

Beond Weekly UK Insight

16 November 2020

Gas

p/therm	6 Nov 20	13 Nov 20	Change
Day-Ahead	36.30	38.00	4.7%
Dec 2020	39.98	40.27	0.7%
Summer 2021	33.77	34.22	1.3%
Winter 2021/22	41.69	42.32	1.5%

Source: ICE

The UK's **Day-Ahead gas** rose by a further 4.7% to 38.00 p/therm, as temperatures continues to cool increasing heating demand.

Day-Ahead power fell by 3.6% to £42.26/MWh following healthy electricity supply from wind generation throughout last week.

December 2020 power has seen a small price fall of 1.2%, following news of the IFA2 power link between France and the UK increasing potential transfer of electricity from 2GW to 3GW, increasing the UK's supply.

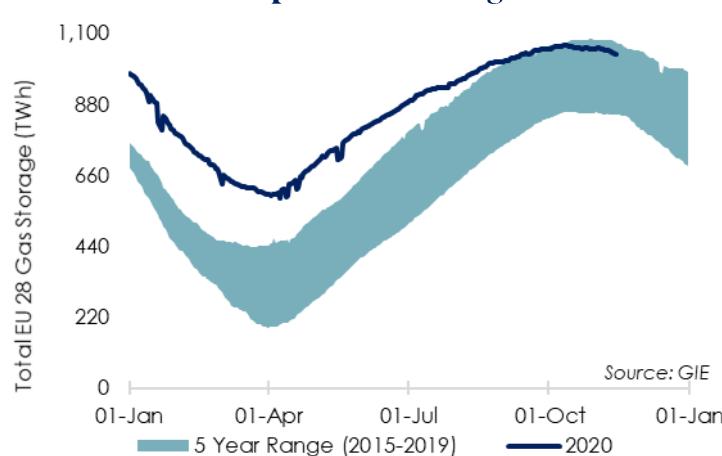
December 2020 gas saw a marginal rise of 0.7% to 40.27 p/therm as LNG supply fell back in line with high UK gas storage, which sits at 96.5% of full capacity.

Summer 2021 gas increased by 1.3% this week, to 34.22 p/therm as, previously mild seasonal temperatures are drifting towards norms.

More significantly for forward gas contracts, increases in the likelihood of a 'La Niña' event look to bring heavy rains to the Australasian and South-east Asian regions. In 2012 this led to both major surges in Chinese coal demand and widespread coal disruption due to Australian and Indonesian mines flooding. This would see increased demand for gas as a coal substitute. The US oceanic and atmospheric administration (NOAA) place the current likelihood of a 'La Niña' event at 65%.

Gas and Electricity contracts have risen since lockdown driven falls last week. It is likely that average prices will continue to rise as we move further into Winter, therefore the recommendation remains to lock-in now or, if possible, wait until Summer 21.

European Gas Storage



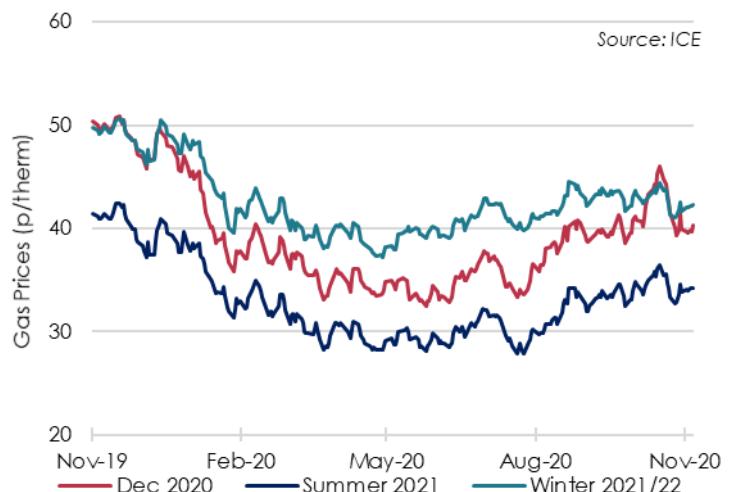
Source: GIE

Power

£/MWh	6 Nov 20	13 Nov 20	Change
Day-Ahead	43.84	42.26	-3.6%
Dec 2020	46.98	46.41	-1.2%
Summer 2021	42.96	43.31	0.8%
Winter 2021/22	48.82	49.21	0.8%

Source: ICE

UK Gas



Source: ICE

Nov-19 Feb-20 May-20 Aug-20 Nov-20

Dec 2020 Summer 2021 Winter 2021/22

UK Power



Source: ICE

Nov-19 Feb-20 May-20 Aug-20 Nov-20

Dec 2020 Summer 2021 Winter 2021/22

Global LNG (Japan v UK v USA)



Source: Refinitiv

Nov-19 Feb-20 May-20 Aug-20 Nov-20

Japan UK USA

Beond

Building 11, Chiswick Business Park
566 Chiswick High Rd,
London, W4 5YS

T: +44 208 634 7533

E: strategicclients@beondgroup.com

W: www.beondgroup.com

Rewarding
Climate Action

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Oil

\$/bbl	6 Nov 20	13 Nov 20	Change
Brent Crude Jan 21	39.45	42.78	8.4%

Source: Reuters

Brent crude oil rose 8.4% last week to \$42.78/bbl. Brent surged on Monday, the biggest daily gain in five months. Pfizer announced promising results for its Covid-19 vaccine whilst a new OPEC output deal fuelling optimism over rebounding demand.

However, a surge in coronavirus cases increased fears the recovery of the global economy and fuel demand is likely to be slower than the news of a vaccine gave hope to. Additionally, a rise in oil output from Libya and the U.S. provided further bearish pressure.



Exchange Rates & Economics

£/\$	6 Nov 20	13 Nov 20	Change
GBP/USD	1.3156	1.3186	0.2%

Source: Reuters

The **Pound Sterling** remained largely unchanged week-on-week, rising 0.2%. Last week saw exchange rates reach two-month highs, supported by news that progress was being made in the development of a Covid vaccine. As Brexit talks resume this week, further exchange rate volatility is expected.

In other news, figures from the Office for National Statistics showed UK GDP grew by 15.5% in Q3, the largest growth on record. Despite this, the UK's economy is still over 8% smaller than pre-Covid levels.



Carbon

€/tCO2	6 Nov 20	13 Nov 20	Change
EUA Dec Yr	25.42	26.28	3.4%

Source: Reuters

European carbon rose 3.4% last week, following the news that a COVID-19 vaccine being developed was more than 90% effective raising hopes that global economic recovery could be sooner than expected.

Prices fell later in the week in response to a low volume EUA auction, milder than normal weather and improved French nuclear capacity limiting demand.



Coal

\$/tonne	6 Nov 20	13 Nov 20	Change
API2 CIF ARA Yr	54.60	57.05	4.5%

Source: Reuters

European coal prices rebounded 4.5% last week as Glencore Plc, the largest coal shipper in the world, cut production targets amid supply concerns caused by the ongoing strike at Colombia's Cerrejon coal mine.

The strike, which began at the end of August and has been ongoing for over 70 days, focuses on disagreements over pay, health, and other benefits.



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Regulatory and Market News

UK set to ban sale of new petrol and diesel cars from 2030

Prime Minister Boris Johnson is expected to announce that the sale of new petrol and diesel cars will be banned by 2030 this week as part of a broader package of green initiatives.

In February the prime minister said he was bringing forward a ban on the sale of new petrol and diesel cars from 2040 to 2035.

Now Mr Johnson is expected to move the date to 2030 in an attempt to jump-start the market for electric cars in the UK and propel the country towards its goal of net zero emissions by 2050, according to government and industry insiders.

However, ministers are expected to keep the less stringent date of 2035 for an end to the sale of hybrid cars that are powered by electric batteries as well as traditional motors.

While electric car sales are rising strongly, they were still below 7% of all new vehicles bought across the UK last month, according to trade body the Society of Motor Manufacturers and Traders.

The car industry has long argued that significant funding for infrastructure is required to help convince motorists to switch to electric cars, which are currently more expensive than petrol or diesel vehicles.

Some £500m of government funding for charging infrastructure is due to be rolled out from next year. The money will help finance new grid connections to allow remote facilities such as motorway service stations to install more fast charging points.

Mr Johnson is preparing to make an announcement this week setting out his vision for switching to a low-carbon economy.

It is expected to feature pledges on increased use of offshore wind for electricity generation, and technologies to capture and store carbon dioxide and deploy hydrogen as a power source.

Mr Johnson is also set to give the go-ahead to new nuclear power stations, notably at Sizewell in Suffolk, and provide funding for small modular reactors.

Mr Johnson is keen to burnish Britain's green credentials ahead of next year's UN Cop26 international climate summit in Glasgow. His predecessor Theresa May committed the UK to achieving net zero emissions by 2050.

[LINK: FT - 2030 ban on petrol cars](#)

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EU-UK trade talks: 'Make or break' moment approaching, say both sides

Trade talks between the UK and EU are reaching the "make or break" point, the two sides have said, with key differences proving hard to resolve.

Both sides doubted that a draft deal could now be reached in the coming days, as the EU had originally hoped.

The two sides are in a race against the clock to settle their future economic partnership in time for it to take effect on 1 January, when the UK will leave the EU's single market and customs union.

Philip Rycroft, permanent secretary at the Department for Exiting the EU from 2017 to 2019, said "I've always thought a deal was more likely than no deal - but only just."

"It still requires compromise on both sides," he added. "It is about the balance of obligations and benefits for both sides and there are some very big decisions still to be made."

If a trade deal is not agreed, the UK will trade with the bloc on World Trade Organisation rules - leading to tariffs being introduced on many imports and exports, which could push up costs for businesses and consumers.

[LINK: BBC - EU-UK Trade Talks](#)

October 2020 records highest electricity switching rate since April 2019

Switching energy supplier in Great Britain has continued positively in October on the upward seasonal trend as suppliers see an expected rise in contract expirations.

October 2020 recorded 621,000 changes of supplier (CoS) completed, according to data from the Energy Market Data Hub (EMDH). This is 4% more than October 2019 as well as a 20% increase on September 2020.

This marks October 2020's figures as the highest month so far this year, third highest month since records began, and the first time since April 2019 that a month's CoS count has passed 600,000.

The report shows cumulative electricity changes of supplier for this year are currently at 5.1 million, 3% less than the same ten-month period last year.

The figures also reveal switches between challenger suppliers reached their highest ever, with 38% more than October 2019 and making up 31% of October 2020's total switches.

[LINK: ElectraLink - Energy Market Data Hub](#)