Beond Weekly UK Insight

6 April 2021

Gas

p/therm	25 Mar 21	1 Apr 21	Change
Day-Ahead	45.60	50.10	9.9%
May 2021	44.91	47.21	5.1%
Winter 2021/22	53.95	55.31	2.5%
Summer 2022	40.81	41.35	1.3%
12M Annual Oct 2021	47.38	48.33	2.0%

Source: ICE

Power

£/MWh	25 Mar 21	1 Apr 21	Change
Day-Ahead	50.81	56.30	10.8%
May 2021	54.30	56.22	3.5%
Winter 2021/22	64.00	65.48	2.3%
Summer 2022	49.08	49.96	1.8%
12M Annual Oct 2021	56.54	57.72	2.1%

Source: ICE

The **May 2021 Gas** rose 5.1% to 47.21 p/therm last week as colder temperatures drove up demand and on lower LNG send-out. The backlog of ships travelling though the Suez Canal was cleared over the weekend, around 12 days after the massive Ever Given ship grounded. But with European gas storage already running lower than normal for this time of year, delays of LNG deliveries to Europe may take longer to correct.

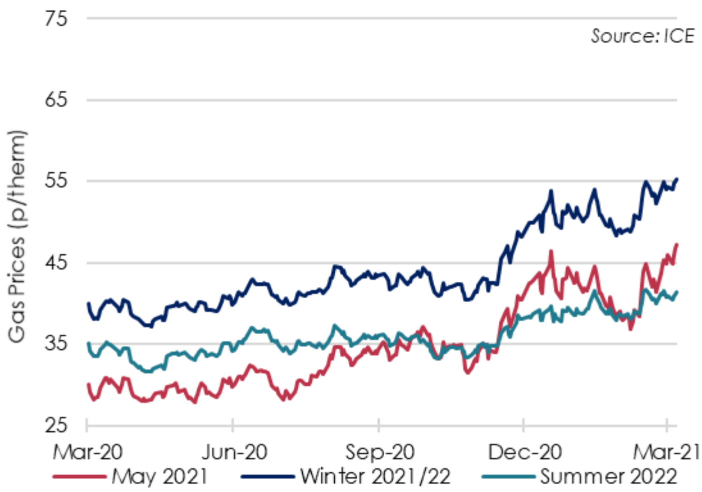
The **May 2021 Power** rose 3.5% to £56.22/MWh tracking gas gains, and as wind generation remained below average last week increasing reliance on gas-fired power generation.

The **Oct 2021 12 Month Gas** price rose by 2.0% last week to 48.33p/therm as the LNG delays resulting from the Suez Canal backlog could be felt as far ahead as next winter. European Gas storage remains close to its lowest level for the past 3 years, around 31% of total capacity. UK Gas storage increased to 49%.

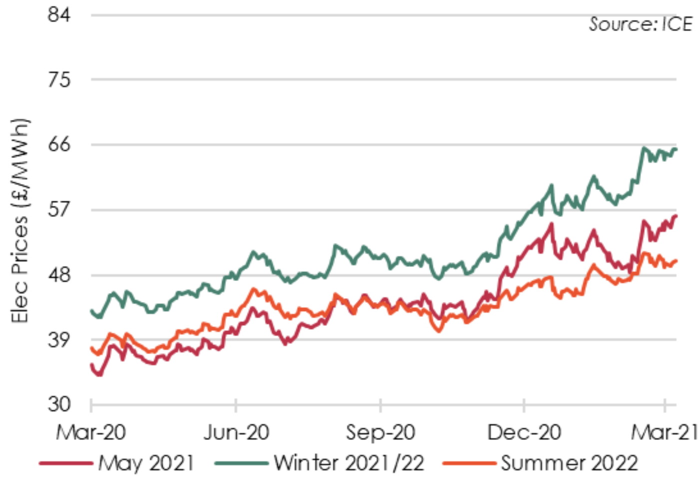
Research firm Energy Aspects said it expects the Nord Stream 2 gas pipeline to contribute to European supply from the start of Q4-21, following an apparent softening of U.S. opposition to the project and the start of work by a second Russian pipelaying vessel.

The **Oct 2021 12 Month Power** price rose by 2.1% to £57.72/MWh last week tracking gas contracts higher even though European energy demand concerns remain as Covid infection rates rise across the Continent. However, the UK's own vaccine continues to rollout at the scheduled pace, with more than 30 million people having received at last their first dose.

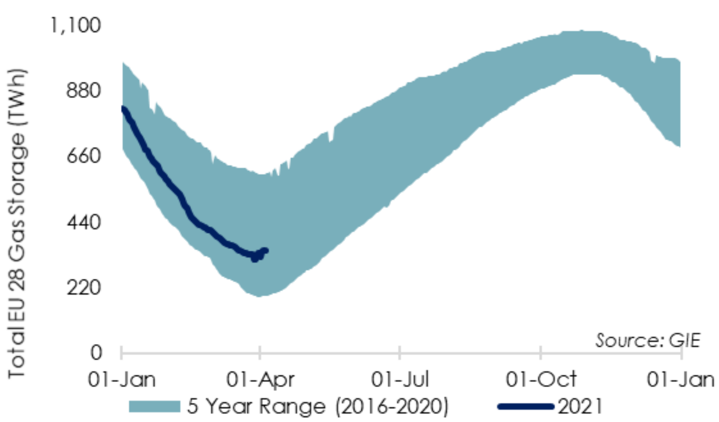
UK Gas



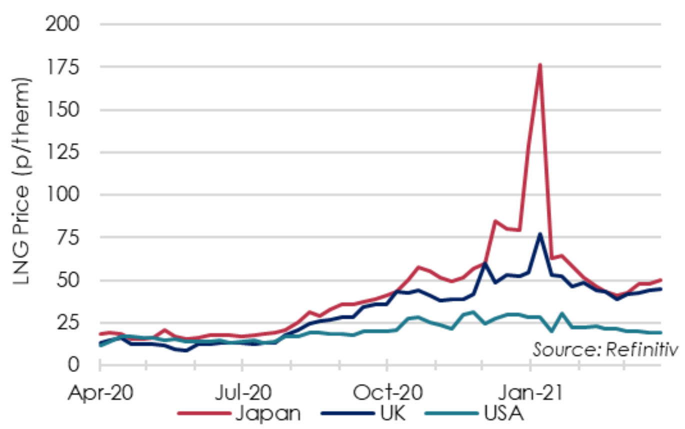
UK Power



European Gas Storage



Global LNG (Japan v UK v USA)



Beond

Building 11, Chiswick Business Park
566 Chiswick High Rd,
London, W4 5YS

T: +44 208 634 7533
E: strategicclients@beondgroup.com
W :www.beondgroup.com

Rewarding Climate Action

Beond Weekly UK Insight

6 April 2021

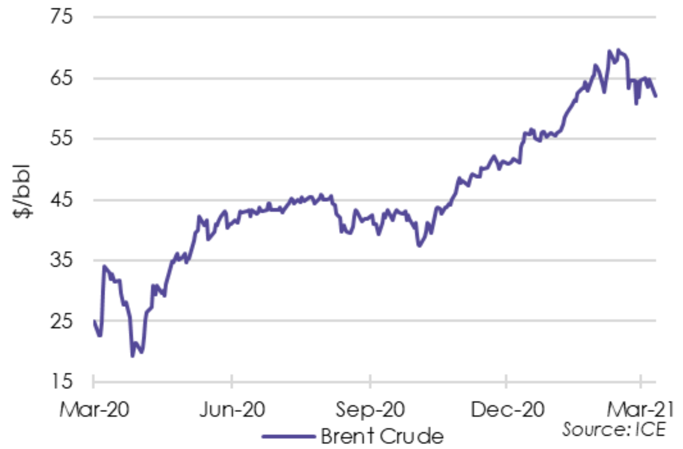
Oil

$/bbl	25 Mar 21	1 Apr 21	Change
Brent Crude Jun 21	61.95	64.86	4.7%

Source: Reuters

Brent crude oil saw a rise of 4.7% last week to $64.86/bbl. This was largely caused by delays to cargoes travelling through the Suez Canal.

That said, production has seen a significant rise over the last few days, with OPEC+ and the US declaring increased drilling rates. With all parties now focussed on a drilling recovery throughout the Summer, it is not clear whether demand will match the increasing supply. The forecast for the coming week is for oil prices to see some drops, reacting to the news of increased production.



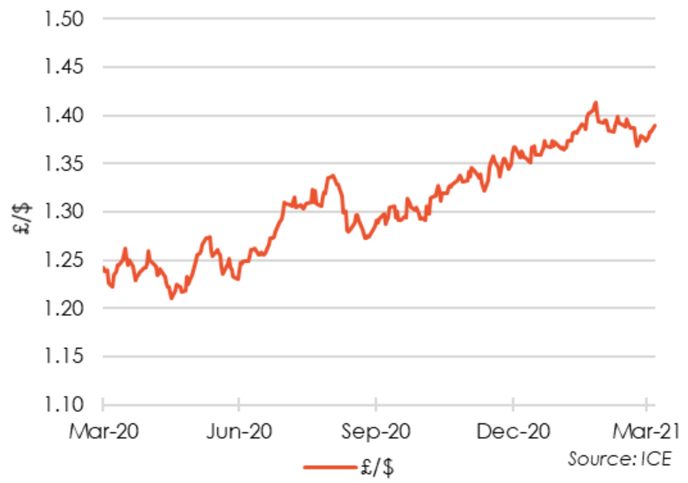
Exchange Rates & Economics

£/$	25 Mar 21	1 Apr 21	Change
GBP/USD	1.3732	1.3830	0.7%

Source: Reuters

Pound Sterling rose 0.7% last week as the UK reached the next step of the roadmap that marks the start of the easing of lockdown restrictions. The highly successful vaccination program and the gradual reopening of the UK economy continues to support the Pound.

Meanwhile, US government bond yields have fallen providing bearish pressure for the US Dollar. Some optimism for the Dollar was provided by the lowest post-pandemic job loss claim this week amid strong manufacturing indicators.



Carbon

€/tCO2	25 Mar 21	1 Apr 21	Change
EUA Dec Yr	40.26	42.37	5.2%

Source: Reuters

European carbon rose by 5.2% to €42.37/tCO2 this week following the publication of EU emission data. The data has shown a 14.4% reduction in EU ETS CO2e emissions for 2020, due to economic slowdown related to the COVID-19 pandemic. The reductions in EU ETS emissions have provided a boon to the scheme as the price has remained high despite low emissions. As emissions are expected to increase again in 2021 the price of Carbon is likely to increase significantly as the year continues.

Coal

$/tonne	25 Mar 21	1 Apr 21	Change
API2 CIF ARA Yr	72.35	72.60	0.3%

Source: Reuters

European coal prices rose 0.3% last week as gas and LNG prices remain high while the backlog from the blockage in the Suez Canal is cleared.

Despite warm temperatures in Europe last week, colder temperatures were forecast to sweep the Continent over the weekend boosting demand for coal.

Beond Weekly UK Insight

6 April 2021

Regulatory and Market News

Public sector decarbonisation barely scratching the surface of energy transformations, says eLight

Just 3.3% of government grant funding set up to accelerate the decarbonisation of public sector buildings has been awarded to schools and academies so far, according to new analysis by eLight, Beond's sister business, that offers Light-as-a-Service (LaaS).

The Public Sector Decarbonisation Scheme (PSDS) was created by the UK Government to provide £1 billion of grants to public sector applicants. eLight's analysis of new data from the initiative reveals that of £932 million awarded to date, a total of just over £31m has been awarded to schools or academies.

eLight is calling on the Government to work with the private sector to fund capital-free energy efficiency projects and rapidly accelerate the sector's decarbonisation efforts.

According to the Government's Energy white paper published in December, emissions from public sector buildings account for 9% of emissions from buildings.

Harvey Sinclair, CEO of eEnergy, eLight and Beond's parent company, said, "The aims of the PSDS are laudable but given the vast number of public sector buildings eligible for the funding, it was never going to do much more than scratch the surface of what is needed.

"We do a lot of work in schools upgrading their lighting to energy-efficient LED lighting. Our model means the entire project is financed, doesn't require any upfront expenditure, and repayments are more than covered by the energy savings made.

"But despite having completed over 1,000 projects and despite all these benefits, it's often still a struggle to get schools to commit because they think it is too good to be true."

According to The Carbon Trust, energy bills in UK schools amount to £543 million per year, with 50% of a school's total electricity cost being lighting. If every school in the UK implemented any energy efficient technology, over £100 million could be saved each year.

eLight has completed over 1,000 energy improvement projects, saving over £16 million for clients. It designs and installs lighting and charges a fixed monthly service fee. The system is then maintained by eLight, with the energy savings more than meeting the costs throughout the typical seven-year contract.

LINK: Energyst - eLight

Climate Change Committee warns that fracking ban should continue for UK to meet net-zero

The Climate Change Committee (CCC) has told the UK Government that restrictions on onshore fracking for shale gas must be continued until scientists have a better understanding of its full environmental impact.

In a letter sent to Business and Energy Secretary Kwasi Kwarteng, the CCC provided updated advice on whether onshore petroleum production is compatible with the UK's carbon budgets and its long-term net-zero target. The last advice was provided in 2016 and, since then, fracking has effectively been banned and the UK has altered its Climate Change Act.

The letter takes these changes into account and stipulates that Ministers may adopt the CCC's recommendations on the Sixth Carbon Budget, which would necessitate a 'front-loaded' net-zero transition.

It states that the three 'tests' for gas laid out in previous advice briefings will be more important than ever, the tests being limiting emissions from fracking; capping gas consumption and offsetting production emissions with in-house reductions, elsewhere in the UK. This latter recommendation is designed to prevent fossil fuel firms from excessively relying on offsetting internationally.

According to the letter, the UK's gas demand will need to fall by two-thirds by 2035 if the UK is to meet its 2050 climate target. However, the UK is currently a net importer of fossil fuels. Therefore, even in a net-zero scenario, it will need to import some level of fossil fuels.

It states that shale gas fracked domestically could be a better option than importing liquefied natural gas, particularly if producers co-locate fracking sites with carbon capture technologies or link it to the development of hydrogen.

It recommends that the effective ban on fracking remains in place for now. It outlines concerns over seismic activity caused by fracking and the sector's potential impact on society and nature, stating that an in-depth, independent review on fracking's full impact should be undertaken. The review should also assess whether CCS and hydrogen production are mature enough to co-locate or whether fossil fuel firms would use them as a form of get-out-of-jail-free card.

LINK: Edie - CCC recommends continuing fracking ban