Beond Weekly UK Insight

9 November 2020

Gas

p/therm	30 Oct 20	6 Nov 20	Change
Day-Ahead	34.70	36.30	4.6%
Dec 2020	41.50	39.98	-3.7%
Summer 2021	33.33	33.77	1.3%
Winter 2021/22	41.36	41.69	0.8%

Source: ICE

Power

£/MWh	30 Oct 20	6 Nov 20	Change
Day-Ahead	37.50	43.84	16.9%
Dec 2020	48.03	46.98	-2.2%
Summer 2021	42.13	42.96	2.0%
Winter 2021/22	47.88	48.82	2.0%

Source: ICE

The UK's **Day-Ahead gas** rose by 4.6% to 36.30 p/therm. As the weather continues to cool, prices are likely to see an upward trajectory into winter.

Day-Ahead power rose by 16.9% to £43.84/MWh, reflecting a drop in power output from wind generation.

December 2020 power has seen a small price fall as the Lynemouth EPH biomass-fired plant expected to restart generation following an unplanned outage as early as this Friday, reintroducing 400MW onto the grid.

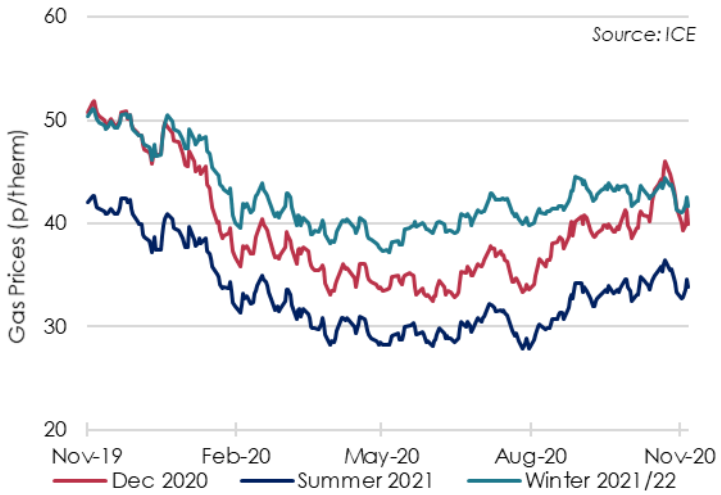
December 2020 gas also saw a small price drop with LNG supply to Europe ending the week 15% higher than earlier forecasts. Additionally, Norwegian flows remained strong despite UK demand rising to 3.4% above the 5-year average.

Summer 2021 gas increased by 1.3% this week, to 33.77 p/therm, as the initial shock of a second England-wide lockdown waned, and cooling winter temperatures began to take precedent again.

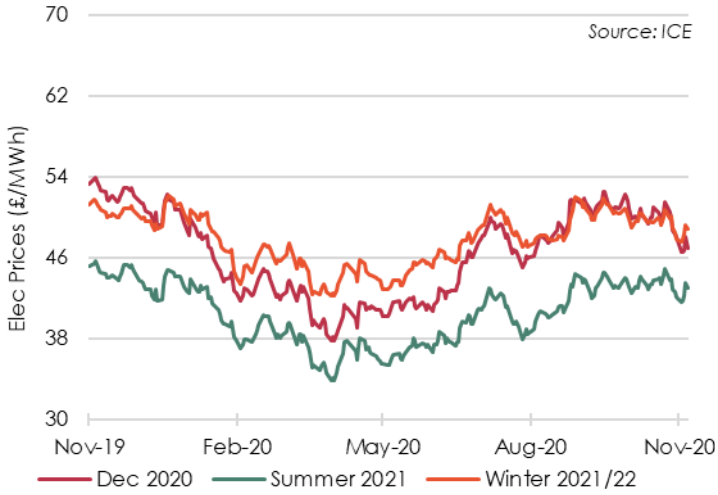
Summer 2021 power also saw a rise of 2.0% to £42.96/MWh, as carbon prices recorded a significant rise due to weaker wind output.

Gas and Electricity contracts have risen since the 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.

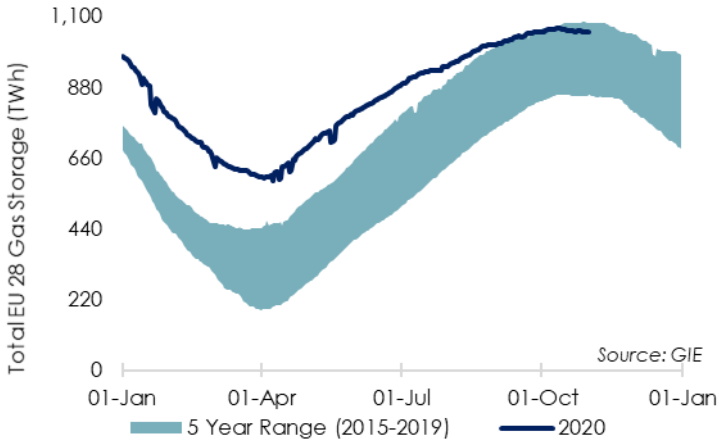
UK Gas



UK Power



European Gas Storage



Global LNG (Japan v UK v USA)

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Rewarding Climate Action

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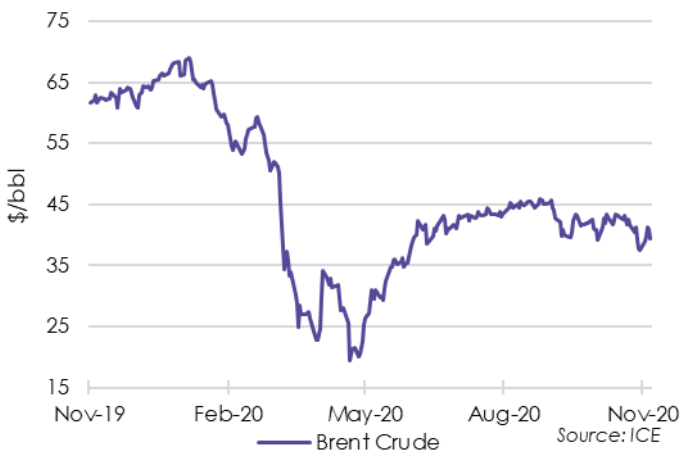
Oil

$/bbl	30 Oct 20	6 Nov 20	Change
Brent Crude Jan 21	37.46	39.45	5.3%

Source: Reuters

Brent crude oil rose 5.3% last week to $39.45/bbl. This was a volatile week for Brent prices as the drama of the U.S. Presidential election unfolded.

Joe Biden was forecast to be the winner of the U.S. election on Saturday. A Biden victory was previously seen as bearish to neutral for Brent due to his support for green policies and his softer stance on Iran. However, with the Republican party expected to win the Senate, analysts are not expecting an end to pro-business policies.



Exchange Rates & Economics

£/$	30 Oct 20	6 Nov 20	Change
GBP/USD	1.2941	1.3156	1.7%

Source: Reuters

The **Pound Sterling** rose 1.7% despite the latest UK lockdown coming into effect on Thursday, as Chancellor Rishi Sunak announced the UK furlough scheme would be continued until the end of March. Meanwhile, the Bank of England has announced an additional £150bn package to support the economy amid the increase in Covid-19 cases.

The U.S. dollar weakened last week with signs that Joe Biden would win the U.S. Presidential election, with his expected victory announced on Sunday.

Carbon

€/tCO2	30 Oct 20	6 Nov 20	Change
EUA Dec Yr	23.70	25.42	7.3%

Source: Reuters

European carbon rose 7.3% last week reaching a four-week high as energy prices rose alongside a rally in equities and commodities.

EUAs eased slightly on Friday afternoon as lockdown restrictions came into force in the UK and Italy. Meanwhile milder weather forecasts also provided bearish pressure.

Coal

$/tonne	30 Oct 20	6 Nov 20	Change
API2 CIF ARA Yr	55.30	54.60	-1.3%

Source: Reuters

European coal prices continued to fall last week, dropping an additional 1.3%, as European carbon prices rebounded on previous loses.

China, the world's largest coal importer, has cut imports by 47% year on year and 29% from the previous month. The government has introduced measures to cut foreign deliveries, causing global supply to rise.

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Regulatory and Market News

National Grid issues second capacity warning on UK power grid due to low renewable output

For the second time in three weeks, the UK's National Grid has warned that supplies of electricity in Britain may be tight as fewer-than-expected power generators will be available at peak times, while at the same time renewable sources such as wind are anticipating low output.

National Grid issued an official notice to the market late on Tuesday asking for more capacity to be made available the following day to increase the buffer between supply and demand, although it insisted there would still be "enough generation to meet demand".

It is the second time in just under three weeks that National Grid has taken the unusual step of warning on tight supplies: the previous occasion was in mid-October, when a number of power generators including gas, coal and biomass plants became partially or wholly unavailable because of unexpected failures at the same time as wind speeds were low.

Blackouts are uncommon in Britain, although the growth of intermittent renewables such as wind and solar and the phase-out of polluting coal plants has presented National Grid with fresh challenges in balancing the system.

National Grid said in a report last month that the margin between supply and demand this winter was expected to be lower than last year because of some power station outages and closures, although it still expected to remain well within the reliability standards prescribed by government.

Supporters of conventional technologies such as nuclear argue that Britain will still need to invest in more stable sources of supply to ensure the lights stay on as renewables' share of generation grows.

Several nuclear reactors have been out of action this year as they undergo repairs, including at Dungeness in Kent, although demand for electricity over the winter is expected to be suppressed by lockdown measures.

The coronavirus crisis has also provided a significant challenge to National Grid in trying to balance the system. During the first lockdown, it had to tackle strong supplies of renewable electricity at the same time as demand reached record lows.

Energy industry experts are hoping that the UK government will in a long-awaited white paper shortly shed light on how it expects to decarbonise the power sector further while ensuring there is sufficient supply.

LINK: FT - National Grid capacity warning

UK's nuclear future to be decided at key meeting

Nuclear power's role in the UK's future energy strategy will be discussed by Prime Minister Boris Johnson with the chancellor and business secretary at a meeting this month.

It comes ahead of a new 10-point plan for the UK to hit net zero carbon emissions by 2050. The report is expected to be published next week with the government insisting it remains committed to the construction of new nuclear power stations.

They are part of an overall strategy to decarbonise the UK's electricity supply.

The trilateral meeting between Number 10, Number 11 and the Business Department will discuss what form that should take.

Of the six sites originally identified a decade ago, three have seen contractors pull out and only one is under construction - at Hinkley Point in Somerset.

The government is not expected to explicitly single out which project will get the go-ahead, but officials say that Sizewell in Suffolk is the only project ready to go if the government is to hit a target of starting construction of new nuclear within this parliament.

LINK: BBC - UK's nuclear future

Scottish Power outlines new £10bn investment in green energy

Scottish Power is planning to invest another £10 billion into the UK's green recovery over the next five years, it has revealed. It comes weeks after Prime Minister Boris Johnson announced big ambitions to power all UK homes with offshore wind.

The company said on Thursday that it will nearly double its renewable generation capacity, adding a further 2.4 GW by the middle of the decade. It is part of a larger plan by Scottish Power's Spanish parent company Iberdrola to pour 75 billion euros (£67.2 billion) into renewables around the world.

The company's plans will mean new solar, wind and battery infrastructure, supporting the UK's goal of reducing emissions to net-zero by 2050.

"We're all talking in the UK about a green recovery and our view is that it is companies like us that are going to be at the forefront of creating a green recovery, of accelerating the road to net-zero and create jobs and apprenticeship opportunities."

LINK: EnergyVoice - Scottish Power renewable investment