

October 2017 Newsletter



energy
services
BUSINESS POWER LTD

Dear Customer

Electricity and gas prices for the next 12 months ended September higher however were well below the highs that were seen mid-month. Gas fields returning from late summer maintenance helped ease the supply and demand picture while persistent problems with French nuclear power kept strength in both commodities. Brent Crude Oil prices also finished higher with the front month price almost hitting \$60 for the first time since July 2015 with signs that the market is rebalancing since prices started to crash in 2015.

Main Drivers

- Power & Gas Supply / Demand Balance
- LNG Supply Deliveries
- Financial Speculation & Trading Activity
- Norwegian Plant Maintenance & Outages
- 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
- French Nuclear Power Problems

General Comments

Supply and demand was certainly the main driver for UK gas prices in September as Norwegian maintenance mid-September caused anxiety, particularly the Langeled pipeline, with lower gas flows expected. Prices eased with the return of most supplies and the arrival of several LNG cargoes expected by the end of September.

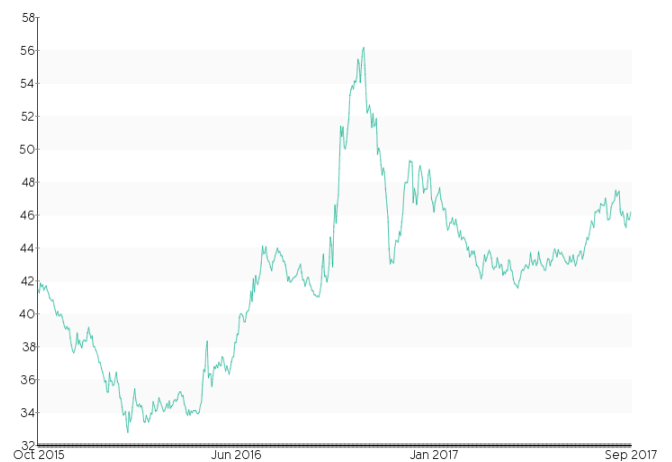
The price volatility experienced in September could be a sign of things to come during the winter months with the closure of the Rough gas storage facility in the North Sea. The UK is now reliant on gas imports and with Asian gas prices at a premium to Europe, LNG supplies will go to the highest bidder.

Electricity prices also climbed with higher gas prices and continued safety concerns at French nuclear power facilities. High coal prices in Europe also boosted German prices with other European markets following the pattern even though the UK now burns very little coal for electricity generation. EU carbon prices also remained high after the rally in August.

Oil prices rallied to finish the month almost 10% higher and reaching over \$59 at one point, 2017 highs. The driving force behind the rise were a combination of reports saying the market was rebalancing after several years of a supply glut with Hedge Funds and speculators taking advantage of the reports.

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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