



Market Intelligence

October 2019 - January 2020



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**GAS
REVIEW**

Gas News
Agreement brings stability

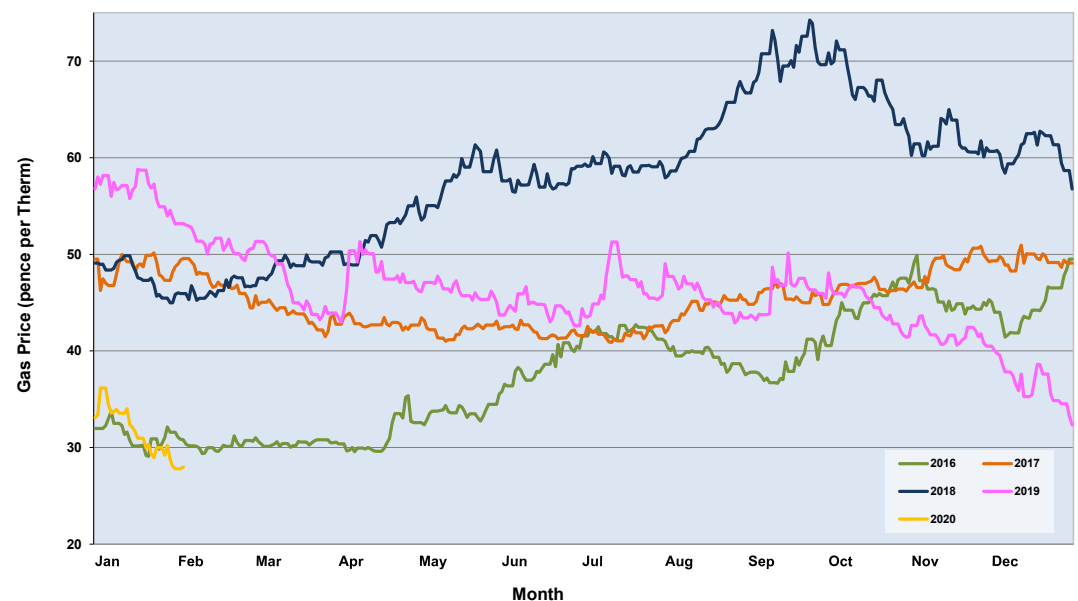
Residual French Nuclear concerns and weather changes were the main drivers in the Day ahead market throughout October. Whereas in November, strong LNG storage levels mixed with mild weather allowed the bears to influence the market. Also in November, Denmark announced that it will allow the Nord stream 2 pipeline from Russia to cross its territory. By the middle of the month, a cluster of new unplanned outages in the North Sea, including the entry Segal pipeline system and at the Gullfaks field, helped put the bulls back in charge.

Early December prices lost any consistency with bulls and bears fighting to dominate the market due to weather changes and volatility in the oil market. The European Commission labelled the official signing of a new five-year Russia/Ukraine

gas agreement as “a great day for Europe’s energy security” as it provided much-needed stability. The growing geopolitical tensions impacting the oil market had a knock-on effect on the gas market, causing prices to rise in early January.

A variety of factors over the course of the last month have impacted on day-ahead prices. Strong North Sea and LNG supplies, along with a drop in end-user consumption over the festive period, created price uncertainty. Lowered buying interest from generators, on the back of strong wind levels, was also a factor.

European gas storage sites are currently sitting at 88% fullness – a 20% increase on the same time last year. UK LNG storage levels have also increased from 40% to 80% in the last month.

Historic NBP Gas Graph


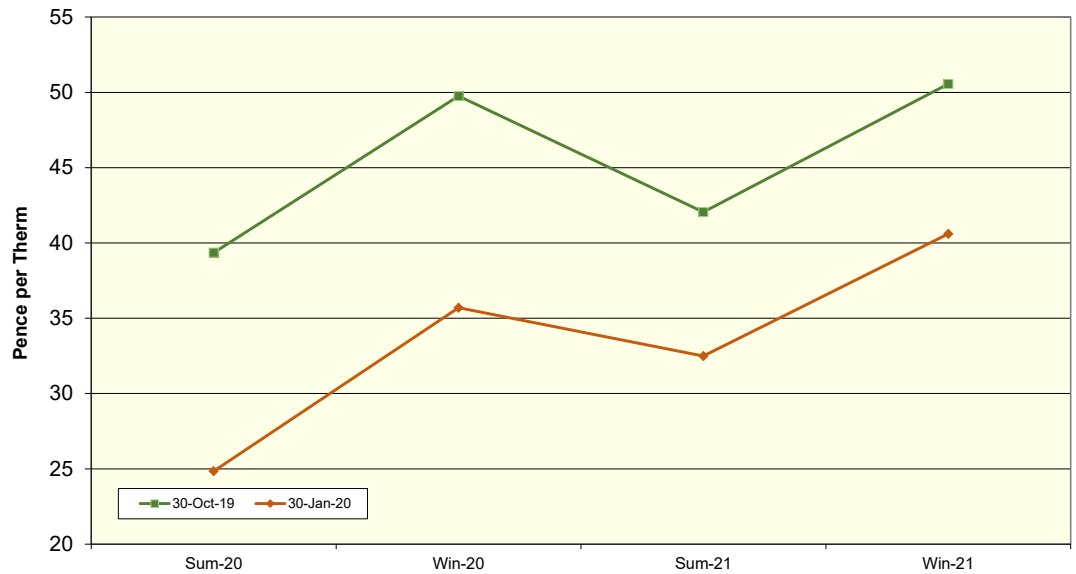
**GAS
REVIEW**



NBP Gas Prices

	Trading date		
	30-Oct-19	30-Jan-20	Increase
Sum-20	39.35	24.85	-14.50
Win-20	49.75	35.70	-14.05
Sum-21	42.05	32.50	-9.55
Win-21	50.55	40.60	-9.95

Forward NBP Gas Curve



**ELECTRICITY
REVIEW**



Electricity News

Renewable production enjoys a tailwind

Looking back over the winter period from November to the end of January, short-term prices were volatile in the early part of the period due to changeable wind levels. Forecasters predicted that the cold weather would give way to seasonally mild temperatures, applying price pressure across the winter months. French nuclear regulator, ASN, formally confirmed that none of the six reactors recently found to have substandard welds needed to be shut down for repair work at this point.

On the 11th November there was an earthquake in South East France, which forced closure of three nuclear reactors at the nearby Cruas power station and caused a few jitters on the European market.

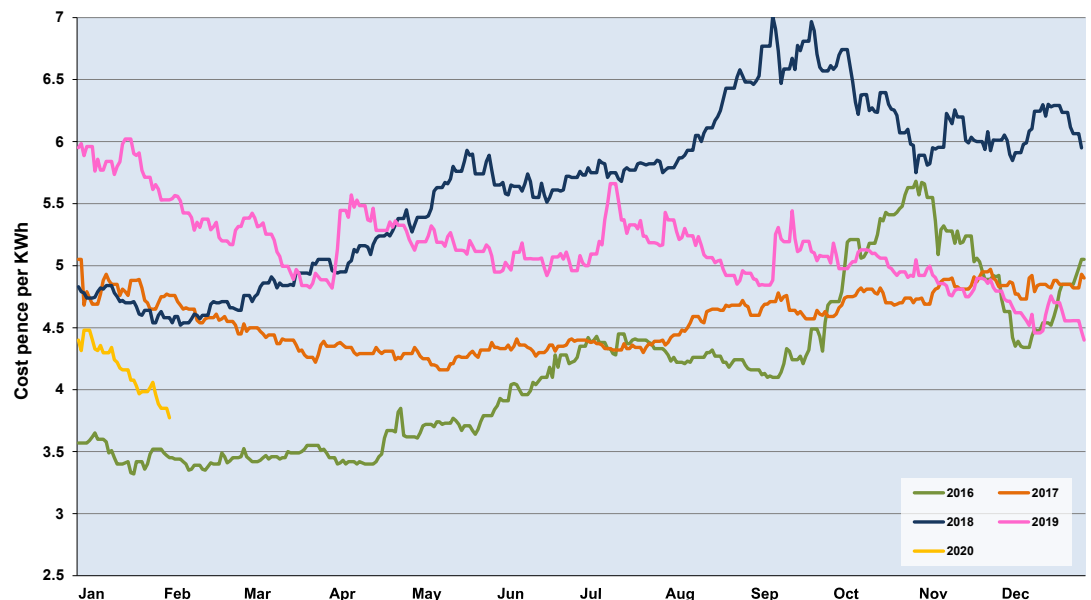
However, in early December weather changes were the dominant driver of the short-term market once more with high

wind levels having the biggest impact. President Trump puncturing the optimism around US-China trade talks, by signing legislation to support the Hong Kong protests against the Chinese government, also had an effect.

The UK power market suffered the same rise as other energy markets on the back of the assassination of Iranian Major General Qasem Soleimani in a US drone strike at Baghdad airport. The uncertainty around the signing of the new five-year Russia-Ukraine gas agreement also pushed power prices higher.

For the first time in history, more UK power came from renewable sources than from fossil fuels in the calendar year ending December 2019. National Grid described it as "a historic moment".

Undelivered Wholesale Electricity Rates



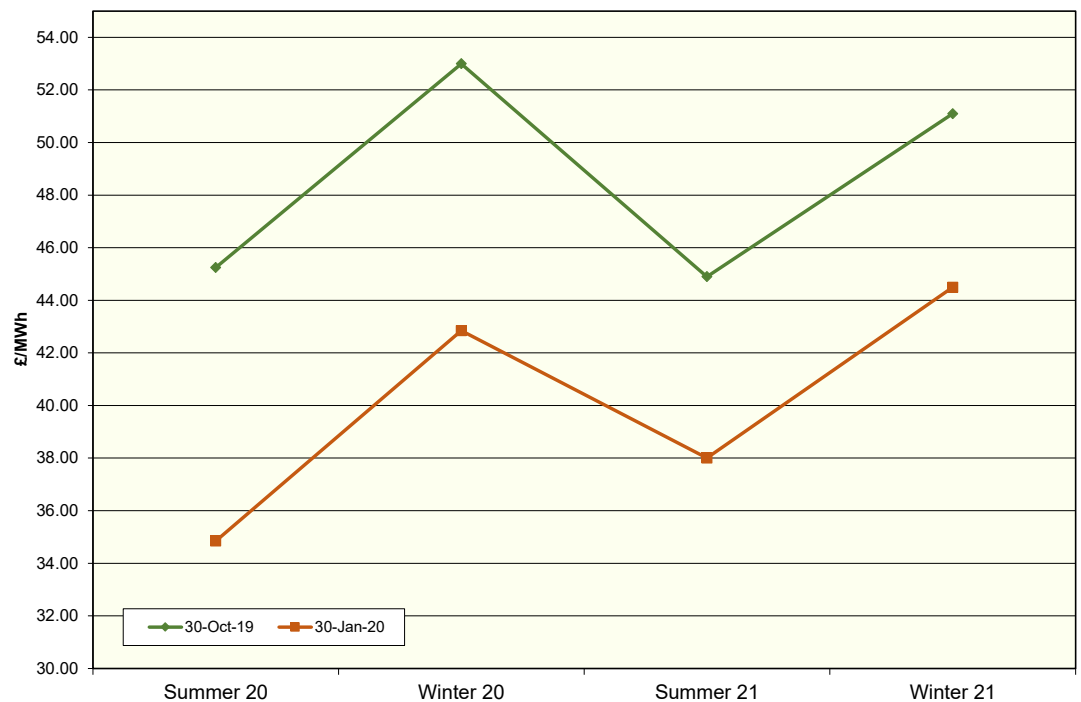
**ELECTRICITY
REVIEW**



OTC Power Price Assessments £/MWh

	Trading date		Increase
	30-Oct-19	30-Jan-20	
Summer 20	45.25	34.85	-10.40
Winter 20	53.00	42.85	-10.15
Summer 21	44.90	38.00	-6.90
Winter 21	51.10	44.50	-6.60

OTC Electricity Forward Price Curve



OIL REVIEW



Increased tension impacts on prices

Reduced oil demand, due to the escalation of the US-China trade war, fuelled fears about a global economic slowdown and recession. Oil prices in this period were also affected by the missile attack and explosion on an Iranian tanker off the Saudi coast and increasing Middle East tensions.

Oil markets moved upwards over most of October amid further talk of OPEC+ nations extending and increasing production cuts. Rising US inventories and global economic concerns in early November affected prices, which saw a rise of nearly 5%.

The initial signing of the US and China trade deal, falling US oil inventories and the agreement by OPEC+ countries to increase production cuts by 500,000 barrels/day to 1.7 million barrels/day until March drove the oil markets across December.

Oil prices throughout January were extremely unstable due to US-Iran conflict, with the first spike coming after Soleimani's

assassination. Tensions between Iran and the US have been gathering momentum since 2018 though, ever since the US re-imposed sanctions on Iran, causing both the country's economy and number of oil exports to suffer.

Iran retaliated to the assassination just five days later with missile attacks on two bases housing US troops in Iraq, causing prices to climb further. President Trump confirmed that no Americans were harmed in the attack.

January saw oil prices fall back as fears from the coronavirus began to take a grip. The impact of the virus will depend on how quickly the Chinese government can contain it. With China being the largest manufacturing nation in the world, any slowdown will reduce its insatiable hunger for fossil fuel and subsequent CO2 emissions.



IN BRIEF



Are you compliant?

The winter months saw ESOS Phase 2 come to an end, with the majority of businesses who met the compliance criteria submitting their final reports in December. If your business has not become compliant, there is still some time to minimise any fines imposed. Energy Management have in-house CIBSE qualified lead assessors who can guide you to compliancy.

Streamlined Energy and Carbon Reporting (SECR) is also approaching, with first reporting due to be published from 1st April, 2020 onwards. The aim of SECR is to simplify carbon and energy reporting and promote energy efficiency.

Businesses who meet certain criteria will need to comply with SECR, which involves

reporting energy and carbon emissions on a yearly basis. Try our free to use SECR checker tool to see whether you are required to comply.

Carbon Net-Zero has also become increasingly prominent across all industries over the winter period, with many public and private sector organisations setting a Carbon Neutral target.

Using a six-stage process, Energy Management can help your business achieve the relevant certification.

For more information on ESOS, SECR or Net-Zero get in touch with a member of the team on 01225-867722 or email sales@energymanagementltd.com.