

August 2016 Newsletter



energy
services
BUSINESS POWER LTD

Dear Customer

Wholesale electricity and gas prices climbed in July, with the volatility following the EU referendum vote and the unexpected announcement from Centrica that the main UK gas storage site would be mostly out of action until spring 2017. Oil prices fell as the global market remained oversupplied with the US driving season coming to an end.

Main Drivers

- Financial Speculation & Trading Activity
- Plant Maintenance & Outages
- UK Coal Fired Power Station Closures
- UK Distribution & Transportation Network Upgrade
- UK Government Green Taxes (RO / FiT / EMR CfD & CM)
- Geopolitical Tensions in the Middle East & Eastern Europe
- Global Oil & Coal Prices
- UK & European Carbon Prices
- Seasonal Supply and Demand Balance
- Atlantic Hurricane Season

General Comments

Gas prices began the month steady however a shock announcement from Centrica that they would be keeping the Rough Storage facility closed until April 2017 because of safety checks spooked an already volatile market. The initial panic however was thought to be caused by speculators with prices slowly drifting back down towards the end of the month.

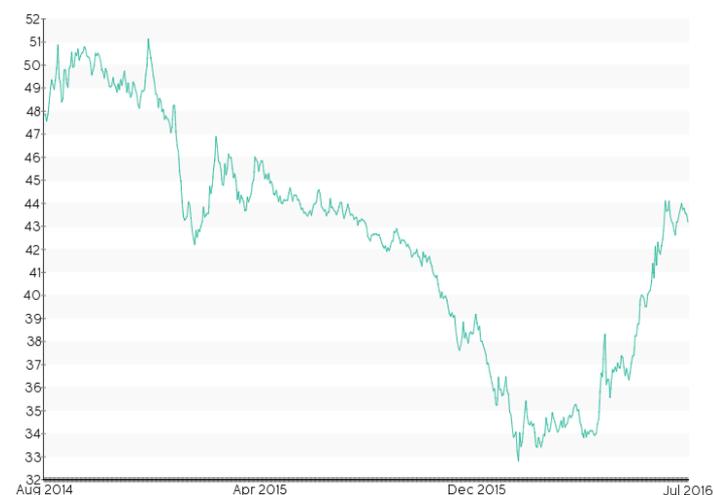
Electricity prices followed the gas market with electricity generated from gas providing the highest source of electricity generation.

The board of EDF Energy gave the go ahead for the new Hinkley Point C nuclear power station which is scheduled to go live in 2025 however whether this completion date can be met remains to be seen. Despite EDF finally saying yes, the new UK government surprisingly decided to delay to final decision until the autumn.

Oil prices were the biggest mover in July falling from around \$50 to below \$42. The main reason was the high stock levels in the US despite generally falling stock during the US driving season which was not as excessive as traders had expected.

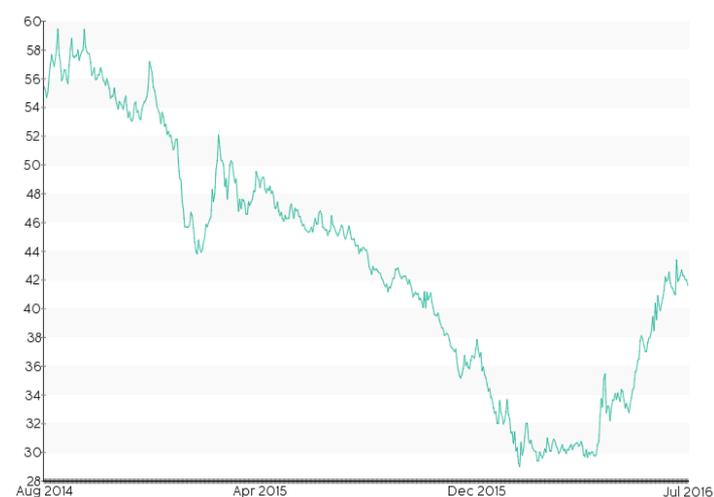
Electricity

Annual Forward Baseload Price (Flat Cost)



Gas

UK October Gas Year Price (Flat Cost)



Oil

Front Month Price (Brent Crude)



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