

February 2018 Newsletter



Dear Customer

UK wholesale electricity and gas prices fell for most of January following a minimal rise early on due to colder than average weather across Europe. Another earthquake thought to be caused by gas extraction off the Dutch coast led to authorities to again look at reducing the amount of production from the Groningen site. Oil prices continued to rise and exceeded \$70, remaining at an elevated level right through to the end of January.

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

Gas prices initially moved up at the start of 2018 with the onset of cooler weather across Europe however comfortable supply and demand margins soon brought the bears to the market and a subsequent drop back.

Meanwhile, Dutch authorities began looking at reducing the output from the massive Groningen gas field off the coast after another earthquake rattled the region. The prospect of a further output reduction initially added a slight premium to prices with a further announcement scheduled for early February.

Electricity prices followed the gas market however more sustained wind generated power helped keep a cap on any rise. Overall average prices were down approximately 2% through the month.

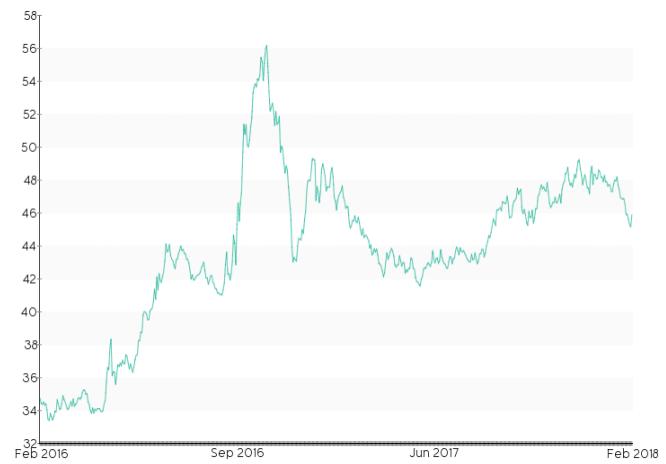
EU Carbon prices continued their march upwards with the benchmark settling at one point at €9.46 – the highest since September 2012 and 115% higher than May 2017. EU debates to raise the carbon price by reducing the number of available carbon credits being the main driver.

Brent oil prices kept climbing to rise above \$70 in January, its highest since December 2014 and 153% higher than the lowest seen in 2016. The rise was blamed on the OPEC led cuts which have been very compliant to the agreement set out last year. There are some doubts over recent price rises however with some experts saying there could be a correction at some point with the US now producing over 10 million barrels a day, the highest since 1970.

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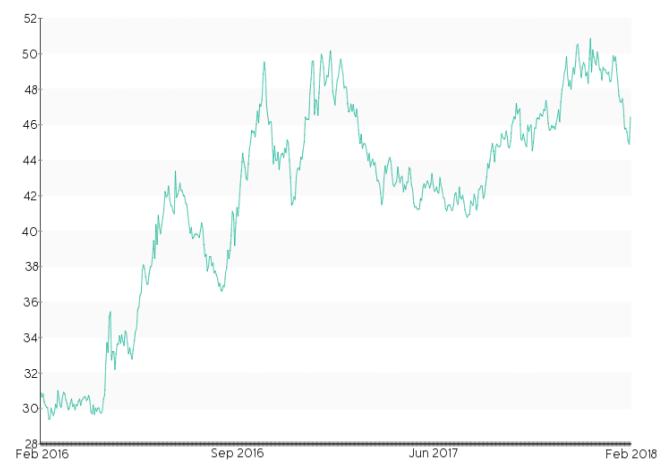
Electricity

Annual Forward Baseload Price (Flat Cost)



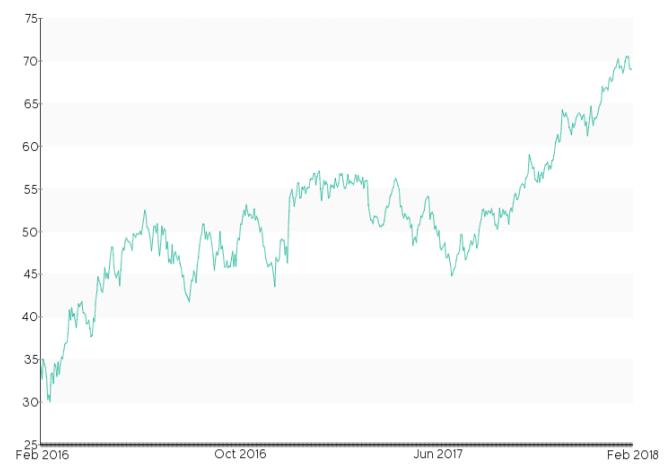
Gas

UK October Gas Year Price (Flat Cost)



Oil

Front Month Price (Brent Crude)



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

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