

A nighttime photograph of a city skyline. The image features several tall buildings, with the most prominent one on the left having a distinctive, tiered top. The buildings are illuminated from within, and their lights reflect on the surrounding environment. In the foreground, there are blurred light trails from moving vehicles, creating a sense of motion and energy. The overall color palette is dominated by the blues and whites of the city lights against the dark night sky.

*e-on*

# Monthly Market Report

July 2017



## Market summary for June 2017

### Gas

Gas prices moved sideways overall in June with system outages adding pressure.

### Power

Power prices were relatively flat, having bounced back by the end of the month from a mid-month slump.

### Oil

Oil prices declined sharply in June as the global oil supply overhang remains unchanged.

### Carbon

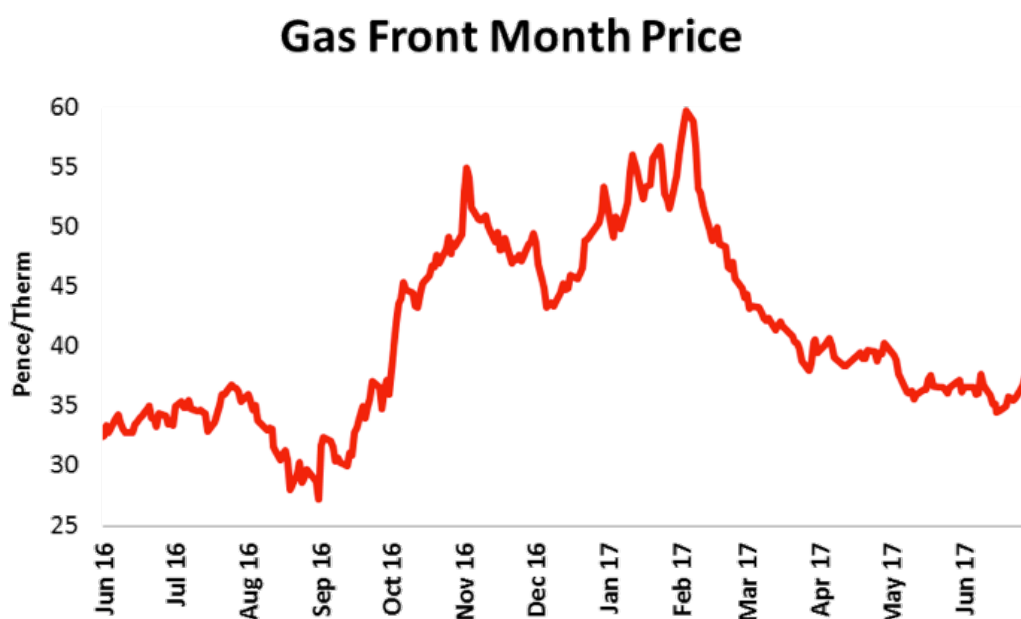
A good supply of carbon allowances kept prices subdued in June.

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

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

Movements based on Front Month

**Gas prices moved sideways overall in June with system outages adding pressure**



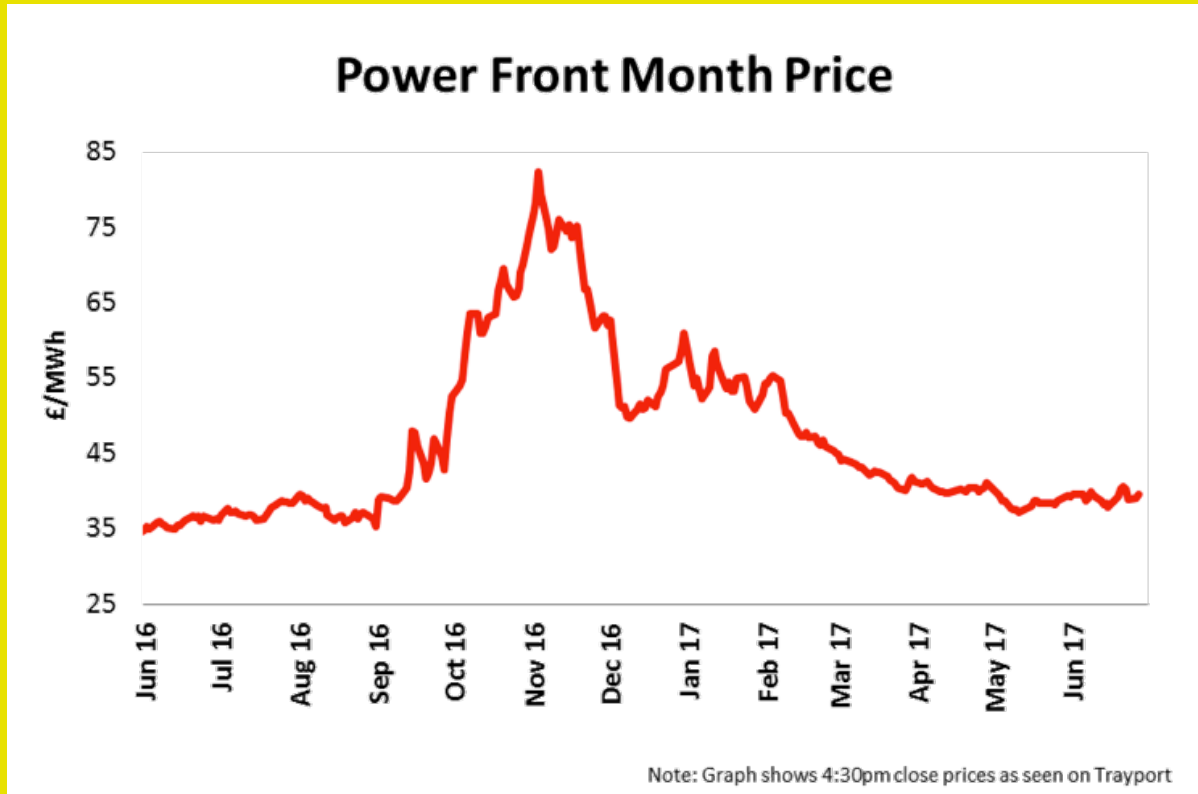
Note: Graph shows 4:30pm close prices as seen on Trayport

The start of June was very stable for gas prices with a well-balanced gas system. However, prices started to trend upwards in the run-up to the UK general election which was held on 8 June, and then moved down immediately after. Towards the end of the month Centrica made an announcement that Britain's largest gas storage facility, Rough, will be permanently shut down. The announcement comes after years of continuous issues with the ageing facility. This could put pressure on the UK gas system in the

colder months if there was a sudden surge in demand. The IUK pipeline was also shut for two weeks in the second half of the month, for planned annual maintenance. This meant more liquefied natural gas (LNG) cargoes were sent to north-west Europe rather than the UK, for easier absorption of the extra supply. The month ended with prices moving higher after a gas leak in Norway reduced Norwegian gas flows to the UK. This caused the gas supply system to become much tighter.

# Power

Power prices were relatively flat, having bounced back by the end of the month from a mid-month slump



Power prices moved marginally higher during the month of June. The month began in a similar way to gas prices with power prices moving sideways, spiking on 8 June and then moving down before ending the month on a high. Wind generation was above the normal levels for this time of the year at the start of the month but ended with very low output. The heatwave experienced across the country in the second half of the month

caused prices to surge higher as more demand was created for air conditioning. Power supply margins also underwent some system tightness towards the end of the heatwave due to the low renewables generation and a number of power stations being offline for planned annual maintenance. Hydro levels on the continent were also low due to the hot and dry weather which resulted in the UK exporting power on some days.

Oil prices declined sharply in June as the global oil supply overhang remains unchanged

## Brent Crude Front Month Price

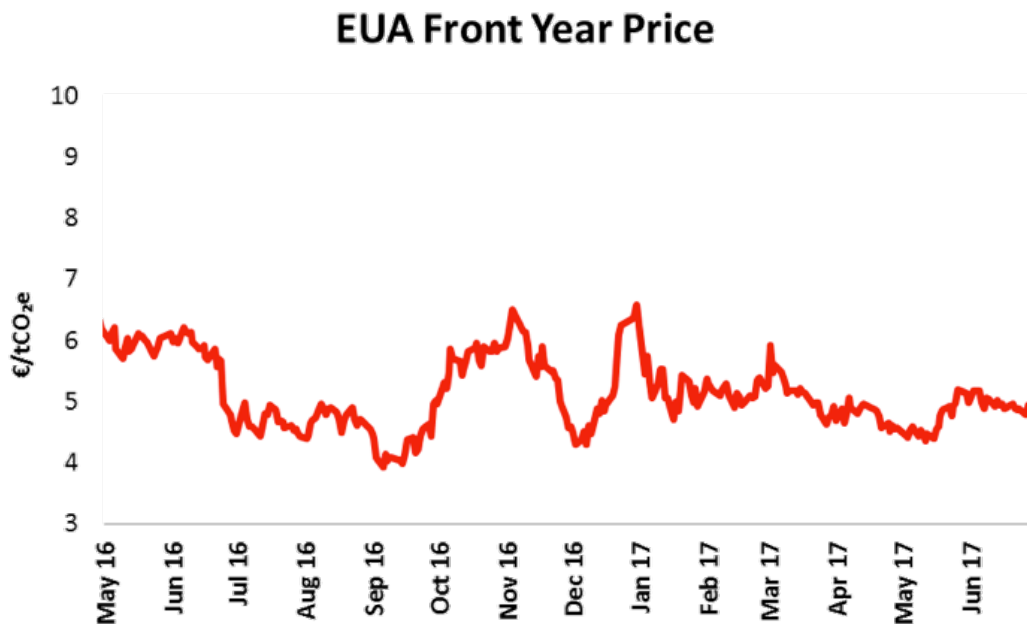


Crude oil prices continued their downward trend from last month into June. Oil stockpiles in the US remain high and energy firms continue to increase the number of oil rigs. The rig count is now at levels not seen since April 2015. Libya, an OPEC nation that's exempt from the production-cut deal, is said to have increased its output to a 3-year high in June. Shell has also lifted restrictions on exports of Forcados crude, a key Nigerian crude oil grade, whose export

was halted 15 months ago following militant attacks. The potential increase in US, Libyan and Nigerian oil production is limiting the supply cutbacks seen by OPEC and non-OPEC countries after their agreement to extend supply curbs last month. There was a slight uptick in prices at the end of the month after official Energy Information Administration (EIA) data showed a decrease in gasoline inventories in the US.

# Carbon

A good supply of carbon allowances kept prices subdued in June



Prices declined after an initial rally in the first few days of the month. Auctions took place each week from the start of the month, which kept the carbon market well supplied, keeping prices suppressed. Low hydro stocks in Spain and France supported carbon prices as more generation was required from non-renewable sources. Weaker oil and coal prices at the end of the month added further downwards pressure. The European Council and Parliament met on 28 June to discuss the phase 4 European

Union Emissions Trading System (EU-ETS) reform, but no significant outcome was received. Negotiations are expected to continue on 10 July with Estonia taking over from Malta as the lead negotiator for the Council. UK MEP Julia Girling will take over the role of leading the ETS reforms after Ian Duncan stepped down earlier this month. In the US, President Donald Trump announced the withdrawal from the Paris climate agreement and will try to negotiate better terms.

# Things to watch out for in July

In June the UK general election resulted in a hung parliament after many polls showed the Conservatives lead was reducing against Labour in the run-up. Prime Minister Theresa May and the Conservatives received the most seats and are in talks with Northern-Ireland's Democratic Union Party (DUP) to secure a deal. Any deal struck could have an impact on the pound.

In a bid to build trust, Theresa May addressed the European Union's General Council to guarantee the rights of the 3 million EU nationals who currently live in the UK. Those who have lived at least five years in the UK will not be asked to leave and will be eligible to the same benefits as UK nationals when Brexit occurs in 2019. The reactions were mixed and further announcements could cause some volatility in the pound.

Saudi Arabia, Egypt, Bahrain and the United Arab Emirates cut diplomatic and travel ties with Qatar in June after accusing it of aiding terrorism. The four Arab nations have sent a 13-point list of demands to Qatar to be met which include the closure of Al-Jazeera television station, curbing ties with Iran, shutting down a Turkish military base in Qatar, and the payment of reparations. If tensions are escalated further this could cause potential trade disruptions especially with LNG trade, as Qatar is the world's largest LNG exporter.

Oil prices could see spikes in July once the driving season increases gasoline demand especially during the 4 July celebrations.



## Jargon buster

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

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