Market Intelligence

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GAS REVIEW

Gas News

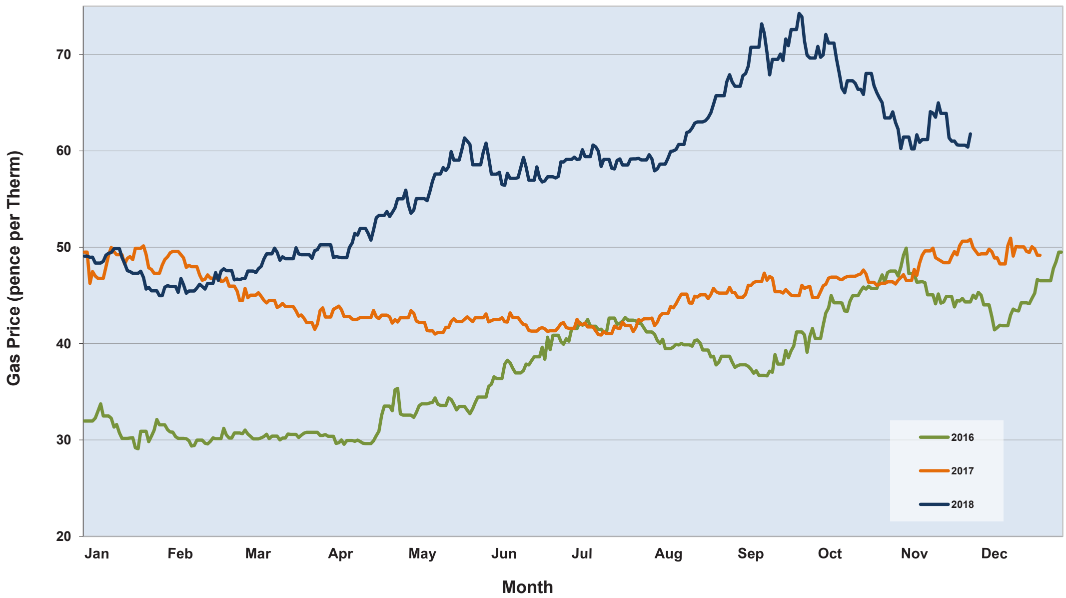
China leads the way

Gas prices have both spiked and dipped through late October/early November and that is down to a variety of factors. Day-ahead prices surged by almost 20% at one stage due to Norwegian outages, increased heating demand from end-users and stronger demand from generators.

The mass arrival of LNG shipments also impacted prices, filling UK LNG storage sites to near capacity, at one stage hitting around 90%. LNG is currently making up around 15% of supply in the UK. In the global LNG market, China has overtaken Japan to become the world's largest importer of natural gas.

Weather forecasts show that atmospheric blocking may be about to take place. Atmospheric blocking is a weather phenomenon whereby warm westerly winds are diverted, clearing the way for Siberian weather patterns to move in this direction. This will result in far colder temperatures and will therefore boost end-user gas consumption.

Historic NBP Gas Graph



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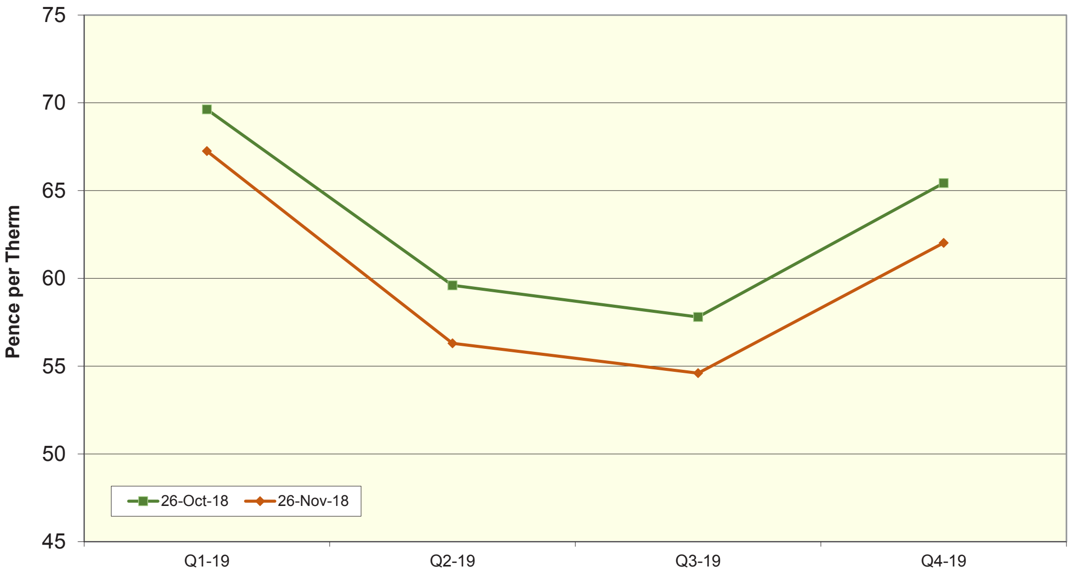
GAS REVIEW

NBP Gas Prices

	Trading date		
	26-Oct-18	26-Nov-18	Increase
Q1-19	69.63	67.25	-2.38
Q2-19	59.60	56.30	-3.30
Q3-19	57.80	54.60	-3.20
Q4-19	65.43	62.03	-3.40
Day-Ahead	63.30	64.75	1.45
Gas Year 19	60.24	56.78	-3.46

Forward NBP Gas Curve



ELECTRICITY REVIEW

Electricity News

Double Dutch

A number of factors have combined to make this yet another choppy month for UK Power Prices. EUAs, which are a form of carbon allowance used in the Emissions Trading Scheme, plunged more than 19% in value which had a bearish effect on prices. EUAs have rebounded since that drop and are back at anticipated levels, currently sitting at €19.56/TCO2. Renewed buying interest, along with Norwegian Gas outages and a Netherlands IT glitch also helped to bump up prices in early November.

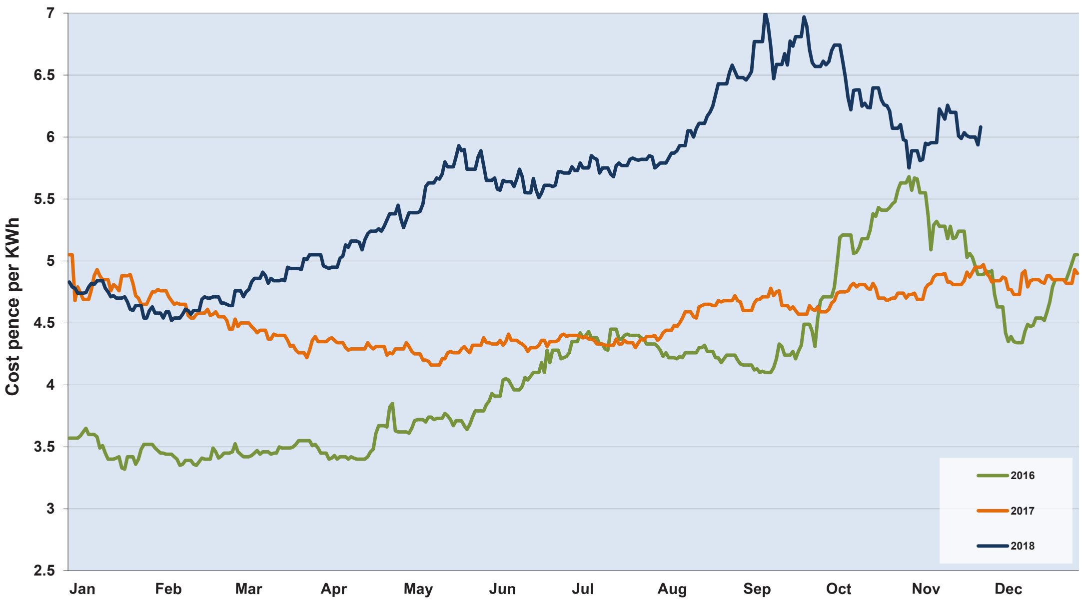
UK Short Term prices have been equally as unstable with varying wind levels, inconsistent gas prices and Power plants such Fiddlers Ferry and Lynemouth going offline, all impacting on prices.

As November progressed, prices remained inconsistent as the weather across Europe turned much colder.

Uncertainty surrounding the draft Brexit deal has also added fuel to the ever-changing fire.

Errors with ground anchors at eight different French Nuclear reactors have also caused some initial price uncertainties; it was found that that they were not suitably earthquake resistant. On a positive note the safety risk is low, and the reactors won't need to be shut down to be repaired.

Undelivered Wholesale Electricity Rates



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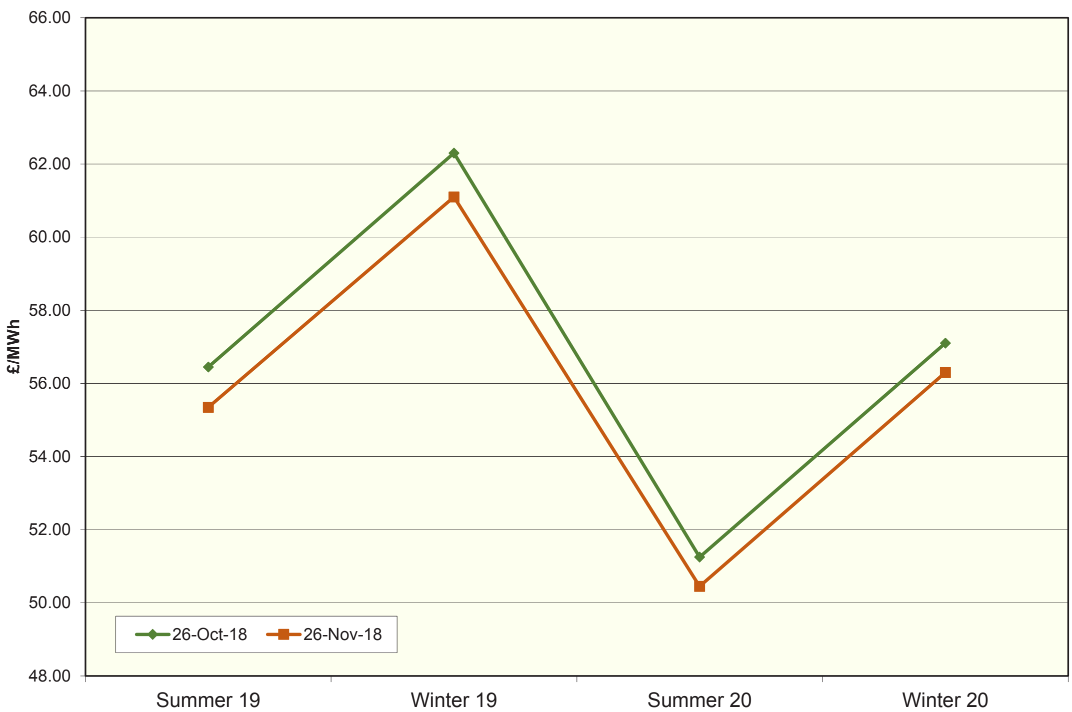
ELECTRICITY REVIEW

OTC Power Price Assessments £/MWh

	Trading date		
	26-Oct-18	**26-Nov-18**	**Increase**
Summer 19	56.45	55.35	-1.10
Winter 19	62.30	61.10	-1.20
Summer 20	51.25	50.45	-0.80
Winter 20	57.10	56.30	-0.80
Day-Ahead	66.95	63.00	-3.95

OTC Electricity Forward Price Curve



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OIL REVIEW

Unstable month

Like electricity and gas, it was another unstable month for oil prices which peaked at around $75/barrel and currently sit at $58/barrel. OPEC output hit a four-and-a-half-year high in late October, while Russia, the US and Saudi Arabia all hitting record output levels at the start of November also contributed to price uncertainty.

Prices did dip lower at one point though, due to a stronger than expected Iranian flow. This is due to sanction waivers being provided to eight different countries which allows them to continue importing Iranian oil. Saudi Arabia, along with backing from Russia, signalled that it may be set to lower its output which caused prices to spike slightly.

MARKET INFORMATION

All change in April

The Carbon Reduction Commitment Energy Efficiency Scheme (CRC) is due to come to an end in 2019 and there will be a transition to the new Streamlined Energy and Carbon Reporting (SECR) regime. The new SECR scheme will implement requirements that will apply to a much wider range of companies. However, companies that use up to 40,000KWh in the 12-month reporting period may be exempt from the Scheme.

The scheme will apply to companies that have more than 250 employees, an annual turnover greater than £36m and/or an annual balance sheet greater than £18m. It is highly likely that a number of businesses will be captured by SECR that have not taken part in mandatory reporting previously. Therefore companies that are due to be affected should make sure that reporting and data collection processes are put into place prior to the introduction of the scheme in April 2019.

Now that ESOS surveying and reporting is in full swing, should you require any assistance with the upcoming SECR reporting then please contact Nick Phillips on 01225 867722 or email np@energymanagementltd.com

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