

June 2017 Newsletter



Dear Customer

Electricity and gas prices in the UK were traded within a tight range throughout May with electricity eventually ending slightly higher and gas prices ending slightly down. Both commodities enjoyed periods of reductions but also rises when supply/generation fell even though the demand balance was comfortable. Oil prices started May with a downward trend however after falling below \$50 for a while, US stock reductions moved prices above the \$50 mark.

Main Drivers

- Power & Gas Supply / Demand Balance
- LNG Supply Deliveries
- 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)
- UK & European Carbon Prices
- Brexit Negotiations

General Comments

Gas price movements were dominated by the supply and demand picture in May with maintenance taking effect in the Norwegian sector of the North Sea, regularly reducing imports.

The arrival of the first LNG cargo from the US to North West Europe provided pressure to the market however significant supplies from the US are not expected.

Mixed weather forecasts also contributed to the uncertain picture.

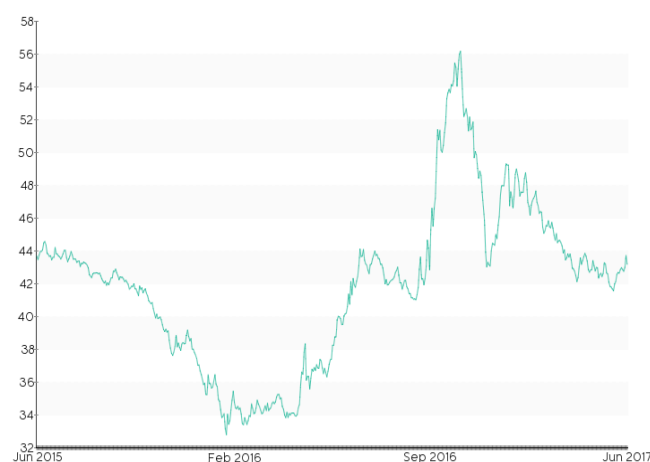
The electricity market movements were governed by the influence of renewable energy sources as wholesale prices rose with less renewable energy generation (lower wind). Movements were also reflective on importing or exporting from various European neighbours. In the end overall market prices were rangebound and still in a good position compared with the beginning of the year.

The oil market has continued to react to two main events, high US stockpiles and increased shale production against OPEC-led production cuts however now the downward direction is due to doubts over the OPEC cuts and the upward movement is because of a fall in US stocks, the opposite of the last few months.

With the UK general election coming up on the 8th June, there is little to indicate how the energy markets will react to the eventual outcome. Since the Brexit vote last year, most movements due to political events has been caused by the direction of the Pound to Euro exchange.

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.