

Gas

p/therm	29 Jan 21	5 Feb 21	Change
Day-Ahead	55.10	51.25	-7.0%
Mar 2021	53.15	48.17	-9.4%
Summer 2021	42.80	42.59	-0.5%
Winter 2021/22	51.10	52.05	1.9%
12M Annual Apr 2021	46.95	47.32	0.8%

Source: ICE

The **March 2021 Gas** contract fell 9.4% last week. Despite a short-term cold weather snap, longer range forecasts indicate the bulk of winter weather and peak gas demand are behind us. Additionally, the UK has secured a strong supply of LNG deliveries, with 8 shipments over the next week, supporting supply.

The **March 2021 Power** contract fell 4.2%, largely in line with falls in gas prices and improving weather forecasts, despite rises in EU carbon.

The **April 2021 12 Month Gas** price saw some small gains of 0.8% last week, as European gas storage continues to fall below 50%, 20 points lower than this time last year.

The main driver of the 12-month gas price is related to carbon seeing a dramatic rise this week, nearly breaching €40/tCO₂. The increase, thought to be principally speculative, has driven up longer term gas forecasts despite shorter term price falls.

European gas-fired power generation is likely to become more profitable over more pollutant coal-fired generation, should carbon prices remain high.

Another contributor to the April 2021 12-month gas price is the increases in oil prices, as OPEC+ cuts its production. The increased oil price, alongside forecasts for a weakening US dollar, ahead of President Biden's US stimulus package, are placing pressure on longer term economic forecasts, driving energy prices up.

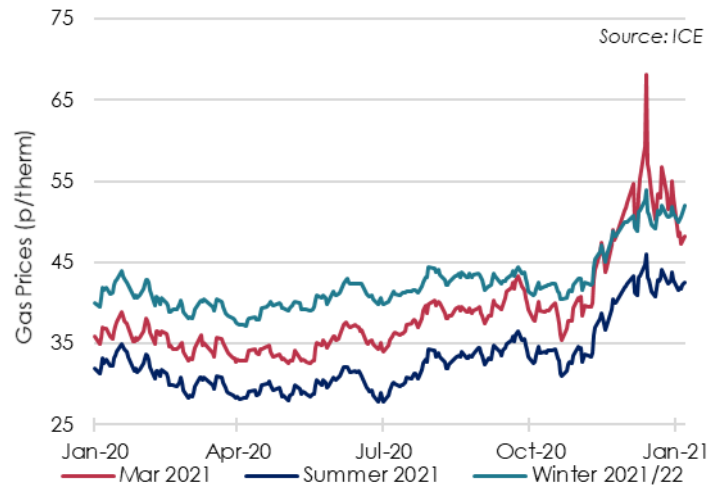
The **April 2021 12 Month Power** price saw a more significant rise of 3.2% last week, with the links between power and carbon prices being more significant.

Power

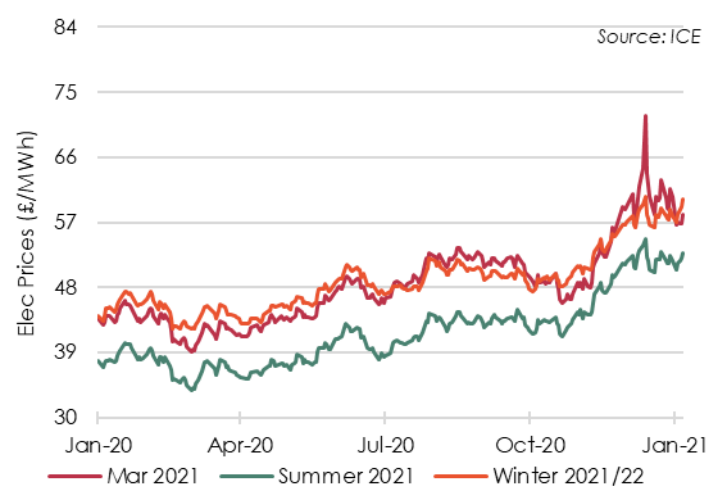
£/MWh	29 Jan 21	5 Feb 21	Change
Day-Ahead	60.22	57.21	-5.0%
Mar 2021	60.59	58.06	-4.2%
Summer 2021	51.64	52.85	2.3%
Winter 2021/22	57.92	60.17	3.9%
12M Annual Apr 2021	54.78	56.51	3.2%

Source: ICE

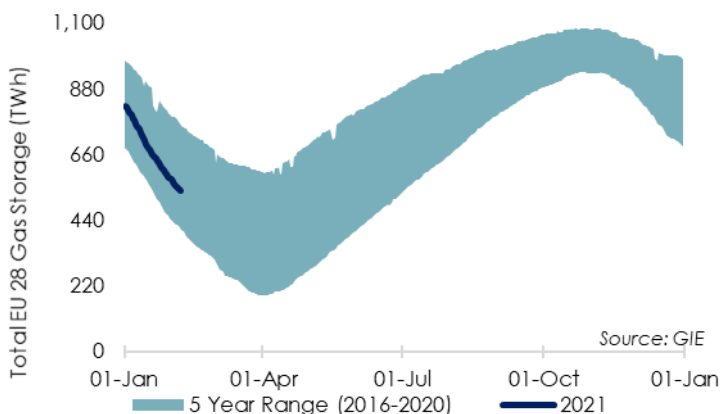
UK Gas



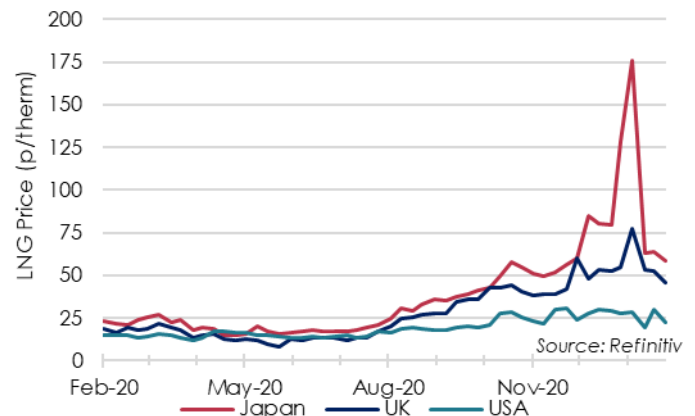
UK Power



European Gas Storage



Global LNG (Japan v UK v USA)



Beond Weekly UK Insight

8 February 2021

Oil

\$/bbl	29 Jan 21	5 Feb 21	Change
Brent Crude Apr 21	55.88	59.34	6.2%

Source: Reuters

Brent crude oil rose 6.2% last week to \$59.34/bbl to reach 1-year highs and a return to pre-pandemic levels. Prices have been buoyed by demand optimism from the roll out of Covid-19 vaccines supporting economic recovery and positive US manufacturing figures. OPEC member countries also vowed to continue to implement a global inventory decline to rebalance the market with Saudi Arabia making voluntary cuts of 1 million bpd from the beginning of February.



Exchange Rates & Economics

£/\$	29 Jan 21	5 Feb 21	Change
GBP/USD	1.3702	1.3733	0.2%

Source: Reuters

Pound Sterling versus the US dollar saw little change last week, with Sterling gaining 0.2%. Exchange rates have recently been buoyed by optimism around the UK's vaccination programme, which has now seen over 12m first doses given out.

Despite the largescale rollout, the UK economy is expected to fall by 4.2% in Q1-21 on the back of tighter lockdown restrictions, before rebounding in the spring.



Carbon

€/tCO2	29 Jan 21	5 Feb 21	Change
EUA Dec Yr	32.88	38.15	16.0%

Source: Reuters

European carbon rose sharply by 16.0% last week to reach a new record of €38.15/tCO2. The rally started after bullish auction results. Prices were then amplified by bullish news reports suggesting hedge funds expected a "€100 Euro Carbon Price" leading to speculative buying. However, fundamentals also support the carbon rally due to a tightening supply balance and stronger fuel prices as cold weather.



Coal

\$/tonne	29 Jan 21	5 Feb 21	Change
API2 CIF ARA Yr	69.50	66.30	-4.6%

Source: Reuters

European coal prices fell 4.6% last week, mirroring losses in day ahead and front month power and gas prices, as government data showed UK coal imports had dropped by 30% year-on-year.

It is thought this decline is due to reduced power demand caused by lockdown restrictions, a generally mild November, as well as high carbon prices, making coal less economically favourable.



Regulatory and Market News

UK's total pipeline of battery storage projects now stands at over 16GW

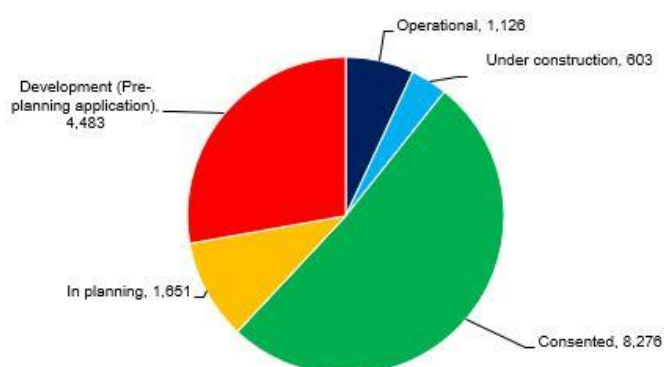
According to research by RenewableUK, more than 16.1GW of battery storage capacity is operating, under construction or being planned in the UK across 729 projects. That compares to a total pipeline of 10.5GW across 600 energy storage projects in December 2019.

The trade association's new report finds the market has increased rapidly as 1.1GW of battery storage capacity is currently operational compared to 0.7GW identified in December 2019.

The research shows, a further 0.6GW is under construction, 8.3GW of capacity has secured consent and 1.6GW is in the planning system.

In addition, nearly 4.5GW are identified as being at an early stage of development for future submission into the planning system.

UK battery storage projects



Source: RenewableUK

RenewableUK's Director Barnaby Wharton said: "We're already seeing grid-scale batteries of 50MW being built, providing valuable flexibility to the grid, and we expect many projects with an even larger capacity will be submitted into the planning system following the removal of the 50MW cap.

"There's no doubt that the energy storage market will continue to grow as we scale up using a variety of innovative technologies – not just lithium batteries but also flywheels, compressed air, liquid air and gravity-based storage. This cutting-edge technology is another example of how the UK is a world leader in building modern power systems.

"However, many of our projects need access to capital at a lower cost and more stable revenues."

[LINK: RenewableUK - UK battery storage projects](#)

UK Government invests £20 million in charging points for Electric Vehicles

The Department for Transport (DfT) is providing £20m to local authorities in an effort to boost the number of on-street EV charge points across the UK.

In partnership with Energy Saving Trust, the DfT is welcoming applications from all councils for funding from its On-Street Residential Chargepoint Scheme (ORCS) which will continue into 2021/22.

Since its inception in 2017, more than 140 local authority projects have benefitted from the scheme, which has supported applications for nearly 4,000 chargepoints across the UK.

Nick Harvey, senior programme manager at Energy Saving Trust, said, "The confirmation of £20m of funding for the ORCS in 2021/22 is great news. This funding will allow local authorities to install convenient and cost-effective electric vehicle charging infrastructure for those who rely on on-street parking. This helps to support the fair transition to the increased adoption of low carbon transport.

"We're therefore encouraging local authorities to access this funding as part of their plans to decarbonise transport and improve local air quality."

[LINK: Gov - £20m funding for EV charging](#)

Nord Stream 2 resumes construction work, defying US sanctions against Russia

Gazprom's Russia-to-Germany gas pipeline Nord Stream 2 resumed work in Danish waters on Saturday, defying US sanctions. Some 75 km of pipe are left to be laid on the 1,200 km project, in German and mostly Danish territory.

In mid-January, then-US President Donald Trump preemptively hit the project's hired Russian ship with sanctions before leaving office. A second, expanded set of U.S. sanctions passed in January is triggered the moment Fortuna begins laying pipe in Danish waters.

These additional measures target any entity providing the ship with port facilities, equipment upgrades, insurance, inspection or other services, causing Norwegian certifier DNV GL to cut ties with the project "while sanctions are in place."

However, Austria's Chancellor Sebastian Kurz said the controversial Nord Stream 2 natural gas pipeline is "in the interests of many European Union countries" and the bloc shouldn't jeopardize the project over opposition to Russia.

[LINK: Bloomberg - Nord Stream 2](#)