

Beond Weekly UK Insight

1 February 2021

Gas

p/therm	22 Jan 21	29 Jan 21	Change
Day-Ahead	60.75	55.10	-9.3%
Mar 2021	56.81	53.15	-6.4%
Summer 2021	44.05	42.80	-2.8%
Winter 2021/22	52.06	51.10	-1.8%
12M Annual Apr 2021	48.06	46.95	-2.3%

Source: ICE

The **March 2021 Gas** contract fell 6.4% last week on the back of warmer weather forecasts, despite unplanned outages at four Norwegian gas fields restricting supply by a combined 17.5 mcm until Tuesday.

The **March 2021 Power** contract fell 3.7%, tracking movements in the equivalent gas contract, while carbon prices also fell.

The **April 2021 12 Month Gas** price declined 2.3% last week, as temperatures fluctuate around seasonal norms, but are largely milder compared to previous estimates. Despite European gas storage falling to around 55% capacity, 18% lower than last year, storage levels are still in line with 2019. It is hoped milder weather will relax the supply and demand balance.

After spot prices in Asia reached record highs at the start of the year, milder weather in the region has now caused global LNG prices fall back to normal levels. It is hoped this will signal improved LNG supply to Europe in response to any potential spikes in weather related demand. This week, the UK is expecting LNG delivery of 0.397 bcm, up from 0.263 bcm last week.

In other news, construction on the remaining 150km of the Nord Stream 2 gas pipeline resumed in Danish waters last week. The pipeline will have capacity of 55bcm/year once completed.

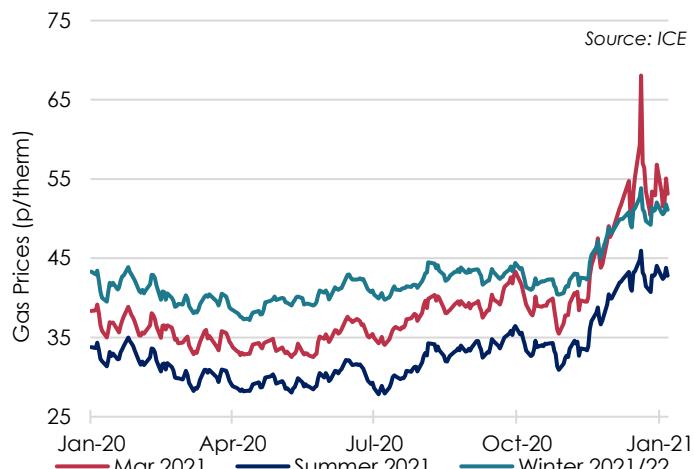
The **April 2021 12 Month Power** price fell 2.2% last week, mirroring losses in the equivalent gas contract, while carbon prices also weakened.

Power

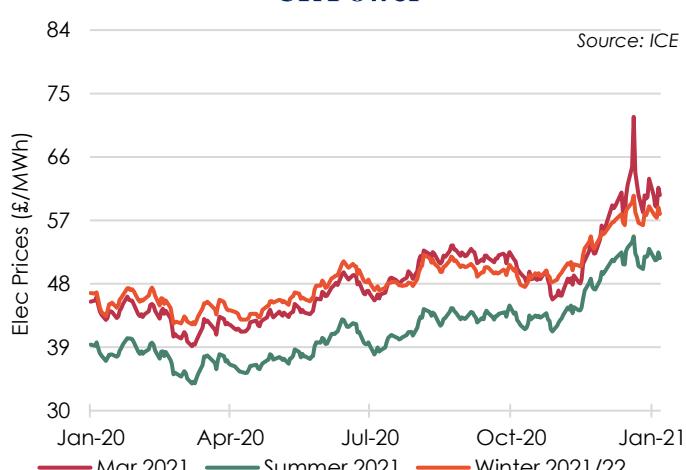
£/MWh	22 Jan 21	29 Jan 21	Change
Day-Ahead	66.86	60.22	-9.9%
Mar 2021	62.89	60.59	-3.7%
Summer 2021	52.97	51.64	-2.5%
Winter 2021/22	59.02	57.92	-1.9%
12M Annual Apr 2021	56.00	54.78	-2.2%

Source: ICE

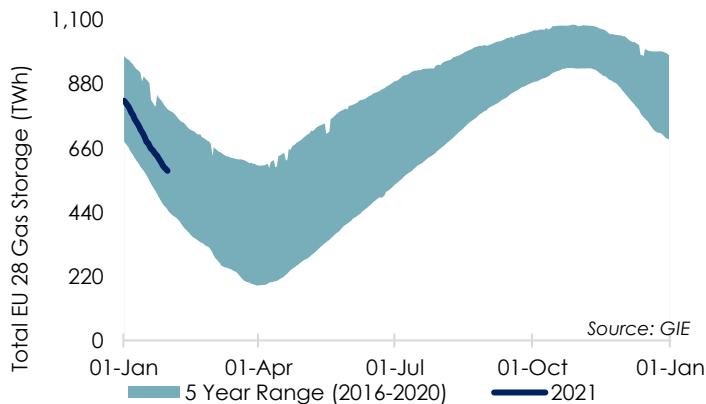
UK Gas



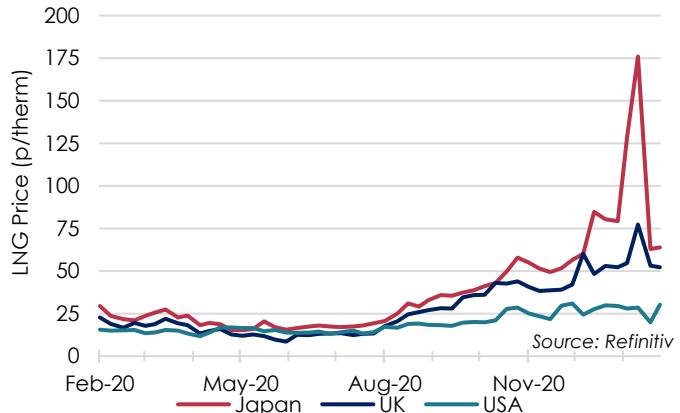
UK Power



European Gas Storage



Global LNG (Japan v UK v USA)



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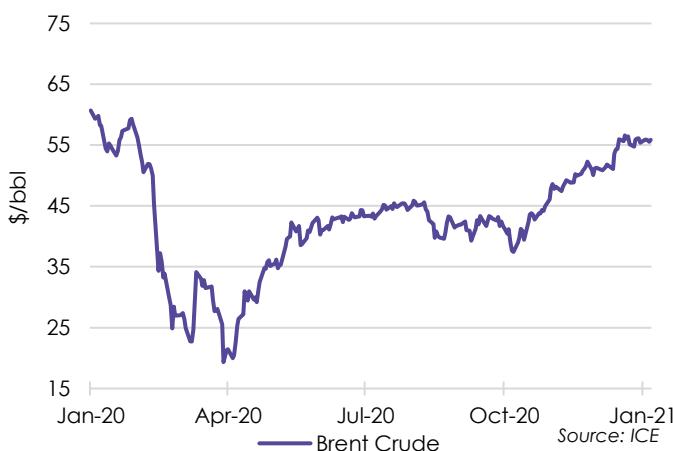
Oil

\$/bbl	22 Jan 21	29 Jan 21	Change
Brent Crude Apr 21	55.41	55.88	0.8%

Source: Reuters

Brent crude oil showed little movement this week, with a small increase of 0.8% to \$55.88/bbl. This follows Saudi production cuts now underway and continuing throughout February and March.

The Saudi 1 million bpd production cut, proposed at the start of January, is part of an attempt from OPEC+ to mitigate growing concerns over rising Covid-19 cases and the economic impact of lockdown conditions.



Exchange Rates & Economics

£/\$	22 Jan 21	29 Jan 21	Change
GBP/USD	1.3684	1.3702	0.1%

Source: Reuters

Pound Sterling versus the US dollar ended the week relatively unchanged with Sterling gaining just 0.1%. The exchange rate had reached a 32-month high earlier in the week as the UK recorded over 600,000 vaccinations in a day to provide optimism over financial recovery from the coronavirus pandemic. But tensions arose over the availability of the Oxford/AstraZeneca vaccine with the EU threatening to restrict vaccine exports.



Carbon

€/tCO2	22 Jan 21	29 Jan 21	Change
EUA Dec Yr	34.15	32.88	-3.7%

Source: Reuters

European carbon recorded an expected fall of 3.7% to €32.88/tCO2. This came as the first EU carbon auctions began for 2021. This is reintroducing supply back onto the market at a time where gas-fired power is more profitable than, more pollutant, coal-fired power.

Until either supply of credits wanes, or coal-fired power becomes more profitable, market spectators believe carbon prices are likely to continue slipping towards €28/tCO2 over the coming weeks.



Coal

\$/tonne	22 Jan 21	29 Jan 21	Change
API2 CIF ARA Yr	67.55	69.50	2.9%

Source: Reuters

European coal prices rose 2.9% last week, tracking gains in power and gas that have been buoyed by colder weather forecasts. Temperatures across northern and central Europe are expected to fall as low as 4°C below seasonal norms for the first two weeks of February.

Prices were also raised by the uncertainty over sharply rising water levels in the Rhine which could cause supply disruption as transport would be diverted to more expensive train freight.



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Regulatory and Market News

Two more small suppliers cease trading, leaving over 400,000 customers to Ofgem's safety net

Another two power suppliers have ceased to trade, in what continues to be a challenging market for smaller UK energy suppliers.

Green Network Energy – which provided gas and electricity to around 360,000 domestic customers as well as a small number of non-domestic customers – and Simplicity Energy – which provided gas and electricity to around 50,000 domestic customers – both closed last week.

Since 2018 more than 20 suppliers having shuttered including a number in 2020, with Yorkshire Energy ceasing to trade in December, Tonik Energy in November, Effortless Energy in September, and GnERGY in March.

Meanwhile other suppliers have also struggled, with 10 suppliers - including the likes of aforementioned Tonik and GnERGY - failing to meet the late payment deadline for Renewable Obligations (RO) having either gone bust or had their license revoked.

Additionally, Ofgem issued final orders to three suppliers who failed to make their payments, and this week announced a £100,000 fine for Symbio Energy to send a "strong message" to others about the importance of obligation payments, regardless of challenges caused by Covid-19.

The burden of RO payments has been cited by numerous collapsed suppliers as a particular challenge for operating as a small supplier.

However, the RO scheme is one of the main support mechanisms for large-scale renewable electricity projects in the UK. As such, it is vital in the UK's zero carbon ambitions.

Ofgem has advised Green Network Energy and Simplicity Energy customers not to switch to another supplier as it had already appointed British Gas for them, and they will be contacted in the coming weeks.

Philippa Pickford, director of retail at Ofgem, said the customers do not need to worry, "as under our safety net we'll make sure your energy supplies are secure and domestic customers' credit balances are protected".

[LINK: Current News - Ofgem supplier of last resort](#)

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Aberdeen City Council rolls out 'world's first' hydrogen double decker buses

Hydrogen double deckers have officially been launched on the streets of Aberdeen. The buses, run by Scotland's largest operator First Bus, build upon the city's commitment to transition from oil and gas to green energy, as part of its 2045 net zero vision.

The fleet consists of five 60-seater buses, which emit nothing other than water and are forecast to save one kilogram of carbon dioxide with each kilometre driven.

The new £8.3 million-project of 15 hydrogen buses has been funded by Aberdeen City Council, the Scottish Government and the European Union, with an investment of about £500,000 per vehicle.

Aberdeen City Council Co-Leader Councillor Jenny Laing said: "The buses have even more advanced technology which pushes established hydrogen boundaries and will greatly assist us in tackling air pollution in the city."

Andrew Jarvis, Managing Director at First Bus, said: "Scotland will be home to COP26 later this year and it is fantastic to know that we'll be setting a stellar example of just what can be achieved with new technology as we welcome leaders from around the world."

[LINK: Aberdeen City Council - Hydrogen buses](#)

Renewable energy production surpasses fossil fuels in 2020

Renewable energy sources surpassed fossil fuel energy production in the UK for the first time ever in 2020, led by wind power generation.

According to National Grid, renewable sources provided 42% of the UK's energy, while fossil fuel sources like gas produced 41%. The remaining 17% was produced by nuclear sources.

Wind power was the main source of renewable generation, contributing 24% of all energy produced last year. That's double the amount of power produced by wind in 2015, and a 4% jump year-on-year.

Coal power, which is due to be phased out for good in 2024, fell to just 2% of the UK's energy mix.

However, gas remains the UK's single largest power source, providing 37% of all electricity in 2020.

[LINK: National Grid - 2020 fuel mix data](#)