

Gas

| p/therm | 11 Sep 20 | 18 Sep 20 | Change |
|----------------|-----------|-----------|--------|
| Day-Ahead | 27.35 | 29.80 | 9.0% |
| Oct 2020 | 27.78 | 30.36 | 9.3% |
| Winter 2020/21 | 36.99 | 38.39 | 3.8% |
| Summer 2021 | 32.71 | 33.97 | 3.9% |

The UK's **Day-Ahead gas** rose 9.0% to 29.80/therm with temperatures expected to fall significantly at the start of this week as we head into Autumn.

Day-Ahead power increased slightly, gaining 0.7% to £37.95/MWh as weak renewable generation was forecast for the start of the week.

Winter 2020/21 power prices increased by 1.9% to £51.06/MWh. Carbon continued to pressure power prices across the UK and Europe last week. New carbon targets are expected to be imposed by the EU which is expected to dictate power prices in the coming months. A drop in temperatures is also expected as we head into October providing further support for prices.

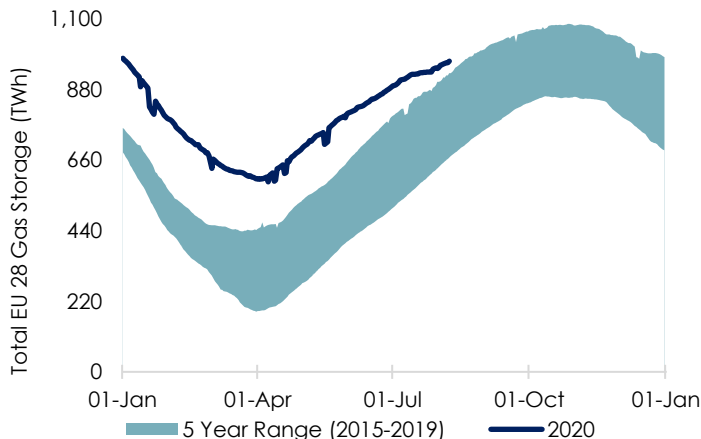
Winter 2020/21 gas gained 3.8%, rising to 38.39p/therm, following increases in coal and oil. Warmer and less windy weather across the UK and Europe last week caused UK demand to inch lower but the fall in demand was offset by higher gas-for-power generation due to weak wind power production, outages and maintenance.

Dutch gas flows via the BBL pipeline halved due to a planned full shutdown for the majority of last week. Gas pipeline imports into Britain were suppressed following maintenance outages at Norway's major Nyhamna and Troll gas fields.

The UK also experienced restrictions at several gas terminals, lowering domestic production. However, UK Continental Shelf gas production is expected to increase this week.

There's little more than a week remains before the start of Winter 20/21 contracts. Temperatures are set to plummet this week so our recommendation for clients with open Winter volume remains to lock this in as soon as possible.

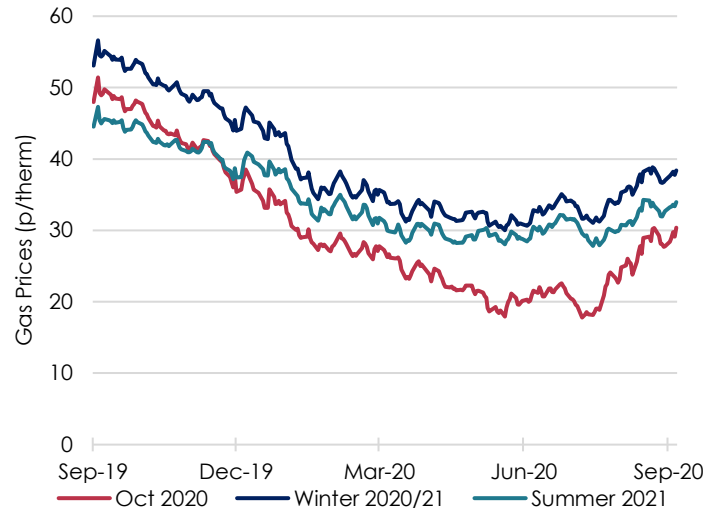
European Gas Storage



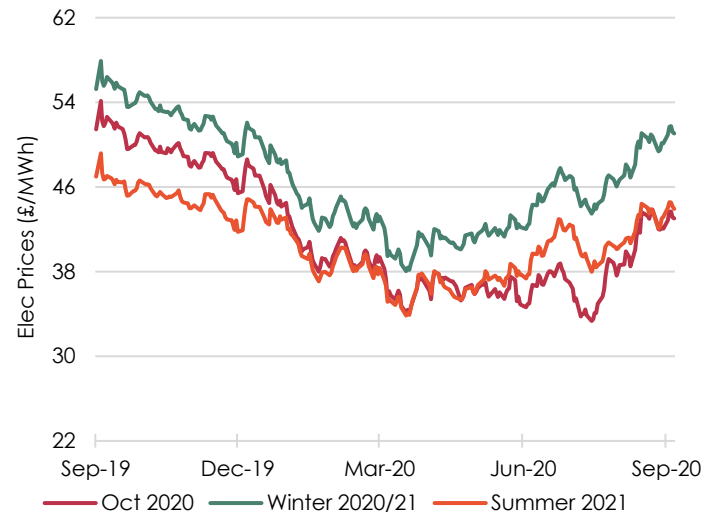
Power

| £/MWh | 11 Sep 20 | 18 Sep 20 | Change |
|----------------|-----------|-----------|--------|
| Day-Ahead | 37.67 | 37.95 | 0.7% |
| Oct 2020 | 42.04 | 43.03 | 2.4% |
| Winter 2020/21 | 50.11 | 51.06 | 1.9% |
| Summer 2021 | 43.17 | 43.94 | 1.8% |

UK Gas



UK Power



Global LNG (Japan v UK v USA)



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Beond Weekly UK Insight

21 September 2020

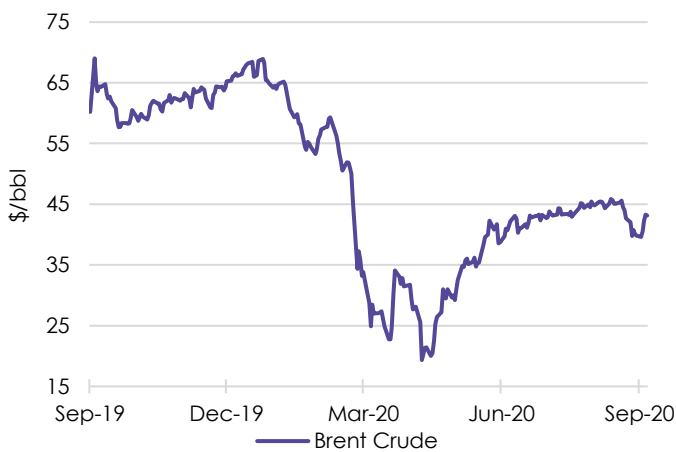
Oil

| \$/bbl | 11 Sep 20 | 18 Sep 20 | Change |
|--------------------|-----------|-----------|--------|
| Brent Crude Nov 20 | 39.83 | 43.15 | 8.3% |

Source: Reuters

Brent crude oil rebounded 8.3% last week, to \$43.15/bbl, as Barclays Commodities Research upped its oil price forecast for the rest of the year. Improved forecasts are thought to be the result of governments efforts to boost economic and commodity demand, that had previously been disrupted by Covid-19.

Oil prices were further raised by Hurricane Sally, which on Wednesday caused the shutdown over 27% of all offshore oil and gas production in the Gulf of Mexico.



Exchange Rates & Economics

| £/\$ | 11 Sep 20 | 18 Sep 20 | Change |
|---------|-----------|-----------|--------|
| GBP/USD | 1.2793 | 1.2915 | 1.0% |

Source: Reuters

The **Pound Sterling** saw a small rise of 1.0% last week following two weeks of price falls. This was largely due to increased Brexit optimism following UK compromises, namely surrounding fisheries.

Politics now outweighs economic forecasts for the GBP/USD exchange as Michel Barnier sees a "glimmer of hope" in negotiations that looked set to implode last week. With US political tensions rising ahead of the presidential elections, the dollar looks set for a boost which could again weigh down on prices.



Carbon

| €/tCO2 | 11 Sep 20 | 18 Sep 20 | Change |
|------------|-----------|-----------|--------|
| EUA Dec Yr | 28.24 | 27.97 | -1.0% |

Source: Reuters

European carbon fell 1.0% to €27.97/tCO2 last week, hitting one-week lows on Friday. This followed a weak auction and the release of the new EU climate goals.

It is thought these new tougher climate goals will result in more renewable energy sources and reduced coal-fired generation, lowering demand for EUAs.



Coal

| \$/tonne | 11 Sep 20 | 18 Sep 20 | Change |
|-----------------|-----------|-----------|--------|
| API2 CIF ARA Yr | 57.00 | 58.25 | 2.2% |

Source: Reuters

European coal prices rose a further 2.2% to \$58.25/tonne following three weeks of strike action at Cerrejon, one of Colombia's largest coal producers.

Stocks across Europe's largest coal terminals remain ≈15% below this time last year as we move towards the Winter.



Regulatory and Market News

Hitachi blames Covid-19 as it pulls out of Wylfa Newydd nuclear project

Hitachi announced on Wednesday that it will be ending business operations on the Horizon nuclear project at Wylfa Newydd in Anglesey, north west Wales. The Japanese conglomerate blamed the global pandemic for a decision that will cast a shadow over the future of UK nuclear policy.

While describing the decision as "disappointing," a UK government spokesperson said it was open to discussing new nuclear projects with any viable companies and investors that are willing to develop sites in the UK, including in North Wales.

"Nuclear power will play a key role in the UK's future energy mix as we transition to a low-carbon economy, including through our investments in small and advanced modular reactors," they added.

The National Infrastructure Commission (NIC) reiterated its two-year-old advice only last month: "The government should take a one-by-one approach to nuclear and not agree to more than one new nuclear plant, in addition to Hinkley Point C, before 2025."

It is not the NIC's job to pick which plant to build, but the general consensus is that the intended Hinkley replica at Sizewell C in Suffolk is first in line.

[LINK: FT - Hitachi withdraws from Wylfa nuclear](#)

Tesla enters UK flex market as National Grid upgrades balancing mechanism tech

Tesla has become the first party to trade flexible power in the balancing mechanism (BM) using National Grid's new control room API.

The electric carmaker, equipped with a new electricity generation licence and its recently launched autobidder platform, bid the 7.5MW Holes Bay battery storage plant into the BM, National Grid main market for balancing supply and demand close to real time.

In launching the new API, National Grid ESO aims to make it easier for smaller assets such as batteries and small distributed generators to bid into the BM. By bringing in more providers, the idea is that competition will deliver better value to bill payers.

Since rule changes kicked in last year, generators and aggregated loads as low as 1MW can bid into the BM. Wider access arrangements developed by Elexon and the ESO have also made it less onerous for aggregators to bring their portfolios into play, though it remains "hard work and quite slow" to become a virtual lead party, or VLP, according to some that have taken that route.

[LINK: Energyst - Tesla enters UK balancing market](#)

Renewables players call for ambitious CfD4 pot structure to be published later this year

Energy and Clean Growth Minister Kwasi Kwarteng told the Commons Environmental Audit Committee that the government's proposals for future Contracts for Difference (CfD) auction round pot structures will be published "later this year".

The final pot-structure and size of the auction are still unknown, but industry figures told EEEGR's SNS2020 conference that a well designed round will set the UK on course to meet its 2050 net zero emissions target.

Renewables trade associations and experts have called on the UK Government to supersize next year's CfD4 auction to ensure different technologies can compete against each other successfully.

"Removing a capacity cap or maximising the size of the round is probably the easiest 'win' within the current policy framework that the government has to maximise the deployment of offshore wind," RUK's chief economist Marina Valls (pictured) told delegates.

Offshore wind has secured the majority of capacity on offer at the past two auction rounds, landing 5.5GW of a 5.8GW total at last year's CfD3 and 3.2GW of 3.3GW awarded in 2018's CfD2.

[LINK: BEIS - CfD4 pot structure announcement](#)

Within-day power prices soar as National Grid issues capacity market notice

Within day power prices today soared above £300/MWh within minutes of National Grid issuing a Capacity Market Notice last Tuesday.

At around 1pm, the National Grid said the system looked set to be short of capacity from 5.30pm. However, an hour later, the notice was cancelled.

The notice instructs generators to be ready to meet that shortfall so that the ESO can comfortably keep the lights on. The alerts system is automated, with notices cancelled as soon as the required capacity buffer is achieved.

However, coming on a warm September day, the warning illustrates the increasing challenge of running the grid, given the ESO in recent months has been paying generators to stop exporting power to the grid and this summer sought emergency powers to disconnect distributed generation due to very low demand on the transmission system.

Meanwhile flexible generators and traders able to react to the notice stood to enjoy a profitable Tuesday.

[LINK: National Grid - Capacity Market Notices](#)