

July 2018 Newsletter



Dear Customer

UK energy prices remained rangebound in June however the bullish sentiment was never far from the picture with only slight falls and not much confidence of sustained reductions. All eyes were on OPEC who were expected to announce an increase in production to help ease prices however due to internal politics the end announcement was a little more limited than was hoped.

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 & Belgium Nuclear Power Problems
- Groningen – Reduced Dutch Gas Production

General Comments

While gas prices remained high, the market didn't run away as it had done for the previous three months and remained in a range over 50 pence per therm. With planned maintenance in the Norwegian and UK North Sea sectors and planned closure of the UK-Belgium interconnector, supplies were low but not unexpected for the time of year. The warm weather meant demand was low which showed gas prices were closely following the direction of the oil market.

Power prices also stayed in a limited range however a lack of wind power prevented any potential price falls. Solar power also broke a record for the highest generation over a weekly period in June.

Potential problems with Belgium nuclear power plants have surfaced, giving early concerns to winter prices across Europe as they would likely be relying on neighbouring countries to cover any generation shortfalls.

Brent oil prices remained high but kept under \$80. An OPEC meeting mid-June was meant to end in an agreement to increase production however recent political tensions brought about by the US decision to withdraw from the Iranian Nuclear agreement and re-impose sanctions, seemed to suggest not everyone was on board with the planned production increase. In the end an agreement was made to scale back on the production caps set in place a couple of years ago.

At the very end of the month there were signs that Saudi Arabia and Russia had increased production which may help prices however some traders are warning prices still have room to climb.

Coal and EU Carbon prices remained high and volatile but also rangebound, as with the other commodities, didn't race ahead for the 4th month in a row.

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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