

September 2018 Newsletter



Dear Customer

UK energy soared in August as EU Carbon prices climbed by 19% having already climbed 385% since the 2017 low, boosting electricity and gas markets by 12% and 14% respectively. The rally also extended to oil and coal markets although the increases in these were relatively modest by comparison at 7% and 5% respectively.

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

A combination of strike action at platforms owned by Total in the UK Northern Sea and planned and unplanned outages in the Norwegian sector gave traders the excuse to boost gas prices ahead of winter with European gas markets struggling to replenish stocks. The Norwegian work is expected to last until the end of September with the authorities rotating outages to minimise the impact.

Further strike action is planned with the next 12-hour stoppage on the 17th September with three more planned on the 1st, 15th and 25th of October. Once a platform is stopped it can take between 12 and 24 hours to get back to full production.

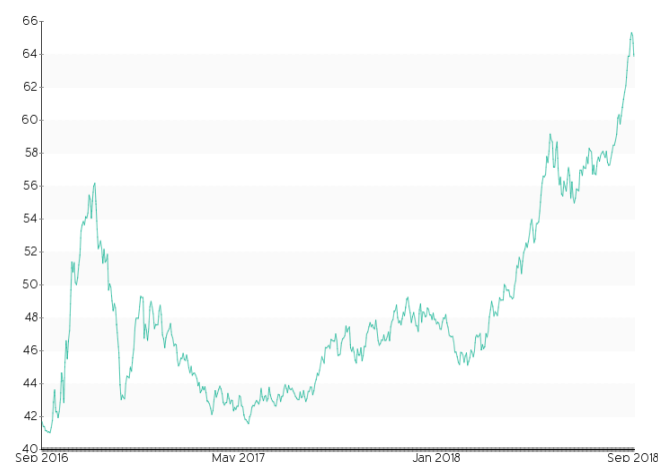
Electricity prices rose as low wind generation was plugged mainly by gas supply. EU Carbon prices rose above €20 for the first time in a decade, costing more to produce electricity from large polluting power stations. Analysts believe Carbon prices will continue to climb in the long term however with possible corrections along the way.

There are also increasing concerns about the reliability of French Nuclear production this winter on top of the expectation that Belgium will also face problems and supply reductions. This will possibly lead to higher Winter prices as UK-French connectors will most likely be in export mode again this year.

Oil prices stayed above \$70 and rose gradually towards \$80. All eyes are on the impact of sanctions by the US against Iran which are due to come into full effect from November. Countering this is the prospect of a trade war between the US and China as the US administration applies tariffs to imported goods. China is likely to respond in kind with their own tariffs.

Electricity

Annual Forward Baseload Price (Flat Cost)



Gas

UK October Gas Year Price (Flat Cost)



Oil

Front Month Price (Brent Crude)



ENERGY SERVICES (BUSINESS POWER) Ltd, Unit 4, Wakefield Office
Village, Fryers Way, Silkwood Park, Wakefield, West Yorkshire, WF5 9TJ

Tel: 01924 267 406
Fax: 01924 262 636

sales@energy-services.co.uk
www.energy-services.co.uk

Registered in England & Wales No. 07145602 VAT No. 660 3584 37

Note: All information was obtained from wholesale market data sources. Energy Services accepts no liability for the accuracy of any third party market information.