

# August 2018 Newsletter



## Dear Customer

UK energy markets traded within a tight range throughout July as oil prices remained above \$70. Varying factors supported the market, from the current heatwave across Europe to a series of strikes across several main North Sea gas platforms. The markets in general in the UK and across the globe remain tense and volatile as growing trade disputes and geopolitical tensions pull against each other.

## 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

Gas prices kept their current highs as the direct Nordstream gas pipeline into Germany (from Russia) went offline for servicing. This increased already strong demand for Norwegian gas to help replenish storage facilities across Europe.

A series of strikes across North Sea fields, first by Norwegian workers and then by Total workers in the UK sector reduced flows temporarily however the industrial action was set to continue with the UK workers due for a number of 24-hour walkouts. The impact on gas flows is longer than 24 hours however with a period needed to shutdown and then a further period to restart again afterwards.

All of which helped support speculative positions taken by financial institutions and therefore to prop current price levels.

Electricity prices remained high with traders blaming the hot weather across Europe as well as a lack of renewable energy generation with very little wind power over the last few months. Only Solar has provided any kind of renewable energy. Coal and carbon prices also remain high which adds to the elevated prices.

Power prices across the continent reached multi-year highs as the soaring temperatures also caused some Nuclear power plants to turn down due to low water levels used for cooling.

Oil markets remained above \$70 despite a near 10% reduction midmonth after US inventories grew by more than expected. Threats and counter threats from the US and Iran brought geopolitical tensions back to the fore with tougher US sanctions expected to take effect from November.

## 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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