

September 2017 Newsletter



Dear Customer

UK electricity and gas prices climbed from mid-August as planned and unplanned gas field outages in the Norwegian sector of the North Sea gave traders the jitters as we head for winter. Coal and Carbon prices also climbed however Oil remained rangebound just over \$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
- UK Gas Winter Storage Levels

General Comments

Gas prices climbed as continued problems at the Kollsnes gas processing plant in Norway and various other planned and unplanned outages caused flows to the UK to fall, while at the same time exports from the UK to Europe (through the interconnector to Belgium) remained at maximum as higher European gas prices made UK gas a more attractive business proposition.

Concerns over winter supply are already high with the closure of the Rough storage facility in the North Sea and the unpredictability of LNG cargoes from foreign markets, with Asian prices already higher than the UK, making this destination more attractive for US, Australian and Middle Eastern producers.

Electricity prices also climbed and as with last winter, further concerns over the safety of French nuclear power stations sent prices higher in anticipation of having to again send electricity supplies to the continent in winter. Regulators in France are concerned over potentially incorrect paperwork for parts at nuclear facilities and have asked EDF Energy to look into this.

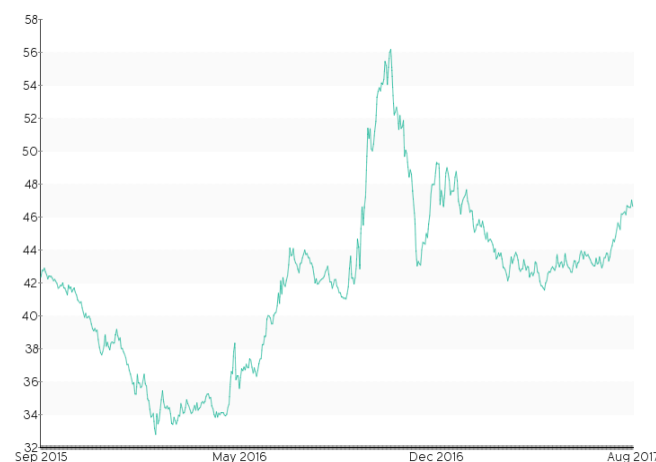
As we head closer to winter we can expect periods of greater volatility with both gas and electricity prices given the varying problems the UK and European markets are facing.

Oil prices remained in a close range between \$50 and \$52 with no real direction provided by OPEC or the US. Hurricane Harvey which hit Texas late in the month causing widespread flooding, could impact on prices in the coming weeks as this closed around a quarter of the United States oil facilities.

Coal and Carbon prices both moved up significantly in August, the latter by over 10%, which added to the overall electricity market increases.

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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Note: All information was obtained from wholesale market data sources. Energy Services accepts no liability for the accuracy of any third party market information.