

November 2016 Newsletter



Dear Customer

Electricity and gas prices continued their climb through October as worries gripped the market following news that France had taken several nuclear power units offline for inspections. This triggered a buying frenzy for winter power prices across the main European energy markets and supported several huge spikes in prices driven by speculation.

Main Drivers

- Winter Supply and Demand Balance
- Financial Speculation & Trading Activity
- Norwegian Plant Maintenance & Outages
- Decline in UK coal plant activity
- Fluctuating wind power generation
- UK Distribution & Transportation Network Upgrade
- UK Government Environmental Levies (RO / FiT / EMR CfD & CM)
- Geopolitical Tensions in the Middle East & Eastern Europe
- Global Oil & Coal Prices
- UK & European Carbon Prices

General Comments

Gas prices continued to move up as the pound fell to new lows against the euro, LNG supplies were diverted to Asia, a potential strike in the Norwegian fields (which was averted at the last minute), field maintenance and oil prices over \$50. These all outweighed the comfortable supply and demand balance due to the fear of disruption during any colder than average weather this winter.

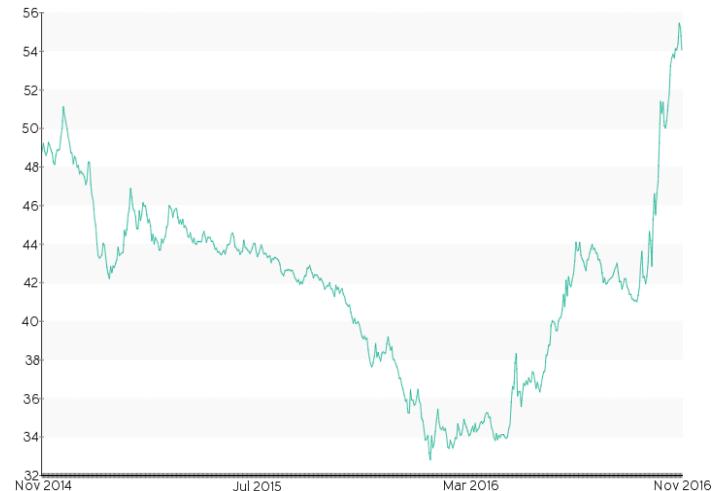
Electricity prices for winter spiked as EDF Energy shut down several nuclear power plants in France and then announced delays in restarting the plants. As the UK has an interconnector with France, the anticipated loss in flows from France will reduce the already small electricity generation gap even further and the probability is now the UK will export to France to cover their shortfall over this period. The majority of heating is from power not gas in France.

The National Grid issued its winter outlook and predicted with standby capacity, the electricity generation gap would be wider than expected this year (6.5% from 5.5%) however this failed to have any impact on prices as financial institutions and subsequent speculative trading took hold of the market.

Oil prices continued their volatility and overall climb up, however by mid-October they had stalled and eventually fell below \$50. An agreement to freeze production at the next (November) OPEC meeting appears to be hitting the buffers as other nations did not appear to be entirely convinced. Nevertheless, any agreed production cap at this meeting would ensure prices move up again above \$50 and more.

Electricity

Annual Forward Baseload Price (Flat Cost)



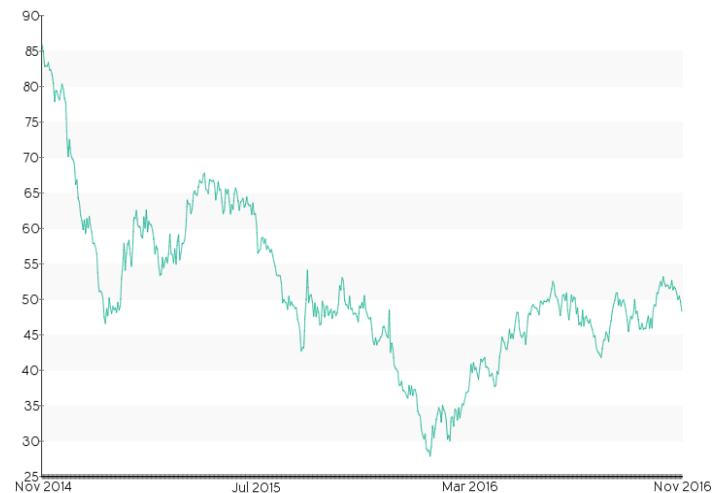
Gas

UK October Gas Year Price (Flat Cost)



Oil

Front Month Price (Brent Crude)



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