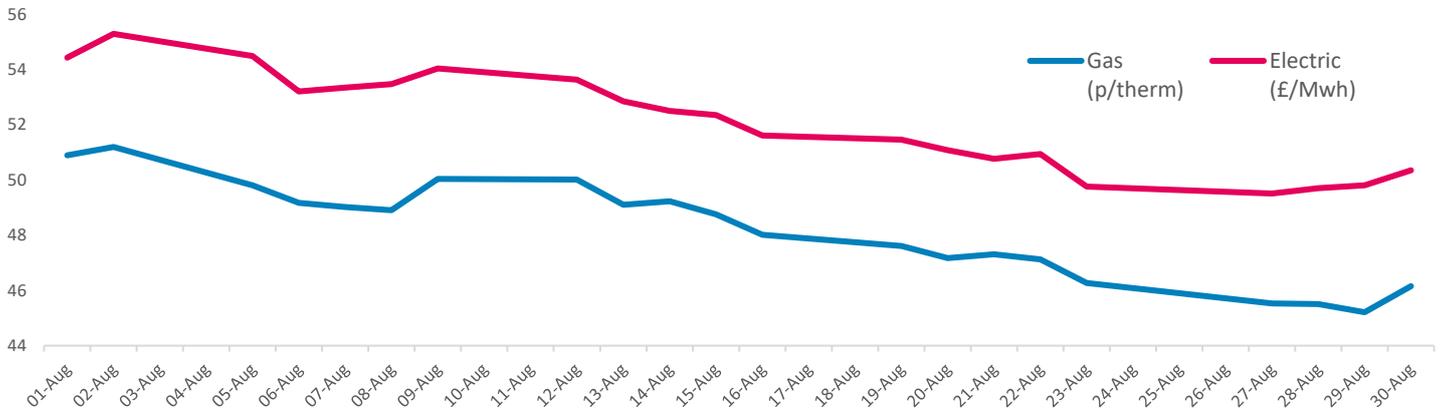




ENERGY MARKET UPDATE August 2019

Year Ahead Wholesale Gas and Electricity Price



August saw a continuation of the bearish sentiments that have been seen over the summer. Strong fundamentals, driven by a healthy storage outlook, have kept downward pressure on prices.

A slight upturn at the start of the month was caused by maintenance at the Cygnus and Bacton Seal facilities, taking a cumulative 19mcm offline. This was short lived as markets adjusted and continued softening.

The bearish sentiment was halted on the 8th August due to an undersupplied system caused by some planned maintenance at the

Troll facility, taking a significant amount of supply offline.

An oversupplied system from the 13th August kept downward pressure on prices. Helped by strong wind generation taking pressure off CCGT (Combined Cycle Gas Turbines) for electricity production.

The spike that can be seen on the 22nd August was caused by a reduction in supply. Outages at Culzean and Morecambe took 15mcm offline and put a strain on the system.

The increase at the end of August was mainly caused by periods of maintenance affecting supply and gains in the wider commodities markets. Carbon and coal saw some gains amidst Brexit uncertainty and changing demand.

The market was also affected by a cooler end to August as temperatures dipped below seasonal norms, September was also expected to start with cooler than average temperatures.

Brent Crude Oil

Brent Crude Oil has continued to provide sentiment for other commodity markets, specifically gas and electric. Although the oil price has seen some volatility, overall the market has been bearish.

The main driver of the falling oil price is the weakening global economic outlook, specifically slower growth in China. This would lead to a fall in demand and lead to excess supply. This has also been worsened as the US/China trade war escalates once more, reducing the demand outlook for oil further.

There is also some upward pressure being placed on oil prices as OPEC (Organisation of Petroleum Exporting Countries) discusses further supply cuts. However, this is being offset somewhat by record US inventories.

