

April 2018 Newsletter



Dear Customer

UK gas and electricity wholesale prices climbed during the first half of March and remained elevated for the remainder of the month as continued colder than average temperatures maintained its grip on market direction and speculative trading. With Siberian winds blowing through much of north western Europe, traders took the opportunity to increase prices citing low gas storage levels.

After reducing in February, oil prices rose back to the \$70 level with the common issue of balancing the market between OPECs production cuts and the revived US shale production being the main driver.

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/EII)
- UK & European Carbon Prices
- Brexit Negotiations
- UK Gas Winter Storage Levels
- French Nuclear Power Problems

General Comments

The weather dominated the UK energy markets in March as dwindling gas storage stocks across Europe hit multi-year lows and were put to the test as colder than average weather continued throughout the month. With no sign of spring appearing, it remains to be seen whether wholesale prices will ease significantly once we do get warmer conditions as the need to replenish gas storage facilities will take centre stage.

Electricity markets followed gas as demand increased during cold spells and due to a series of French strikes which reduced supply from local producers, supplies were diverted to the continent as the price change made it more beneficial for traders.

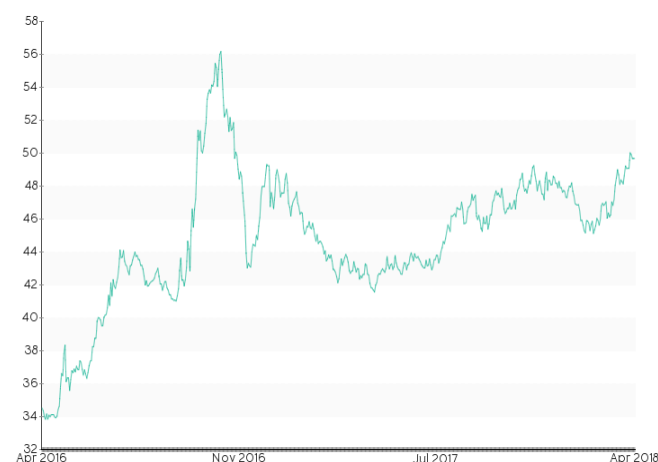
Oil markets increased back up to \$70 after a lull in February. The United States sparked fears of a global trade war after imposing wide ranging trade tariffs on imports, mainly steel products. Saudi Arabia and Iran continued their war of words which can only lead to additional risk premiums to general oil pricing.

Coal prices have remained within a \$4 range around \$80.

European carbon prices continued its upward trend by increasing by over 36% in March to end the month well above €13 from around €10 at the beginning of the month. This is on top of the dramatic increases seen since May 2017 where it fell to well below €5.

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.