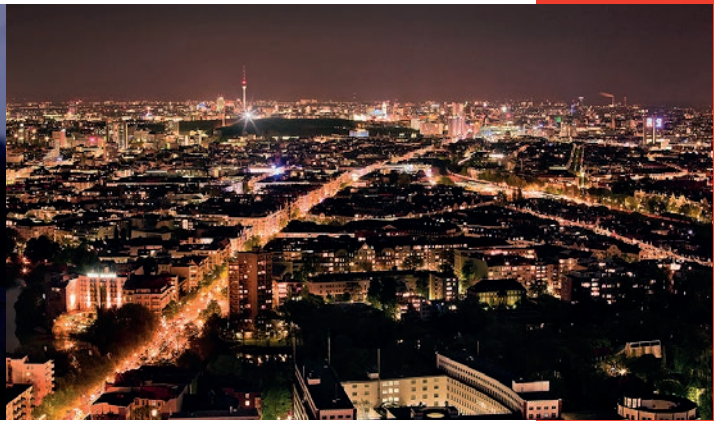


A nighttime photograph of a city street with tall buildings and light trails from traffic. The buildings are illuminated with blue and white lights, and the street is filled with yellow and white light trails from cars. The sky is dark blue.

e-on

Monthly Market Report

August 2018



Market summary for July 2018

Gas

Strong energy complex and above average demand support prices

Power

Power prices rise due to high temperatures & low wind

Oil

Geopolitics continue to drive prices

Carbon

Strong demand pushes carbon prices above 7-year high

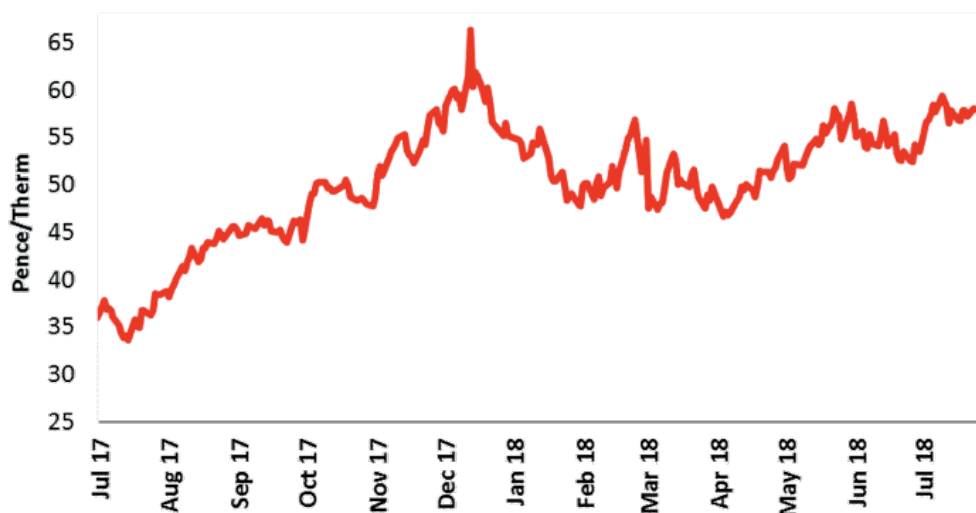
Direction of commodity prices (Jun 2018 to Jul 2018 & Jul 2017 to Jul 2018)

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

Movements based on Front Month

Strong energy complex and above average demand support prices

Gas Front Month Price

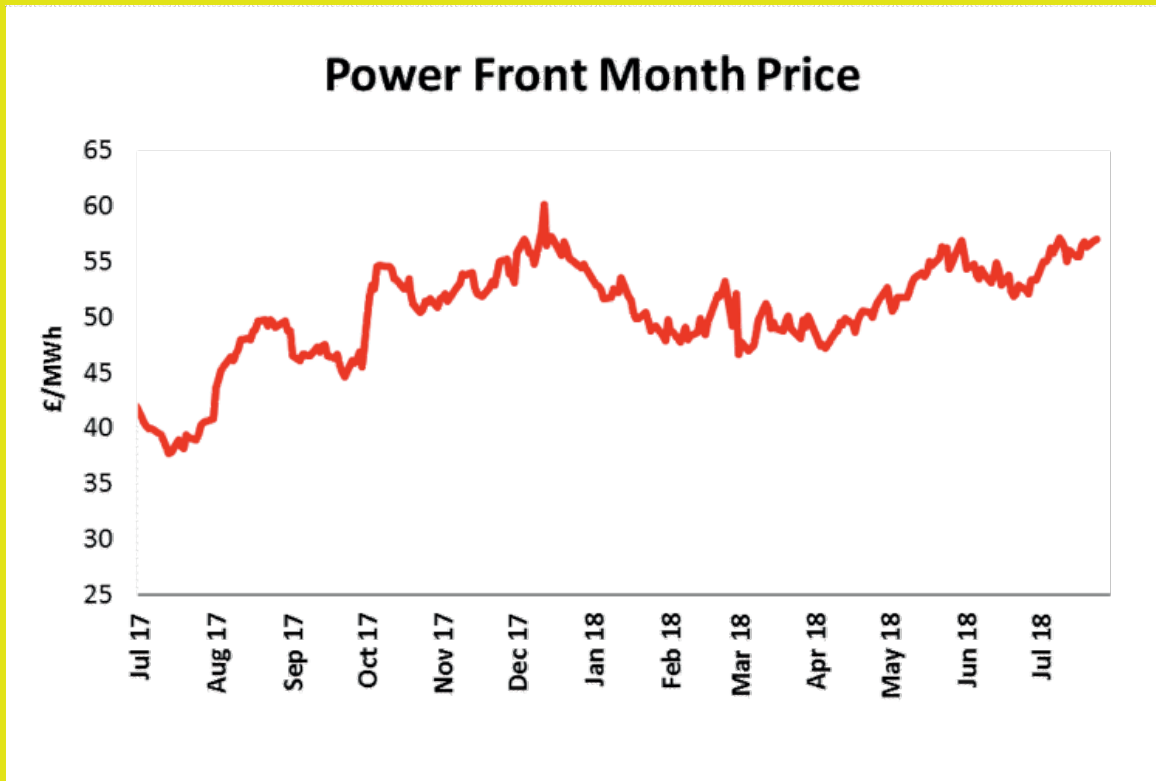


The August gas contract rose in the first few days of July from around 54.7 p/therm to 59.8 p/therm by 11 July. Prices then stayed between 56.4 p/therm and 58.6 p/therm for the remainder of the month. The reason for the sharp rise was down to several factors. Strong gas demand from continental Europe amid warmer than average temperatures and storage injection demand held prices firm for near term contracts.

Other commodity prices can also influence prices for contract delivering further out, and oil has been a significant factor for the last couple of months. Volatility in oil drove prices as sentiment around the trade wars and concerns over global growth pushed prices down. However, tough sanctions on Iranian oil exports and disruptions in Libya and Venezuela have continued to provide some support and limit the price downside.

Power

Power prices rise due to high temperatures & low wind

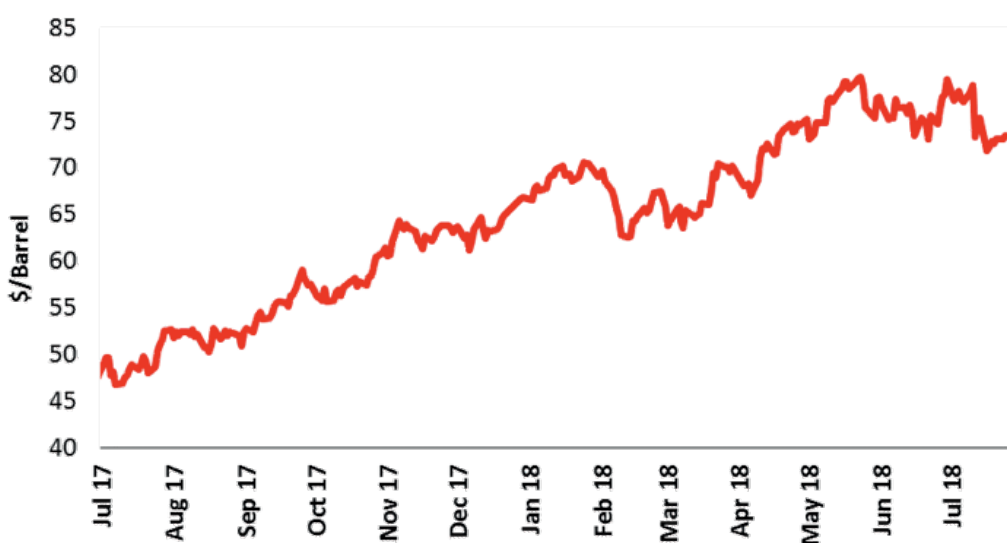


UK power prices rose in July, tracking the upward movement in the equivalent gas prices. Persistent high temperatures during July in the UK and the Continent have increased the need for cooling demand. With wind generation at very low levels, demand from thermal plants was further supported and this led to strong spot prices.

Concerns over Belgium's nuclear capacity and a few days' delay in the restart of French nuclear plants added to the strong sentiment and offered further support to the power prices.

Geopolitics continue to drive prices

Brent Crude Front Month Price



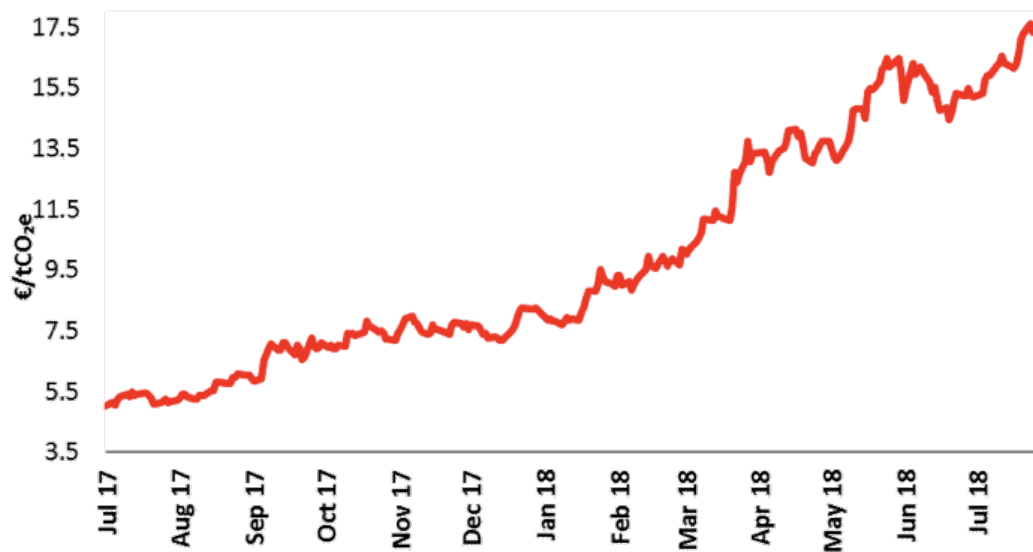
Oil prices have traded approximately in a \$7 region throughout July, highlighting the high level of volatility mainly driven by the trade war between US and China. The month started with rangebound trading, but slowly tracked higher as Libya declared force majeure in two additional ports. Supply disruptions in Libya and Canada in conjunction with tightening US inventories allowed Brent crude to trade near \$79.50 before experiencing the largest downward move in oil prices over the last two years.

Libya lifted the force majeure on its exporting facilities, changing the supply picture, and the downward moves continued till the middle of July when prices reached a low of \$71.20. Oil prices then found support after geopolitical tensions eased between China and US but rising tensions between Iran and US in regard to sanctions has allowed a recovery to \$74.20.

Carbon

Strong demand pushes carbon prices above 7-year high

EUA Front Year Price



Carbon prices started the month trading sideways before they started to rise supported by strength in the wider energy complex. Lower availability of certificates during August and the high reliability on thermal generation could have added to the extra demand seen in the auctions.

During the second half of the month, prices rallied and the EUA Dec-18 contract rose above €17/t, which was a new multi-year high level, as low renewable generation led to high demand. Low hydro stocks in the Nordic and strong German power prices added further support to carbon prices.

Things to watch out for in August

Normally, August sees an increase in the amount of UK generation undergoing maintenance which is expected to constrain margin availability and reduce flexibility on the gas system. However, these are timed for the lowest demand months in order to minimise the impact of the outages. But if the high temperatures we are currently experiencing persist, this could increase cooling demand and hence gas demand for power generation.

In addition, 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 August which will discuss the interest rates for the UK, considering recent economic indicators. Many commentators were expecting a rate increase based on some positive wage data earlier in the month. But after the latest political developments around Brexit negotiations and disappointing inflation and retail sales data, the probability for a rate hike has dropped to below 70%. The level at which interest rates are set will have an impact on the foreign exchange rates for the pound.

In global news, development on the US – China trade war will continue to drive short-term price movements within the oil markets. Any events that could cause supply disruptions can provide support to the oil price.

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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