



e-on

Monthly Market Report

August 2017



Market summary for July 2017

Gas

Volatile gas prices ended flat by the end of July.

Power

A largely uneventful month with power primarily tracking fuels.

Oil

Oil prices increased after US production declined and promises from OPEC nations to curb exports.

Carbon

Carbon prices made moderate gains on trading momentum and European demand

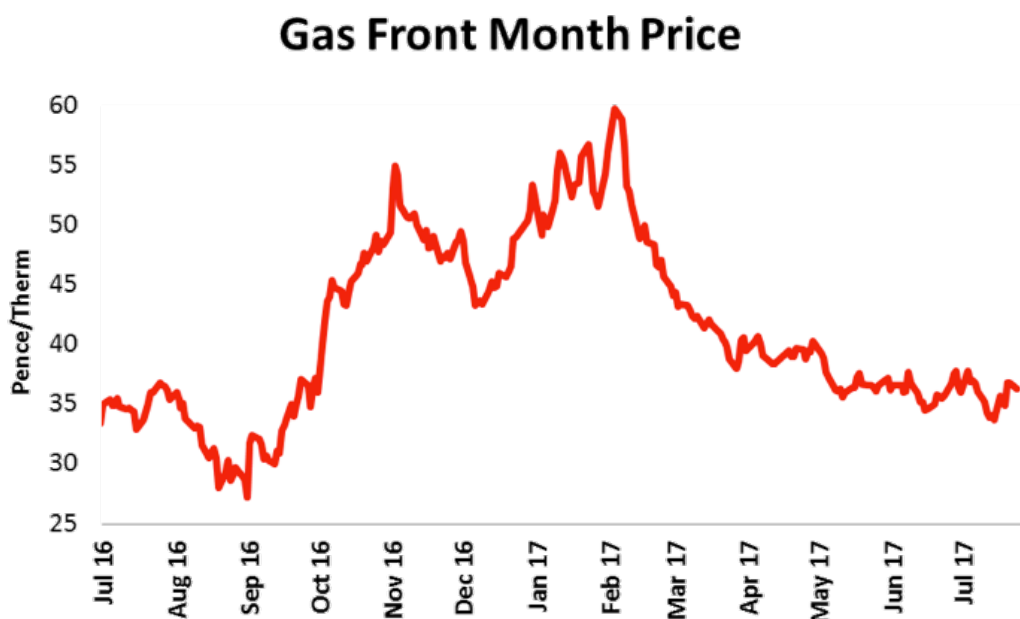
Direction of commodity prices (June 17 to July 17 & July 2016 to July 2017)

	Monthly Movement	Yearly Movement
Gas price	↔	↑
Power price	↓	↔
Oil price	↑	↓
Carbon price	↔	↑

Movements based on Front Month

Gas

Volatile gas prices ended flat by the end of July



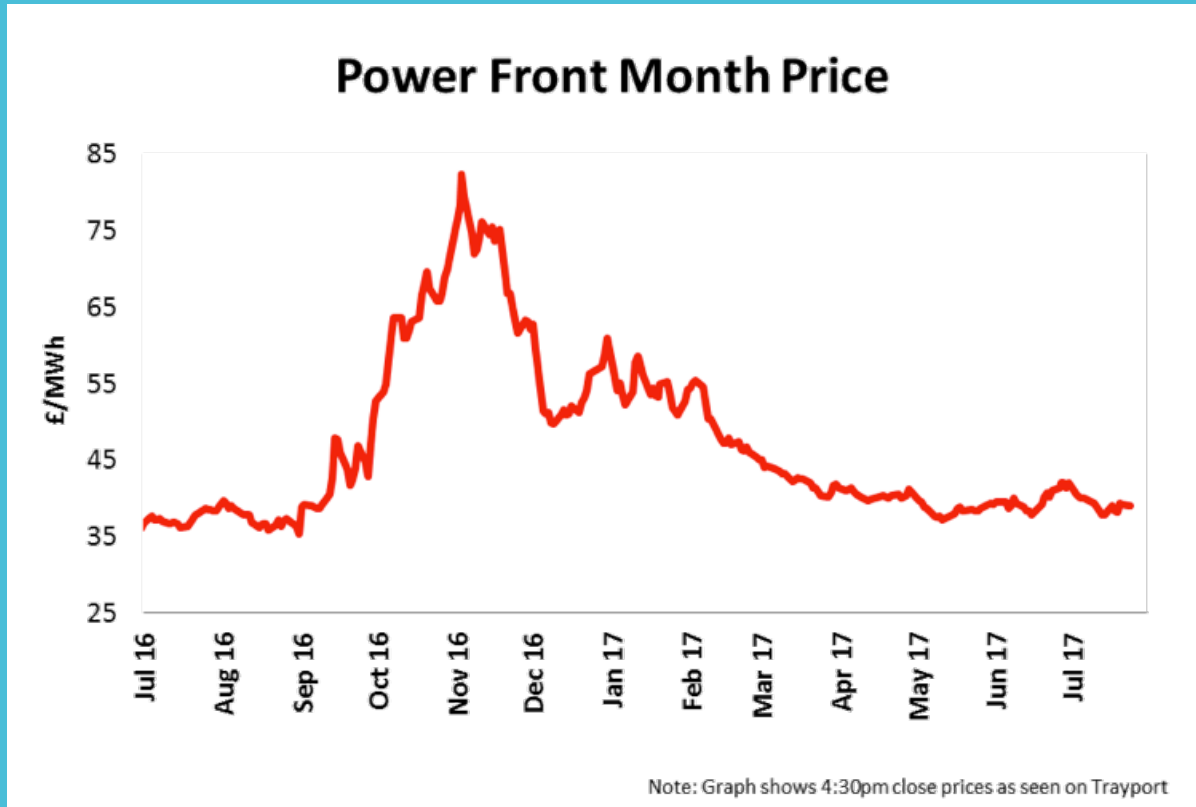
Note: Graph shows 4:30pm close prices as seen on Trayport

Gas prices started high in July and gradually declined until the middle of the month. This was caused by a sharp increase in Norwegian gas flows and a good steady supply of Liquefied Natural Gas (LNG) vessels to the UK. Prices moved higher in the second half of the month as gas for power demand increased after weather forecasts showed hotter than normal temperatures and low wind supply. Towards the end of the month temperature forecasts were

revised lower reducing gas for power demand but unscheduled outages at three Norwegian gas facilities and strong exports to the continent kept prices high. By the end of the month, fewer Qatari cargoes than expected arrived in the UK as more vessels were taking a longer route rather than traveling via the Suez Canal, possibly due to the diplomatic tensions between Qatar and Egypt. This risk could also delay cargoes in August.

Power

A largely uneventful month with power primarily tracking fuels



Power prices fell slightly over the course of the month. The moves in the power prices largely tracked gas prices, though gas prices fell slightly more than power mid-month, because firm coal prices maintained a premium in power prices.

It has been a largely uneventful month for power prices, with the main features being some mild generation tightness as a result of relatively low renewables generation and planned maintenance for thermal plants.

Oil prices increased after US production declined and promises from OPEC nations to curb exports

Brent Crude Front Month Price

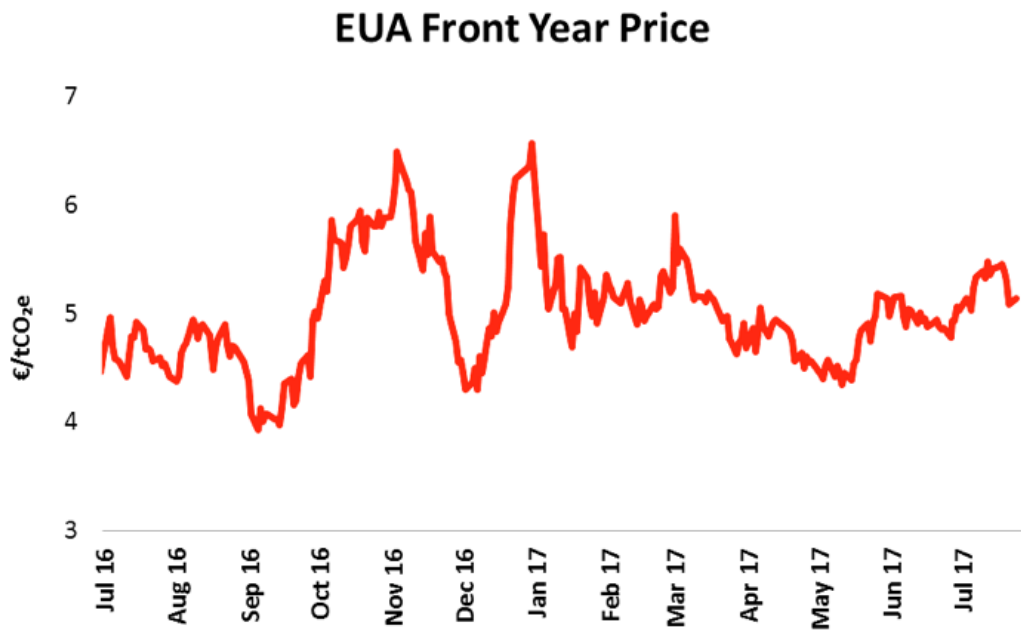


Crude oil prices increased in July despite the Organisation of the Petroleum Exporting Countries' (OPEC) output climbing for a second consecutive month. In the US, oil production declined more than expected but the price upside was limited as the oil rig count continued to increase. Gasoline inventories in the US also dropped as demand was high for the summer driving season. In the second half of the month, prices rose

sharply after Saudi Arabia announced a possibility of cutting crude exports in August and the US dollar weakened, increasing buying interest. Kuwait and the United Arab Emirates, fellow members of OPEC, have also promised export cuts. At the end of July, top US shale producers announced plans to cut spending this year further supporting prices.

Carbon

Carbon prices made moderate gains on momentum and European demand



Prices gained sharply early in the month on the back of firm demand for allowances in Europe, to meet demand in power generation, with German generation in particular having strong demand on the back of good coal plant generation margins and a moderate renewable outlook. Buying momentum

sustained the rally in the first half of the month, though profit taking and reduced power prices on the continent saw prices drop later in the month. Demand for auctioned allowances was fairly strong in July, which helped the prices rally mid-month.

Things to watch out for in August

August will see an increase in the amount of UK generation undergoing maintenance which is expected to constrain margin availability. Additionally, August will see heavy maintenance of some major gas fields and pipelines which will also reduce flexibility on the gas system. However, these are timed for the lowest demand months in order to minimise the impact of the outages. Liquidity is generally thin in August, with many traders on holiday. This can lead to more volatile movements in the market than at other times of the year.

The BoE will hold a monetary policy committee meeting in early August which will discuss the interest rates for the UK, in light of recent economic indicators. Many commentators are sceptical a rate increase will be agreed given sluggish GDP data released in July. The level at which interest rates are set will in turn have an impact on the foreign exchange rates for the pound.

Continuing negotiations within OPEC will drive short-term price movements within the oil markets, with the cartel continuing to try to both agree and then coordinate production quotas in order to achieve a price they find more acceptable.

Brexit negotiations will continue during August which will influence sentiment for the UK's economic outlook.

Jargon buster

CCGT:	Combined Cycle Gas Turbine
LDZ:	Local Distribution Zones
LNG:	Liquefied Natural Gas
MCM:	Million Cubic Meters
MEP:	Member of the European Parliament
NBP:	National Balancing Point
NTS:	National Transmission System
OFGEM:	Office of Gas and Electricity Markets
OPEC:	Organization of the Petroleum Exporting Countries
EIA:	Energy Information Administration
RO:	Renewables Obligation
CPI:	Consumer Price Index
ILO:	International Labour Organisation
UKCS:	UK Continental Shelf
IMF:	International Monetary Fund
IEA:	International Energy Agency
IUK:	Interconnector UK
EUA:	European Union Allowance
EU ETS	European Union Emissions Trading System
BoE:	Bank of England

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