

Gas

p/therm	18 Sep 20	25 Sep 20	Change
Day-Ahead	29.80	32.00	7.4%
Oct 2020	30.36	31.91	5.1%
Winter 2020/21	38.39	38.60	0.6%
Summer 2021	33.97	33.75	-0.7%

The UK's **Day-Ahead gas** rose 7.4% to 32.00p/therm as temperatures dropped across the UK returning to seasonal norms and increasing gas demand.

Day-Ahead power fell 9.4% to £34.39/MWh as the UK experienced high wind levels throughout the week boosting renewable generation.

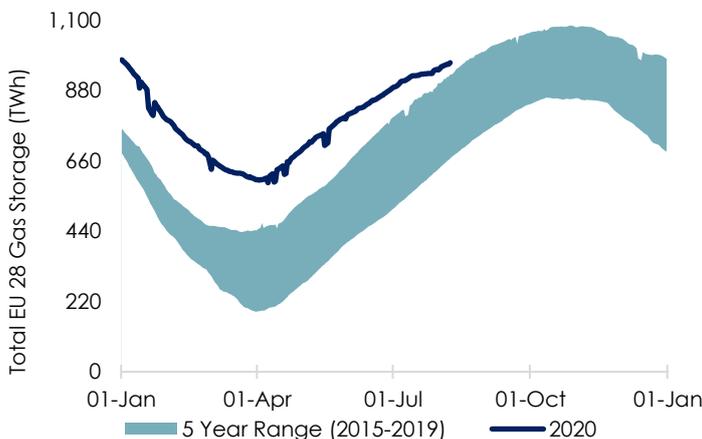
Winter 2020/21 gas rose marginally by 0.6% this week, rising to 38.60p/therm, reflecting lower temperature forecasts. Despite an oversupplied system gas prices gained slightly on expectations of lower supply due to ongoing maintenance and rising demand as we head into October and temperatures are expected to fall.

Winter 2020/21 power prices fell by 0.8% to £50.65/MWh in slight contrast to gas prices. A fall in carbon prices provided bearish pressure for both power and gas contracts however this was offset by maintenance impacting supply for gas.

The UK gas system was much tighter this week, with an increase in LDZ consumption of around 23mcm/d as temperatures fell. Bullish gas sentiment this week was also due to the scheduled maintenance at Karsto, a Norwegian field planned until 2nd October. Total Norwegian exports also continue to be lower due to maintenances at Gullfaks and Asgard that are expected to continue until the end of October.

With less than a week remaining before the start of Winter 20/21 contracts. Our recommendation for clients with open Winter volume remains to lock this in as soon as possible.

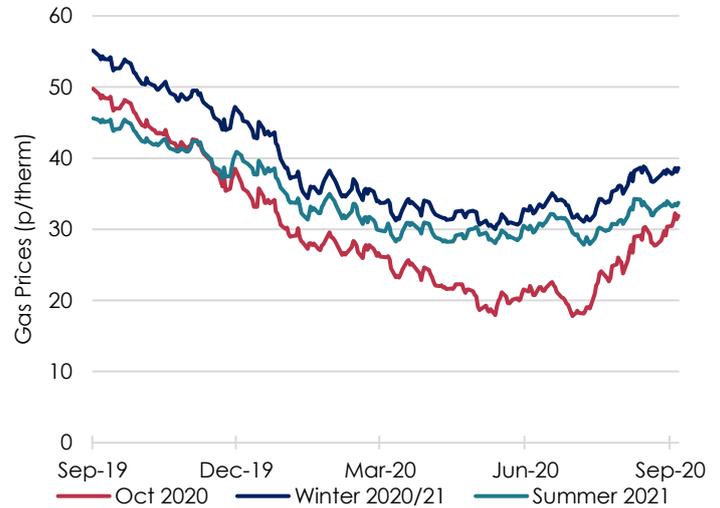
European Gas Storage



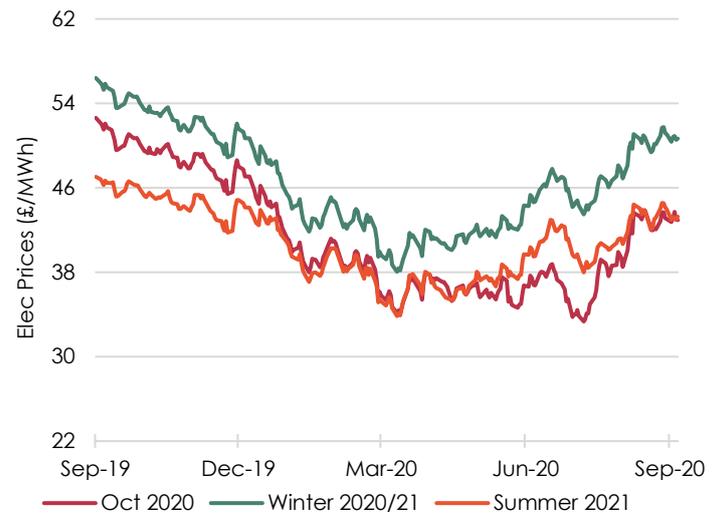
Power

£/MWh	18 Sep 20	25 Sep 20	Change
Day-Ahead	37.95	34.39	-9.4%
Oct 2020	43.03	42.92	-0.3%
Winter 2020/21	51.06	50.65	-0.8%
Summer 2021	43.94	43.25	-1.6%

UK Gas



UK Power



Global LNG (Japan v UK v USA)



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Beond Weekly UK Insight

28 September 2020

Oil

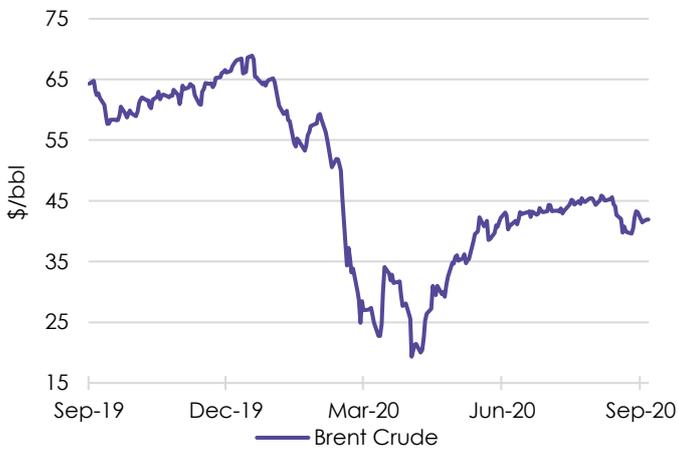
\$/bbl	18 Sep 20	25 Sep 20	Change
Brent Crude Nov 20	43.15	41.92	-2.9%

Source: Reuters

Brent crude oil fell 2.9% last week to \$41.92/bbl and is on track to suffer its first monthly loss in six, as global increases in Covid-19 threaten demand recovery.

Russian Energy Minister, Alexander Novak, has warned while oil markets have stabilised recently the impact of Covid-19 on supply and demand remains uncertain.

Elsewhere, workers in Norway are threatening to strike this Friday over pay conditions in a move which could reduce output by 900,000 barrels of oil equivalent per day.



Exchange Rates & Economics

£/\$	18 Sep 20	25 Sep 20	Change
GBP/USD	1.2915	1.2745	-1.3%

Source: Reuters

The **Pound Sterling** fell a further 1.3% last week despite optimism previously. The glimmer of Brexit optimism has once again been outweighed by Covid-19 lockdowns and the risk-avoidant resurgence of the US dollar as the economic impact of Covid-19 continues to grow.

Moving forwards, the continued rise in UK Covid-19 cases and acrimonious Brexit talks are acting as long-term weights on the Pound with no quick solution. Even Chancellor of the Exchequer Rishi Sunak told reporters that the Bank of England's predictions for the UK economy "don't make for good reading".



Carbon

€/tCO2	18 Sep 20	25 Sep 20	Change
EUA Dec Yr	27.97	26.15	-6.5%

Source: Reuters

European carbon fell 6.5% to €26.17/tCO2 last week, on the back of another weak auction round.

This comes despite Morgan Stanley raising its forecasts for EU carbon prices by 55% over the next 5 years in response to new climate plans by the European Commission.



Coal

\$/tonne	18 Sep 20	25 Sep 20	Change
API2 CIF ARA Yr	58.25	59.75	2.6%

Source: Reuters

European coal prices rose a further 2.6% to \$59.75/tonne as supply concerns and increased demand continued to support the prices.

Technical analysts still believe the outlook appears bullish for coal with major Colombian coal strikes threatening supply moving further into Winter.



Regulatory and Market News

UK opens consultation on Green Gas Levy to support biomethane

The UK government has opened a public consultation that aims to scale up the production of renewable natural gas, also referred to as biomethane or 'green gas', for use in heating applications.

According to Department for Business, Energy and Industrial Strategy (BEIS), heating homes, businesses and industry is responsible for one-third of the UK's greenhouse gas (GHG) emissions. Decarbonizing heat is one of the biggest challenges the country will face in meeting its net zero target by 2050.

The new consultation focuses on the UK's Green Gas Levy, which was announced in the March 2020 budget, and will fund support for biomethane injection into the gas grid through the new Green Gas Support Scheme. According to the consultation, both the Green Gas Support Scheme and the Green Gas Levy are expected to launch in fall 2021. The Green Gas Levy would first be collected in April 2022.

The consultation on the Green Gas Levy sets out proposals for the new levy to be placed on licensed gas suppliers to fund biomethane injection into the UK gas grid through the Green Gas Support Scheme.

Under the proposal, the levy costs would be split across suppliers based on the number of meter points that they serve, with each meter point incurring the same charge regardless of gas consumption or meter type. Payments would be made quarterly. The BEIS said the government plans to transition to a volumetric levy in 2024-'25, or as soon as possible thereafter.

The impact of the levy on consumer bills is expected to be relatively small, estimated to be at around £1.4 per year initially and rising to approximately £6.90 per year by 2028. That cost would equate to approximately 1% of the expected average household gas bill in 2028.

The UK Renewable Energy Association has spoken out in support of the initiative. "The REA welcomes today's announcement about this key consultation, as the Green Gas Levy will be the funding mechanism that enables more biomethane plants to be built under the future Green Gas Support Scheme, and more biomethane to be injected into the gas grid," said Frank Gordon, head of policy at the REA.

"Decarbonizing the UK's extensive grid with biomethane – from AD and thermal gasification – is vital to achieving net zero, as well as to delivering wider benefits to farming, industry and the waste sectors."

[LINK: BEIS - Green Gas Levy Proposals](#)

Renewables 'secure 44% share of UK energy mix' in Q2-2020

The share of the UK's electricity generated from renewables was 44.6% in Q2-2020.

That's according to recent figures from the Department for Business, Energy and Industrial Strategy (BEIS), which suggest this is the second-highest share on the published data series.

Findings also reveal there was a decrease in the share of energy generation coming from fossil fuels to 35.1% between April and June – this is the second time that the share of generation from renewables exceeded the share of generation from fossil fuels.

Figures also suggest coal generation fell to record low levels, as a result of the 67-day coal-free period in the UK between March and June, which is considered to be the longest since the 19th century.

Low carbon electricity accounted for 62.1% of electricity generated, 9.3% higher than in the same period last year, according to the data.

This increase is attributed to the increase in share for renewables, as the share of generation from nuclear was similar in both years.

[LINK: BEIS - Q2-2020 fuel mix stats](#)

UK plans to bring forward ban on fossil fuel vehicles to 2030

The UK is poised to bring forward its ban on new fossil fuel vehicles from 2040 to 2030 to help speed up the rollout of electric vehicles across British roads.

Prime Minister Boris Johnson is expected to accelerate the shift to electric vehicles this autumn with the announcement, one of a string of new clean energy policies to help trigger a green economic recovery from the Covid-19 pandemic.

The Government has previously consulted on plans to bring forward the deadline on sales of new polluting vehicles from 2040 to 2035. It is now expected to take a more ambitious stance following assurances that the UK's infrastructure will be ready to cope with the shift to electric cars.

The decision to end the sales of new petrol and diesel vehicles by 2030 would put the UK ahead of France, which has a 2040 ban in the pipeline, and in line with Germany, Ireland and the Netherlands. Norway will bring in a ban in 2025.

[LINK: The Guardian - Fossil fuel car ban 2030](#)