



Market Intelligence

June 2019



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**GAS
REVIEW**



Gas News

Down she blows

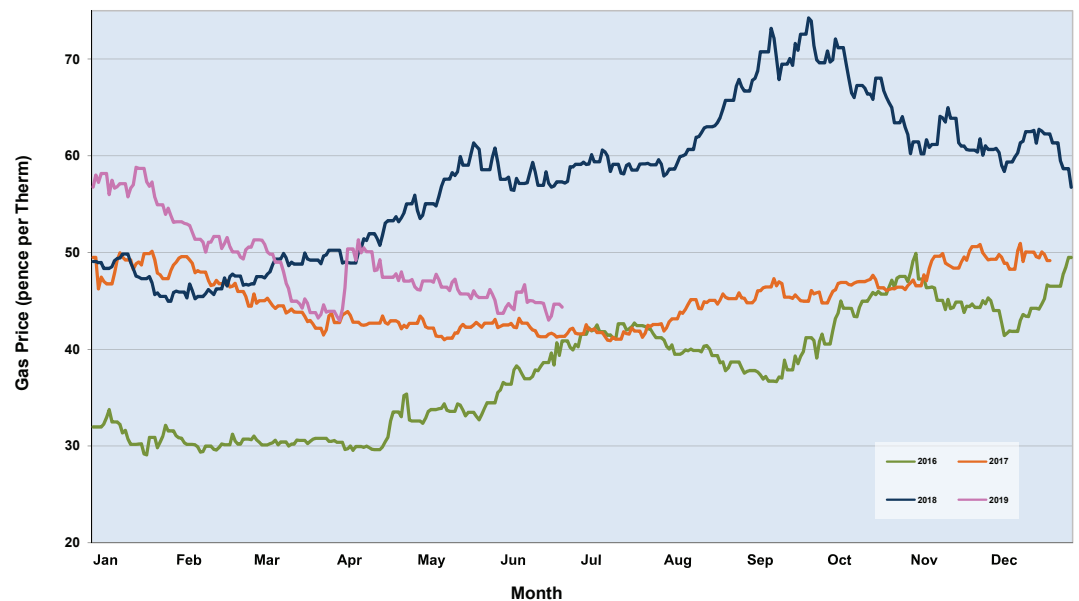
Like the power market, gas prices slumped as we moved into June with strong LNG and Norwegian imports causing the decrease. At one stage, the strength of LNG imports into the UK was highlighted by it satisfying 20-30% of national demand. As June progressed, prices gradually increased but in a sporadic fashion with varying wind levels and temperatures, along with an unstable oil market and Norwegian outages, all contributing.

The colder weather in June boosted end-user demand, with temperatures dropping to almost 9°C below seasonal

norms, while cloudier skies reduced solar power production. At one stage, overall demand was sitting at 35% above seasonal norms. LNG imports and send-outs into the UK's network slowed in the latter stages of June. However, withdrawals from storage sites were able to help make up for this.

US President Donald Trump has hinted at imposing sanctions on companies involved in the Nord Stream 2 gas pipeline between Russia and Germany. Trump wants to block the project which he has said would leave Berlin "captive" to Moscow. The US is hoping to export its own LNG to Germany.

Historic NBP Gas Graph



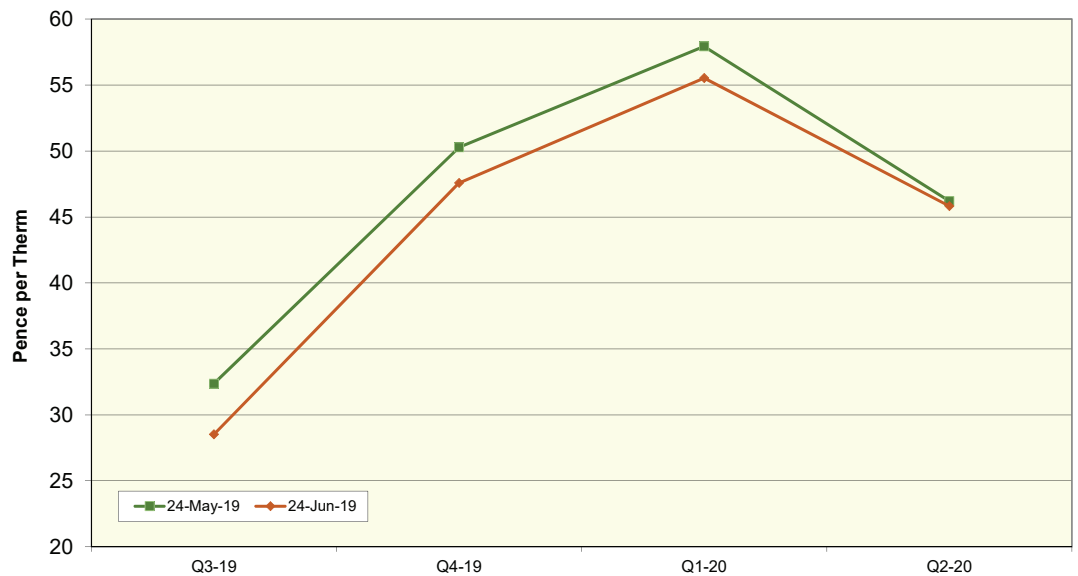
**GAS
REVIEW**



NBP Gas Prices

	Trading date		
	24-May-19	24-Jun-19	Increase
Q3-19	32.38	28.53	-3.85
Q4-19	50.28	47.58	-2.70
Q1-20	57.93	55.53	-2.40
Q2-20	46.20	45.83	-0.38
Day-Ahead	29.28	27.30	-1.98
Gas Year 19	49.83	48.48	-1.35

Forward NBP Gas Curve



**ELECTRICITY
REVIEW**



Electricity News

Turning up the heat

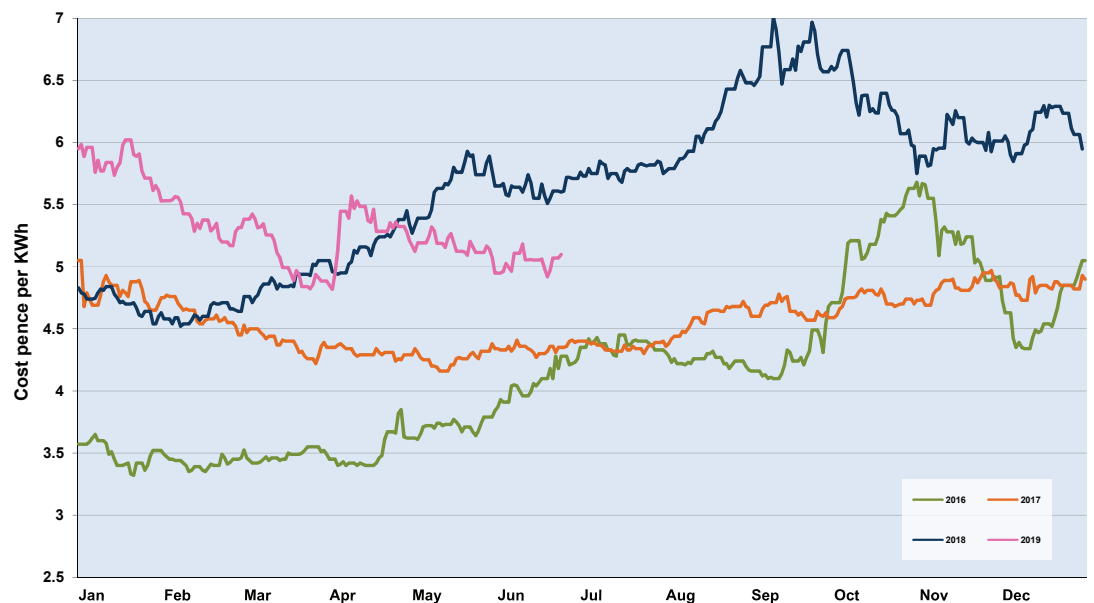
The UK power market has chopped and changed throughout June with unseasonable weather, a tightened supply and the unstable oil market all contributory factors. Day-ahead prices fell back to a two-year low at the start of June with the record, 18-day spell of no coal-fired power production coming to an end on the fourth day of the month.

EUA's held fairly steady throughout June, however they took a dip as Theresa May's resignation increased the likelihood of a no-deal Brexit and potential EUA dumping by UK companies. Meanwhile, the current heatwave affecting Europe is likely to

have a bullish impact on the continent's mainland, in particular Germany.

French grid operator RTE has said that France are due to face a substantial oversupply of power from the end of June to the end of August. This is down to an increase in renewables capacity this year, which in turn will lead to strong exports into neighbouring countries, including the UK. As for tidal power generation, costs have been slashed by 15% over the last 18 months. With prices expected to keep going down, it could lead to a major interest in tidal power from global investors.

Undelivered Wholesale Electricity Rates



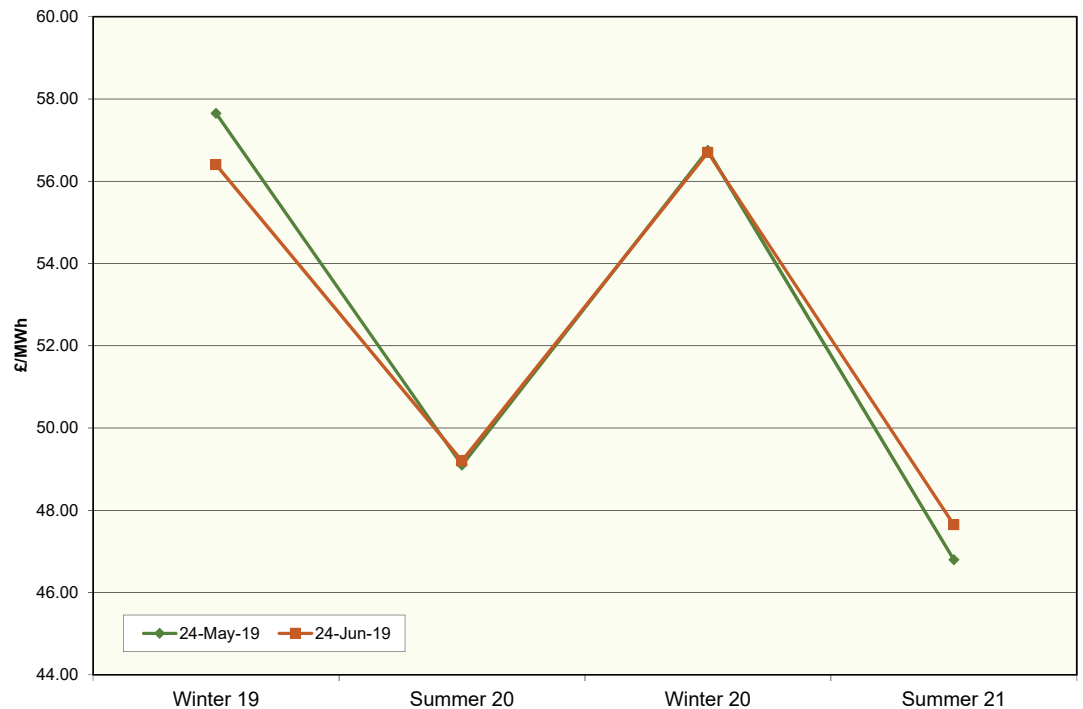
**ELECTRICITY
REVIEW**



OTC Power Price Assessments £/MWh

	Trading date		
	24-May-19	24-Jun-19	Increase
Winter 19	57.65	56.40	-1.25
Summer 20	49.10	49.20	0.10
Winter 20	56.75	56.70	-0.05
Summer 21	46.80	47.65	0.85
Day-Ahead	40.15	47.45	7.30

OTC Electricity Forward Price Curve



OIL REVIEW



All eyes on Iran

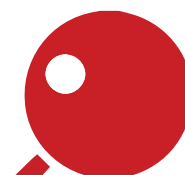
As June began, oil dropped by almost 13% on the back of the now aggressive US-China trade war which raised concerns that an economic downturn could occur. Prices jolted up in the middle of June on the back of attacks on two Norwegian-owned oil tankers in the Gulf of Oman. Multiple countries appear to be pointing their fingers at Iran for the attack, with footage being released by the US military showing suspected Iranian special forces removing a mine which had failed to explode. Iran has come under huge economic pressure from the US over the past year due to President Trump imposing sanctions designed to force other

nations into not purchasing Iranian oil. With oil exports accounting for approximately 30% of Iran's revenue, it may explain why they would consider threatening the stability of the global oil market.

“Iran has come under huge economic pressure from the US over the past year”

Greenpeace has now ended a 12-day protest involving a drilling rig in BP's Vorlich field, east of Aberdeen. Protesters managed to delay the departure of the rig from the Cromarty Firth port for five days with one individual even taking to the water with

a banner. Though the protest resulted in numerous arrests, Greenpeace believe they succeeded at drawing people's attention to recognise and address the climate emergency.



**MARKET
INFORMATION
& LOOKING
FORWARD**

Free World problems

Wholesale markets remain unpredictable with a number of new drivers beginning to emerge. Global demand – or rather the lack of it – appears to be the dominant driver of the day and, with no sign of this changing in the short term, prices continue to be held in check.

President Trump's continued rhetoric against perceived enemies of the USA and democracy in general could kick start a bull run at any time with a number of key energy resources Crude Oil and Natural Gas being caught up in increasingly tense spats. Iran, China, OPEC, Mexico, Germany and Russia have all experienced varying degrees of Trump's ire in the past few weeks. Brent Crude prices had already been exposed to increasing tension between the US and Iran.

Brexit remains a hot topic in the UK political arena with the Conservative Party currently embroiled in a leadership contest to find the next PM. Both of the remaining contenders remain steadfast in their aim to extricate the UK from EU on the current agreed deadline of October 31st, although they differ on whether securing a "deal" is essential to achieving that deadline. Strangely the current uncertainty over Brexit is having very little influence over wholesale energy pricing and cannot be listed as an influence driver. Worries over Brexit in relation to energy costs are now likely to focus on the strength of Sterling which has struggled against both the US\$ and the Euro, both of which are key currencies in energy trading.

The latest Capacity market auction cleared its lowest price yet, reflecting what many analysts are calling an oversupplied market – something that was thought to be the stuff of fantasy just a few years ago. With more and more de-centralised generation, DSR and Interconnected generation available, the need for new large scale central power generation has eased but for how long?

With the UK aiming to commit to Zero emissions by 2050 many current fossil fuel burning resources will be replaced with zero emission electricity powered resources. We must remember that the UK still relies heavily on the burning of fossil fuel to generate that electricity. While coal is fast becoming the dinosaur in the room, natural gas fired generation is increasing to pick up the shortfall as renewables still can't be relied upon 24-7, 365 days a year.

Green scheme launched

By continuing our commitment to help our customers save on energy costs, this month Energy Management has launched the Energy Reduction Quality Scheme which targets a long term 20% saving in energy costs purely through behavioural changes within an organisation. Site results are measured and displayed using our bespoke EM-Powered software.

Here's a few very simple behaviour changes you could try to implement yourself.

- Shutdown your computer out of office hours – you could save up to £50 a year per computer shut down
 - Be aware of your surroundings. If you think something needs to change, raise it with senior staff
 - Unplug idle electronics. It's predicted energy consumed by idle electronics amounts to the annual output of 12 power stations
 - Turn off the lights when not in use!
- Such simple changes can make a huge difference to your energy consumption.

For more information on how we can help to implement these changes, get in contact with a member of the team on 01225867722 or email sales@energymanagementltd.com