



**NEW STREAM**  
RENEWABLES

**New Stream Insight :**  
**Focus on UK Power**  
**and Gas Demand**



“The question is whether a global recession will trigger a prolonged European energy demand slump.”

Gareth Goodall, Head of Trading at New Stream Renewables.

## PPA and Trading Strategy

New Stream still advocate fixing PPAs to protect against further potential downside risk.

### New Stream PPA Strategy Rationale

- Lockdowns to combat coronavirus spread will drive down power demand through summer and possibly into Q4.
- Analysts forecast 6% 2020 slump in Europe-wide consumption.
- Our forecast power price to drop by circa 10% below our base case “business-as-usual scenario”.
- Plentiful gas supply and global LNG demand destruction eg Inidan LNG demand will also pressure power prices.
- Carbon EUA pricing that has been “supportive” also hit hard by global equity sell and moves down in the broader commodity complex.

## UK Power Demand:

In our view sentiment was overshadowing the reality of market fundamentals through the first half of March but it now seems the market has decided a widespread and prolonged economic downturn is almost inevitable. We don’t really know what is going to happen so sentiment in the next few days or weeks will be key.

- Covid-19 driven global macroeconomic headwinds which point towards a economic contraction across Europe.
- Business activity as been hammered by lock-downs and home working this will accelerate short to medium term demand slump.
- \*PMI crashes to historic lows.

\* The Purchasing Managers Index (PMI) is a measure of the prevailing direction of economic trends in manufacturing. The PMI is based on a monthly survey of supply chain managers across 19 industries.

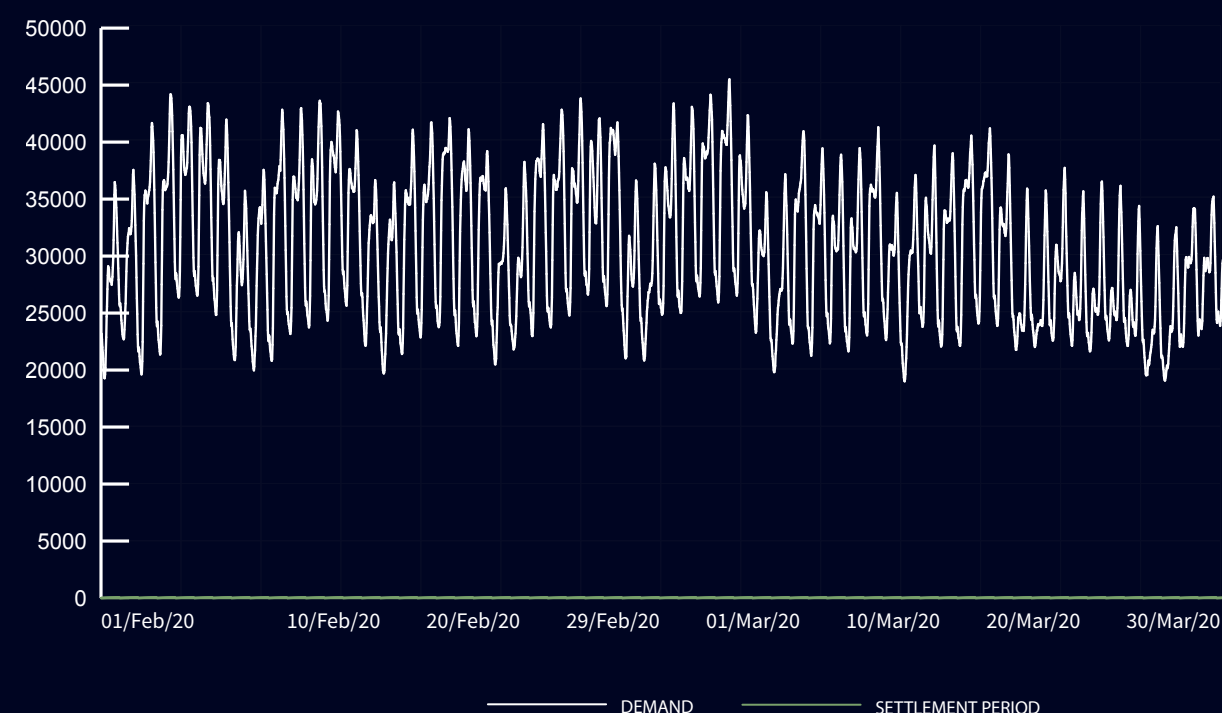
Market sentiment is going to be the key price driver in the short to medium term as data on demand destruction is assessed.

“ We see UK power demand just collapsing with our forecast for today sitting at almost 8% below average March demand for 2020 and 15% below the five-year average for March.”

Said Jamie Banks, PPA Manager at New Stream Renewables.



## UK Power Demand Feb 2020 to Date

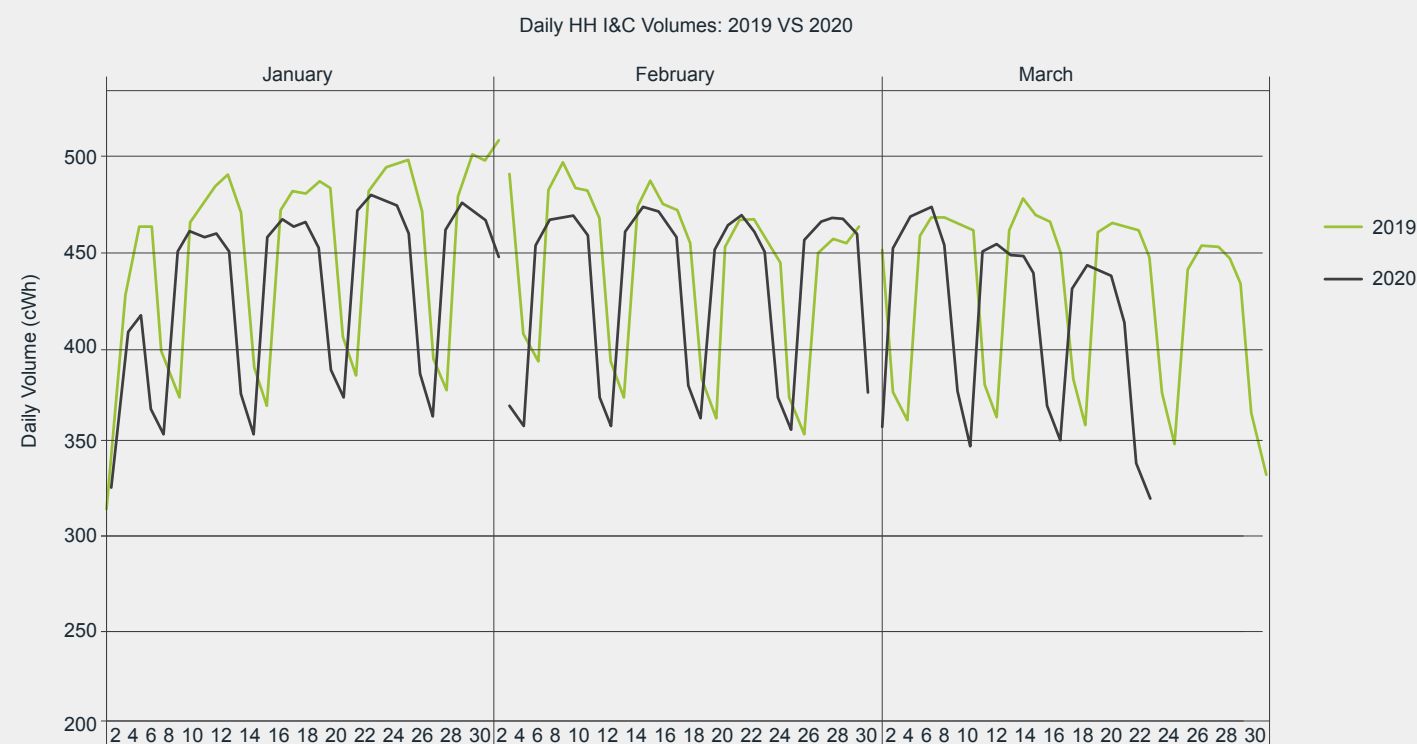






**“If we look at industrial and commercial power demand it is clear that consumption patterns have changed since the governments enforced lockdowns and working from home in a bid to tackle the spread of COVID-19.”**

Analysis by Electralink shows trends in half hourly I&C consumption data to show how the largest consumption sites compare now to the same time last year.



**CARBON TAX**

## In other news....



SSE exits coal generation in 'landmark moment' with closure of Fiddler's Ferry. Fiddler's Ferry had an original capacity of 1995MW, dropping to 1510MW after the closure of Unit 1 in 2019. The closure also comes as part of SSE's commitment to net zero, and ahead of the government's target of ending unabated coal-fired generation by 2025. A government consultation is currently underway, however, to bring the date forward to 2024.

RWE's 1560MW Aberthaw B is also slated for closure today. Its existing Capacity Market agreements for the years 2019/20 and 2020/21 are to be transferred to third parties and a small proportion to other units within RWE's fleet.

The budget has some significant announcements on net zero in the run up to COP 26 in Glasgow.

## Highlights for those of us that may have been distracted by current events :

### “Green Gas Levy” a possibility...

“The government will consult on introducing levy-funded support for biomethane production to increase the proportion of green gas in the grid.”

### The RHI has been extended for a year.

“The government will extend the domestic RHI in Great Britain until 31 March 2022. It will also introduce a new allocation of flexible tariff guarantees to the non-domestic RHI in Great Britain in March 2021, helping to provide investment certainty for the larger and more cost-effective renewable heat projects.”

### Carbon and ETS Participation.

“The UK will continue to apply an ambitious carbon price from 1 January 2021 to support progress towards reaching net zero. The government will legislate a Finance Bill 2020 to prepare for a UK Emissions Trading System (ETS), which could be linked to the EU ETS. The government will also legislate for a carbon emissions tax as an alternative carbon pricing policy and consult on the design of a tax in spring 2020.”

### The government is continuing to put a large amount of funding into support heat networks.

“Recognising the energy efficiency benefits of heat networks, the Budget confirms funding for the Heat Networks Investment Project for a further year to 2022 and provides £270 million of new funding to enable new and existing heat networks to adopt low carbon heat sources.”

### REGOs

Pricing has fallen from last Q3 and Q4 2019 as a result of:

- High wind / hydro load factors over winter.
- Unseasonably warm winter.
- Fall in European GO pricing.
- Unknown impact of the C-19.

We do continue to have a number of buyers but they are being very selective on technology of generation.



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**New Stream Renewables is a specialist consulting and support services group operating across renewable energy markets and technologies.**