

July 2016 Newsletter



energy
services
BUSINESS POWER LTD

Dear Customer

Wholesale electricity and gas continued their steady climb through June, becoming more and more volatile as the EU referendum vote approached fuelled and supported by speculative trading. Oil prices retained its range around \$50 with the EU vote causing a slight reduction towards the end of the month.

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
- Atlantic Hurricane Season

General Comments

Gas prices increased overall in June not only because of the European vote but maintenance in the North Sea gas fields and a recommendation by Dutch experts to cap production levels at the large Groningen gas field even further.

An outage at the UK's Rough storage facility, meant gas could not be taken from the system for injections which helped cap further increases.

Electricity prices followed the gas market due to the amount of electricity generated from gas however low wind power and a strike by French workers also contributed to the price direction.

The anticipated introduction of a carbon price floor in France is expected to cut exports to neighbouring countries which would reduce in the import of cheaper electricity to the UK if the charge is implemented.

Oil prices started June just below \$50 before rising to above \$53 due to falling stock levels in the US, however the potential impact of the Brexit vote on the global economy saw the market reduce to below \$48 before recovering to over \$50 as polls suggested a 'remain' outcome. The market then fell to just above \$47 after the vote before once again recovering to end just under \$50 – back where it started and emphasised the heavy speculation driven by record numbers of hedge funds across the commodity markets.

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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