

Gas

p/therm	4 Sep 20	11 Sep 20	Change
Day-Ahead	30.40	27.35	-10.0%
Oct 2020	30.31	27.78	-8.3%
Winter 2020/21	38.66	36.99	-4.3%
Summer 2021	33.42	32.71	-2.1%

The UK's **Day-Ahead gas** fell by -10.0% to 27.35/therm as temperatures this week were reforecast to rise sharply after a brief cooler spell last week. The warmer temperatures will reduce demand for heating.

Day-Ahead power saw little change, gaining 0.2% to £37.67/MWh as wind and solar availability was expected to fall below the seasonal norms over the weekend and into the start of this week.

Winter 2020/21 power prices saw a slight fall of -1.3% to £50.11/MWh tracking the equivalent gas season lower.

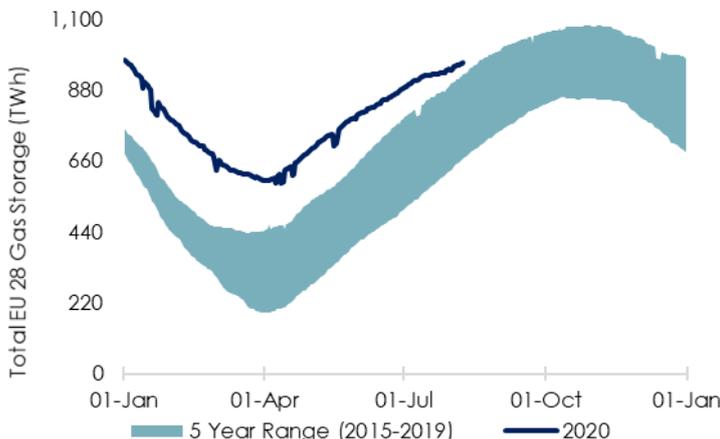
While power generation for winter is generally expected to be comfortable, EDF has extended all seven of its 10-year inspection outages planned at French reactors this year, totalling 400 days to date. The UK continues to import significant volumes of power during peak winter periods and in recent years, French nuclear outages have frequently had a notable impact on prices.

Winter 2020/21 gas slid 4.3% to 36.99p/therm. Gas pipeline imports into Britain were suppressed following maintenance outages at Norway's major Nyhamna and Troll gas fields.

Meanwhile UK production is also lower impacted by restrictions at several gas terminals. However, UK Continental Shelf gas production is expected to increase to 108 mcm/d this week compared to 95 mcm/d last week. Additionally, South Hook LNG send-out remains steady, while the Isle of Grain and Dragon terminals are likely to remain muted until temperatures drop.

With temperatures picking up this week it is an ideal time to think about winter purchases. However, this will likely be short-lived, so our recommendation for clients with open Winter volume remains to lock this in as soon as possible.

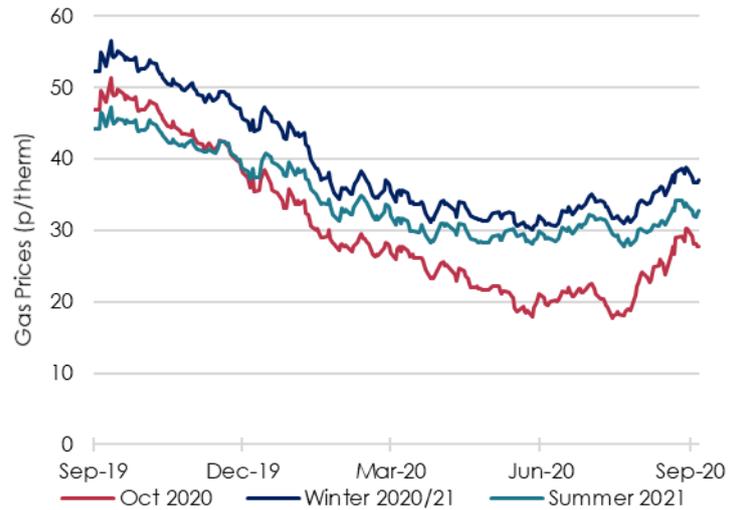
European Gas Storage



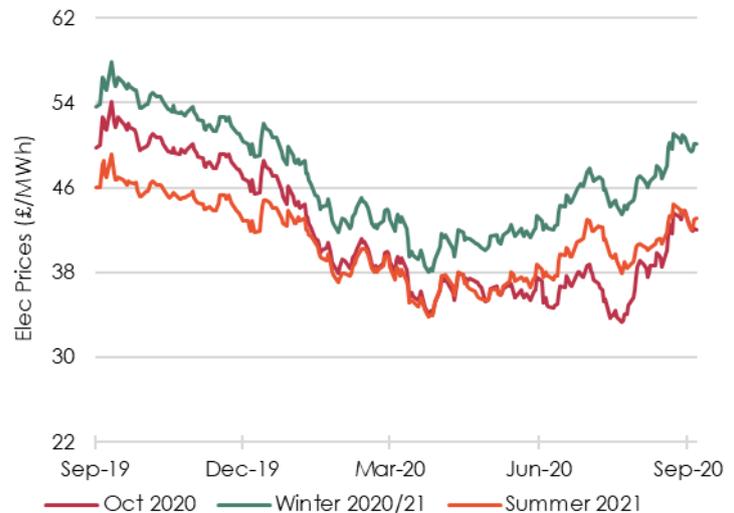
Power

£/MWh	4 Sep 20	11 Sep 20	Change
Day-Ahead	37.58	37.67	0.2%
Oct 2020	43.87	42.04	-4.2%
Winter 2020/21	50.79	50.11	-1.3%
Summer 2021	43.76	43.17	-1.3%

UK Gas



UK Power



Global LNG (Japan v UK v USA)



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Beond Weekly UK Insight

14 September 2020

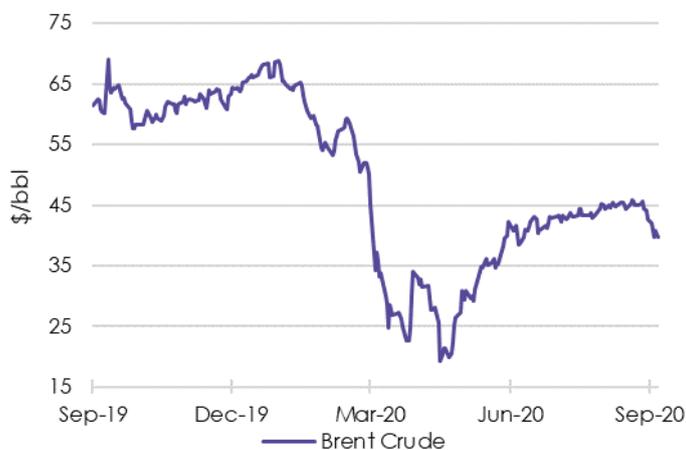
Oil

\$/bbl	4 Sep 20	11 Sep 20	Change
Brent Crude Nov 20	42.66	39.83	-6.6%

Source: Reuters

Brent crude oil fell by 6.6% last week, to \$39.83/bbl, as BP forecasted fossil fuel consumption will fall as new climate policies boost renewable sources, paired with the long-lasting impact of the global pandemic on energy demand.

The Australian government has proposed offering the equivalent of £1.3bn across 10 years to support their four remaining oil refineries, as they struggle to compete with larger Asian refineries and supply chain disruptions caused by Covid-19. It is hoped the investment will ensure future fuel security.



Exchange Rates & Economics

£/\$	4 Sep 20	11 Sep 20	Change
GBP/USD	1.3282	1.2793	-3.7%

Source: Reuters

The **Pound Sterling** continued to fall last week, losing 3.7% against the US Dollar, as new figures suggest UK employers are planning over twice as many redundancies compared to the peak of the last recession in 2009.

This comes despite news that the UK economy grew 6.6% in July, the third month in a row of growth, with pubs and restaurant activity recovering by 140%. The ONS have reported the UK has still only recovered around half of the loss of output caused by Covid-19.



Carbon

€/tCO2	4 Sep 20	11 Sep 20	Change
EUA Dec Yr	27.34	28.24	3.3%

Source: Reuters

European carbon rose 3.3% to €28.24/tCO2 last week, as the European Parliament's environment committee agreed to push for higher climate ambition. The new target aims to reduce carbon emissions by 60% before 2030, relative to 1990 levels. The current level had been set at 40%.



Coal

\$/tonne	4 Sep 20	11 Sep 20	Change
API2 CIF ARA Yr	56.10	57.00	1.6%

Source: Reuters

European coal prices rose 1.6% to \$57.00/tonne last week amid reduced supply, as coal inventories at four European terminals fell to almost two-year lows.

Estimates show stocks were around 15% lower compared to this time last year at Amsterdam, Rotterdam and Antwerp, reaching two-year lows.



Regulatory and Market News

Government launches Social Housing decarbonisation fund demonstrator

Local authorities (LAs) and LA-led groups will be able to bid for funding under the government's new Social Housing Decarbonisation Fund Demonstrator.

The £50 million programme will support social landlords to demonstrate innovative approaches to retrofitting social housing at scale and will commence the decarbonisation of social housing over 2020-21, supporting green jobs as part of the Covid-19 Economic Recovery Plan. The competition will be launched in October.

Decarbonising the housing stock is a crucial element to battling climate change, and one in which social landlords have a huge role to play, reducing carbon in the houses we own and build and leading the way in tackling the wider housing stock.

A new briefing by the Chartered Institute of Housing and Orbit Group makes the case for urgent action, reviews what's been achieved and sets out what still needs to be done. It's part of the sector's Homes at the Heart campaign, calling for large-scale investment in new and existing social homes as a key element of the UK's economic recovery. Decarbonising our housing is a huge part of this and the briefing outlines the steps needed to make progress at the pace required.

[LINK: Gov - Social Housing Decarbonisation Fund](#)

MEPs back higher emissions reduction target of 60% by 2030

Environment Committee MEPs have voted in favour of an ambitious target to reduce emissions across the EU by 60% by 2030. It is an upgrade from the Commission's emissions reduction proposal of "at least 50% towards 55%" over the next decade.

MEPs also want an interim target for 2040 to ensure the EU is on track to reach its 2050 goal.

They are calling on the Commission to propose a trajectory at EU level by May 2023 on how to reach carbon neutrality in 2050 through "ordinary decision-making procedure".

Contrary to the Commission's proposal, MEPs want both the EU and all member states individually to become climate neutral by 2050 and call for sufficient EU and member state financing to do so.

The EU and member states must also phase out all direct and indirect fossil fuel subsidies by December 2025 at the latest, underlining the need to continue efforts to combat energy poverty under their proposals.

[LINK: ELN - EU emissions targets](#)

UK to follow WTO subsidy rules from 1 January

The Department for Business, Energy and Industrial Strategy (BEIS) announced that the UK is to follow World Trade Organisation (WTO) subsidy rules and other international commitments, replacing the EU State aid laws, from 1 January 2021.

BEIS confirmed that clear guidance on WTO rules will be published before the end of the year for public authorities and devolved administrations, and businesses will have the chance to comment on the design of the UK's own domestic regime of subsidy control next year.

The Government does not intend to return to the 1970s approach of trying to run the economy or bailing out unsustainable companies, maintaining that no government of a modern, competitive market economy should stand in the way or prevent adjustment to underlying market conditions.

BEIS said WTO rules are an internationally recognised common standard covering financial assistance granted by governments and public authorities to companies. It added: "Unlike EU member states, most advanced economies do not have substantive rules regulating subsidies beyond those set by the WTO."

[LINK: BEIS - UK to adopt WTO subsidy rules from 1 Jan 2021](#)

Offshore wind sector calls for action on green hydrogen

The development of green hydrogen industry could generate £320bn for the UK economy and sustain up to 120,000 jobs by 2050, according to a new report by the Offshore Wind Industry Council and the Offshore Renewable Energy Catapult.

Offshore Wind and Hydrogen: Solving the Integration Challenge examines the potential for hydrogen to participate in short and long-term energy balancing and flexibility.

However, to capitalise fully on this opportunity, the report calls for government intervention now and a new national strategy to support the creation of supply and demand in the new industry

This includes an integrated approach to deliver accelerated deployment, supported by appropriate regulation and policy, targeted research and development, and the infrastructure to carry out full-scale demonstration and validation of new products and services.

[LINK: ORE - call for action on green hydrogen](#)