

March 2016 Newsletter



Dear Customer

UK energy prices became more volatile through February due to a more unstable oil market, cooler temperatures and an occasional reduction in Norwegian gas flows however a substantial increase in prices failed to materialise.

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

UK Gas prices finished February rising slightly from the middle of the month however forward annual prices still remained below overall. There was plenty of supply to meet demand but this was occasionally tested with lower than average temperatures and reduced Norwegian flows. Heading into March the outlook still remains on the cool side but with spring around the corner this may start to change.

Volatile gas prices and ever decreasing supply margins provided unstable electricity prices in February. As with the gas market while prices were volatile, they did not increase beyond their recent price range finishing the month slightly lower than the start of February.

Oil prices remained between \$30 and \$35 as persistent rumours of talks between OPEC and some major producers about cutting oil production gathered pace although as with January the difference of opinion between Iran and Saudi Arabia led to no firm agreement.

With no further major decline in oil prices, some experts and traders feel the market may have found its floor and with the next OPEC meeting due in March any decision taken there will influence the direction of the market and subsequently UK energy prices.

EU carbon prices continued to shed value and they are now around €5, down from their highs in December of over €8.

Electricity

Annual Forward Baseload Price (Flat Cost)



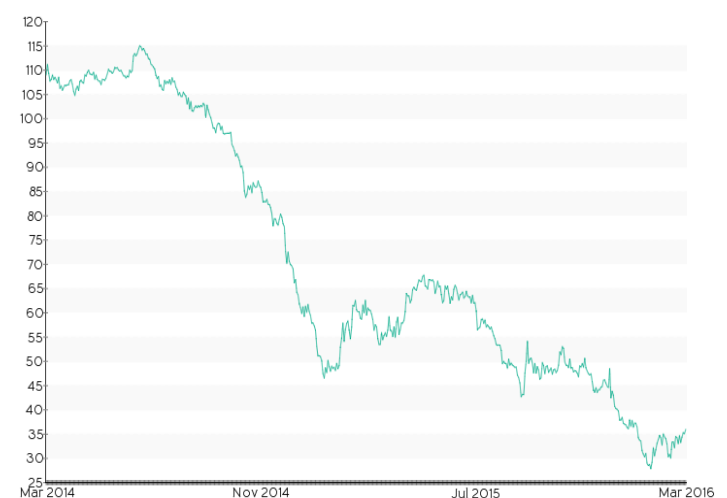
Gas

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.