



NEW STREAM
RENEWABLES

Market Report

April 20th 2020

Power Demand Update:

"We are starting to see signs that the demand destruction has slowed and we maybe seeing a small uptick albeit from seriously low levels. Business have to re-adjust and plan or they just aren't going to come out of this and I think we are seeing a bit of that in these demand numbers. This situation in Europe is similar."

Jamie Banks,
PPA Manager at New Stream Renewables.

The slowdown in power use throughout Europe seems to be stabilising as Covid-19 infection rates slow in some nations and some begin to make plans to ease lock-down measures.

Banks added *"While there are some positive signs that the demand picture looks more promising week on week, if you do a simple comparison to last year we can see the extent of the damage. The four-day Easter weekend consumption in the UK was the lowest for 6 or 7 years. We are seeing some manufacturing in Europe starting to return. Obviously we are being cautious but we have to still be optimistic."*

- National Grid data is showing a 3.8% drop on Wednesday from a week earlier.
- To put this into context UK power consumption was 21% lower last week compared to a year earlier.
- April UK demand is already closer to levels seen in the summer months.
- Power demand in Germany has been less affected than some others with data showing consumption 13% lower last week compared with a year earlier.
- In Italy the country's drop in power demand has been the most stark in Europe, down 28% last week compared with a year earlier.

"In these kind of market conditions when it comes to PPA fixing you have to have game plan. With this volatility and uncertainty it would be madness to cross your fingers and hope for the best."

Jamie Banks, PPA Manager

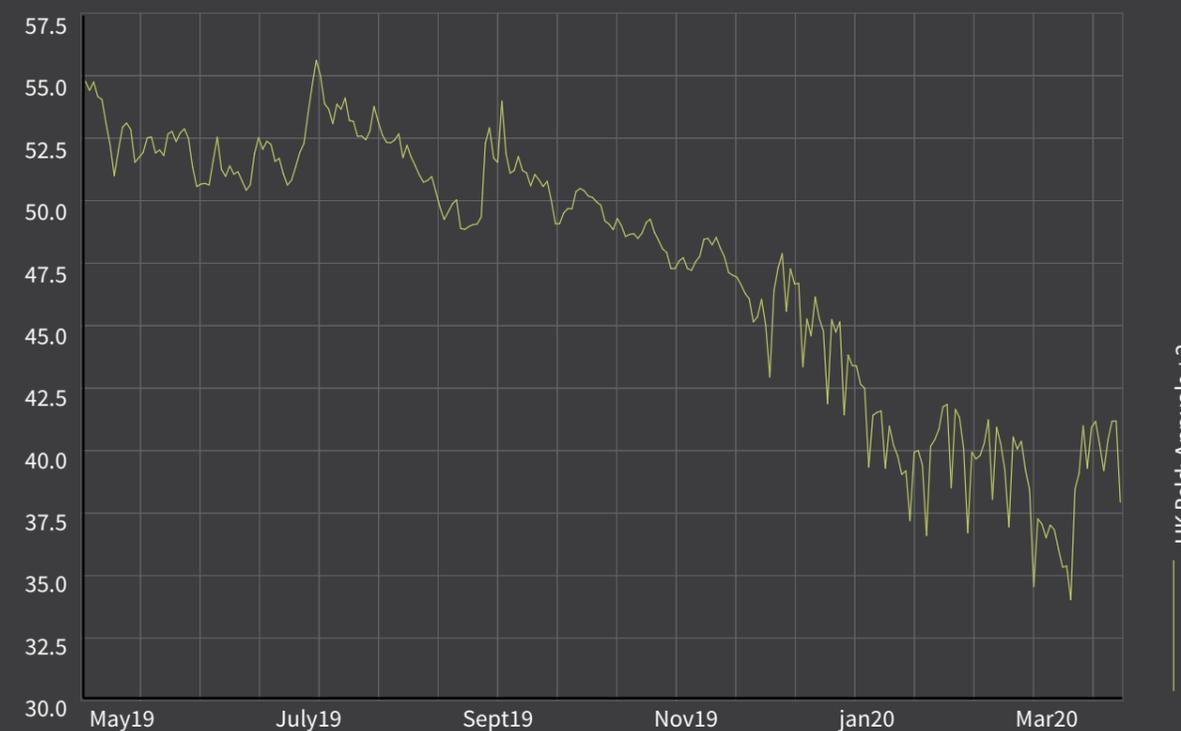
New Stream PPA and Trading Strategy

Recommendation : Short terms PPA fixes to protect against downside risk and a "Hold Strategy" for contracts on longer dated expiries.

New Stream PPA Strategy Rationale :

- Despite some signs of stabilisation lock-downs to combat Coronavirus spread will drive down power demand through summer and possibly into Q4.
- The is still significant uncertainty as to the Covid-19 driven global macroeconomic impact for the balance of 2020.
- Market sentiment is going to be the key price driver in the short to medium term as data on demand destruction is assessed.
- Weakness in the broader commodity complex also a concern.
- U.S. crude oil futures plunged below zero on Monday for first time ever.
- Oil moved down as inventories increased as Covid-19 supply-demand impact plays out.
- Plentiful gas supply and LNG demand will also pressure power prices.
- Spot LNG prices in Asia at record lows last week.

UK Power Baseload Pricing





U.S. Oil Below Zero On The Back Of High Inventories And Covid-19 Demand Impact:

U.S. crude oil futures plunged below zero on Monday for first time ever.

That means oil producers are paying buyers to take the commodity.

In New York the benchmark WTI contract West Texas fell as low as minus \$37 a barrel.

The WTI contract is the most traded in the world but typically as that contract nears expiry traders roll their positions to further out contracts. This is what we saw yesterday.

- Crude oil storage in the U.S. have increased by 48% to almost 60 million barrels since the end of February.
- The 10 million barrel supply “cut” agreed by OPEC is palling in comparison against this market back-drop.

*Oil impacts UK gas (and power) as an index and reference price for long term supply contracts.

“Obviously this is extraordinary, but this is partly down to the May contract expiry we can see the price of the contract for delivery in June at positive \$20 and Brent which is the UK benchmark price is at a premium to that.

If we look at the short term fundamentals there is a huge oversupply of super-tankers and pipelines. Unfortunately the same cant be said for storage capacity.”



Gareth Goodall,
Trading Director at New Stream

U.S. Oil price turn negative



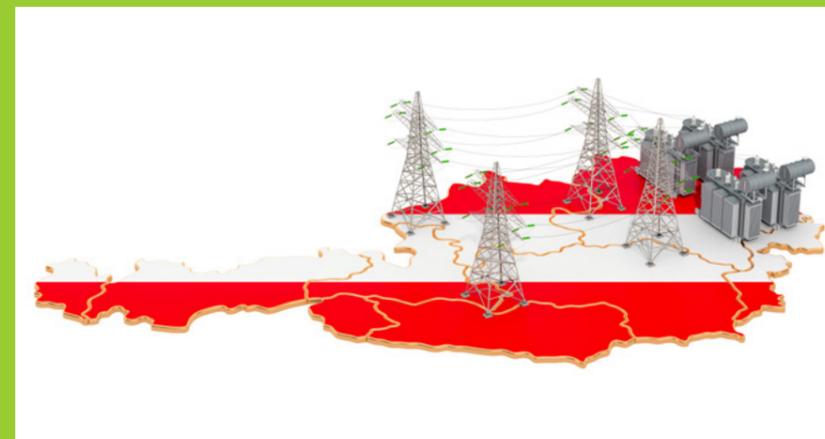
Green Certificates : UK REGO's

Recent falls in pricing have now levelled out and we are beginning to see buying interest for Deep Green certificates (wind, solar and hydro).

A number of market counter-parties / corporate buyers are now looking at long term offtake contracts with annual pricing step ups.

Pricing within PPAs remains strong with suppliers increasing pass-through rates ranging from £0.30-£1.

In Other News....



Austria became the second European country to eliminate coal power from its electricity supply mix and said it's looking toward renewable energy to fuel future economic growth.

The country follows Belgium in completely eliminating generation from coal. France, Sweden, Slovakia, Portugal, the U.K., Ireland and Italy also plan on exiting coal by 2025.

Europe's largest solar plant comes online despite coronavirus challenges.

The new 500MW solar photovoltaic plant in Spain is likely to enter full operations this week.





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NEW STREAM RENEWABLES LTD

4 Charlecote Mews Staple Gardens
Winchester SO23 8SR

Tel: +44 (0) 1962 807 060

info@newstreamrenewables.com

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