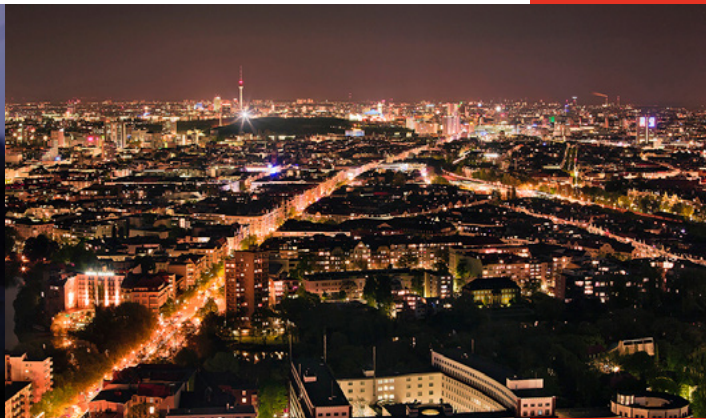


A nighttime photograph of a city skyline. The left side features a tall, illuminated skyscraper with a distinctive top. The right side shows another large building with many lit windows. In the foreground, there are blurred light trails from traffic, including a prominent yellow light trail from a car. The sky is dark blue.

*e-on*

# Monthly Market Report

November 2018



## Market summary for October 2018

### Gas

Mild weather and healthy supply mark the start of this winter

### Power

Power prices firm amid strong European fuels

### Oil

Price volatility caused by geopolitics

### Carbon

Weakness in the energy complex pushes carbon lower

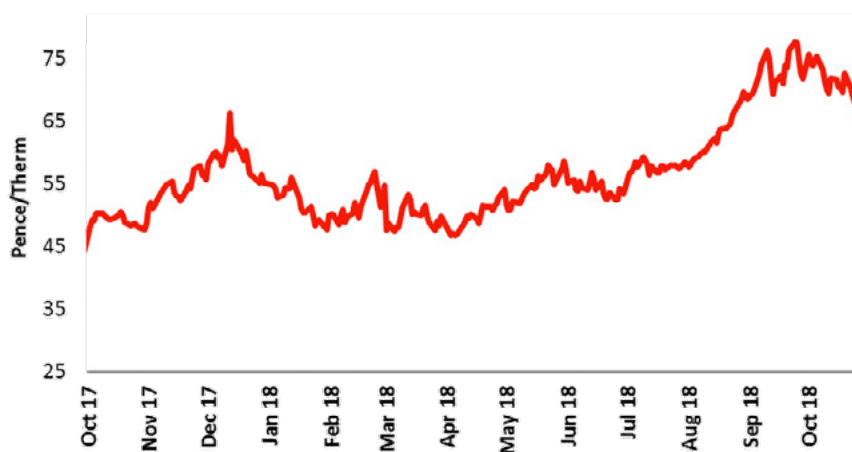
#### Direction of commodity prices (Sept 2018 to Oct 2018 & Oct 2017 to Oct 2018)

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

Movements based on Front Month

Mild weather and healthy supply mark the start of this winter

## Gas Front Month Price

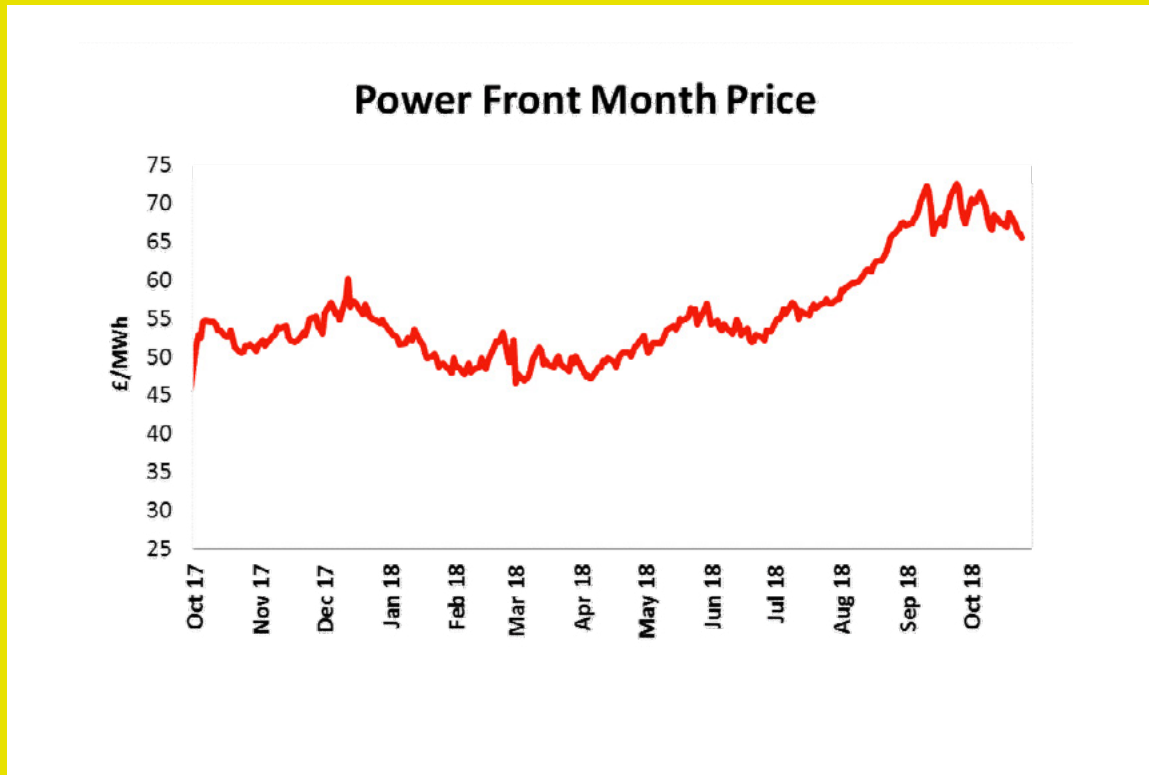


With the start of October, we have now entered the winter season for gas prices. The UK gas system started the month well supplied as Norwegian flows increased. This is typical for the start of winter and there was no capacity booked for the interconnectors with the continent, due to long-term contracts having expired at the end of September. Ample supply meant that mid-range storages were able to inject

heavily, and have now reached almost full capacity. Other factors that helped push gas prices lower were an improved LNG outlook, with several vessels arriving not only in the UK but also in North West Europe, and an upward revision in weather forecasts. For contracts delivering further out, weakness in European fuels (i.e. Brent crude oil, coal, carbon) put downward pressure to gas prices.

# Power

Power prices firm amid strong European fuels



Prices in the UK power market registered losses in October. At the beginning of the month, power prices rose finding support in market concerns over France's and Belgium's nuclear availability. However, later in the month, a drop in UK gas prices and in the rest of the

energy complex put downward pressure on power contracts. Weather forecasts indicated a cold spell for the last week of October which provided some support to power prices for short-term delivery but prices for delivery beyond the front month remained lower.

## Price volatility caused by geopolitics

### Brent Crude Front Month Price



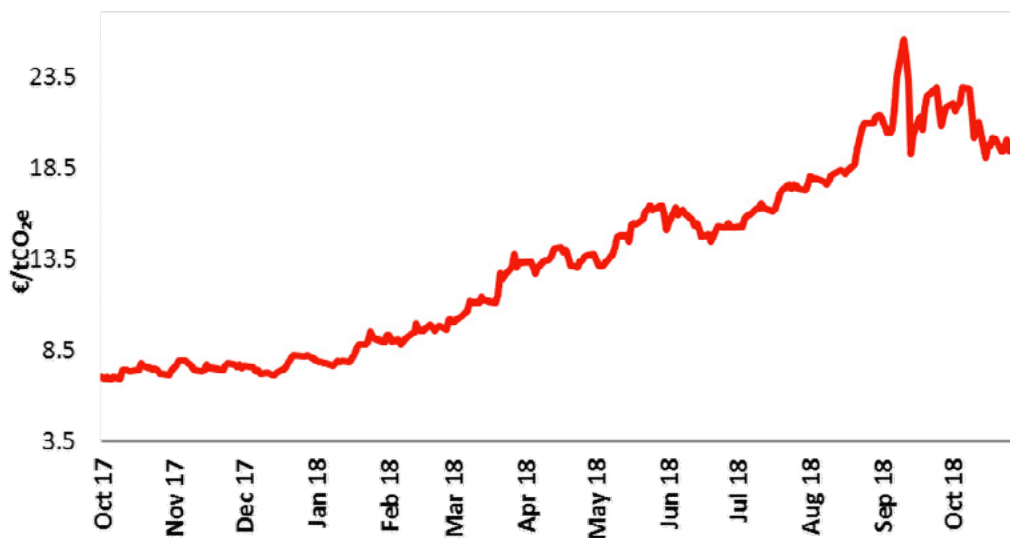
Oil prices fell throughout October, despite looming sanctions on Iranian supplies. A number of different factors affected oil this month, starting with the sanctions starting on 4 November. However, prices fell slightly as Iranian exports did not fall as quickly as expected. Prices found some support in the middle of the month when news of a missing journalist who was linked to Saudi Arabia caused concerns in the market. The rationale behind this was

that Saudi Arabia could potentially use oil as a weapon against any US sanctions that may be placed. However, Saudi Arabia's oil minister confirmed that there was no intention of this. Another significant driver for the drop in oil prices in October was the concerns around the trade war between the US and China. The trade war is expected to lead to a slowdown in global demand growth and hence a slowdown in oil demand.

# Carbon

Weakness in the energy complex pushes carbon lower

EUA Front Year Price



Carbon prices started October with strong downward moves after failing to breach a strong area of resistance. Mixed trading in the wider energy complex filtered into the carbon markets, causing large intraday movements throughout the month. Strong demand in the auctions limited downside movements, which caused carbon prices to trade

sideways for over a week. Low water levels on the Rhine continue to hinder coal imports from Germany which has reduced the demand for carbon. Healthy LNG supply and improved gas storage levels across Europe have reduced the dependency on coal plants which in return has caused carbon prices to break the technical support region of €18/t.

# Things to watch out for in November

November is the beginning of the peak demand period for both gas and power. In gas, a key feature to watch will be weather, as this will dictate how full gas storage facilities are and thus how risky the balance of winter is perceived by the market. Another key factor to watch in the gas market is the availability of LNG – if there is a steady stream of vessels arriving in the UK, this could be a bearish factor in the market.

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

## 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>	Energy Information Administration
<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

## Legal disclaimer

All rights (including, without limitation, copyright and other intellectual property rights) in and to this report and its contents (the report) are owned by us or are licensed to us by the owner of the rights. You may not copy, adapt, modify, sell, license, distribute, transmit, display, publish or create works derived from this report or any part thereof without our prior written consent (except as permitted under applicable law). Unauthorised use of this report may give rise to a claim for damages and/or be a criminal offence.

This report has been prepared in good faith for general information and interest only and may be subject to change without notice. Although we have taken all reasonable steps to ensure the accuracy of this report, we are not responsible for any inaccuracies and make no representation and give no warranty as to the report's accuracy.

Nothing in this report purports or is to be construed as purporting to provide any financial, investment or professional advice or other advice or recommendation and nothing shall be taken to constitute the provision of financial, investment or other professional advice in any way. If you are unsure of any contents of the report, you should seek independent financial advice.

This report is provided to you at your own risk and we do not accept liability whether in contract, negligence, tort or otherwise for any damage or loss (including direct, indirect or consequential loss, pure economic loss, loss of profits, loss of business, depletion of goodwill and like loss) howsoever caused.

## E.ON UK plc

Registered office: Westwood Way, Westwood Business Park, Coventry CV4 8LG  
Registered in England and Wales No. 2366970