

# February 2016 Newsletter



## Dear Customer

Despite a late rally in January, forward 12 months UK energy prices ended the month lower than where they started the New Year. Oil prices fell quickly to lows not seen in over 10 years with global supply dragging the market down.

## Main Drivers

- Financial Speculation & Trading Activity
- Plant Maintenance & Outages
- UK Coal Fired Power Station Closures
- UK Distribution & Transportation Network Upgrade
- UK Government Green Taxes (RO / FiT / EMR CfD & CM)
- Geopolitical Tensions in the Middle East & Eastern Europe
- Global Oil & Coal Prices
- UK & European Carbon Prices
- Seasonal Supply and Demand Balance

## General Comments

Gas prices mainly reacted to the oil market however a short spell of cold weather mid month gave traders the opportunity to halt the slide. Plenty of supply to meet demand throughout the month meant the only driver was the oil market which picked up pace during the last week of January.

The electricity market mirrored gas prices with 32% of power generated in January through gas plants. Nuclear provided 22%, coal at 19% and wind power at 10% with the remainder through various other generation means.

Coal and EU carbon prices both shed value helping prevent further rises towards the end of the month.

Oil prices became more and more volatile as January went on. Muted talk of an emergency OPEC session spurred by Russia gave life to otherwise depleted prices. Several Middle East countries tried to pour cold water on the suggestion but traders seemed to be clinging to any news to boost their positions.

Heading into February there is still little sign of anything concrete however prices currently retain their volatility.

## 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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