



Market Intelligence

July 2019



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**GAS
REVIEW**



Gas News

Soaring prices

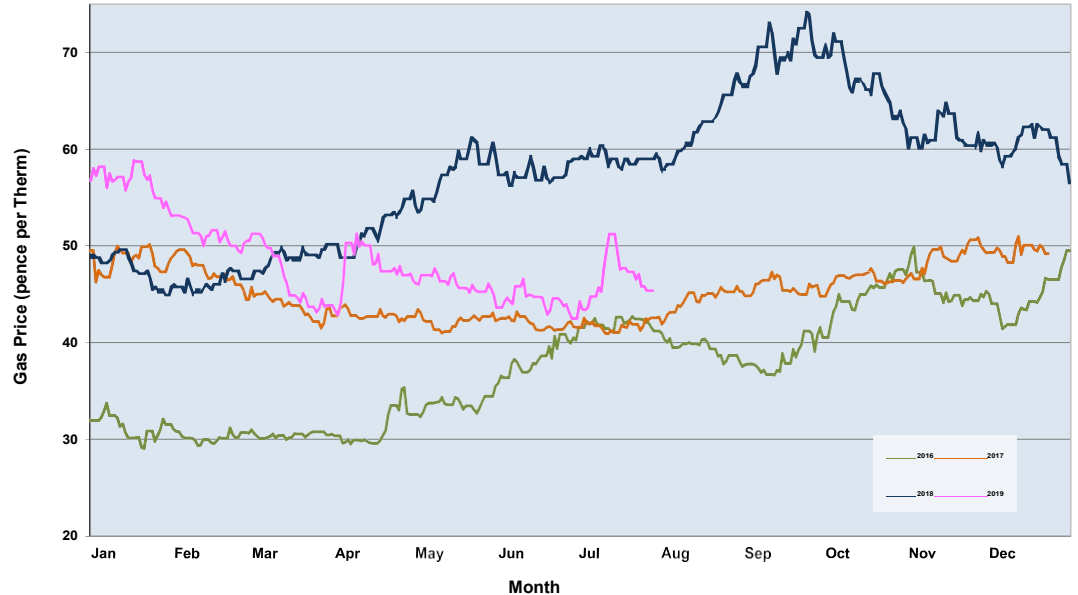
Gas prices in both the short-term and long-term soared in July, with short-term rising by 41% and long-term by 18%. A variety of factors contributed to these gains, including Norwegian output disruptions, low LNG deliveries, significant demand from the power sector due to low wind levels and rallying emissions and oil markets.

Day-ahead prices reached a four-month high on the back of UK gas demand, pushing them 70% above seasonal norms. To satisfy increased demand, supplementary withdrawals were made from UK gas storage sites and export flows

through the main interconnector were reduced. Despite most of mainland Europe recording record temperatures, European gas storage sites are currently holding up well reporting capacity at 77% – a 23% increase on this time last year.

The increase was short and sharp, most of the gains have retracted as July rolled into August as European systems have proved their ability to cope with increased demand. As always though, fingers should be kept on the pulse as the Norwegian offshore maintenance season ramps up in August and September, potentially decreasing flows into the UK.

Historic NBP Gas Graph



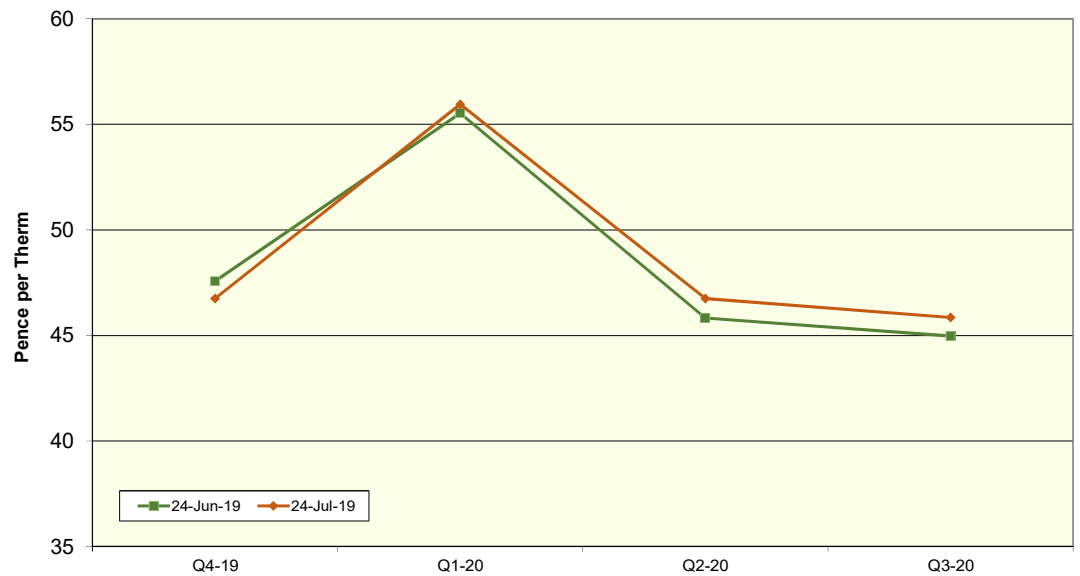
**GAS
REVIEW**



NBP Gas Prices

	Trading date		
	24-Jun-19	24-Jul-19	Increase
Q4-19	47.58	46.75	-0.83
Q1-20	55.53	55.95	0.43
Q2-20	45.83	46.75	0.92
Q3-20	44.98	45.85	0.88
Day-Ahead	27.30	27.38	0.07
Gas Year 19	48.48	48.83	0.35

Forward NBP Gas Curve



**ELECTRICITY
REVIEW**



Electricity News

An ill wind

UK power prices have followed the same trend as other energy markets throughout July, with surging gas and oil markets contributing to the rise. Taking the lead from gas, UK Day-ahead prices reached a four-month high. The shortfalls of renewable generation were also apparent with, at one point, wind contributing less than 2% of the UK generation mix. Meanwhile, solar output also receded due to cloudier weather conditions. With renewable generation now regularly exceeding 30% of the UK generation, this drop had to be covered by fossil fuel sources and imports, all contributing to a rapid increase in short-term power prices.

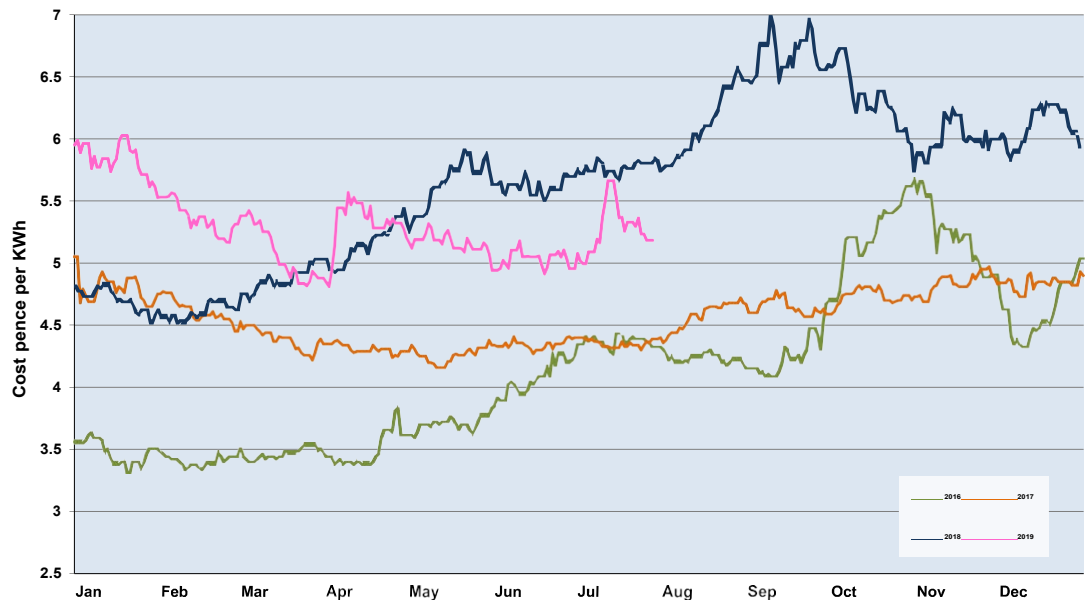
EUAs hit an 11-year high of over EUR 29/TCO2 in July. Factors behind this huge

rise are reduced EU state auction volumes in August and rumours that Germany are removing allowances from the market as it phases out coal-fired power stations.

A series of 48-hour strikes at Britain's largest power plant 'Drax' were cancelled due to workers securing a better pay deal. The strikes were due to commence from July 14th and run on a monthly basis until the end of the year. The cancellation of the strikes failed to prevent the surge in prices, though.

With power prices tracking almost the same path as Gas, this reconfirms the fact that the primary fossil fuel source for power generation is currently the most influential driver in the electricity market.

Undelivered Wholesale Electricity Rates



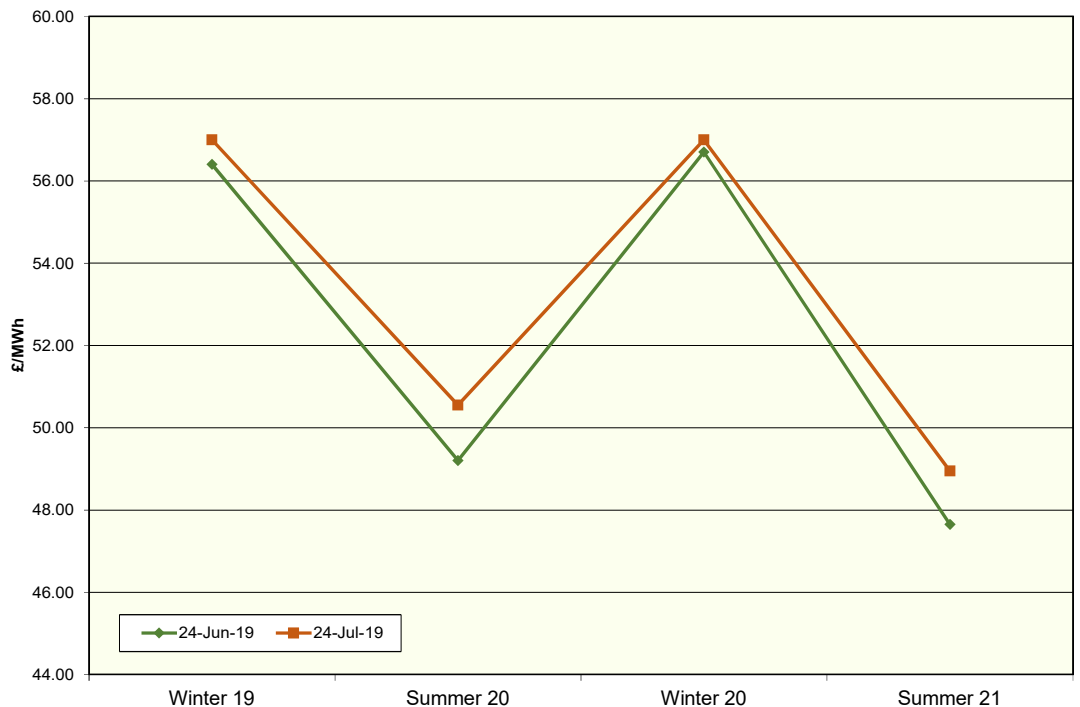
ELECTRICITY REVIEW



OTC Power Price Assessments £/MWh

	Trading date		
	24-Jun-19	24-Jul-19	Increase
Winter 19	56.40	57.00	0.60
Summer 20	49.20	50.55	1.35
Winter 20	56.70	57.00	0.30
Summer 21	47.65	48.95	1.30
Day-Ahead	47.45	43.75	-3.70

OTC Electricity Forward Price Curve



OIL REVIEW



Troubled waters

Tension caused by Iran's activities was the main factor behind an unstable oil market in July.

The Royal Marines helped authorities in Gibraltar seize an Iranian owned oil tanker after evidence revealed that it was heading to Syria in a breach of EU sanctions. Iran's foreign ministry spokesman Abbas Mousavi has been quoted describing the seizure of the tanker as "illegal" and "a form of piracy".

A few days after the Iranian oil tanker was seized, Iranian boats retaliated by attempting to impede a British oil tanker near the Gulf, before being driven off by a Royal Navy ship. Tensions between the UK and Iran have remained high since

the attacks on two Norwegian-owned oil tankers in June.

As late July approached, oil prices were forced up by 1% after Iran seized a foreign tanker and its 12 crew for "smuggling" fuel in the Gulf. The Panamanian-flagged Riah tanker was carrying around one million litres of fuel.

Despite tensions remaining high between the UK, her supporting allies and Iran, Brent Crude prices took an about turn in the final week of July. A series of tweets from President

Trump relating to the Trade War between the US and China, instantly sent prices south with almost 8% wiped off in a matter of days

“ Tensions between the UK and Iran have remained high since the attacks on two Norwegian-owned oil tankers in June ”



MARKET
INFORMATION
& LOOKING
FORWARD



PM matters

With markets returning to the same level of volatility last seen in April, many customers who have yet to secure prices for the upcoming October round are left with a challenge. Bullish runs have taken off with little warning with bearish runs often following but lacking the same amplitude, leaving prices higher at the end of the month than the start.

While some analysts have predicted markets will retract from recent peaks, there seems very little evidence to support this and, as we progress towards the 31st October Brexit deadline, the recent change in Tory leader has done little to settle traders' nerves.

Brexit-supporting Boris Johnson now has the task of ending the UK's relationship with the European Union. He has already made it abundantly clear if the UK and EU cannot thrash out a revised deal that both sides can ratify, then he will lead the country out of the European Union without a deal, the full impact of which is difficult to measure even at this close stage. Watch this space, the pricing curve could get a whole lot more volatile in the next few months.

With Theresa May already confirming the UK's plan to reach net zero carbon emissions in 2050 prior to her departure from No.10, Johnson's arrival adds an element of the unknown as he has yet to lay out his future plans for climate change policy and the energy markets.

Coal-fired generation now looks like it's on its last legs in the UK with two key events taking place within the past few

weeks. On July 28th, a single cooling tower was brought down at the already mothballed Ferrybridge C Power Station, with the rest of the controlled demolitions set to take place later this year.

This week also saw the announcement that German utilities firm RWE is set to close the Aberthaw Power stations in 2020, leaving just four operational coal-fired power stations in the UK, two which have been earmarked for conversion to Natural Gas in the next two years.

Finally, the Carbon Reduction Commitment (CRC) scheme has finally come to an end with participants completing the final year of reporting. Energy Management have played their part in submitting the final annual report for their customers. Those customers who had to order allowances to meet compliance will need to pay for them in September and all customers will need to retire their allowances in October.

Over the two decades we've been in business, Energy Management have specialised in ensuring budget stability across our portfolio of customers. As well as this, we are forever creeping closer to the ESOS phase 2 deadline of 5th December 2019.

For more information on how we can help to support your business, get in contact with a member of the team on 01225-867722 or email sales@energymanagementltd.com.