

## Gas

p/therm	19 Feb 21	26 Feb 21	Change
Day-Ahead	42.85	41.25	-3.7%
Apr 2021	41.23	39.79	-3.5%
Summer 2021	40.00	38.61	-3.5%
Winter 2021/22	49.45	48.80	-1.3%
12M Annual Apr 2021	44.72	43.71	-2.3%

Source: ICE

The **April 2021 Gas** contract fell a further 3.5% last week. Strong LNG supply is easing concerns of supply issues extending into April. Prices may have fallen further; however unplanned maintenance has halted all production from Norway's Skarv gas field this week.

Prime Minister Boris Johnson's announcement that lockdown conditions will exist, in diminishing states, until at least the 21<sup>st</sup> of June 2021, has solidified that no significant demand spikes are likely to be seen in April, also weighing down on price forecasts.

The **April 2021 Power** contract also continued to fall, by 2.2%, largely in line with changes seen in gas and lower demand forecasts in April.

The **April 2021 12 Month Gas** price fell by 2.3%, as optimism grows that the worst of winter weather may have passed, and gas supply will now last, undisturbed, into the summer months. European gas storage has continued to decline to 37%, however the rate of extraction has eased compared against previous years, helping drive the reduction in prices.

The UK continues to secure a strong LNG supply this week with a further 11 shipments scheduled, which should sustain demand until temperatures rise during March.

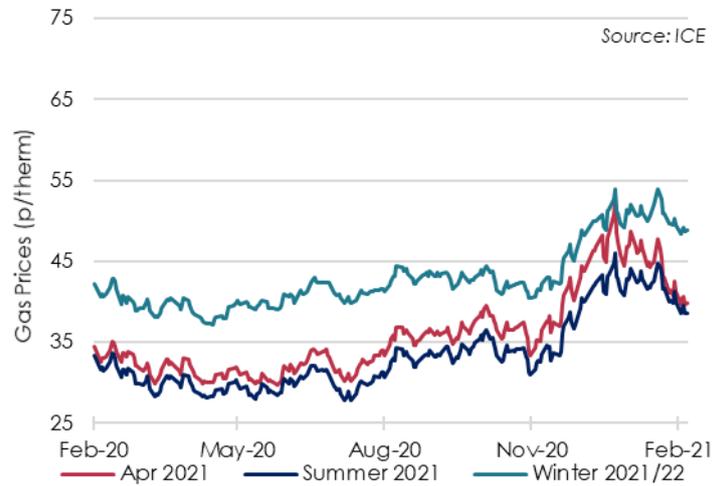
The **April 2021 12 Month Power** price fell by 0.9%, largely due to near-term confirmation that lockdown conditions will last until at least the end of Q2-2021. Power prices do however remain relatively high due to the rising cost of EU carbon credits.

## Power

£/MWh	19 Feb 21	26 Feb 21	Change
Day-Ahead	40.43	54.15	33.9%
Apr 2021	52.45	51.29	-2.2%
Summer 2021	50.60	49.53	-2.1%
Winter 2021/22	58.54	58.68	0.2%
12M Annual Apr 2021	54.57	54.11	-0.9%

Source: ICE

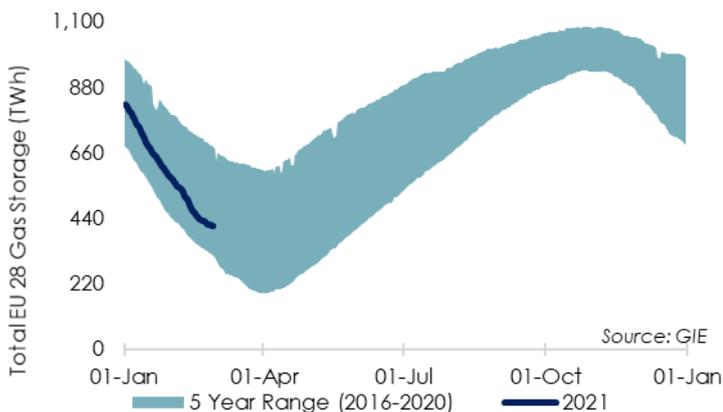
### UK Gas



### UK Power



### European Gas Storage



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



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# Beond Weekly UK Insight

1 March 2021

## Oil

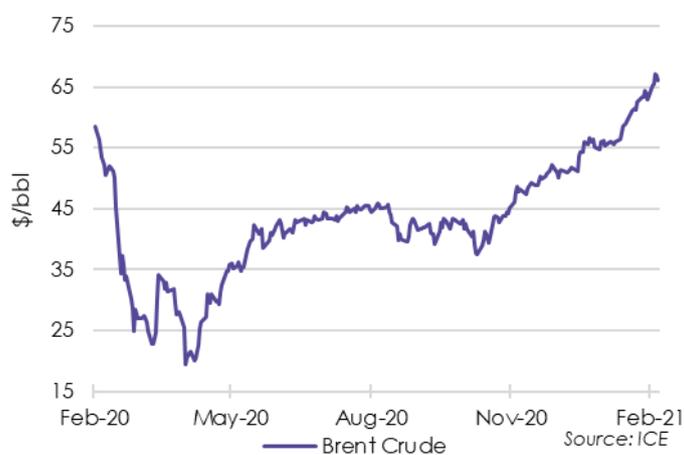
\$/bbl	19 Feb 21	26 Feb 21	Change
Brent Crude May 21	62.91	66.13	5.1%

Source: Reuters

**Brent crude oil** rose 5.1% last week to \$66.13/bbl reaching its highest price since May 2019 on Thursday as Texan oil refineries resumed production following the previous week's freeze that halted operations.

Vaccine rollouts in the U.S. and Europe continue to provide optimism for economic recovery and have boosted prices in recent weeks.

OPEC and Russia are due to meet this week following a 75% price rise over the last four months for Brent. This could encourage U.S. producers to resume production and OPEC+ to loosen its production reductions that have been in place for the duration of 2021 so far.



## Carbon

€/tCO2	19 Feb 21	26 Feb 21	Change
EUA Dec Yr	37.37	37.23	-0.4%

Source: Reuters

**European carbon** fell by 0.4% last week to €37.23/tCO2. The Intercontinental Exchange (ICE) has published the calendar for market auctions of allowances under the new UK emissions trading system (ETS). The UK government previously increased the transitional reserve price for UK ETS auctions to £22/tCO2 from £15/tCO2. This will be withdrawn as the UK ETS market matures.



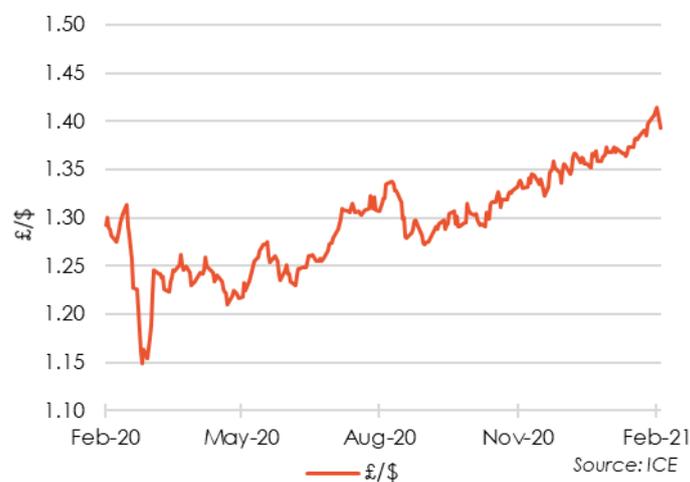
## Exchange Rates & Economics

£/\$	19 Feb 21	26 Feb 21	Change
GBP/USD	1.4014	1.3932	-0.6%

Source: Reuters

**Pound Sterling** versus the U.S. dollar fell 0.6% last week. Despite the ongoing UK vaccination program providing support, Wednesday this week will see Chancellor Rishi Sunak announce his 2021 Budget.

With the UK's national debt at nearly 100% of GDP, levels not seen for almost 60 years, Sunak has warned the budget will be an opportunity to 'level with the people.' It is expected the Chancellor will announce some tax increases in an attempt to reduce the current deficit.



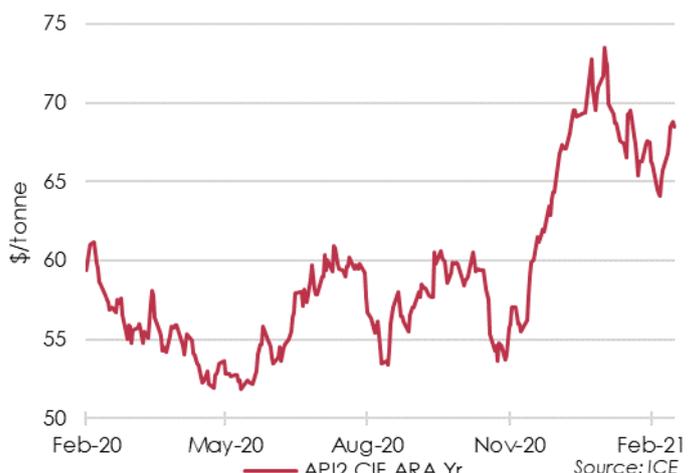
## Coal

\$/tonne	19 Feb 21	26 Feb 21	Change
API2 CIF ARA Yr	65.75	68.50	4.2%

Source: Reuters

**European coal** prices rebounded 4.2% last week, in response to reduced generation from alternative power sources.

A material dip in German wind output and French nuclear availability resulted in an increased demand for coal to be used in power generation across Central and Western Europe.



## Regulatory and Market News

### Scottish Parliament unanimously supports Heat Networks Bill

The Scottish Parliament has unanimously passed new legislation to accelerate the deployment of heat networks that will help reduce emissions and fuel poverty.

The Heat Networks (Scotland) Bill creates a new licensing system to drive up standards across the sector, improving consumer confidence and also creates new rights for heat network developers and operates to level up the playing field with other utilities to make investment in the sector more attractive and encourage further growth.

In addition, a new consent system will be introduced to make sure new heat networks are developed in areas where they will have the most benefit and are tailored to their needs.

Scotland is the first country in the UK to legislate the growth of heat networks, through which clusters of homes and businesses get heating from a central source rather than individual fossil fuel boilers.

Heat networks are estimated to reduce greenhouse gas emissions by the equivalent of 90,000 cars by 2050 and generate annual fuel savings of around £130 for every household that connects to a heat network.

The Scottish Government is targeting the equivalent of 650,000 homes to be connected to heat networks by 2030, from the current number of 32,000.

Scotland's Energy Minister Paul Wheelhouse said: "We understand the decarbonisation challenge we face in order to end our contribution to climate change, not least in decarbonising heating in our homes and buildings, which currently accounts for 30% of Scotland's total energy consumption.

"As we continue to grapple with the unprecedented challenges of the coronavirus (COVID-19) pandemic, we know that we urgently need to stimulate our economy. Heat networks fit the profile of the sort of project that can make a significant, near-term contribution to our green recovery while providing long-term employment in local communities. The development of this sector will, crucially, provide ongoing support to achieve our target to reach net zero greenhouse gas emissions by 2045."

[LINK: Scottish Gov - Heat Networks Bill](#)

### UK renewable energy sets new record in 2020

Last year was a record year for renewable energy in the UK, accounting for almost 42% of the country's electricity, according to research by Drax Electric Insights. For the first time clean power generated more electricity than fossil fuels, which accounted for 39.6%.

However, the analysis said that new green technologies must be deployed for the UK to meet its climate targets despite renewables generating more power than fossil fuels for the first time.

While power from renewables overtook fossil fuels for the first time in 2020 and carbon emissions fell by 16% year-on-year, this was in part due to reduced demand caused by Covid lockdowns, when gas and coal power stations were turned down, the research said.

Wind and solar generated 30% of Britain's electricity in 2020, around half the share required by 2025 for the UK to reach its climate targets according to the Climate Change Committee (CCC), it added.

The report also said that achieving the CCC's targets will require a range of other technologies, such as bioenergy with carbon capture and storage, hydrogen and nuclear.

[LINK: UK Gov - Energy Stats](#)

### Centrica commits to be net zero by 2045

Britain's largest energy supplier, Centrica, last week announced it will accelerate its commitment to be net zero by 2045, five years ahead of its previous target and the UK deadline.

The reduction in Centrica's own emissions (scope 1 and 2) and those of its customers (scope 3) align with science-based targets and the actions required to limit warming to 1.5°C.

The company is set to launch a hybrid heat pump trial in the coming months with customers, an opportunity to prove the role hybrid heat pumps can play in decarbonising homes and is developing a paid-for proposition for air source heat pumps.

The company is also working with customers to accelerate electric vehicle adoption and has upskilled many of its Smart Energy Experts to fit EV charging points. Centrica's ambition is to install 23,000 EV charging points this year across its residential, small and large business customer base.

[LINK: Centrica - Net Zero 2045](#)