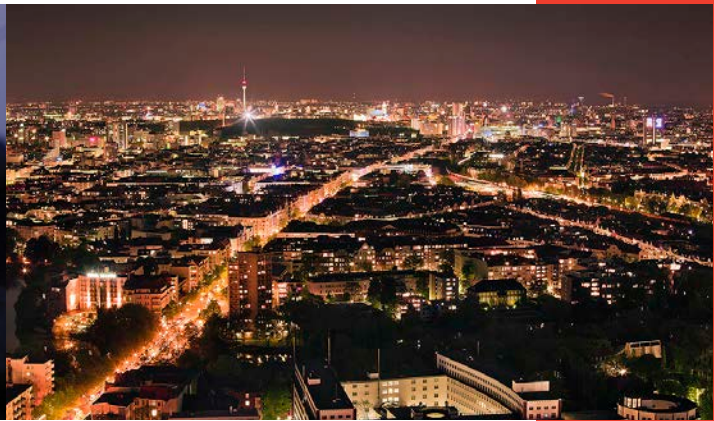


A nighttime photograph of a city skyline. The left side shows a tall, illuminated skyscraper with a distinctive top. The right side shows another large building with many lit windows. In the foreground, there are blurred light trails from cars and a street lamp, creating a sense of motion and urban energy. The sky is dark blue.

e-on

Monthly Market Report

April 2018



Market summary for March 2018

Gas

Gas prices rise amid volatile weather forecasts

Power

Firm European fuels support power prices

Oil

Oil rises amid strong fundamentals

Carbon

Carbon's rally leads the contract to a new 6-year high

Direction of commodity prices (Feb 18 to Mar 18 & Mar 2017 to Mar 2018)

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

Movements based on Front Month

Gas prices rise amid volatile weather forecasts

Gas Front Month Price



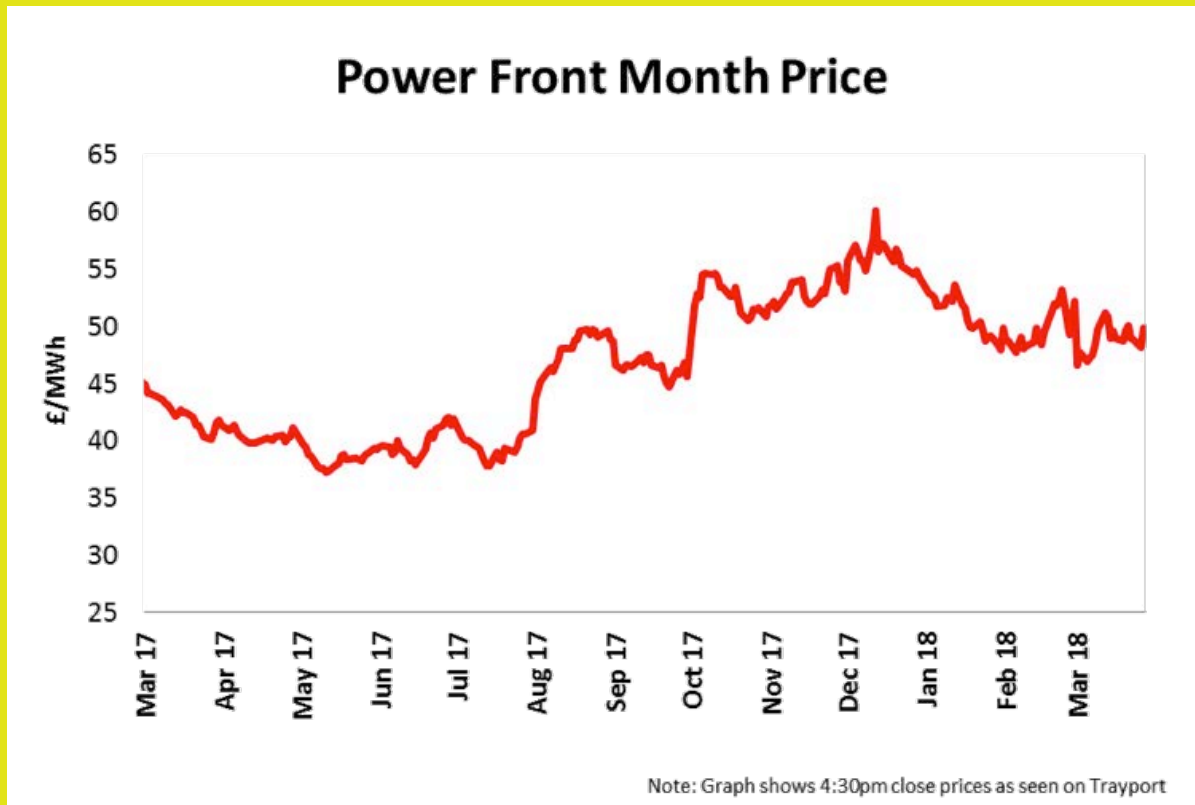
Note: Graph shows 4:30pm close prices as seen on Trayport

March was an eventful month for the UK gas market. Contracts for short-term delivery started the month at a 12-year high, due to the cold spell affecting not only the UK but most of continental Europe. Temperatures below seasonal average in conjunction with high winds caused infrastructure issues which led to acute system shortness. As a result, National Grid issued a Gas Deficit Warning and within days the prices spiked. The rally was short-lived and prices corrected downwards in the next days as the weather turned milder.

Forward contracts also gained value within March, finding support in firm oil and carbon prices. Volatility in weather forecasts and another cold spell in the middle of the month were also key factors providing support to the gas curve.

Power

Firm European fuels support power prices



Power prices registered an upward movement in March, taking direction mostly from the gas market. High gas spot prices at the start of March caused a rally in power prices, with system prices reaching as high as £995/MWh in one period.

Weather has been critical for prices again this month as the possibility of another cold period going through to April spooked the market. Storage stocks are depleted after the severe cold spell in late February causing supply concerns if another cold period materialises. Another bullish factor was the strength in oil and carbon markets.

On another note, coal's weakness and sterling's appreciation against the euro might have limited the price upside for power forward contracts.

Oil rises amid strong fundamentals

Brent Crude Front Month Price



Oil has been on an upward momentum in March and, towards the end of the month, Brent closed slightly above the \$70 level for the first time since the end of January. A continued drop in OPEC's output and increased compliance to the agreed production cuts provided support to the price. Additionally, discussions about a possible extension to the OPEC-led cuts into 2019 helped to keep prices firm.

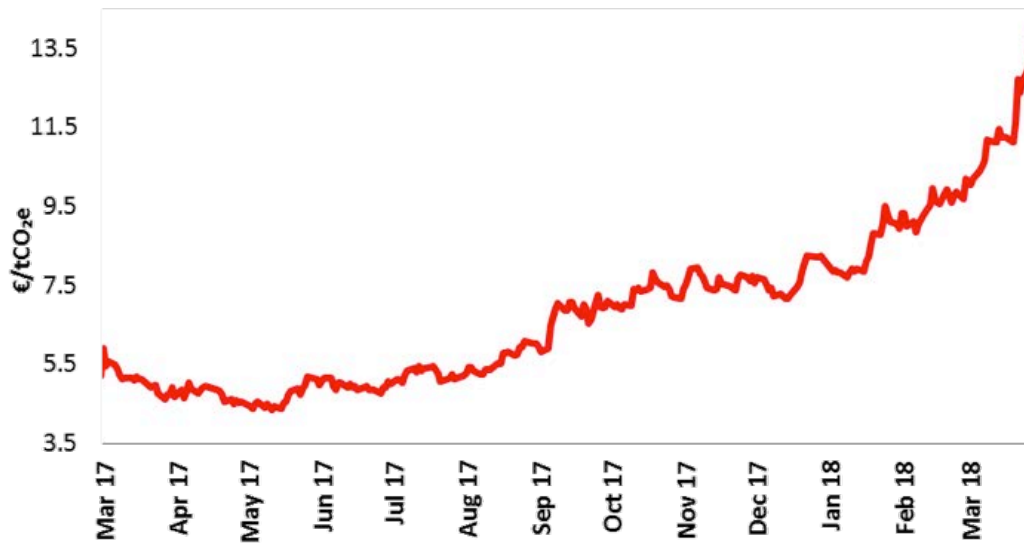
Growing risks of renewed sanctions on Iran after US President Donald Trump replaced Secretary of State Rex Tillerson with Mike Pompeo, and weakness in the dollar, were among the key factors supporting the oil price. An unexpected drawdown in US inventories also pushed the oil price higher.

Despite the bullish factors mentioned above, US crude oil production continues to rise and is expected to reach a new record high in April which puts a limit to the price upside.

Carbon

Carbon's rally leads the contract to a new 6-year high

EUA Front Year Price



Carbon continued its recent rally and reached new six-and-a-half year highs, breaking both €12/t and €13/t price levels. Cold weather across Europe at the beginning of March and strength in the wider energy complex buoyed carbon prices. Strong auction results and anticipation of fewer certificates in the future reinforced the bullish sentiment.

Later in the month, the UK's Minister for Business, Energy and Industrial Strategy confirmed the UK will stay in the EU ETS for the remainder of phase 3, boosting carbon prices around 10 percent.

Things to watch out for in April

As we are now entering into spring, weather should no longer be the dominant factor for gas and power prices. Nevertheless, temperatures below seasonal normal for the beginning of April caused concerns to the market due to record low storage stocks. Hence, temperature forecasts will be a factor to monitor, especially at the start of the month.

On the supply side, LNG is an important factor to watch in April. LNG receipts have been very poor this winter but, within March, more cargoes have started to confirm UK terminals as their destination. LNG availability is important for the UK due to lack of flexible supply after the closure of Rough storage site.

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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