

Beond Weekly UK Insight

1 June 2021

Gas

p/therm	21 May 21	28 May 21	Change
Day-Ahead	67.00	61.90	-7.6%
Jul 2021	60.65	60.68	0.0%
Winter 2021/22	67.97	68.91	1.4%
Summer 2022	47.03	47.25	0.5%
12M Annual Oct 2021	57.50	58.08	1.0%

Source: ICE

The **July 2021 Gas** price was broadly unchanged at 60.68p/therm last week as the market continued to stabilise after a period of intense volatility. However, we could be in store for slightly lower prices as warmer weather and stronger wind lower demand, while lower carbon prices also weighed on energy markets.

Gas for power generation could fall to 40 mcm/d this week compared to 55 mcm/d last week, amid stronger renewable generation.

The **June 2021 Power** price saw a small increase of 1.0% to £73.94/MWh, as gains in the coal market were more significant than the modest carbon's decline. UK power prices continue to be largely led by Continental European power prices where coal remains a significant source of power generation.

The **Oct 2021 12 Month Gas** price rose 1.0% to 58.08p/therm. This is driven by a lack of LNG imports and disruptions to Norwegian pipeline flows, which resulted in weaker supply. UK gas storage remains extremely low at just 8% full, compared to 65% this time last year. Meanwhile EU gas storage still only sits at 37%.

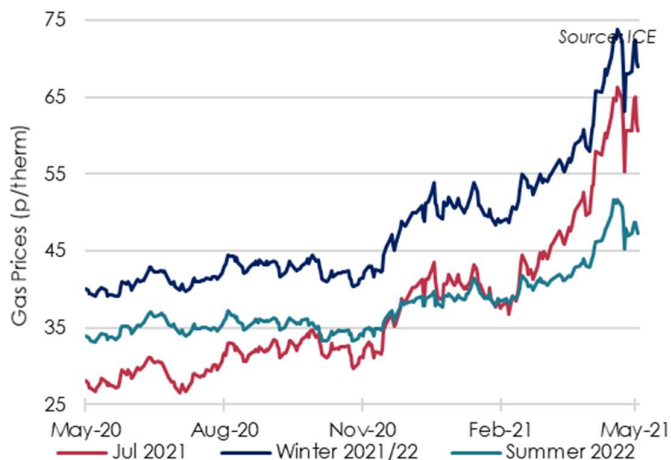
The **Oct 2021 12 Month Power** price also saw a small decline of 0.1% to £69.37/MWh, as carbon prices recorded a modest drop. Carbon remains a key price drivers for UK power with any significant movement is likely to be critical for the direction of UK energy prices.

Power

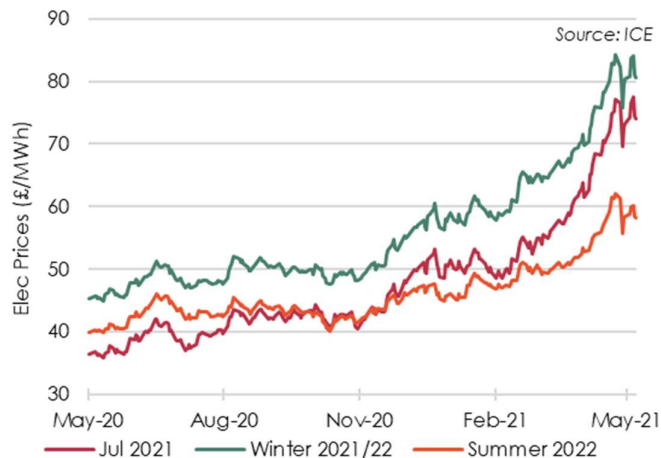
£/MWh	21 May 21	28 May 21	Change
Day-Ahead	64.52	73.00	13.1%
Jul 2021	73.22	73.94	1.0%
Winter 2021/22	80.47	80.57	0.1%
Summer 2022	58.41	58.17	-0.4%
12M Annual Oct 2021	69.44	69.37	-0.1%

Source: ICE

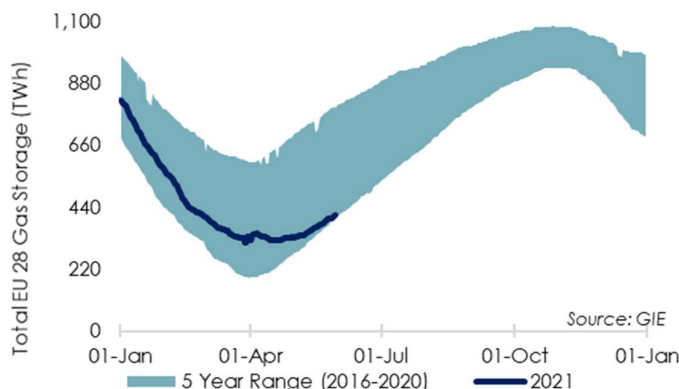
UK Gas



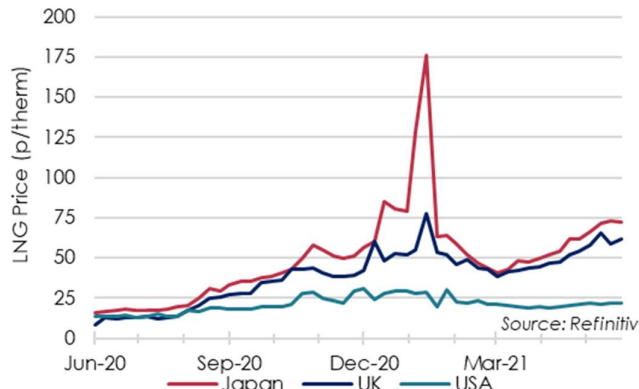
UK Power



European Gas Storage



Global LNG (Japan v UK v USA)



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Oil

\$/bbl	21 May 21	28 May 21	Change
Brent Crude Aug 21	66.44	69.63	4.8%

Source: Reuters

Brent crude oil rose by 4.8% to \$69.63/bbl last week. This follows indicators of growth in global oil demand.

US and non-OPEC+ oil production have both seen increases to match demand forecasts. The IEA (International Energy Agency) predict significant growth in oil demand as Covid-19 recovery hopes swell, predominantly surrounding Indian recovery and global vaccination successes.



Carbon

€/tCO2	21 May 21	28 May 21	Change
EUA Dec Yr	51.65	50.95	-1.4%

Source: Reuters

European carbon fell by a further 1.4% to €50.95/tCO2 last week. The price drop is supported by news from the EU that a new "cross-sectoral correction factor" will be used to introduce roughly 3% extra free allowances onto the market, reducing auction demand.

The UK ETS is seeing some growing pains this week with auctions prices, ranging between £45.10/t and £51.75/t, near triggering the cost-containment mechanism. This would allow the UK government to introduce reserve auction supply onto the market, in an effort to maintain a fair market price.



Exchange Rates & Economics

£/\$	21 May 21	28 May 21	Change
GBP/USD	1.4147	1.4187	0.3%

Source: Reuters

Pound Sterling rose 0.3% last week as GBP/USD reached its highest level since 2018. With nearly 60% of the UK population having received their first Covid-19 vaccine jab, optimism following the UK's reopening continues.

The UK economy is looking stronger as unemployment numbers fall and inflation is on the rise. A member of the Bank of England hinted last week that interest rates could be raised as soon as 2022.



Coal

\$/tonne	21 May 21	28 May 21	Change
API2 CIF ARA Yr	78.65	80.60	2.5%

Source: Reuters

European coal prices rose 2.5% last week, as Colombia's largest mining complex halted operations due to a blockade of the mines railway in a boost to global prices.

Poland defied an injunction by the top EU court last week that ordered the closure of a major coal mine as Polish officials said it would shake the nation's energy system and lead to the loss of thousands of jobs.



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