

Gas

p/therm	31 Jul 20	7 Aug 20	Change
Day-Ahead	13.40	19.50	45.5%
Sep 2020	15.64	21.82	39.5%
Winter 2020/21	31.20	34.27	9.8%
Summer 2021	27.91	30.12	7.9%

The UK's **Day-Ahead gas** price rose by 45.5% to 19.50p/therm with a marked increase in gas for power generation as wind output remained weak.

Day-Ahead power rose by 7.2% to £33.25/MWh, as temperatures soared over the weekend and demand increased for cooling across Europe.

Winter 2020/21 gas rose 9.8% last week to 34.27 p/therm, with the equivalent **power** price seeing a rise of 6.0% to £47.09/MWh. With planned maintenance scheduled across Norwegian pipelines over the next few weeks and gas storage now drifting closer to the 5-year range may see gas prices fall back within an expected range moving into Winter 2020/21.

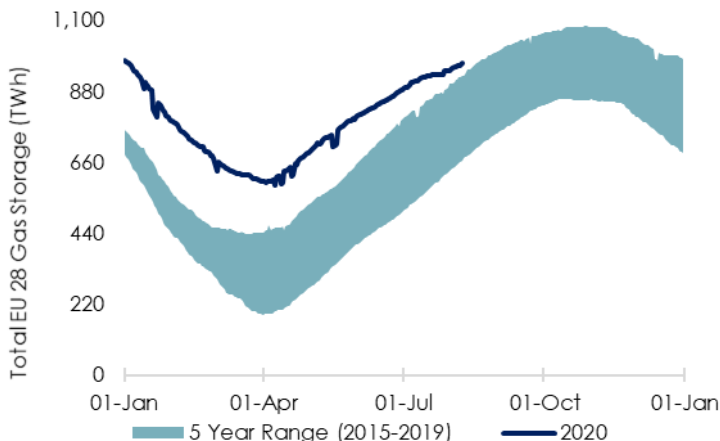
The losses seen in the energy market last week seem to have largely bounced back. Stronger fundamentals, largely driven by forecast gas maintenance and increased electricity demand to combat the hot weather, outweighed wider market fears of a second wave of Covid-19.

Newfound optimism about the flattening of the rate of Covid-19 infections may also begin boosting prices, should it continue.

Gas storage does remain well above the 5-year maximum for this time of year, but as we approach Oct/Nov storage levels are trending back towards a normal range. Two Qatari shipments of LNG are leading to the UK system being 11mcm oversupplied this week.

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

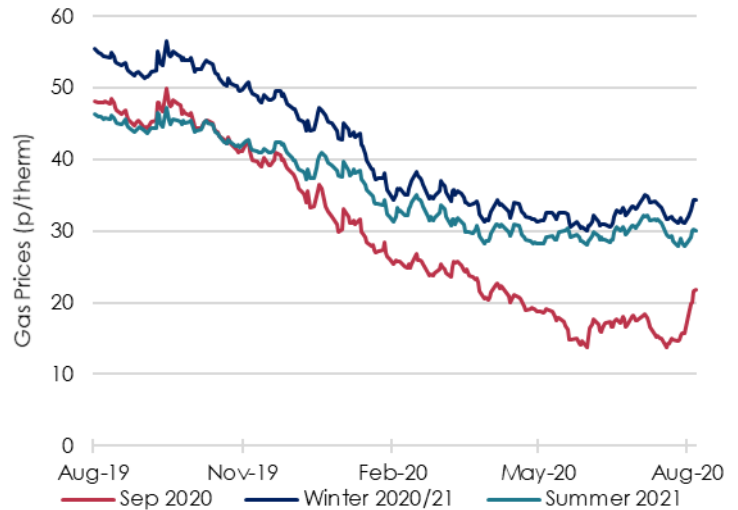
European Gas Storage



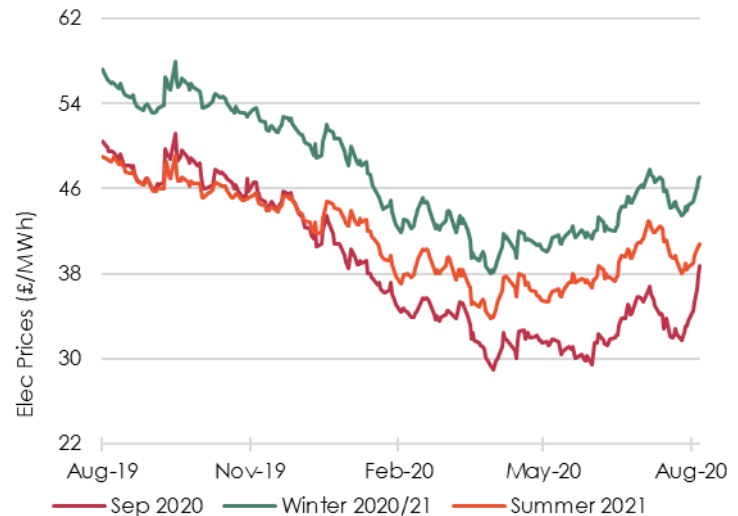
Power

£/MWh	31 Jul 20	7 Aug 20	Change
Day-Ahead	31.02	33.25	7.2%
Sep 2020	33.57	38.78	15.5%
Winter 2020/21	44.42	47.09	6.0%
Summer 2021	38.58	40.76	5.7%

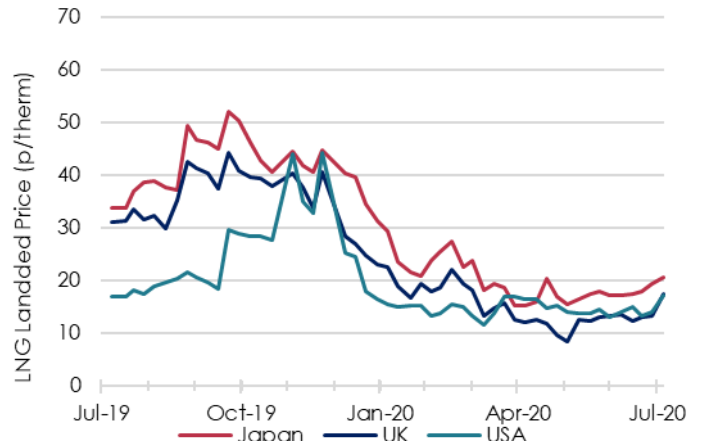
UK Gas



UK Power



Global LNG (Japan v UK v USA)



T: +44 208 634 7533

E: strategicclients@beondgroup.com

W: www.beondgroup.com

Beond Weekly UK Insight

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Oil

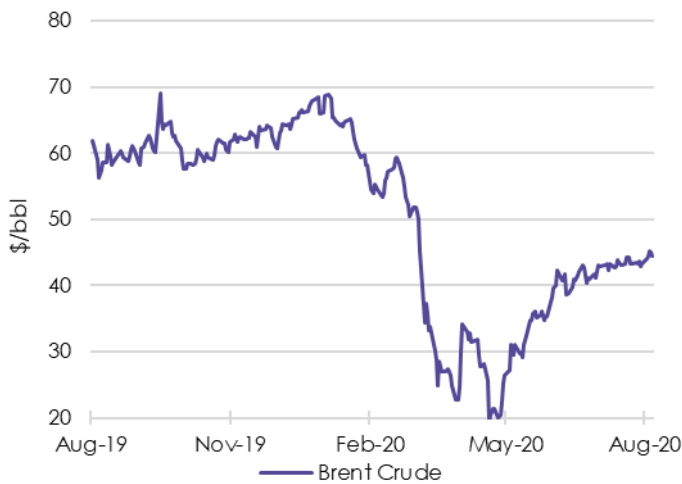
\$/bbl	31 Jul 20	7 Aug 20	Change
Brent Crude Oct 20	43.30	44.40	2.5%

Source: Reuters

Brent Crude oil rose 2.5% for the week as prices reached their highest since early March on Wednesday.

Prices were bullish as both U.S. Crude Stockpiles and the dollar fell. Oil futures are priced in dollars so crude prices tend to rise to offset the weaker currency. Economic data also showed U.S. manufacturing recovery continued in June.

However, Oil prices fell nearly 2% on Friday as concerns that the global economic and oil demand recovery could waver from a resurgence of coronavirus cases limited the weekly gain to 2.5%.



Exchange Rates & Economics

£/\$	31 Jul 20	7 Aug 20	Change
GBP/USD	1.3088	1.3051	-0.3%

Source: Reuters

The **Pound Sterling** fell marginally by 0.3% last week against the US Dollar.

Last week the Bank of England upgraded its 2020 growth forecasts for the UK Economy from a contraction of -14% to -9.5%. The BoE also voted to keep interest rates unchanged for now, amid suggestions of negative interest rates being introduced towards the end of the year which would have a bearish effect on the value of Sterling.



Carbon

€/tCO2	31 Jul 20	7 Aug 20	Change
EUA Dec Yr	26.22	26.36	0.5%

Source: Reuters

European carbon saw an increase of 0.5% to €26.22/tCO2 after strong auctions and positive monthly economic job and manufacturing figures lead to a small gain for the week.



Coal

\$/tonne	31 Jul 20	7 Aug 20	Change
API2 CIF ARA Yr	60.20	59.80	-0.7%

Source: Reuters

European coal prices saw a fall of 0.7% to \$59.80/tonne last week as low demand across Europe continues. High temperatures and high stocks in ports and inland plants across the continent, pressured prices downwards.



Regulatory and Market News

Covid-19 allows for an energy policy re-set in the national interest

Centre for Policy Studies has published an opinion piece reflecting on the importance of renewable electricity to the UK system.

While the lockdown has very publicly hindered jobs and businesses, National Grid's task of keeping electricity flowing has seen the transmission system operator trying to balance the electricity system when increasingly erratic electricity supplies outstrip demand.

This challenge has been growing for some time and the lockdown has forced the issue, particularly as weather-dependent renewable power has soared.

While electricity demand at the peak of the lockdown was down by nearly 20% the sunny and windy days saw renewables setting records, sometimes supplying up to 55% of daytime electricity.

However, reduced demand alongside increased wind and solar supplies presents a serious balancing challenge, as well as an opportunity to re-think future strategy.

Over the last four months tens of millions of pounds have been spent on discarding renewable energy and turning off other power stations to prevent them overloading the system and causing blackouts. National Grid has said it expects to spend £500m more than normal this year to keep power flowing because of reduced demand.

The challenge of balancing electricity supplies in these changed circumstances is paramount as traditional peaks in demand flatten out and more and more power supply is dependent on the weather, such as wind and solar.

While demand has fallen off the share of the grid supplied by renewable power has grown. Though this is good news ecologically it raises a serious issue about keeping the wider supply industry stable, balanced and profitable.

The key here is the need to build a more flexible, reliable, clean and secure electricity supply industry going forward.

Also, without new viable energy storage then large supplies of weather dependent power always risks undermining the stability of the grid.

The fallout from Covid-19 allows for a British energy policy re-set in the national interest to deliver more flexibility and security of supply.

[LINK: Business Live - Post Covid-19 energy policy reset](#)

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National Grid to launch £10m trial project to test if hydrogen can heat homes and industry

National Grid has announced plans for a £10 million trial project to test if hydrogen can heat homes in the UK and reduce carbon dioxide emissions from industry.

The plan is to build a hydrogen test facility at Spadeadam in Cumbria – the project will involve using retired assets to create a network where hydrogen will be tested at transmission pressures, to assess how the equipment performs.

National Grid has submitted plans to Ofgem and if funding is awarded the company aims to start construction in 2021 and testing one year later.

Antony Green, Project Director for Hydrogen at National Grid, said: "Sectors such as heat are difficult to decarbonise and the importance of the gas networks to the UK's current energy supply means trial projects like this are crucial if we are to deliver low carbon energy, reliably and safely to all consumers."

The hydrogen test facility will be kept in a controlled environment, separately from the main national transmission system, to ensure that there will not be any risk to the safety of the existing gas network.

Currently, 85% of homes and 40% of the UK's power needs are supplied by gas.

[LINK: National grid - £10m Hydrogen heating trial](#)

Ban new gas boilers in UK from 2025 or risk missing net zero target, says CBI

The installation of new gas boilers must be banned from 2025 or the UK's net-zero climate target will be "doomed", according to a high-level commission convened by the CBI.

The ban would apply to conventional gas boilers, but hybrid or hydrogen-ready boilers would be allowed under the business organisation's recommendations, which were developed in collaboration with energy industry leaders.

The commission also said that by 2035, no boilers burning any fossil gas should be installed into homes, with technologies including heat pumps and district heating being used instead.

Grants or loans should be given to help people and businesses make the switch, it said, which when combined with energy efficiency measures, would lower household energy bills.

Heating is the largest single source of carbon emissions in the UK, making up more than one-third of the total.

[LINK: Guardian - CBI recommends 2025 gas boiler ban](#)