

## Gas

p/therm	15 Jan 21	22 Jan 21	Change
Day-Ahead	57.75	60.75	5.2%
Feb 2021	59.35	60.15	1.3%
Summer 2021	41.46	44.05	6.3%
Winter 2021/22	49.71	52.06	4.7%
12M Annual Apr 2021	45.58	48.06	5.4%

Source: ICE

The **February 2021 Gas** contract saw a rise of 1.3% last week in response to cold weather forecasts which could carry over into February. UK temperatures are expected to average over 4°C cooler than normal until Wednesday, increasing gas for heating demand.

The **February 2021 Power** contract fell 1.2%, amid news that the 1GW IFA2 interconnector between the UK and France has become fully operational, capable of delivering just over 1% of the Britain's electricity needs. It is also reported the 1GW BritNed interconnector between the UK and Netherlands will be back online 7<sup>th</sup> February, after a two-month outage.

The **April 2021 12 Month Gas** price climbed 5.4% last week, amid concerns potential cold weather in February will coincide with low storage levels across Europe. European storage levels are currently around 60% full and below the 5-year average.

LNG prices have eased, as cold weather in Asia looks to have subsided, with forecasters expecting mild weather compared to seasonal norms. Delivery focus for the region has shifted to March and April, helping improve supply to Europe, easing recent bullish sentiments.

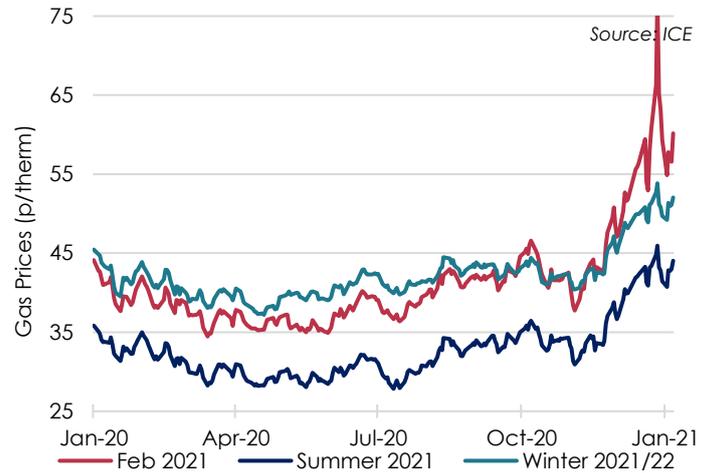
The **April 2021 12 Month Power** price rebounded on previous losses, gaining 4.5% last week, mirroring gains in the equivalent gas contract, while carbon prices also strengthened.

## Power

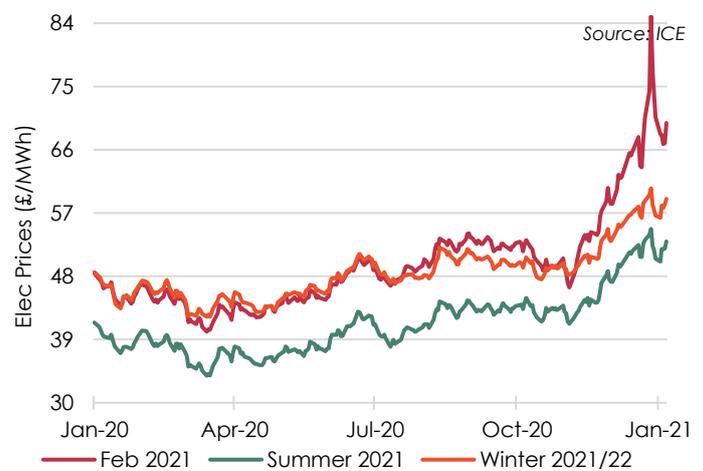
£/MWh	15 Jan 21	22 Jan 21	Change
Day-Ahead	57.68	66.86	15.9%
Feb 2021	70.64	69.81	-1.2%
Summer 2021	50.53	52.97	4.8%
Winter 2021/22	56.65	59.02	4.2%
12M Annual Apr 2021	53.59	56.00	4.5%

Source: ICE

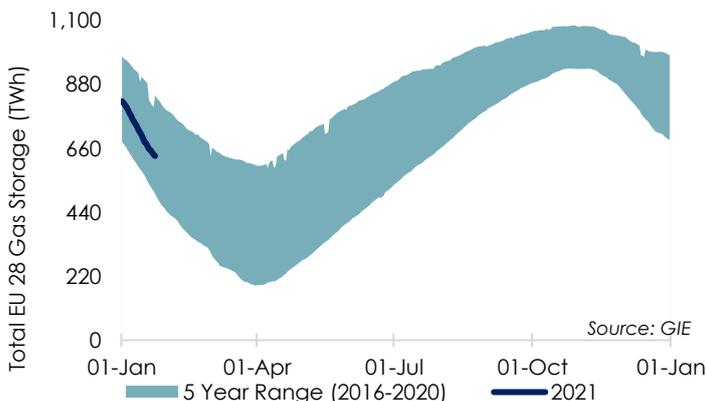
### UK Gas



### UK Power



### European Gas Storage



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



# Beond Weekly UK Insight

25 January 2021

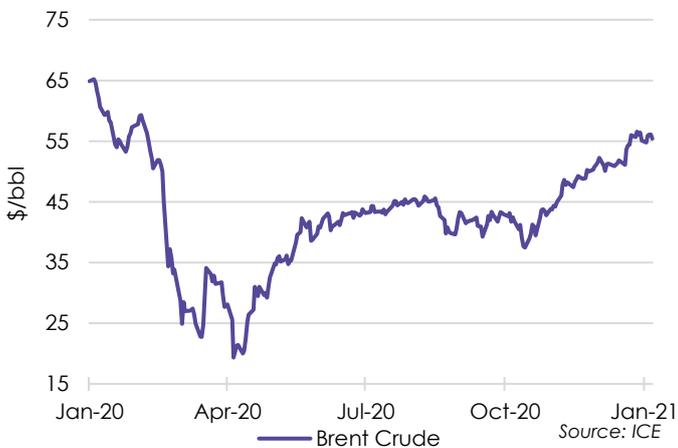
## Oil

\$/bbl	15 Jan 21	22 Jan 21	Change
Brent Crude Mar 21	55.10	55.41	0.6%

Source: Reuters

**Brent crude oil** showed little movement this week, with a small increase of 0.6% to \$55.41/bbl. This increase has somewhat surprised market experts who highlight a contrast between ongoing economic lockdown stifling demand and crude oil price increases.

Price rises are driven largely by forward looking optimism, with freshly elected US President Biden pushing for quick approval of a proposed \$1.9tn pandemic relief package indicating US motives to kick-start the economy and, consequently, fuel demand.



## Exchange Rates & Economics

£/\$	15 Jan 21	22 Jan 21	Change
GBP/USD	1.3586	1.3684	0.7%

Source: Reuters

**Pound Sterling** gained 0.7% last week versus the US dollar as the step up in UK vaccinations raised hopes of an economic recovery. Sterling ended a 3-day rise against the dollar on Friday as ONS data showed an anticipated December rebound in retail sales failing to materialise with retail sales increasing by just 0.3%.

Meanwhile, Joe Biden has taken office as US president and is expected to approve a \$1.9tn stimulus package although he will have to convince 10 Republican senators to back the bill.



## Carbon

€/tCO2	15 Jan 21	22 Jan 21	Change
EUA Dec Yr	31.64	34.15	7.9%

Source: Reuters

**European carbon** rose again with a 7.9% increase to €34.15/tCO<sub>2</sub>, responding to gains in gas prices.

As UK and European temperatures fall below seasonal norms, the demand for gas and other fossil fuels has increased, for heating. This cold period has been coupled with below seasonal wind output increasing the demand for fossil fuel generated electricity.



## Coal

\$/tonne	15 Jan 21	22 Jan 21	Change
API2 CIF ARA Yr	69.90	67.55	-3.4%

Source: Reuters

**European coal** prices fell 3.4% last week reaching a low for 2021 following signs of improved March supply and muted trading. Sharper losses were prevented by strong European power prices.

Coal-fired generation accounted for 16% of European power generation for the first 17 days of 2021 driven by soaring gas prices.



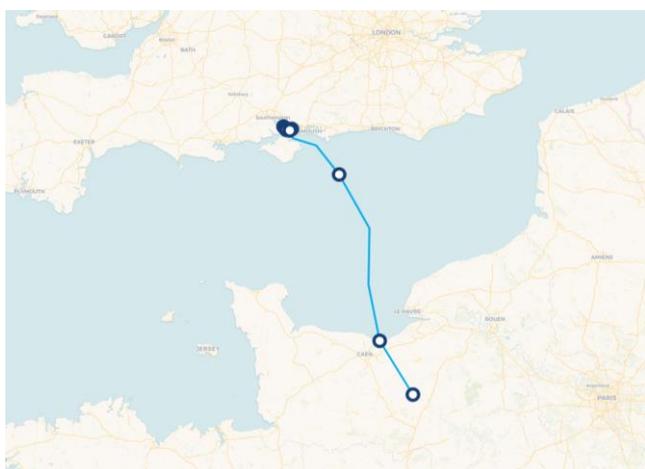
## Regulatory and Market News

### IFA2: low-carbon electricity now flowing through second UK-France interconnector

After almost three years of construction – and despite coronavirus pandemic restrictions – low-carbon electricity has now started flowing at full capacity through IFA2. Overall the subsea cable is expected to meet 1.2% of Britain's electricity demand.

National Grid's second electricity interconnector linking the UK and France takes the UK a step further on the journey to net zero.

#### IFA2 Project Map



Source: IFA2 Interconnector Project

By giving Great Britain greater access to the European electricity market, IFA2 should help create downward pressure on wholesale electricity prices. National Grid estimate that each 1,000MW of new interconnector capacity has the potential to reduce UK wholesale prices by up to 2%.

Consumers throughout Europe use electricity in various ways at different times of the day, and interconnection allows electricity to be moved to where it is needed. This is particularly important at times of 'system stress', such as a combination of cold weather and unexpected power station shutdowns.

National Grid's portfolio now has four operational interconnectors – two to France (IFA and IFA2), one to the Netherlands (BritNed) and one to Belgium (Nemo Link). Two further projects are under construction - Norway (North Sea Link, operational 2021) and Denmark (Viking Link, operational 2023).

By 2030, 90% of electricity imported via National Grid's interconnectors will be from zero carbon sources.

[LINK: National Grid IFA2](#)

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### UK Power Networks predicts heat pumps and EVs could become central to everyday life by 2030

Research published by UK Power Networks suggests that by 2030 there could be over 700,000 electric heat pumps across London, the East and South East, as well as up to 4.5 million EVs.

These are among several forecasts in its 2021 'Distribution Future Energy Scenarios' research about how low carbon technologies could be taken up in future. These figures would keep the UK on track to reach its 2050 net zero target.

One of these scenarios saw over 3,000% growth in EVs and 2,500% rise in domestic heat pumps by 2030. UKPN said the government's ban on sales of new petrol and diesel cars in 2030, alongside prices of EVs continuing to fall could help accelerate the sales of new EVs.

Prime Minister Boris Johnson set out an ambitious target of 600,000 heat pump installations annually by 2028, whilst earlier this week the government released more detail on the Future Homes Standard, stating that it anticipates "that heat pumps will become the primary heating technology for new homes".

[LINK: UKPN - Heat Pumps & EVs](#)

### UK power prices during winter blamed on gas fired power plants in a dormant state

Traders claim that two power plants were be put into a "dormant state of managed preservation" during the summer by their administrators and haven't been able to restart in response to this winter's high demand.

The operating companies for Severn Power Station (800MW) and Sutton Bridge Power Station (819MW) and their holding company Calon Energy went into administration in June. Both sites operated combined cycle gas turbines.

The result has been higher prices with the UK power market showing signs of strain. The National Grid has issued five alerts so far this winter warning that the buffer needed to ensure security of supply and keep the lights on was too small.

While the UK has made swift progress on switching from fossil fuels to renewables, there are challenges to overcome with cleaning up the energy system. And, like Wednesday, when the wind doesn't blow, cold weather boosts demand and several nuclear plants are offline the grid operator is left scrambling to ensure the grid system has sufficient electricity capacity to meet the UK's domestic and business demand.

[LINK: BBC - Calon Energy](#)