.1% to \$55.85/t. Power consumption has been rising on both an industrial and residential level after restrictions implemented to reduce the spread of Covid-19 continue to be lifted.



Regulatory and Market News

Government decides it will give suppliers relief on CfD payments

The UK Government has confirmed it will give suppliers temporary relief on increases in Contracts for Difference (CfD) charges.

In a consultation last month, the Department for Business, Energy and Industrial Strategy (BEIS) proposed delaying up to 67% of the increases until next year. But it has upped that to 80%, with relief capped at £100m.

The decision comes as suppliers – like many UK firms – are struggling with cashflow as business customers mothball operations and hoard cash.

BEIS's move comes after Ofgem handed suppliers a £350m bailout in the form of deferred network charges.

Meanwhile, SSE has raised a code modification to defer £500m in extra balancing costs as a result of Covid-19 demand destruction and subsequent actions required to keep the system stable.

BEIS confirmed the amended CfD regulations were laid yesterday in anticipation that Parliament can approve them before 9 July - the date on which Low Carbon Contracts Company (LCCC) is expected to carry out the reconciliation process for the current quarter.

[LINK: BEIS - Relief for CfD payments](#)

Total and SSE strike deal to build Scotland's biggest offshore wind farm

Scotland's biggest offshore wind farm is to go ahead, backed by French supplier Total.

SSE Renewables has reached financial close on the 1GW Seagreen 1 project in the Firth of Forth. Total will take a 51% stake, shouldering part of the £3bn build cost. Over 100 turbines are due to generate by 2023.

Some 70% of the project's revenues are guaranteed. In September 2019, SSE Renewables won a 15-year CfD for 40% of Seagreen 1's output. A further 30% is contracted for onward sale by SSE.

The Seagreen 1 project is expected to be completed in 2022/23.

In February 2019, Total bid with Orsted for a 600MW wind project off Dunkirk. This year the French firm committed to a 96MW floating offshore wind farm project in the Celtic Sea.

SSE Renewables has already begun onshore construction of the world's biggest offshore farm, the 3.6GW Dogger Bank development in the North Sea, in partnership with Norway's Equinor.

[LINK: SSE Renewables - Seagreen 1](#)

Bristol City Council to try and sell Bristol Energy

Bristol City Council will attempt to sell their energy supply firm, Bristol Energy. The company was set up in 2015 and has struggled financially. The council last month appointed EY to assess its viability.

"Establishing an energy company was always a high risk for the council, and one which has brought continued challenges," said Mayor Marvin Rees. "The energy market is dominated by well-established far larger energy providers."

Rees said he had inherited a failing company from the previous administration and that turning it around had "proved impossible in such a volatile marketplace."

To date, the council's cash investment in the energy company stands at £36.5m, against a total cash funding envelope of £37.7m.

Bristol Energy posted an adjusted operating loss of £10.1m for the financial year 2018-19, its third year of trading. That was roughly the same loss as the previous year, despite increasing turnover 45% to £76.2m.

Fellow council-owned supply company Robin Hood Energy is also struggling with heavy losses and has appointed auditors Deloitte.

[LINK: Energyst - Council to sell Bristol Energy](#)

Ripple Energy launches UK's first consumer owned wind farm, Graig Fatha in Wales

Energy start-up company Ripple Energy is launching Britain's first "consumer-owned wind farm", offering people the chance to buy a share of a turbine in return for receiving the electricity it produces.

Ripple Energy plans to sign up about 2,000 households in the UK to crowdfund the £4.3 million construction of the pilot, one-turbine project at Graig Fatha Farm near Coedely, north of Cardiff.

Consumers buying shares in the Graig Fatha project will be securing the right to a proportion of the electricity it will produce. Under an arrangement with Co-op Energy, run by Octopus Energy, when the turbine starts generating in 2021 the households involved will be supplied with that electricity at a cheap rate that covers the low running costs of the turbine.

Until now the only way to own a source of clean energy has been via solar panels. Ripple estimates owning a tiny part of a large-scale wind farm could be up to 75% cheaper. If you move home, you simply tell Co-op Energy or Octopus Energy and they supply the electricity to your new home.

[LINK: Ripple Energy - First consumer owned wind farm](#)