

July 2017 Newsletter



energy
services
BUSINESS POWER LTD

Dear Customer

Electricity and gas prices were again rangebound with electricity ending June almost level with the start of the month and gas was slightly down overall. Further movement was limited as the effect and timing of maintenance in different areas kept prices tight. The oil market was the biggest mover as doubts grew over the OPEC-led production cuts and continually high US stock levels moved prices below \$50.

Main Drivers

- Power & Gas Supply / Demand Balance
- LNG Supply Deliveries
- 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)
- UK & European Carbon Prices
- Brexit Negotiations

General Comments

Gas prices fell overall however with the weather turning slightly cooler after a very hot spell, demand picked up and kept further falls at bay. Maintenance at several locations, most notably the UK-Belgium interconnector, prevented the export of gas supplies to mainland Europe however a large fall in prices never materialised.

This may in part have been due to the news the Rough Storage facility off the Yorkshire coast is to shut permanently after a couple of years of delays in returning the site to full usage. Cost implications have now forced the sites owner (Centrica) to abandon the facility altogether. This means 70% of the UK's stored gas for winter will no longer be available making the UK more reliant than ever on imports from other sources such as Norway and LNG.

Furthermore, a large proportion of the UK's LNG supplies are provided by Qatar whose diplomatic relationship with its neighbours has broken down casting further doubt on the UK's ability to rely on these LNG supplies in the winter peak period should this situation remain as is.

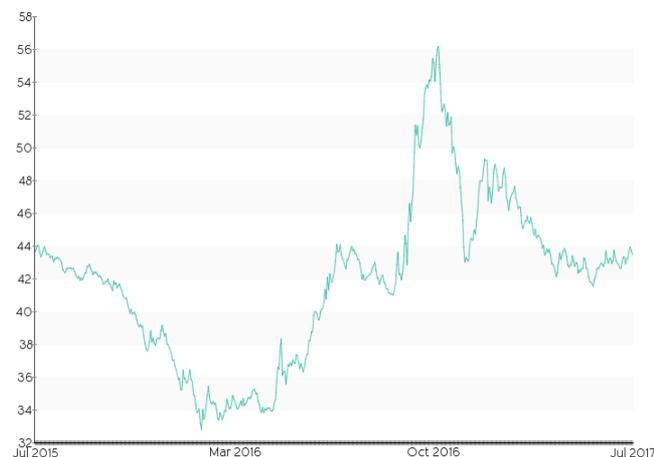
With gas providing the majority of electricity generation, Electricity prices also remained in a tight range however increasing reliance on unpredictable wind and solar power kept prices level whereas the gas market eased a little.

The oil markets are still reacting to OPEC production cuts and high US stock levels with the latter seemingly winning the battle at the moment. Increased US drilling activity also added downward pressure to prices. Traders are also unconvinced that the OPEC production cuts are having any real effect on draining the global surplus.

The UK general election created more uncertainty with the result closer than most predicted so a period of instability could follow. The Bank of England have also raised the possibility of increasing interest rates later in the year which has led to more strength in the sterling against the Euro.

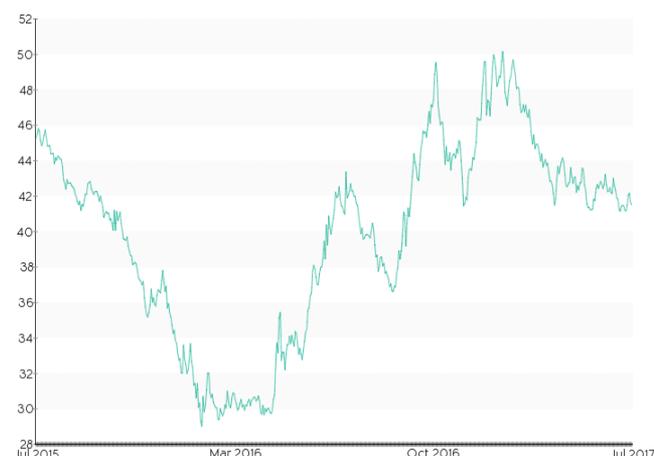
Electricity

Annual Forward Baseload Price (Flat Cost)



Gas

UK October Gas Year Price (Flat Cost)



Oil

Front Month Price (Brent Crude)



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