Beond Weekly UK Insight

5 October 2020

Gas

p/therm	25 Sep 20	2 Oct 20	Change
Day-Ahead	32.00	34.50	7.8%
Nov 2020	36.95	36.25	-1.9%
Summer 2021	33.75	32.46	-3.8%
Winter 2021/22	43.50	41.64	-4.3%

Power

£/MWh	25 Sep 20	2 Oct 20	Change
Day-Ahead	34.39	40.81	18.7%
Nov 2020	52.79	49.79	-5.7%
Summer 2021	43.25	42.50	-1.7%
Winter 2021/22	50.41	49.00	-2.8%

The UK's **Day-Ahead gas** rose 7.8% to 34.50p/therm as prices were pushed up by colder weather and lower Norwegian supply to Europe.

Day-Ahead power rebounded 18.7% to £40.81/MWh as the UK became widely covered by areas of low-pressure weather, hindering solar generation.

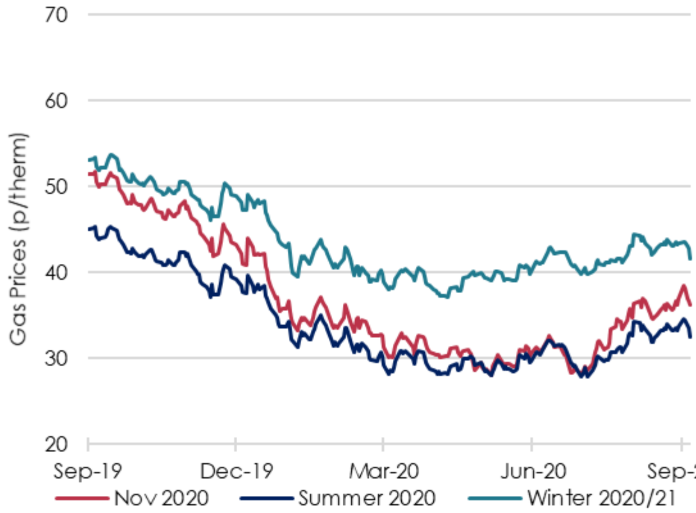
Winter 2021/22 gas fell by 4.3% this week, falling to 41.64p/therm. The main drivers of this are strong storage levels in Europe and Ukraine in particular, paired with uncertainty over COVID-19 and the potential restrictions on economic activity a second wave may bring.

Winter 2021/22 power prices fell by 2.8 % to £49.00/MWh mirroring the movement in gas, as an increase in the price of carbon along with uncertainty over the potential effects of Covid-19 this winter weighed on prices.

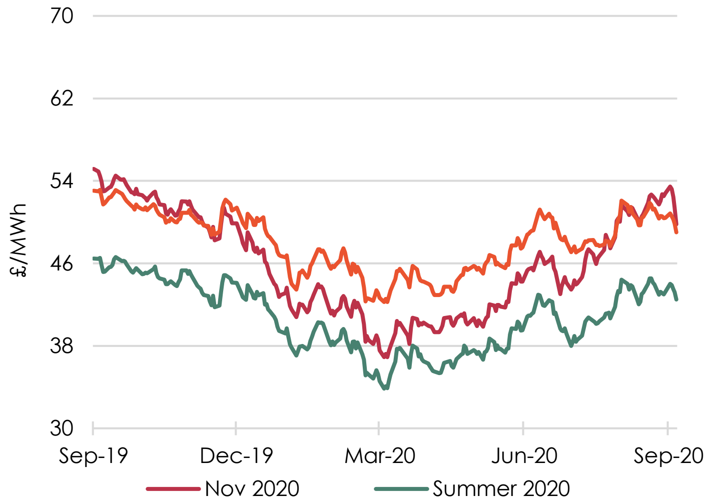
The UK gas system remains tight this week, opening undersupplied due to reduced Norwegian imports, adjusted lower by 11mcm/d. In addition to this, strikes planned by Norway's Lederne union are due to start today after wage talks failed. It is expected some gas fields may have to increase output to compensate.

For businesses not renewing until early-2021, October may be the last opportunity to lock in contracts while energy prices remain low. If your contracts are not renewing until Oct-2021, there may be another opportunity for you during summer 2021. But it may be a good idea to lock in any earlier renewals as soon as possible before winter temperatures arrive.

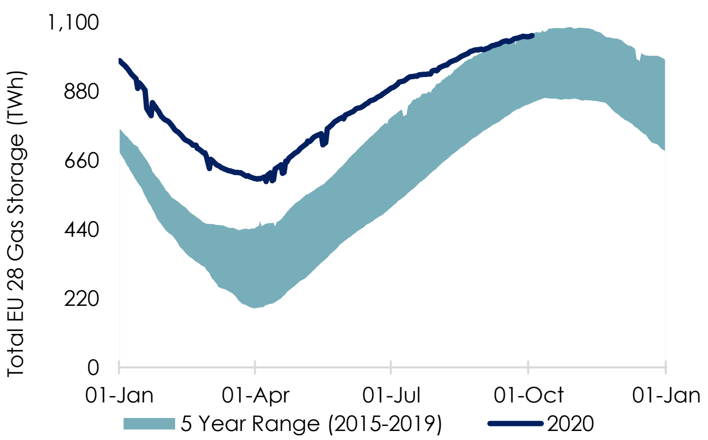
UK Gas



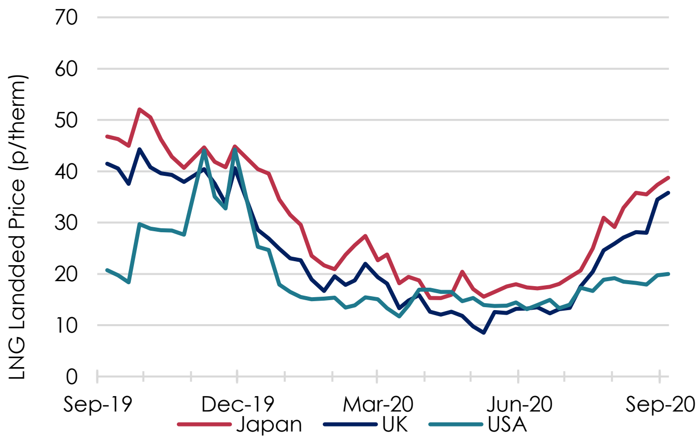
UK Power



European Gas Storage



Global LNG (Japan v UK v USA)



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Rewarding Climate Action

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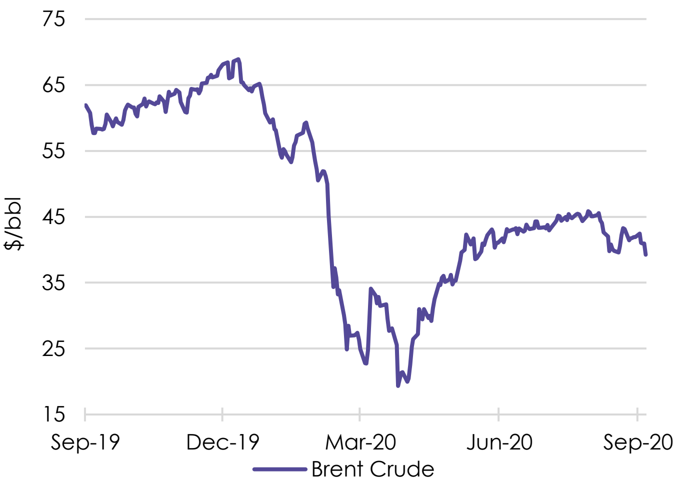
Oil

$/bbl	25 Sep 20	2 Oct 20	Change
Brent Crude Dec 20	41.92	39.27	-6.3%

Source: Reuters

Brent crude oil fell a further 6.3% last week to $39.27/bbl as production continues to grow. Both supply and demand factors have weighed on prices this week. On the supply side, Libyan crude oil production continues to increase following the cessation of blockades ordered by the Libyan National Army head Khalifa Haftar in January.

On the demand side, major concerns grew surrounding the potential stalling of President Trump's US fiscal stimulus plan when he was diagnosed with Covid-19 at the end of last week.



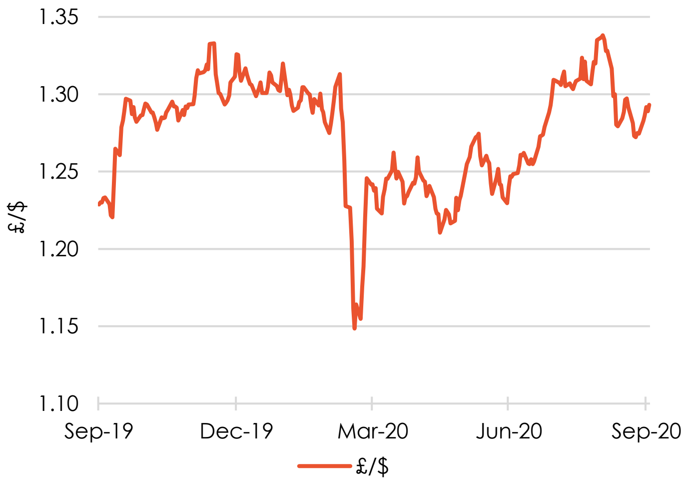
Exchange Rates & Economics

£/$	25 Sep 20	2 Oct 20	Change
GBP/USD	1.2745	1.2931	1.5%

Source: Reuters

The **Pound Sterling** gained 1.5% last week. This was mostly driven by optimism on Brexit talks in the UK and pessimism on fiscal talks in the US.

On Thursday, the President of the European Commission, announced the EU is taking legal action against the U.K. in response to the Internal Markets Bill that knowingly violated the Brexit divorce deal. However, there was a further announcement that Britain's Prime Minister was to have a phone call with the President on Saturday, boosting hopes of a resolution.



Carbon

€/tCO2	25 Sep 20	2 Oct 20	Change
EUA Dec 2019	26.15	27.01	3.3%

Source: Reuters

European carbon increased by 3.3% to €27.01/tCO2 last week, following a series of price drops over the last couple of weeks.

The main supporters to carbon prices this week were increasing demand for oil and positive equity markets, which bolstered prices last week.

Coal

$/tonne	25 Sep 20	2 Oct 20	Change
API2 CIF ARA 2019	59.75	58.60	-1.9%

Source: Reuters

European coal prices fell 1.9% to $58.60/tonne following the decline in oil prices this week that dragged down Gas prices and in turn coal prices. Very low gas prices provided bearish sentiment to coal prices globally.

Regulatory and Market News

Ofgem confirms that seven suppliers owe £34m in RO and FiT payments

Ofgem has ordered seven energy suppliers to pay £34 million they owe in Renewables Obligations (RO) and Feed-in Tariff (FiT) scheme levelisation payments.

Under the governments' RO scheme, suppliers have to demonstrate they have sourced sufficient electricity from renewable sources to meet their obligations by presenting Renewables Obligation Certificates (ROCs) to Ofgem by 1st September.

Levelisation payment is a scheme that provides payments to owners of small renewable generators and is funded through levies on suppliers.

The seven suppliers are Co-Operative Energy, Flow Energy, MA Energy, Nabuh Energy, Robin Hood Energy, Symbio Energy and Tonik Energy.

If the final orders are confirmed later this month, the seven suppliers will be compelled to pay into the buy-out fund by 31st October 2020. Ofgem also warns if these suppliers do not pay they may be at risk of losing their licences.

Cathryn Scott, Ofgem's Director of Enforcement and Emerging Issues, said: "Supplier failure to comply with these schemes and make the payments due undermines the integrity of the schemes and is unacceptable."

LINK: Ofgem - Suppliers owe £34m in RO & FiT payments

CMA tells water companies 'manage your energy bills' as it rejects option to recoup extra costs from customers

A decision by the Competition and Markets Authority (CMA) will force major energy buyers in the water sector to take a more active approach to managing their energy costs.

Energy represents 9% of water company costs and, according to Veolia, the sector is responsible for 1% of the UK's carbon dioxide emissions.

Ofwat had said in its determination that, among other options, companies could use fixed energy tariffs to minimise their exposure to price fluctuations, or reduce energy costs through increased energy generation, production of biofuels, using energy during off-peak times and improving efficiency.

The CMA's provisional decision will send the companies back to these options as they will have to manage their energy costs more actively and continue to find new ways of reducing their energy bills.

LINK: CMA - Water suppliers not managing bills

Ørsted agrees to sell business customer portfolio to Total Gas and Power

Ørsted has agreed to divest its business-to-business (B2B) portfolio of natural gas and power customers to Total Gas and Power.

The move comes as the Danish energy giant works to shrink its downstream operations and focus on building, owning and operating renewable generation assets – it involves the move of around 3,800 natural gas customers and 2,200 power customers, making up a contracted volume of 28TWh.

Following the transaction, which is expected to close during winter 2020/21, Ørsted will maintain a number of strategic long-term partners and customers, to which it supplies risk management products.

Ashley Phillips, Managing Director of Ørsted Sales UK, said; "We're pleased to have signed this agreement and that Ørsted has found a new home for our B2B natural gas and power customers in the UK. The divestment is in line with Ørsted's strategic plan, refocusing on key activities for the group in the future."

Dave Cranfield, General Manager of Total Gas & Power, added: "We are delighted to have signed this agreement with Ørsted. It demonstrates our commitment to UK energy customers and the British energy market.

LINK: TOTAL - TGP acquires Orsted B2B portfolio

Government launches public sector decarbonisation scheme, delivered by Salix

The Government has launched a Public Sector Decarbonisation Scheme to be delivered by Salix. The scheme will offer £1bn of funding to encourage green investment, supporting the Government's Net Zero and clean growth goals.

The scheme will be available for capital energy efficiency and heat decarbonisation projects within public sector non-domestic buildings, including central government departments and arm's-length bodies in England, and will deliver the following objectives:

- Deliver stimulus to the energy efficiency and heat decarbonisation sectors, supporting jobs.
- Deliver significant carbon savings within the public sector.

The scheme allows public sector bodies including eligible central government departments and their arm's-length bodies to apply for a grant to finance up to 100% of the costs of capital energy-saving projects that meet the scheme criteria.

LINK: Salix - Public sector low carbon scheme