

## Gas

p/therm	31 Dec 20	8 Jan 21	Change
Day-Ahead	57.35	62.25	8.5%
Feb 2021	56.40	60.69	7.6%
Summer 2021	42.33	43.37	2.5%
Winter 2021/22	49.96	51.33	2.7%
12M Annual Apr 2021	46.14	47.35	2.6%

Source: ICE

The **February 2021 Gas** contract climbed 7.6% last week, as several key European gas markets reached two-year highs. This came following concerns of reduced LNG supply to Europe as well as generally colder than average temperatures on the continent, with the UK 1.6°C lower than normal.

The **February 2021 Power** contract rose 7.3%, mirroring increases in UK gas, as well as European carbon and coal.

The **April 2021 12 Month Gas** price rose by 2.6% last week. Gas inventories in Europe are currently around 70% of full capacity, almost 20% lower than this time last year.

Japanese LNG prices have reached their highest level on record (even high than following the Fukushima nuclear disaster in 2011), with cold weather in Asia paired with reduced tanker availability thought to be the cause. While markets are generally higher in winter compared to summer months, prices have recently reached four times those seen in September 2020.

As demand looks to grow following Covid-19 recovery, prices are anticipated to keep rising.

The **April 2021 12 Month Power** price rose 3.0% last week, tracking significant gains in gas.

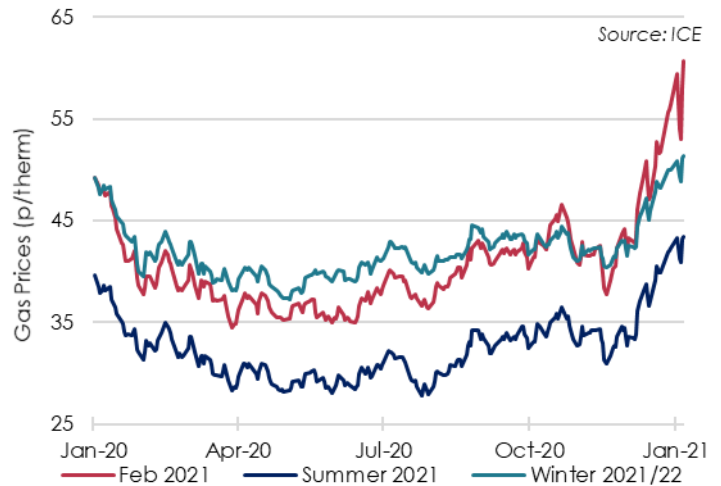
The significant price gains in both UK Gas and Power follow news that the UK has started the roll out of Covid vaccinations, with over 2 mln vaccines given out already. This represents a major boost for economic and energy demand forecasts for next year.

## Power

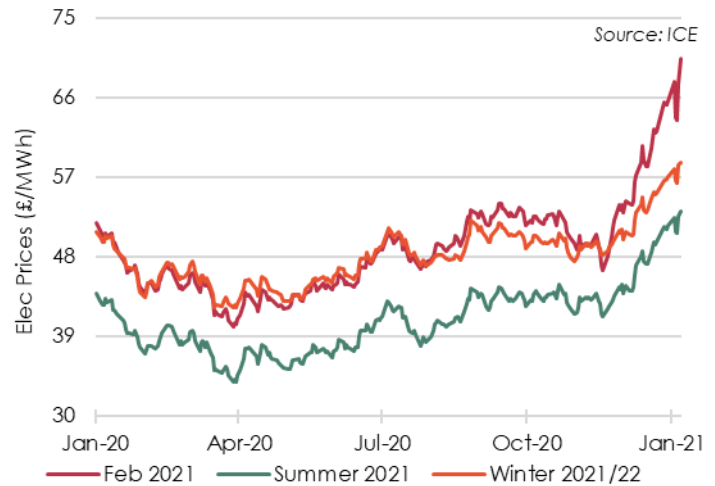
£/MWh	31 Dec 20	8 Jan 21	Change
Day-Ahead	61.47	68.95	12.2%
Feb 2021	65.70	70.47	7.3%
Summer 2021	51.58	53.16	3.1%
Winter 2021/22	57.08	58.72	2.9%
12M Annual Apr 2021	54.33	55.94	3.0%

Source: ICE

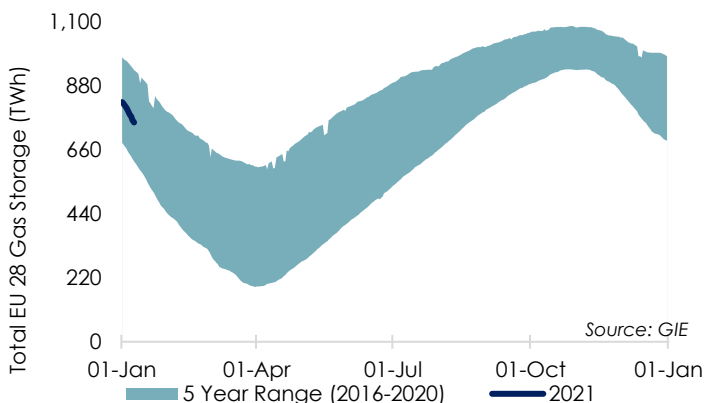
### UK Gas



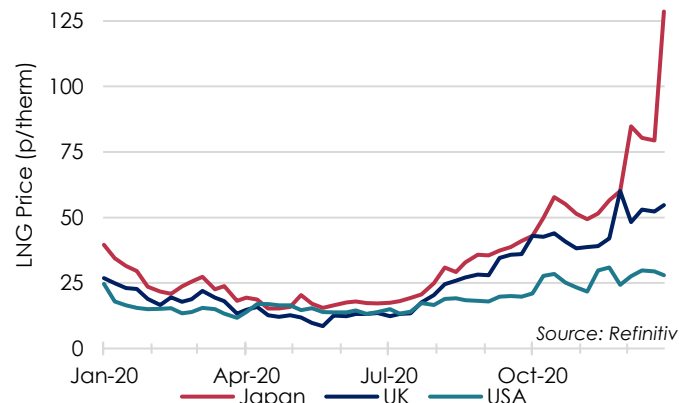
### UK Power



### European Gas Storage



### Global LNG (Japan v UK v USA)



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# Beond Weekly UK Insight

11 January 2021

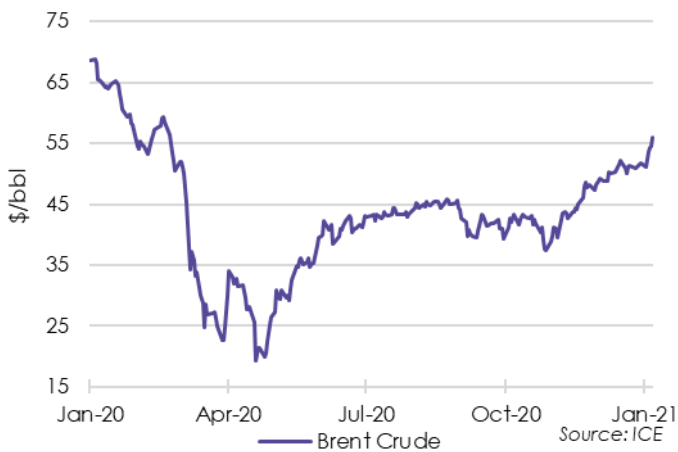
## Oil

\$/bbl	31 Dec 20	8 Jan 21	Change
Brent Crude Mar 21	51.80	55.99	8.1%

Source: Reuters

**Brent crude oil** climbed 8.1% last week to \$55.99/bbl as Saudi Arabia voluntarily committed to cut their oil production by 1 mln bpd in February and March.

This follows the Saudi announcement that they believe the latest increase in Covid-19 infections, and subsequent national lockdowns, will lead to a deficit in the oil market for most of 2021. The voluntary Saudi cut highlights the increased awareness of the oil market in response to Covid-19, following the negative prices, and widespread oil price crash, seen in April of last year.



## Exchange Rates & Economics

£/\$	31 Dec 20	8 Jan 21	Change
GBP/USD	1.3673	1.3563	-0.8%

Source: Reuters

**Pound Sterling** fell 0.8% from its 33-month high against the Dollar in the first week of 2021. The Democrats won both seats in the US Senate runoff elections in the state of Georgia. This boosted hopes for more fiscal spending in the United States in 2021 boosting US Treasury bond yields and demand for the dollar.

Concerns over the continued surge of new coronavirus cases and strict lockdown restrictions in both Europe and China were also bullish for US dollar demand which is viewed by many traders as a 'safe-haven'.



## Carbon

€/tCO2	31 Dec 20	8 Jan 21	Change
EUA Dec Yr	32.57	34.80	6.8%

Source: Reuters

**European carbon** rose 6.8% last week to €34.80/tCO2. This increase in price is most strongly associated with cold weather spanning Europe, with this week's temperatures forecast to be 4-6°C below normal.

Prices are not expected to remain close to €35/tCO2 for long, with a greater auction supply of credits available in February likely to drag the price closer to €30/tCO2.



## Coal

\$/tonne	31 Dec 20	8 Jan 21	Change
API2 CIF ARA Yr	69.40	71.00	2.3%

Source: Reuters

**European coal** prices rose 2.3% to \$71.00/tonne as cold snaps continue in both mainland Europe as well as Asia.

In China, domestic production has not been able to match supply leading to an increase in imported coal. An unofficial ban on Australian coal due to a diplomatic spat in December has caused European supply to also be impacted as imports have been diverted to Asia.



## Regulatory and Market News

### **Ecotricity signs first PPA in the UK for geothermal electricity**

Ecotricity has signed a 10-year Power Purchase Agreement (PPA), enabling the production and sale of geothermal electricity for the first time in the UK. The geothermal site in Cornwall will generate steam more than 3 miles beneath underground to supply renewable energy.

Ecotricity's partnership with Geothermal Engineering will see a minimum of 3MW of baseload electricity produced by the plant and distributed via the National Grid. It is the first time that electricity from geothermal energy has been produced and sold in the UK.

Dr Ryan Law, Managing Director of Geothermal Engineering, "Our work shows the significant potential of geothermal energy to supply both heat and energy across Cornwall. We are very excited for the industry, investment and jobs this renewable resource could bring to the region."

The power plant is expected to be fully operational by early 2022.

[LINK: Ecotricity - Geothermal PPA](#)

### **MP Kwasi Kwarteng appointed new Business Secretary as Alok Sharma becomes full-time COP26 President**

The Prime Minister has appointed Alok Sharma as full-time President of the UN COP26 climate conference in Glasgow this November, with Kwasi Kwarteng appointed as Secretary of State for Business, Energy and Industrial Strategy.

Anne-Marie Trevelyan will become Minister of State for Business, Energy and Clean Growth, taking forward climate and energy policy, including implementing plans in the Prime Minister's ten-point plan.

On the topic of climate change, Alok Sharma said: "This is the biggest challenge of our time and we need to work together to deliver a cleaner, greener world. Through the UK's Presidency of COP26 we have a unique opportunity, working with friends and partners around the world, to deliver on this goal."

The new Business Secretary Kwasi Kwarteng said: "Thrilled to have been appointed Business Secretary.

"Our businesses are facing extremely challenging circumstances, with my dedicated colleagues I will do all I can to see them through this period and help them build back better."

[LINK: Gov - Kwasi Kwarteng appointed Business Secretary](#)

### **Records show 2020 was the hottest year ever recorded in Europe**

Last year was the hottest year ever recorded in Europe according to a new report by the EU climate agency Copernicus Climate Change Service (C3S), which suggests the 12-month average for Europe was 0.4°C warmer than in 2019, the previous record-holder, and 1.6°C above the average temperature between 1981 and 2010.

Globally, 2020 and 2016 were the hottest years ever recorded, 0.6°C warmer than the average during the period from 1981 to 2010 and around 1.25°C above the 1850-1900 pre-industrial period, according to the study.

The analysis also suggests parts of the Arctic and Northern Siberia saw some of the largest annual temperature changes in 2020, with a large region experiencing an increase of as much as 3°C and in some locations even more than 6°C.

Carlo Buontempo, Director of the C3s, commented: "It is no surprise that the last decade was the warmest on record, and is yet another reminder of the urgency of ambitious emissions reductions to prevent adverse climate impacts in the future."

[LINK: C3S - 2020 hottest year in Europe](#)

### **National Grid issues 5<sup>th</sup> electricity margin notice this winter on supply shortfall**

National Grid ESO has once again issued an Electricity Margin Notice (EMN), its second this week and fifth this winter. There was an expected shortfall of 1,157MW Thursday evening for the period 16:00 to 19:00 Friday, which had decreased to 239MW by Friday morning's update.

National Grid ESO explained that "tight margins on the electricity system continue owing to cold temperatures and generator availability & output levels over periods with higher demand".

Tight margins created by the cold snap that has driven temperatures 4-5 degrees below average, along with lower output from coal, nuclear and interconnectors due to the BritNed outage have led to volatile pricing all week.

This saw West Burton B being called on at £3,000/MWh on Wednesday in the Balancing Mechanism.

EMNs are becoming increasingly common in the UK market as baseload generation from coal reduces, and it relies more on intermittent generation such as wind, increasing the challenge of balancing supply and demand.

[LINK: National Grid - Electricity margin notices](#)