January 2017 Newsletter

energy services
BUSINESS POWER LTD

Dear Customer

UK Energy prices finished 2016 on a bullish note with traders covering positions across the festive holiday driven by colder weather temperatures.

Oil prices also contributed as they rose steadily throughout the month towards $60 to end 2016 over 50% up on the year as signs pointed to the OPEC agreement to cut production holding despite earlier scepticism.

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
UK & European Carbon Prices

General Comments

Gas prices climbed through late December trading as worries over the availability of gas storage this winter from the Rough facility in the North Sea grew. Traders were seen to reintroduce risk premiums as Centrica (the operator of Rough) announced additional restrictions and revised maintenance schedules at the site. The price increase was in spite of limited withdrawals resuming from Rough and plentiful supplies from alternative gas sources which left the UK gas system long for most of December.

A weaker sterling also added to the upward trend.

Electricity prices followed and tracked the gas market. In addition large upward movements in the EU Carbon benchmark price, ongoing woes with the French nuclear fleet, a damaged interconnector cable between the UK and France and concerns over the generation gap this winter all added and supported the late trader rally.

Weather forecasts are now predicting a chilly start to 2017 but confidence is low in the reporting further into January with some online forecasts giving continued colder than average weather and others showing milder than normal weather.

Overall, the projected and expected increases in the government electricity green levies and new market charges to support required UK power generation through 2017 and beyond will now drive the actual wholesale energy element of final delivered customer electricity prices (unit rate) to approximately 40%.

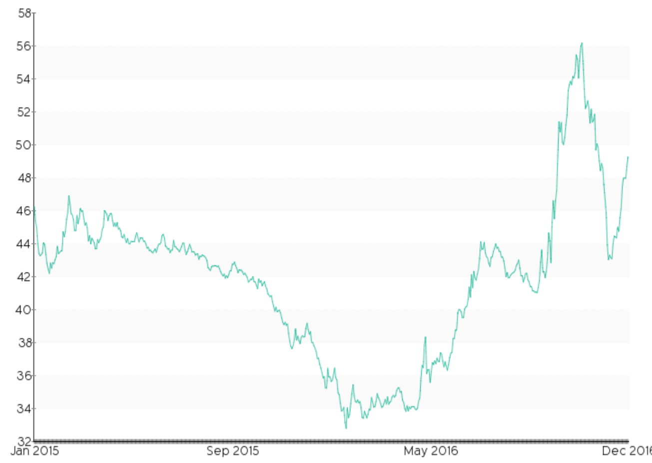
In simple terms third party charges where suppliers have no influence will now account for approximately 60% of your electricity bill, helping to subsidise the UK's switch to more renewable and cleaner power generation

This means we are seeing increases in forward contract costs, even though the current wholesale market price is lower than the last 3 year average.

Your account manager will discuss all the available and various contract options, potential energy revenue & cost saving opportunities which are evolving in the sector.

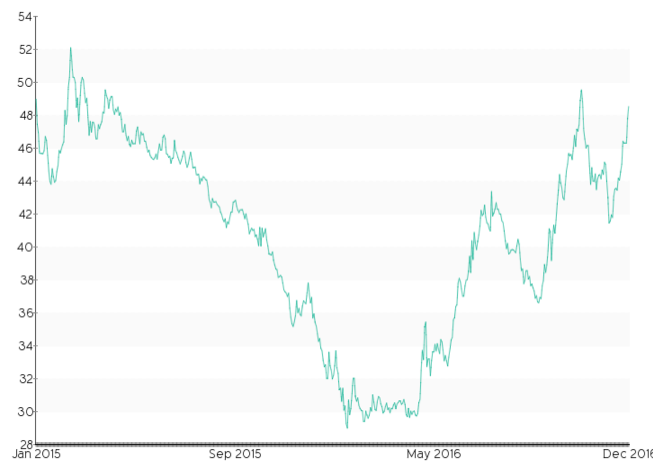
Electricity

Annual Forward Baseload Price (Flat Cost)



Gas

UK October Gas Year Price (Flat Cost)



Oil

Front Month Price (Brent Crude)

ENERGY SERVICES (BUSINESS POWER) Ltd, Unit 4, Wakefield Office Village, Fryers Way, Silkwood Park, Wakefield, West Yorkshire, WF5 9TJ

Tel: 01924 267 406
Fax: 01924 262 636

sales@energy-services.co.uk
www.energy-services.co.uk

Registered in England & Wales No. 07145602 VAT No. 660 3584 37