

Gas

p/therm	24 Dec 20	31 Dec 20	Change
Day-Ahead	50.50	57.35	13.6%
Feb 2021	51.77	56.40	8.9%
Summer 2021	39.93	42.33	6.0%
Winter 2021/22	48.18	49.96	3.7%
12M Annual Apr 2021	44.06	46.14	4.7%

Source: ICE

The **February 2021 Gas** contract rose 8.9% last week, following mounting concerns of a potential strike at EDF's French Power plants that would likely increase gas-for-power demand to fill the gap, contributing to a tighter supply outlook.

In addition, colder temperatures led to an increase in demand for gas to be used in heating, leaving the UK gas system around 10 mcm/d undersupplied.

The **February 2021 Power** contract increased 5.7% tracking increases in UK gas, as well as European carbon and coal, while French nuclear outages remain a concern for their potential effect on power output.

The forward **April 2021 12 Month Gas** price rose by 4.7% last week. Price rises were driven expectations of higher energy demand and rising European coal prices.

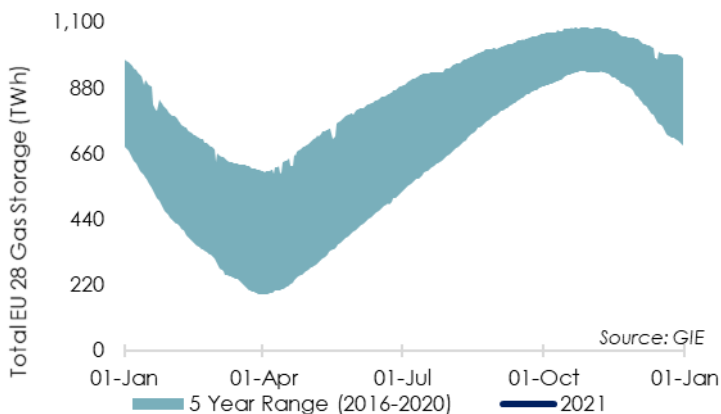
High demand for LNG in Asia is also forecast to draw a significant share of LNG from Europe, creating a tightness in European markets.

The **April 2021 12 Month Power** price rose 4.8% last week, tracking significant gains in gas.

The significant price gains in both UK Gas and Power follow news that the UK has approved the Oxford University/AstraZeneca Covid-19 vaccine. Hospitals have been receiving batches of the newly vaccine in preparation for its rollout starting on Monday 4 January.

It represents a major boost for economic and energy demand forecasts for next year.

European Gas Storage

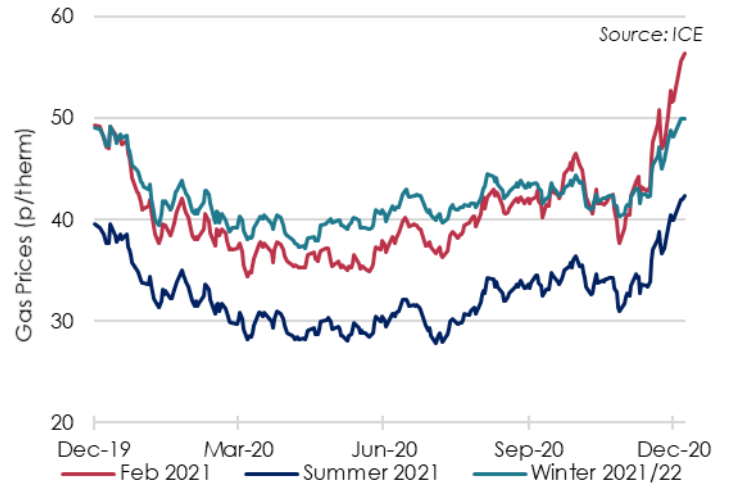


Power

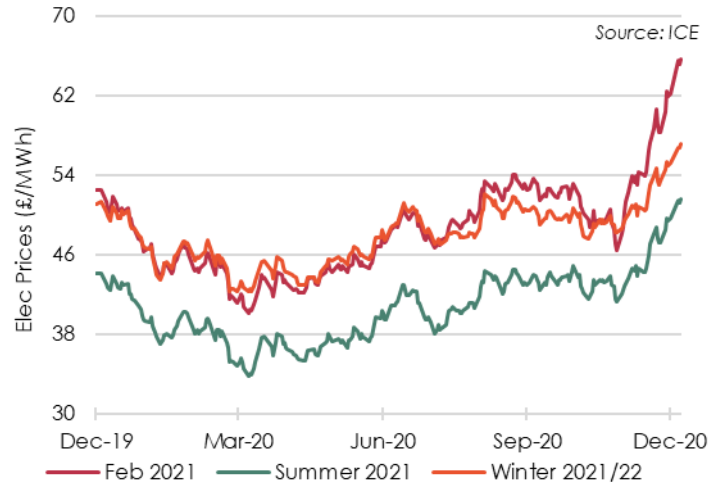
£/MWh	24 Dec 20	31 Dec 20	Change
Day-Ahead	55.10	61.47	11.6%
Feb 2021	62.15	65.70	5.7%
Summer 2021	49.67	51.58	3.8%
Winter 2021/22	55.17	57.08	3.5%
12M Annual Apr 2021	52.42	54.33	3.6%

Source: ICE

UK Gas



UK Power



Global LNG (Japan v UK v USA)



Beond Weekly UK Insight

4 January 2021

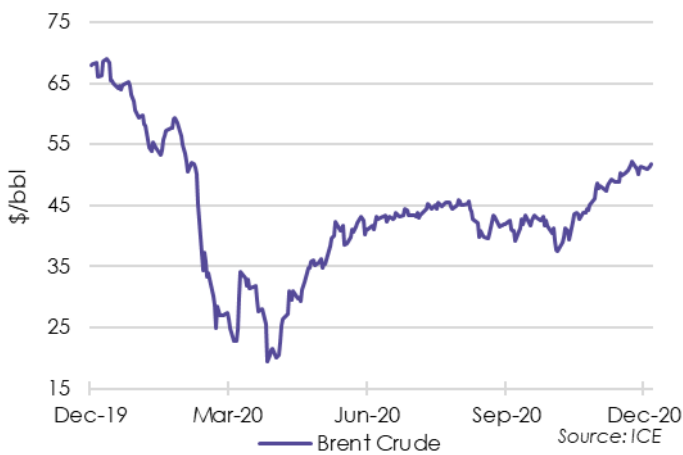
Oil

\$/bbl	24 Dec 20	31 Dec 20	Change
Brent Crude Mar 21	51.29	51.80	1.0%

Source: Reuters

Brent crude oil climbed 1.0% to \$51.80/bbl last week, touching a nine-month high, with traders optimistic about progress toward a United States fiscal stimulus deal and strong Asian demand. Record-breaking refining demand in China and India also lent further strength to the market supporting prices.

The progression of several major economies in approving Covid-19 vaccines also suggests that the global economy could get back on track in 2021.



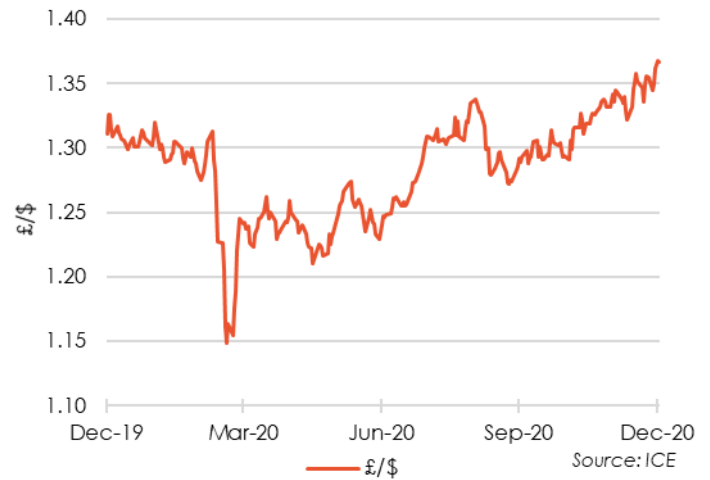
Exchange Rates & Economics

£/\$	24 Dec 20	31 Dec 20	Change
GBP/USD	1.3555	1.3673	0.9%

Source: Reuters

Pound Sterling rose 0.9% in value against US Dollars, ending 2020 at its highest point all year, after the UK secured a comprehensive trade deal with the EU after years of uncertainty.

The gains mean the Pound Sterling, which has been constantly buffeted by concerns over the UK's withdrawal from the EU since the June 2016 referendum, has gained about 3% against the US dollar this year.



Carbon

€/tCO2	24 Dec 20	31 Dec 20	Change
EUA Dec Yr	32.04	32.57	1.7%

Source: Reuters

European carbon rose 1.7% last week, hitting €32.57 after the UK and EU secured a trade deal in which both parties formally committed to giving "serious" consideration to linking their emissions trading system.

The deal also ensures both sides remain committed to the Paris climate agreement, including renewables targets.



Coal

\$/tonne	24 Dec 20	31 Dec 20	Change
API2 CIF ARA Yr	69.10	69.40	0.4%

Source: Reuters

European coal prices rose 0.4% to \$69.40/tonne as global optimism in the wake of recent Covid-19 vaccine news and short-term supply issues in Australia's coal market impacting European imports.



Regulatory and Market News

Brexit: New EU trade arrangements begin on 1 January 2021 after Parliamentary approval

The post-Brexit trade deal between the UK and EU took effect last week, after it was signed into law. Parliament overwhelmingly backed the agreement in a high-speed process, by voting 521 to 73 in its favour, following the two sides reaching agreement on Christmas Eve.

The deal was given the unanimous backing of ambassadors from the 27 EU nations and the member states gave their written approval. "The clock is no longer ticking," Michel Barnier, the EU's chief negotiator, said after Boris Johnson confirmed that a trade deal worth £660 billion a year had been reached on 24 Dec.

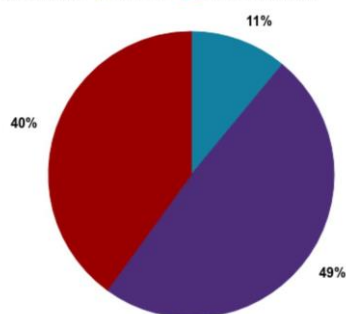
It comes four-and-a-half years after the UK voted to leave the EU in a referendum.

The UK leaves the EU's single market and customs union, but the deal ends the possibility of tariffs on goods.

Where does the UK trade?

% of total UK trade in 2018

■ Countries with EU trade agreements ■ The EU ■ Rest of the world



Source: BBC

The trade deal lays the ground for "ambitious" co-operation over renewable energy and climate action, according to early clues to the substance of one of the most nerve-racking international trade treaties in recent history.

According to the document a provision would trigger the suspension of the deal if either side breached its commitment to the Paris climate agreement.

EU Commission president Ursula von der Leyen singled out the issues during her speech announcing the conclusion of the deal. "We will continue to co-operate with the UK in all areas of mutual interest, for example in the fields of climate change and energy."

[LINK: Gov - UK trade deal with EU started 1 Jan 2021](#)

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UK carbon emissions scheme to replace EU ETS in 2021, but details still undecided

The Department for Business, Energy and Industrial Strategy (BEIS) announced in December that it will launch its own emissions trading system in 2021, although it didn't actually begin on 1 January.

The regulator has yet to work out what the free allocations should be, how many UK Allowances will be auctioned, as well as various other details.

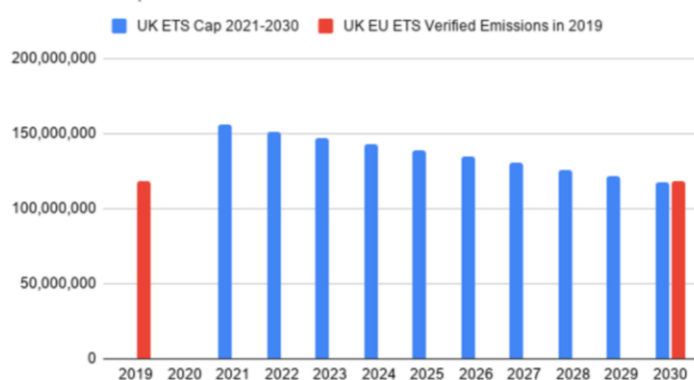
But we know a few things:

1. Auctions will have a floor price of £15/tonne (€16.63 at today's rate).
2. ICE Futures will be doing the auctioning.
3. ICE will launch spot and futures contracts, as well as the auctions, some time in the second quarter.
4. The UK ETS will cover energy-intensive industries, the power generation sector and aviation, pretty much the same as the EU ETS, with a threshold of 20MW thermal input.

There's a wealth of additional information on the BEIS website, but we'll need to wait for things like the allocation plan and auction schedule before it becomes clear exactly how the scheme will work.

The overall cap is a bit of an unknown quantity. According to the legislation, the cap starts off at 155m tonnes in 2021, and shrinks to 117.5m tonnes in 2030.

UK ETS Cap vs UK 2019 Emissions in EU ETS



Source: Carbon Pulse

The above chart shows the UK's verified emissions under the EU ETS in 2019, compared with the annual caps for the UK ETS.

While specifics are remain unclear, the EU and UK have formally committed to giving "serious" consideration to linking their emissions trading system.

[LINK: BEIS - Emissions trading from 2021](#)