

March 2018 Newsletter



Dear Customer

After mixed market movements through February, UK and European spot gas prices hit 10-year highs once the named 'Beast from the East' cold spell hit. The below freezing temperatures drove demand 30% above normal levels with a subsequent National Grid gas deficit warning driving within and day ahead market prices.

Oil prices reduced over the course of February with US production keeping pace with recent records.

Main Drivers

- Power & Gas Supply / Demand Balance
- LNG Supply Deliveries
- Financial Speculation & Trading Activity
- Norwegian Plant Maintenance & Outages
- Fluctuating Wind Power Generation
- UK Distribution & Transportation Network Upgrade
- UK Government Environmental Levies (RO/FiT/EMR/CfD & CM)
- UK & European Carbon Prices
- Brexit Negotiations
- UK Gas Winter Storage Levels
- French Nuclear Power Problems

General Comments

Gas prices traded across a narrow range through early February however during the 2nd half of the month and encouraged by very cold temperatures across Europe, spot and forward 12-month average prices rose sharply, supported by trader and speculative sentiment.

Prices also rose as the Dutch government announced further restrictions on gas production at the Groningen gas field (Europe's largest). The Forties pipeline which carries oil and gas into the UK shut down unexpectedly for a short time, given the closure of the same pipe over Christmas this naturally spooked traders.

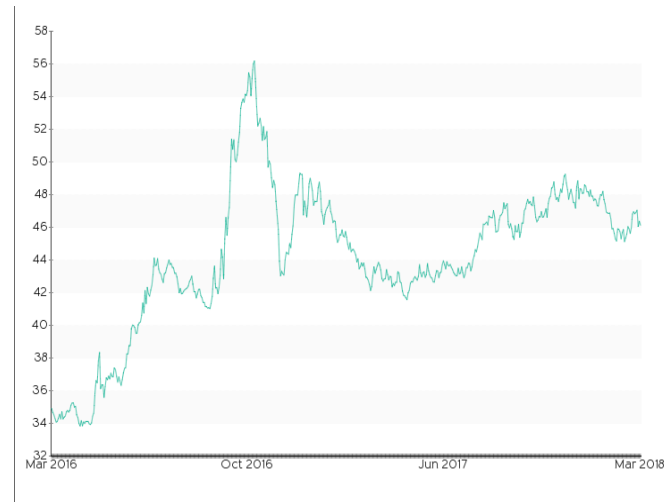
LNG prices also climbed as Asian buyers replenished depleted gas stocks due to their own harsh winter weather.

Electricity prices tracked the gas market however an agreement at the EU to cut Carbon Permits from 2020 meant the Carbon market began a climb that currently sits over €10 which is around 141% higher than the 2017 low point set last May. The cut in carbon permits will make electricity generated from the more polluting power stations more expensive.

Oil prices stumbled in February as rising US output outweighed OPEC cuts to the extent that there was a rare summit between OPEC and the US Shale establishment to see if there was any way for both markets to work together to maintain a decent price across the world.

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.