



## **Market Intelligence**

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March 2019



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**GAS  
REVIEW**



**Gas News**

**Keeping the bulls in check**

A larger proportion of UK electricity demand has been met by wind generation throughout March, reducing reliance on gas-fired power generation, while milder temperatures have reduced demand for heating requirements. Both have impacted on wholesale costs.

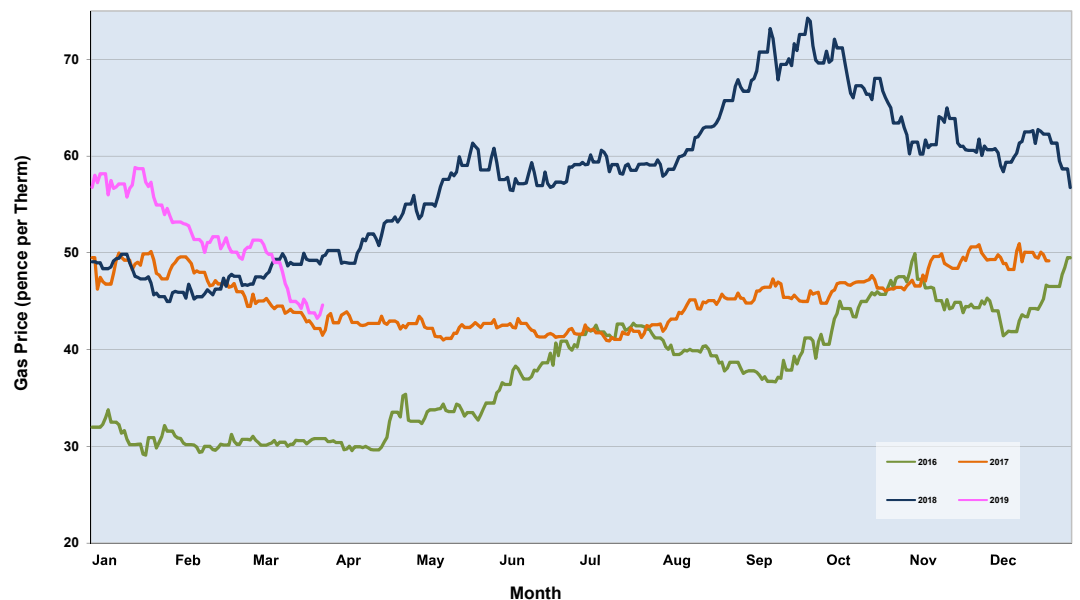
The rise in temperature came as a timely intervention as the market has witnessed numerous production issues in the Norwegian offshore gas fields, resulting in limited imports into the UK. An increase in LNG deliveries has also played a major role in helping to temper wholesale costs. While these deliveries remain at their current levels, the outlook for keeping the UK gas network balanced is good, helping to keep

the bulls in check.

One positive to come out of the current Brexit conundrum is that Sterling has slightly improved its standing against both the US Dollar and the Euro, thereby improving the UK's buying power in commodities traded in those currencies.

One of the most unexpected developments of the winter is the ability of both UK and European storage sites to keep levels well above expectation. Winter 18/19 Prices in Q3 2018 had been driven up by fears demand would outstrip supply in the depths of winter but, in reality, storage levels have actually increased, sitting at 41.5% fullness, comparing to 22.5% at this time last year.

**Historic NBP Gas Graph**



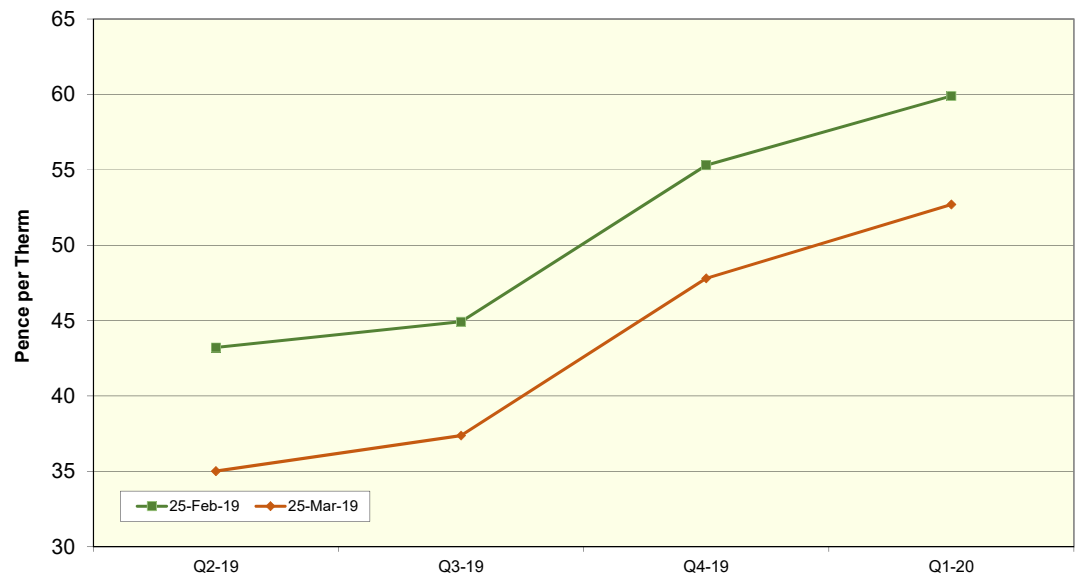
**GAS  
REVIEW**



**NBP Gas Prices**

	Trading date		
	25-Feb-19	25-Mar-19	Increase
<b>Q2-19</b>	43.23	35.03	-8.20
<b>Q3-19</b>	44.93	37.38	-7.55
<b>Q4-19</b>	55.30	47.80	-7.50
<b>Q1-20</b>	59.90	52.70	-7.20
<b>Day-Ahead</b>	43.73	35.75	-7.98
<b>Gas Year 19</b>	52.26	46.13	-6.14

**Forward NBP Gas Curve**



**ELECTRICITY  
REVIEW**



**Electricity News**

**Winds of change?**

The weather and Brexit have provided the dominate drivers with regard to energy prices this past month.

The blustery and mild weather conditions has boosted renewable generation capacity in UK but higher than average temperatures have also increased power demand at the same time. With reduced wind levels forecast for the weeks ahead and a possible drop in temperatures this week, there is a chance that bulls may get their noses in the trough causing wholesale prices to rise.

EUA carbon allowances have been fairly consistent over the last month in reaction to the decreasing chances of the UK leaving the European Emissions Trading Scheme, brought on by various Brexit votes and the initial push back in the leave date.

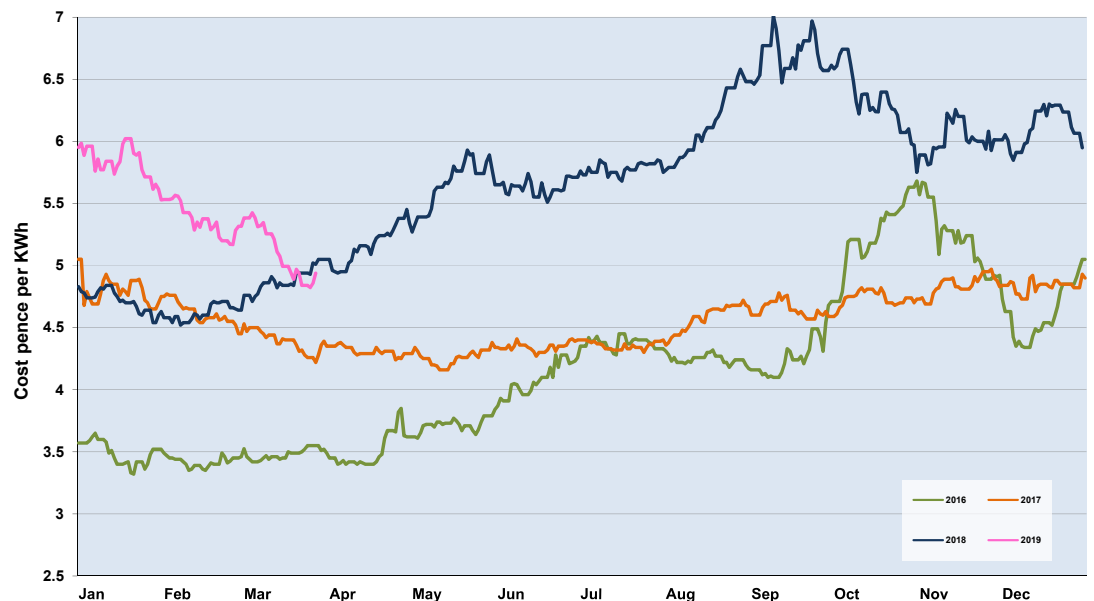
Projects between the UK and France to develop new power interconnector cables have been put on hold because of

uncertainties surrounding Brexit. As the UK regularly benefits from low power prices from France, having less interconnectivity with them could result in higher power prices here in the future.

On-going cooperation with the French is vital regardless of the Brexit outcome. France's EDF are a major player in the Hinkley Point C project; withdrawal or reduced support at this stage would be catastrophic for UK power prices because wholesale prices have already factored in the station coming online and providing power to the grid.

Regardless of any reader's position on Brexit, it is indisputable that energy traders get nervous when uncertainty abounds and a short-term return to volatility in the markets is likely to happen over the next couple of months as Brexit enters (possibly) its final stages one way or another.

**Undelivered Wholesale Electricity Rates**



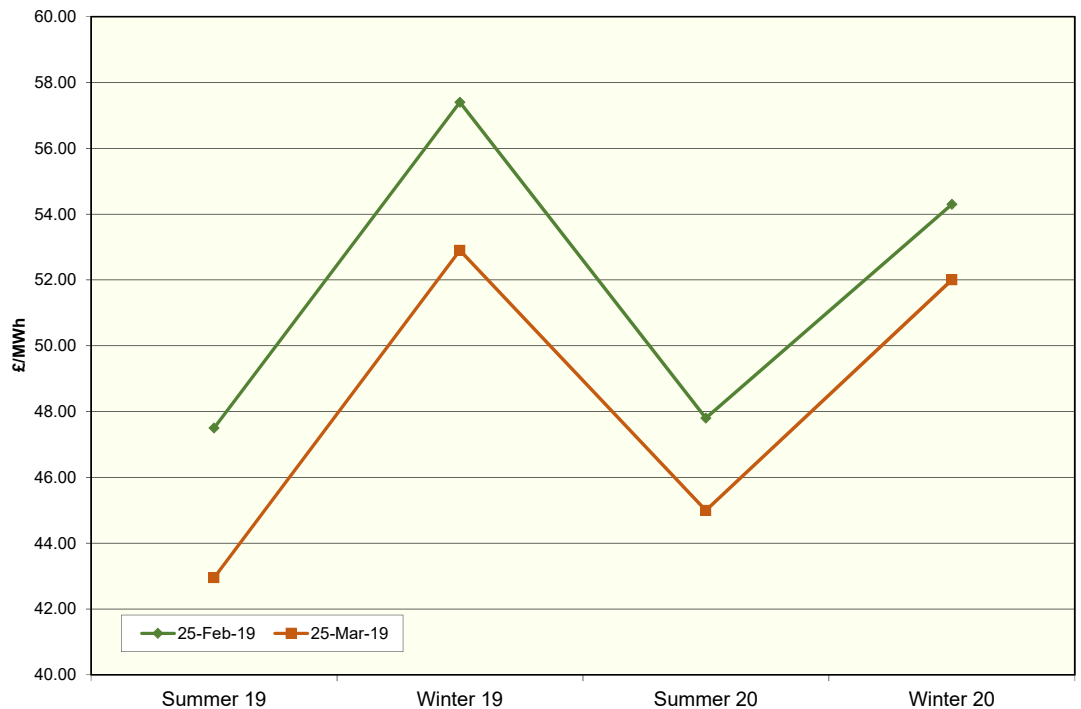
**ELECTRICITY  
REVIEW**



**OTC Power Price Assessments £/MWh**

	Trading date		Increase
	25-Feb-19	25-Mar-19	
<b>Summer 19</b>	47.50	42.95	-4.55
<b>Winter 19</b>	57.40	52.90	-4.50
<b>Summer 20</b>	47.80	45.00	-2.80
<b>Winter 20</b>	54.30	52.00	-2.30
<b>Day-Ahead</b>	47.25	42.85	-4.40

**OTC Electricity Forward Price Curve**



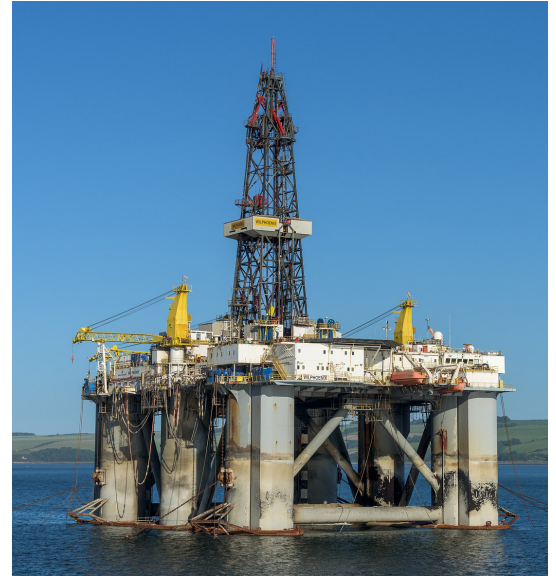
## OIL REVIEW



### New rig 'beached'

Oil prices rose to a four-month high of \$69/barrel over the last month on the back of a major power blackout in Venezuela. This forced a halt in oil exports as well as a significant drop in US storage levels. Prices did dip at one stage in March due to US output hitting a record high of above 12 million barrels/day, but these were quickly shunted back up due to US-China trade deal optimism.

In February, an exploratory oil rig off the coast of Dorset was established in the hope of locating oil reserves. After initially missing its drilling target area, a potentially substantial amount of reserves was stumbled upon, estimated to equate to 15 million barrels of oil. However, because the rig is located so close to the local beaches it would pose too much of an economic risk due to the possibility of oil



spills and the negative impact that would have on tourism and the environment for it ever to be extracted.

## LOOKING FORWARD

### New climate on the horizon

With the end of this month comes some legislative changes.

You may recall from last month's bulletin that April 1st introduces the new Streamlined Energy and Carbon Reporting (SECR) initiative. The main objective of this change is to incentivise the reduction in carbon emissions by promoting energy efficiency. By increasing your energy efficiency, you ultimately reap the benefits. You are not only saving the planet but your hard-earned money at the same time! We have a favourite saying at Energy Management: "the cheapest unit of energy is the one you don't use."

Inclusive of this, SECR information is publicised along with company accounts, giving you the opportunity to advertise your commitment to a greener economy. For more information on how we can

ensure your SECR compliance, get in touch with our team now on 01225-867722.

Meanwhile, the Carbon Reduction Commitment (CRC) scheme came to an end in the UK on March 31st and Energy Management has been busy requesting annual energy consumption statements from the energy suppliers of CRC participants in preparation for annual reporting later this year.

Submission of PP10 and PP11 forms to the HMRC will be required as the Climate Change Levy (CCL) discount is changing to counter the effect of increasing CCL rates. Over the past two weeks we've been completing these forms on behalf of our clients to ensure that all affected accounts are accurately invoiced for consumption from April 1st, 2019.



MARKET  
INFORMATION



## Meek and mild

The Bears have remained in the driving seat for the majority of March with the exception of a short window at the start and the end of the month. Markets have continued to benefit from a super-mild winter, relieving pressure from both heating and power generation demand.

The question on many trader's minds is where will prices go from here. Will the current easing of market prices continue, will it bottom out or even start to increase once more? Add to this the uncertainty over Brexit and predicting the direction of wholesale energy pricing in just couple of months' time becomes a challenge. We,

however, know that the bulls remain in charge of non-energy costs with increased CCL rates for all commercial customers and also changes in DUOS charges

effecting customers on passthrough contracts from April 1st.

Crude Oil pricing has once again come back into the spotlight. While pricing is currently detached from that of Natural Gas, US President Trump has once again focused his displeasure at OPEC. There are

concerns from America that an over-inflated Crude Oil price will impact heavily on the global economy and lead many of the world's top economic producers towards recession.

**“ Will the current easing of market prices continue, will it bottom out or even start to increase once more? ”**