Beond Weekly UK Insight

27 July 2020

Gas

p/therm	17 Jul 20	24 Jul 20	Change
Day-Ahead	12.90	12.60	-2.3%
Aug 2020	13.42	13.59	1.3%
Winter 2020/21	33.35	31.62	-5.2%
Summer 2021	31.07	28.62	-7.9%

Power

£/MWh	17 Jul 20	24 Jul 20	Change
Day-Ahead	28.27	29.93	5.9%
Aug 2020	30.60	29.90	-2.3%
Winter 2020/21	45.93	44.28	-3.6%
Summer 2021	41.21	39.20	-4.9%

The UK's **Day-Ahead gas** price fell 2.3% to 12.60p/therm as higher than normal gas pipeline flows from Norway for this point in summer resulted in an oversupplied gas system. Towards the end of the week higher temperatures saw demand fall below seasonal normal.

Day-Ahead power rose 5.9% to £29.93/MWh, amid falls in anticipated power generation from renewables. According to a Reuters review, power generation from renewables have taken up a record share of global electricity production since the start of Covid-19.

Winter 2020/21 gas fell 5.2% week-on-week to 31.62 p/therm, with the equivalent **power** price falling 3.6% to £44.28/MWh. Uncertainty over demand recovery continues to impact prices as the long-term outlook from Covid-19 remains unclear. This comes as several European countries including France, Spain and Germany saw increases in cases, prompting fears of a 'second wave'.

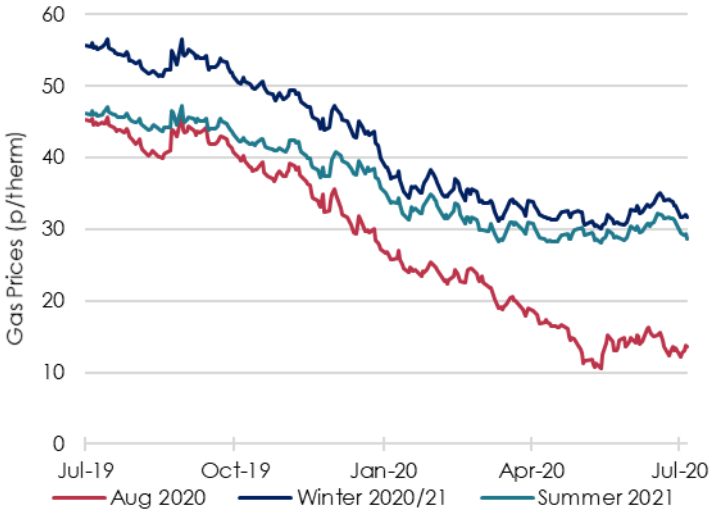
Week-on-week losses were seen across much of the forward energy market, as the U.S. reached over 4.3 million confirmed Covid-19 cases, with over 1000 deaths for four consecutive days. Concerns remain that global fuel demand growth could stall.

Gas storage remains strong at around 84% full, compared to 64% typically seen at this time of year. LNG prices remained steady last week.

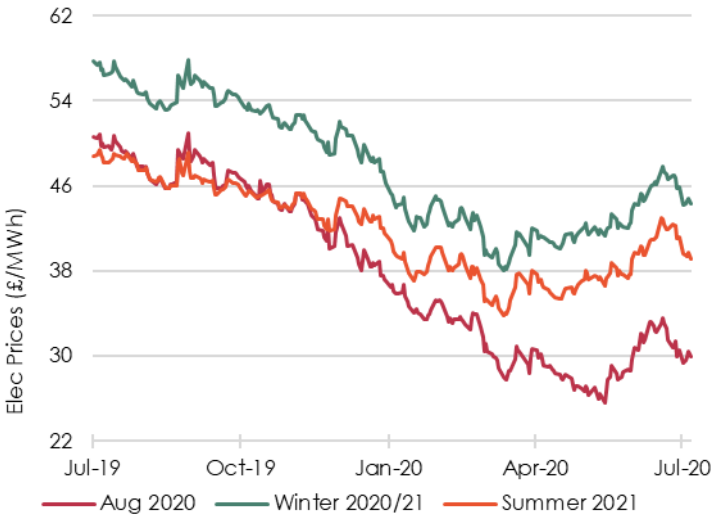
Maintenance is expected on Wednesday at fields delivering to the SEGAL pipeline from the North Sea, reducing capacity by 15mcm/d for two days.

Our recommendation remains to lock in contracts as soon as possible as prices are at risk of further increases following the easing of lockdown restrictions.

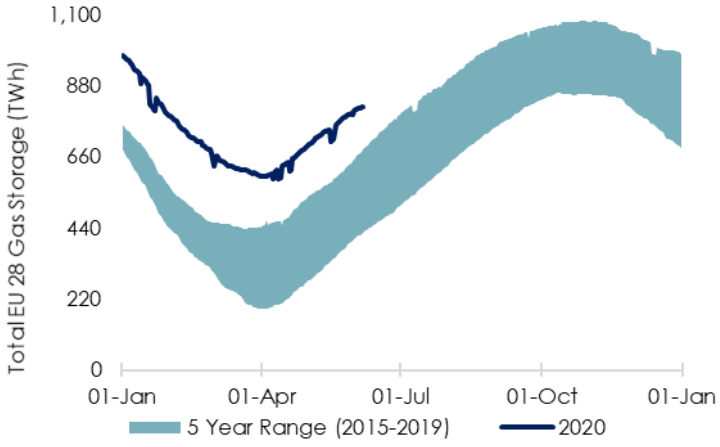
UK Gas



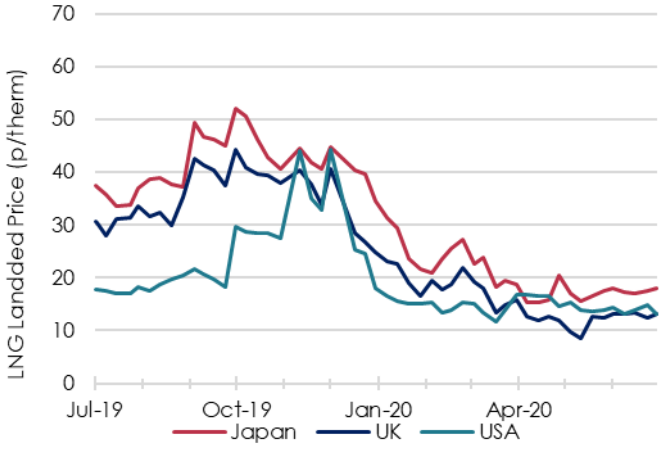
UK Power



European Gas Storage



Global LNG (Japan v UK v USA)



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Rewarding Climate Action

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Oil

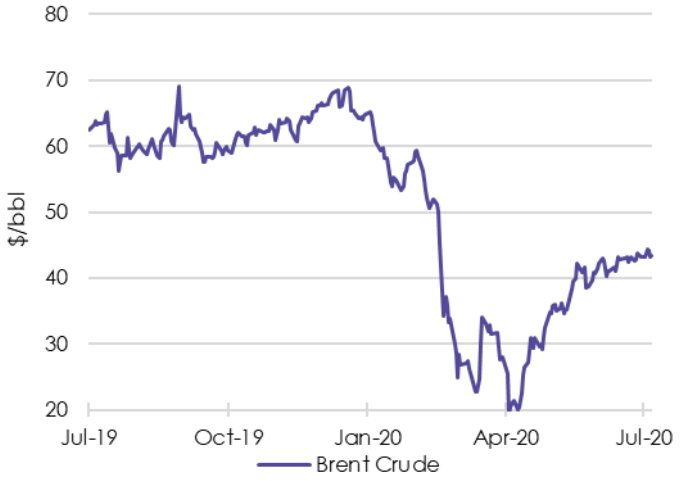
$/bbl	17 Jul 20	24 Jul 20	Change
Brent Crude Sep 20	43.14	43.34	0.5%

Source: Reuters

Brent Crude oil recorded a small increase of 0.5% to $43.34/bbl. The market has entered a state of flux as it is caught between opposing forces, stifling volatility.

On one hand, rising tensions between the world's largest economies, the US and China, have oil prices awaiting a development, in tandem with the wider economy. Rising Covid-19 cases add a second major element to concerns over future drops in oil demand.

Counteractively, global economies do continue re-opening and adapting to the Covid-19 pandemic, with significant improvements since the "Q2 price trough".



Exchange Rates & Economics

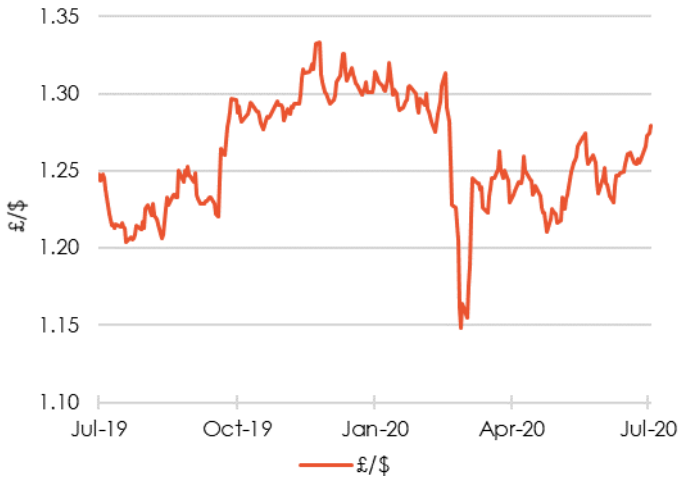
£/$	17 Jul 20	24 Jul 20	Change
GBP/USD	1.2565	1.2789	1.8%

Source: Reuters

The **Pound Sterling** increased by 1.8% last week against the US Dollar. The United States continues to see a surge in new cases of Covid-19 making an economic recovery harder to predict.

Meanwhile, the chief economist of the Bank of England Andy Haldane predicted the UK's Economy is on track for recovery and is already rebounding far faster than expected.

Speaking to MPs he said that the UK is "already three months into recovery" and the "economy had been growing on average at about 1% a week since May".



Carbon

€/tCO2	17 Jul 20	24 Jul 20	Change
EUA Dec Yr	27.74	26.29	-5.2%

Source: Reuters

European carbon fell 5.2% to €26.29/tCO2, as prices continue to normalise following record highs at the start of July. As with the rest of the economy, the carbon price is likely to react to rising tensions between the US and China and could see further price drops into this week, should tensions escalate.

Coal

$/tonne	17 Jul 20	24 Jul 20	Change
API2 CIF ARA Yr	60.00	59.50	-0.8%

Source: Reuters

European coal prices saw a small fall of 0.8% to $59.50/tonne as UN Secretary General Antonio Guterres announced this week that Coal should play no part in any country's post-coronavirus stimulus plan and economic recovery should align with global climate goals.

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Regulatory and Market News

UK electricity grid's carbon emissions could turn negative by 2033, says National Grid

Carbon emissions from Britain's electricity system could turn negative by as early as 2033 in National Grid's most optimistic scenario.

For this to happen the UK would need to incorporate carbon capture technology alongside more renewable energy to reach its climate targets.

The electricity network operator set out its vision for an "emissions negative" grid that would include 30 million electric vehicles on UK roads, and 8 million heat pumps used to replace gas boilers in energy-efficient homes.

In National Grid's most progressive vision for Britain's pathway towards its 2050 climate targets it claims that net carbon emissions from the electricity sector could turn negative within 13 years by using carbon capture technology alongside bioenergy sources.

National Grid expects a boom in renewable energy projects, including at least 3GW of new windpower capacity and 1.4GW of solar generation every year from now until 2050, alongside a widespread rollout of electric vehicles, which will act as smart-charging "batteries" to help balance the electricity grid.

It also expects a revolution in consumer energy use, including better energy efficiency and the end of gas boilers. Instead, millions of homes will consume less than a third of the energy used today, and will rely on heat pumps fitted with thermal "heat batteries".

"Across all scenarios, we see growth in renewable energy generation, including significant expansion in installed offshore wind capacity. There is widespread uptake in domestic electric vehicles, and growth and investment in hydrogen and carbon capture technologies too," Herring said.

The report warned that the UK will not meet its legally binding ambition to reduce carbon emissions to net zero by 2050 without "immediate action" from the government on key energy policies, and the negative emissions from bioenergy combined with carbon capture and storage.

Many consider bioenergy to be carbon neutral because the emissions produced from burning wood pellets in a power plant is offset by the carbon dioxide absorbed by sustainably managed forests when the trees are growing.

The "carbon accounting" is, however, disputed by some academics and environmentalists.

LINK: National Grid - Future Energy Scenarios 2020

Electric vehicle ownership must increase by 11,000% for a net zero UK

Electric vehicle ownership must increase by 11,000% for a net zero UK according to research undertaken by Scottish and Southern Electricity Networks (SSEN) with sustainable energy experts Regen.

The study forecasts electric vehicle ownership will increase from 44,000 to five million in the south of England and north of Scotland.

In addition to the changes in transport demand, the data also reveals that to be on the road to net zero most gas boilers will have to be replaced by heat pumps, of which SSEN's regions have around 16,600. In a net zero scenario, the local electricity network will need to support nearly two and a half million by 2050.

Richard Hartshorn, EV Readiness Manager for SSEN, said: "We already knew that the uptake of low carbon technologies is likely to leap and could pose major challenges for the resilience of our network.

"This research gives us a granular, year-by-year breakdown of when and where we should be ready to support the emergence of new technologies which will allow us to invest strategically and keep costs as low as possible for customers."

LINK: SSEN - EV ownership must increase 11,000%

UK energy supplier OVO Energy signs tech sharing deal with Italian energy giant Eni

UK energy firm OVO and European supplier Eni gas e luce have struck an agreement to bring clean energy and new low carbon technologies to more customers and accelerate the energy transition in Europe.

Under the deal – the first international partnership for OVO – Eni gas e luce will use the Kaluza digital platform used by OVO, which allows suppliers to see real-time data on customer energy consumption.

The platform, which has been integrated with thousands of smart home devices, intelligently manages the devices at scale while enabling stored, renewable energy to support grids and reduce costs and carbon for customers.

Eni hopes the partnership will expand its international presence and support its long term goal of building a portfolio of 20 million customers globally by 2050.

Stephen Fitzpatrick, CEO and Founder of OVO said: "€500bn of investment is planned in Europe over the next decade to tackle climate change alone. To succeed, we will need to develop new technology and to redesign the energy system around the customer.

LINK: OVO Energy - Partnership with ENI

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