

A nighttime photograph of a city skyline. The image features several tall skyscrapers with illuminated windows, creating a grid of light. In the foreground, there are blurred light trails from moving vehicles, primarily in shades of yellow and white, with some purple and blue bokeh lights. The overall scene is vibrant and dynamic, set against a dark night sky.

e-on

Monthly Market Report

December 2017



Market summary for November 2017

Gas

Gas prices rise with colder weather

Power

Firm power prices amid increased demand expectations and continued risk to French availability

Oil

Oil at two-year high amid political and physical disruptions

Carbon

Carbon price firms finding support in continental power prices

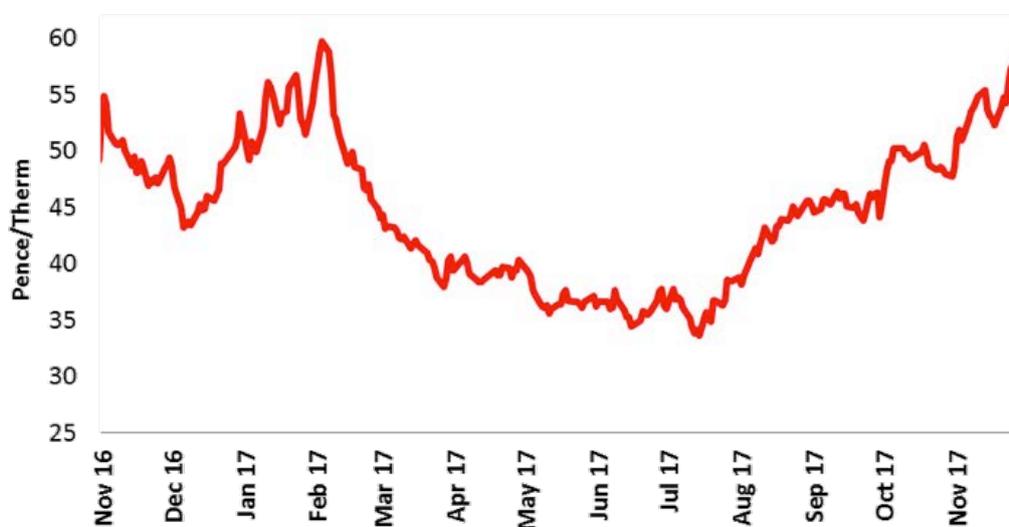
Direction of commodity prices (October 17 to November 17 & November 16 to November 17)

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

Movements based on Front Month

Gas prices rise with colder weather

Gas Front Month Price



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

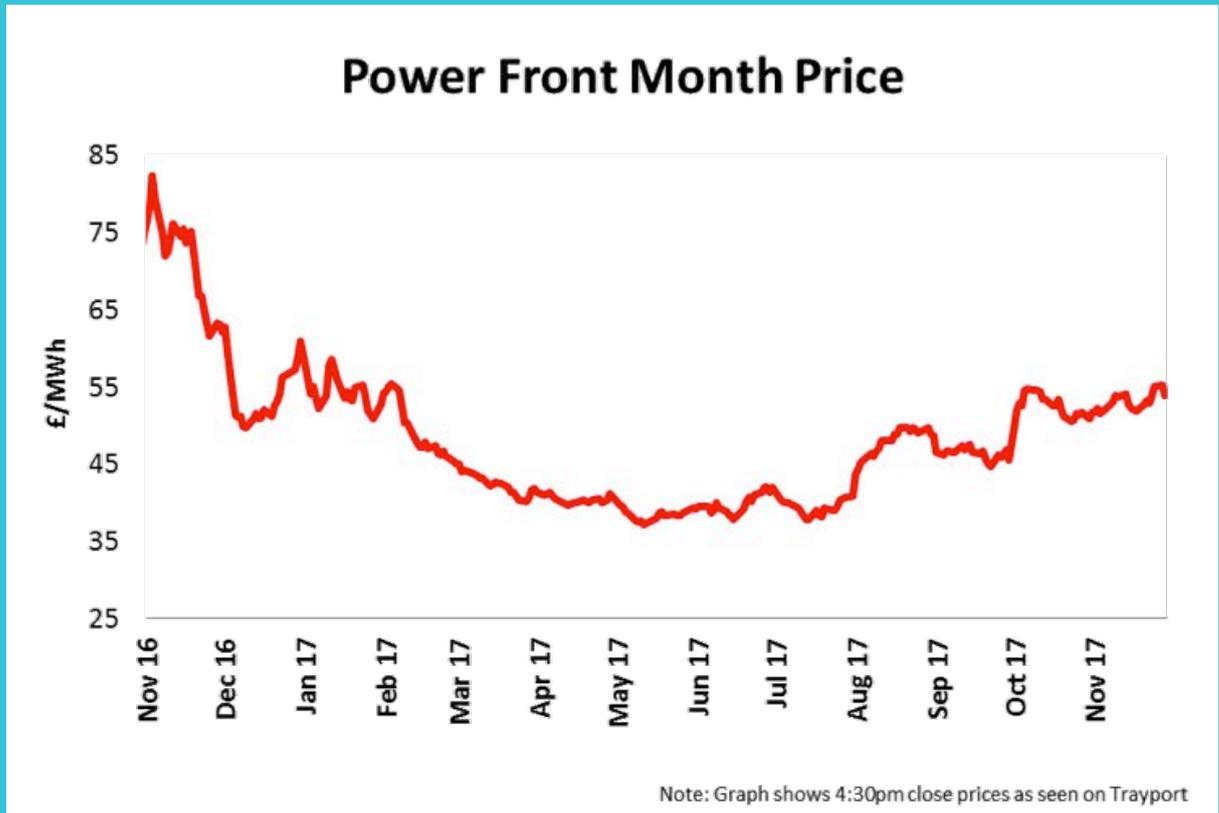
The UK gas prices continued their bullish trend in November. The key factor that kept prices high was weather, as forecasts during the month were for temperatures below seasonal normal, which should support heating demand and increase demand for gas in power generation. Weather on the continent was also colder than seasonal normal and, as there was further disruption to the French nuclear generation fleet, gas

prices found additional support.

In addition, firm European fuels prices, especially oil, added further support to prices. Last but not least, sterling's depreciation against the euro (which followed the Bank of England's rate increase at the beginning of this month) was another bullish factor for the UK gas curve.

Power

Firm power prices amid increased demand expectations and continued risk to French availability

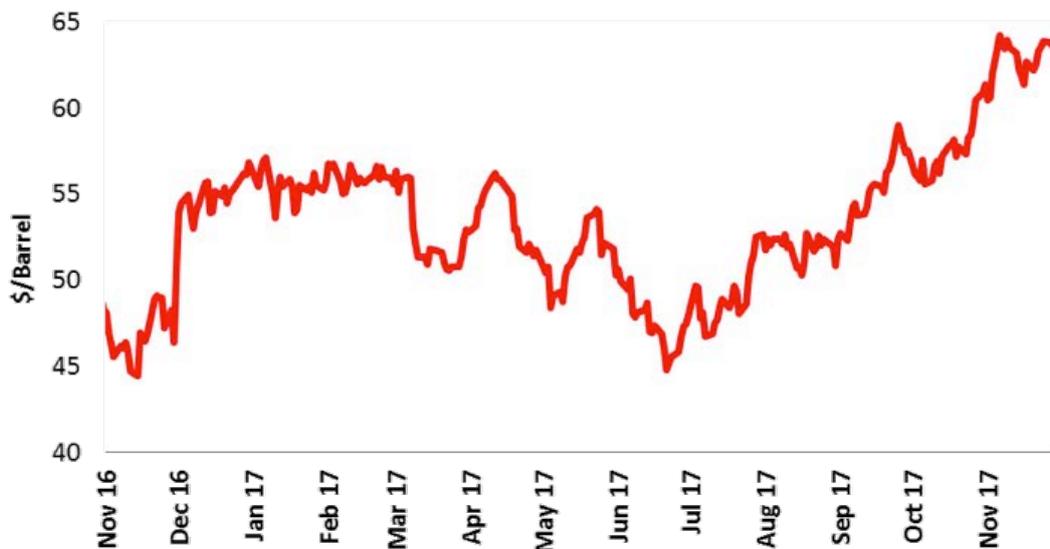


UK power prices ended higher month-on-month, tracking rising gas prices and finding support from cold weather forecasts. November has been particularly cold for both the UK and part of the continent, which has increased heating demand and supported power prices.

French power prices were also firm this month buoyed by colder weather and further delays to some outages on EDF's nuclear fleet. Strong French power prices are a bullish factor for the UK power curve as the UK prices need to stay competitive in order to incentivise imports from the continent during the winter period.

Oil at two-year high amid political and physical disruptions

Brent Crude Front Month Price



Brent oil remained strong in November, reaching a two-year high as the market remained upbeat about the ongoing rebalancing of oil markets. At the beginning of the month, the biggest drop in a single week in the U.S. oil rig count added to the price upside. Continued expectations that there may be an extension to the OPEC-led production cuts during the next OPEC meeting on 30 November kept prices firm.

At the same time, political disruptions in Saudi Arabia, where several officials and members of the royal family were detained in an anti-corruption

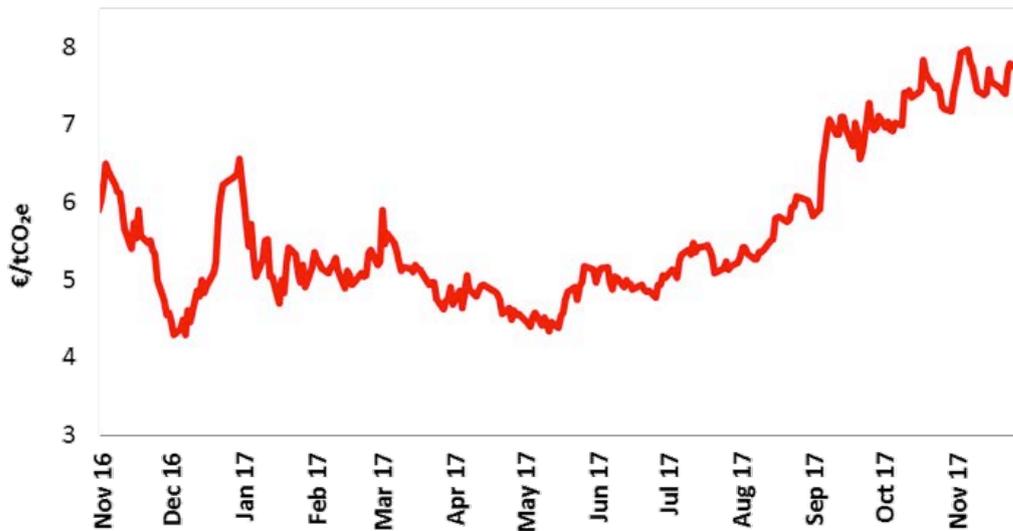
crackdown, supported the prices further. This political tension comes in the wake of sustained regional instability and has added more geopolitical risk to oil prices than seen in recent months.

A shutdown of the major Keystone pipeline, which carries crude oil from Canada to the U.S., boosted oil prices. The pipeline will remain shut after it spilled 5,000 barrels of oil in a rural area of the U.S. state of South Dakota. Its restart date is still unclear as the clean-up might take several weeks.

Carbon

Carbon price firms finding support in continental power prices

EUA Front Year Price



Carbon prices gained further in November, continuing their upward momentum. Bullish sentiment in the wider energy complex, and especially in German power prices, added support to carbon prices.

One other crucial factor for carbon this month was the negotiation on the European Union emissions trading scheme framework for 2021. The European Commission, Parliament and Council reached a decision and agreed on rules for the period 2021 to 2030 which is expected to tighten the market in that period.

Things to watch out for in December

In regards to gas prices, weather remains the key feature to watch as we are now in the peak winter period and the dependence of the UK upon imports is a crucial factor. Another important factor market is LNG availability. So far there is only one confirmed cargo expected to arrive in the UK in December, and November only saw two arrive. Low LNG deliveries are a bullish factor for the gas market as the UK does not have any seasonal storage and instead must rely heavily on imports from the continent, LNG deliveries and withdrawals from medium-range storage facilities.

In the power market, news around France's nuclear plants will be on top of the watch list. Any further delays on restart dates could further tighten the outlook for the French and UK power systems.

Following the rate increase after the latest Bank of England policy meeting in November and the dovish comments by the chairman of the bank, analysts do not expect another rate rise anytime soon.

The strength of the pound against both the dollar and the euro will continue to fluctuate in response to economic news, with confidence in Brexit negotiations a crucial influence on the exchange rate

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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