

December 2016 Newsletter



energy
services
BUSINESS POWER LTD

Dear Customer

UK Energy prices eased from October highs however worries still lingered as France continued to have problems with their nuclear power units when they were needed most and the loss of the Rough gas storage facility continued. Oil prices climbed to over \$52 however after an OPEC deal to cut 33.6 million barrels per day production by 1.2 million barrels.

Main Drivers

- Winter Supply and Demand Balance
- Financial Speculation & Trading Activity
- Norwegian Plant Maintenance & Outages
- Decline in UK coal plant activity
- Fluctuating wind power generation
- UK Distribution & Transportation Network Upgrade
- UK Government Environmental Levies (RO / FiT / EMR CfD & CM)
- Geopolitical Tensions in the Middle East & Eastern Europe
- Global Oil & Coal Prices
- UK & European Carbon Prices

General Comments

Gas prices started to climb at the beginning of November on news that the export capability of the Rough Storage facility would not start as soon as planned with a revised timescale giving the end of November. Prices then gradually eased for the rest of the month as continued plentiful supply, mainly from Norway, kept the system oversupplied even in the periods of colder than average weather.

A note from Centrica Storage Ltd regarding Rough was issued at the very end of November stating that exports should start from the facility no later than the 9th December. As yet the markets have not reacted to the news however given the delayed restart at the beginning of November it may be a case of wait and see.

Electricity prices across the winter months also fell from multi-year monthly highs despite major problems with French nuclear power units, highlighting the speculative trading and premiums seen in the front month periods. At a time when the UK normally imports from France, the overwhelming direction of the interconnector was exporting to France. With the UK facing a potential supply crunch, this is preventing wholesale prices from falling further over the winter months and continuing to carry significant percentage spread.

Recent mid-range weather forecasts have predicted a cold end to the year and although these reports have been incorrect in the past, they should not be ignored as one year they will be correct. Should this happen then we could expect prices to increase given the supply problems facing the UK.

Oil prices finished November strongly rising approximately 10% with the latest OPEC meeting taking place in Vienna and an agreement to cut production for the 1st time since 2008 gave support to the market. While prices finished the month above \$50, they had previously been as low as \$43.57 in November, a rise of nearly 16% in a little over two weeks.

Happy Christmas and a Prosperous New Year from all at Energy Services.

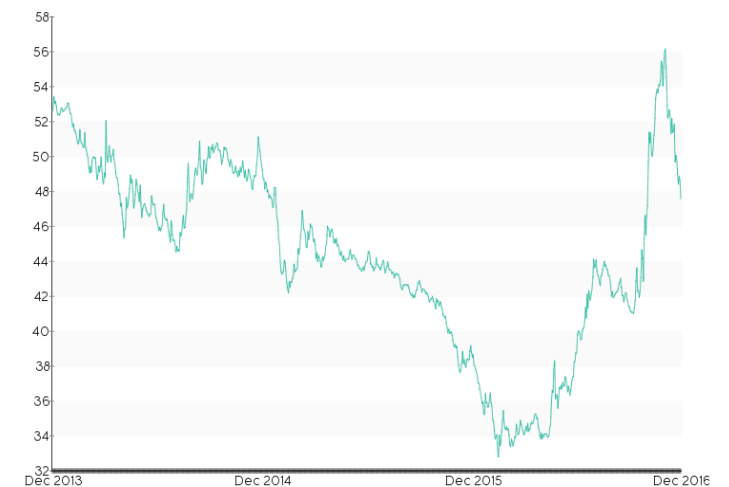
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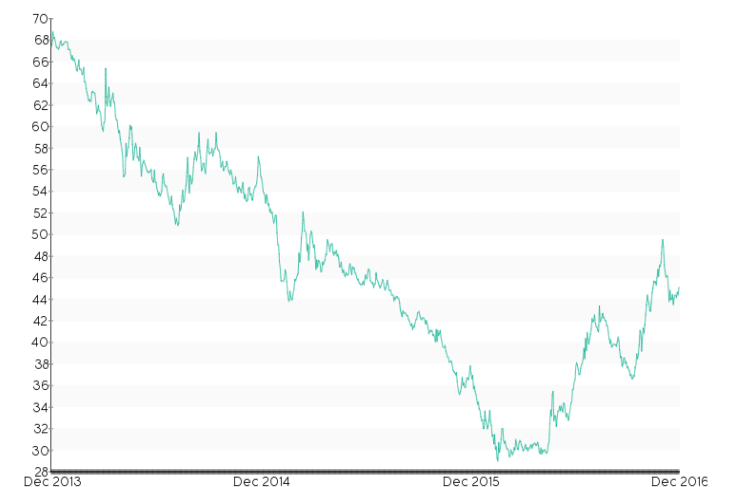
Electricity

Annual Forward Baseload Price (Flat Cost)



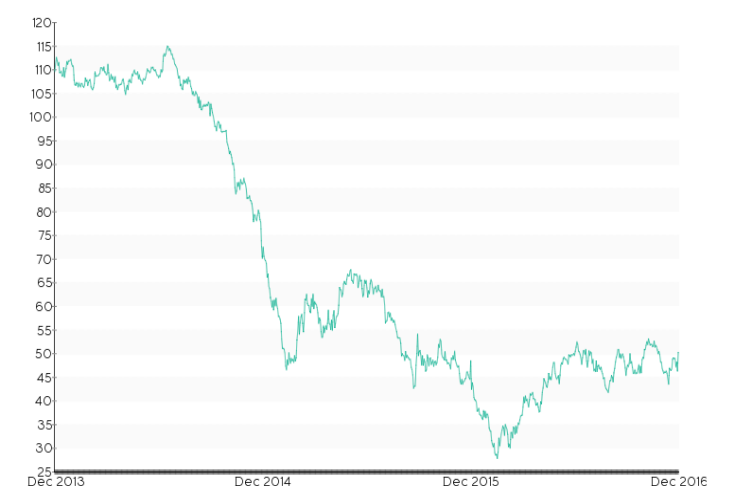
Gas

UK October Gas Year Price (Flat Cost)



Oil

Front Month Price (Brent Crude)



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