

October 2018 Newsletter



energy
services
BUSINESS POWER LTD

Dear Customer

Benchmark EU carbon prices continued its bull run with prices hitting €25 driving a boost to the wider European energy mix. Forward 12 months UK gas and electricity prices rose close to 10-year highs. Coal and oil prices also climbed with coal staying above \$100 and oil breaking through the \$80 barrier.

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/EII)
- UK & European Carbon Prices
- Brexit Negotiations
- UK Gas Winter Storage Levels
- French & Belgium Nuclear Power Problems
- Groningen – Reduced Dutch Gas Production

General Comments

With the cancellation of strikes on Total North Sea gas platforms, the supply and demand balance into the UK was very stable however a rotation of maintenance work in the Norwegian sector throughout the month kept in focus the precarious position should there be any unexpected problems. Investors took the opportunity to boost the market in the run up to October.

With the winter months fast approaching, Norway gas flows to the UK and Europe should be ramping up close to the maximum. Storage levels have risen across the continent and look to be in a much healthier position.

As the UK's largest (and now closed) gas storage facility is out of action for the second winter, the UK is more reliant on gas imports through Norwegian pipelines and LNG cargoes. With the latter still being absorbed by the more lucrative Asian market, the UK market is more susceptible to volatile price swings to attract extra supplies.

The electricity market increased alongside EU Carbon and gas markets. With a general lack of wind in northern Europe, expected renewable generation is lower than previous years and has added to prices as more expensive, higher polluting power stations are brought online.

The situation with Belgium nuclear power stations has become clearer in recent days with the national energy provider stating that there will only be 1 out of 7 nuclear power stations on line in November. This will lead to a high possibility of blackouts in some areas, in turn this may cause very large price swings which will likely feed through to surrounding markets.

Oil prices extended above \$80 with US sanctions against Iran scheduled to take effect from November. At the latest OPEC meeting, the decision was made not to increase production any further, much to the annoyance of Donald Trump. Traders are predicting prices could hit \$100 by the year end if the current trend continues.

The increases in the UK energy markets over recent months have been extreme and at a scale not seen since just prior to the economic crash of 2008.

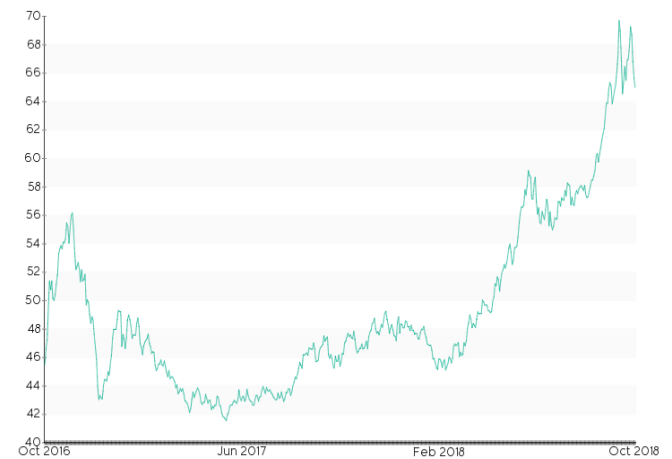
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Electricity

Annual Forward Baseload Price (Flat Cost)



Gas

UK October Gas Year Price (Flat Cost)



Oil

Front Month Price (Brent Crude)



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