

Gas

p/therm	2 Oct 20	9 Oct 20	Change
Day-Ahead	34.50	38.40	11.3%
Nov 2020	36.25	38.30	5.7%
Summer 2021	32.46	34.57	6.5%
Winter 2021/22	41.64	43.30	4.0%

The UK's **Day-Ahead gas** rose 11.3% to 38.40p/therm amid the fear of continued strikes restricting production at Norwegian fields and potential cold weather increasing heating demand.

Day-Ahead power rose by 1.7% to £41.49/MWh as low-pressure weather continues to persist over much of the UK, creating unsettled weather conditions and hindering solar generation. UK power demand could fall following Boris Johnson's expected address on Monday evening as hospitality venues may be forced to close in parts of England as COVID-19 cases continue to rise.

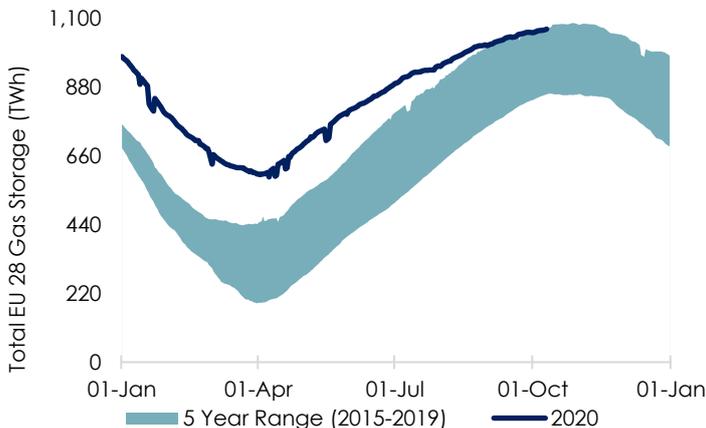
Summer 2021 gas rebounded 6.5% this week, rising to 34.57p/therm due to lower supply, as UKCS and Norwegian gas production is forecasted lower, and increased regulation reduces Dutch production.

Summer 2021 power prices rose by 3.2% to £43.88/MWh following the movement in gas, as carbon prices fell almost 5%.

The UK gas system opened 8 mcm/d oversupplied this week as Norwegian gas flows to Europe have risen following the end of strikes which had reduced flows for 10 days. Maintenance at Norway's Karsto is also scheduled to end early this week.

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.

European Gas Storage



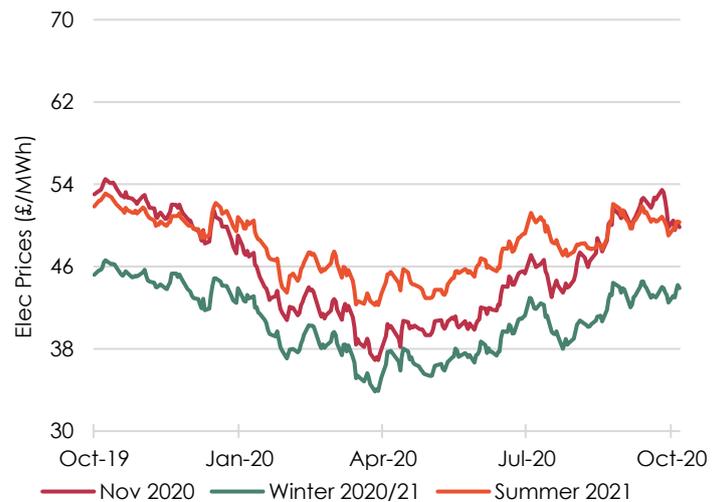
Power

£/MWh	2 Oct 20	9 Oct 20	Change
Day-Ahead	40.81	41.49	1.7%
Nov 2020	49.79	49.83	0.1%
Summer 2021	42.50	43.88	3.2%
Winter 2021/22	49.00	50.33	2.7%

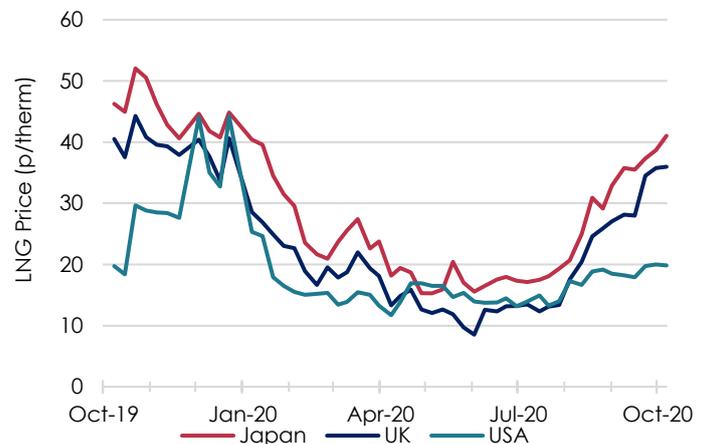
UK Gas



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

13 October 2020

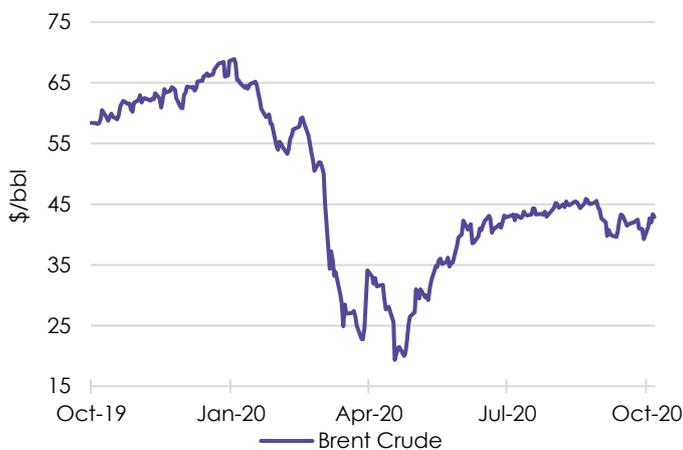
Oil

\$/bbl	2 Oct 20	9 Oct 20	Change
Brent Crude Dec 20	39.27	42.85	9.1%

Source: Reuters

Brent crude oil gained a 9.1% last week to \$42.85/bbl. The biggest weekly gain since June. Prices were bullish this week as Hurricane Delta forced US energy firms to cut 92% of production in the US Gulf of Mexico. Meanwhile, a strike of offshore Norwegian workers continued causing a simultaneous production cut in the North Sea.

However, prices are expected to fall further this week as Gulf of Mexico output recovers.



Exchange Rates & Economics

£/\$	2 Oct 20	9 Oct 20	Change
GBP/USD	1.2931	1.3046	0.9%

Source: Reuters

The **Pound Sterling** gained 0.9% last week reaching a five-week high on Friday as Boris Johnson began speaking directly to bloc leaders, asking the German Chancellor to help ease the tension of a hard Brexit.

The US Dollar remains pressured due to ongoing negotiations over the long-awaited American Aid package. However, fears of a no-deal Brexit and the economic burden of Covid-19 in the UK limited Sterling's gains.



Carbon

€/tCO2	2 Oct 20	9 Oct 20	Change
EUA Dec Yr	27.01	25.71	-4.8%

Source: Reuters

European carbon fell by 4.8% to €25.71/tCO2 last week reaching a seven-week low as heavy auction supply and worries about new government coronavirus restrictions reduced European demand forecasts.

The UK chancellor is seeking to replace existing EU carbon-reduction schemes with the new tax when the transition period finishes at the end of the year.



Coal

\$/tonne	2 Oct 20	9 Oct 20	Change
API2 CIF ARA Yr	58.60	59.75	2.0%

Source: Reuters

European coal prices rose a further 2.0% to \$59.75/tonne continuing the trend seen over the last few weeks.

According to Morgan Stanley, the main driver for coal's rally has been an increase in short-term buying from the Chinese who have import quota left or have been awarded fresh clearance permission.



Regulatory and Market News

Prime Minister Boris Johnson unveils new clean energy commitments and CfD news

Prime Minister Boris Johnson has set out new energy policy commitments in a speech at last week's Conservative Party Conference. Johnson set out the Government's 'Build Back Greener' plans, confirming the 2019 Conservative manifesto commitment to increase the offshore wind capacity target to 40GW by 2030. Additionally, he announced a new target of 1GW of floating offshore wind by 2030.

The PM also announced the setting of a target to "support up to double the capacity of renewable energy" in the next Contracts for Difference auction (Allocation Round 4), "which will open in late 2021".

To support these targets, he announced £160 million will be made available to upgrade ports and infrastructure across Northern England, Scotland and Wales to increase offshore wind capacity.

The Government said these commitments represent the first stage outlined as part of the PM's "ten-point plan for a green industrial revolution, which will be set out fully later this year".

Trade bodies in the renewables industry appeared to welcome the news, agreeing that the plans could represent a major advance in the UK's transition to Net Zero.

[LINK: BEIS - UK 'Build Back Greener'](#)

Tonik Energy ceases trading with Scottish Power announces as new supplier for its customers

Britain's energy regulator Ofgem said on Friday it has appointed gas and electricity company Scottish Power to take on supplying defunct firm Tonik Energy's 130,000 domestic customers from Saturday.

Ofgem said that supplies would continue as normal as the switch to Scottish Power takes place, with all outstanding credit balances, including money owed to both current and former domestic customers of Tonik, to be honoured.

Current and former customers who are in debit to Tonik Energy should wait to hear from ScottishPower or Tonik Energy's administrators who will talk to them about repayment arrangements.

Ofgem's advice to Tonik Energy's customers is not to switch, but to sit tight and wait until Scottish Power has been in touch. This will help make sure that the process of handing customers over to Scottish Power and honouring any credit balances, is as hassle free for customers as possible.

[LINK: Reuters - Tonik Energy goes bust](#)

EU Parliament votes to reduce emissions by 60% by 2030

The European Parliament has voted in favour of all Member States becoming climate neutral by 2050, with ambitious 2030 and 2040 emissions reduction targets.

In the vote on Wednesday, MEPs called for a reduction of 60% in 2030, adding that national targets shall be increased in a cost-efficient and fair way. The EU's current emissions reductions target for 2030 is 40% compared to 1990. The Commission recently proposed to increase this target to "at least 55%" in the amended proposal for an EU climate law.

The UK's own target for 2030 is already to reduce carbon emissions by 57%, compared to 1990 levels.

To meet the UK's 2050 climate change target (to reduce emissions by at least 80% by 2050, emissions from buildings will need to be near zero, coupled with action on industrial processes. This requires improving energy efficiency and energy management, and decarbonising nearly all heating and cooling of buildings.

To achieve this, the UK is taking a range of actions including addressing barriers to energy efficiency and low carbon investment, such as supporting organisations to access finance.

[LINK: EU Parliament - Emissions target 60% by 2030](#)

UKERC: current heat pump deployment rate would take 700 years for net zero

The UK Energy Research Centre (UKERC) has calculated that, ignoring new homes, at the current rate of heat pump deployment, it would take more than 700 years to reach the 19 million heat pumps the Committee on Climate Change (CCC) suggests are needed to meet net zero goals.

In The pathway to net zero heating in the UK, published in September, found that current progress on heat decarbonisation is not commensurate with the rate of change required for net zero by 2050.

A combination of energy efficiency, heat pumps and district heating is the least-cost technology pathway for heat decarbonisation in the next 10 years.

However, it is extremely unlikely heat decarbonisation will be achieved without significant policy interventions. Fundamentally, the speed and scale of the required heat transformation means that relying on consumer led schemes such as the RHI and the planned Clean Heat Grant, are not sufficient.

[LINK: UKERC - Pathway to net zero heating in the UK](#)