

A nighttime photograph of a city skyline. The image shows several 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 red and blue streaks. The overall scene is vibrant and dynamic, capturing the energy of a city at night.

e-on

Monthly Market Report

September 2018



Market summary for August 2018

Gas

Sustained rally in gas prices caused by supply restrictions

Power

Strong fuels and nuclear availability concerns lift power prices

Oil

Supply disruptions and dollar weakness buoyed oil prices

Carbon

Carbon reaches 10-year highs amid low auction volumes

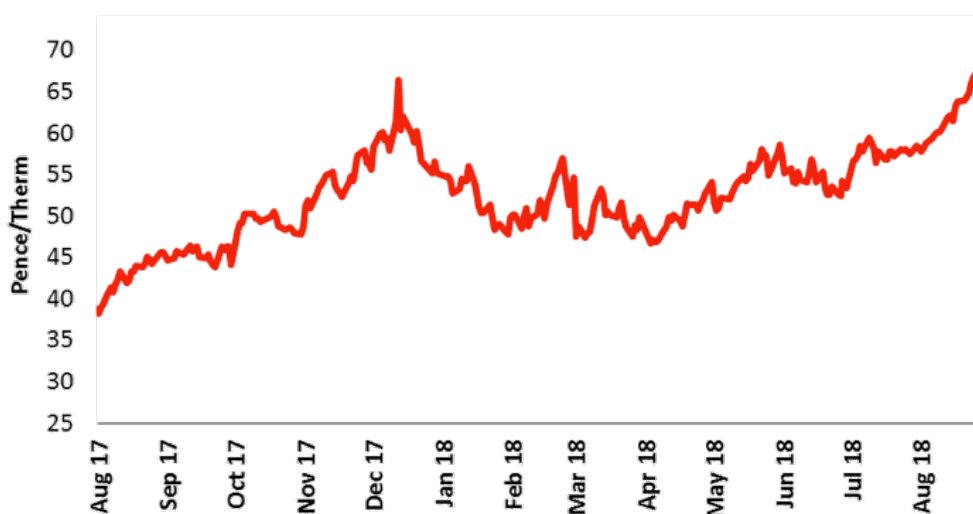
Direction of commodity prices (July 2018 to Aug 2018 & Aug 2017 to Aug 2018)

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

Movements based on Front Month

**Sustained rally in gas prices
caused by supply restrictions**

Gas Front Month Price



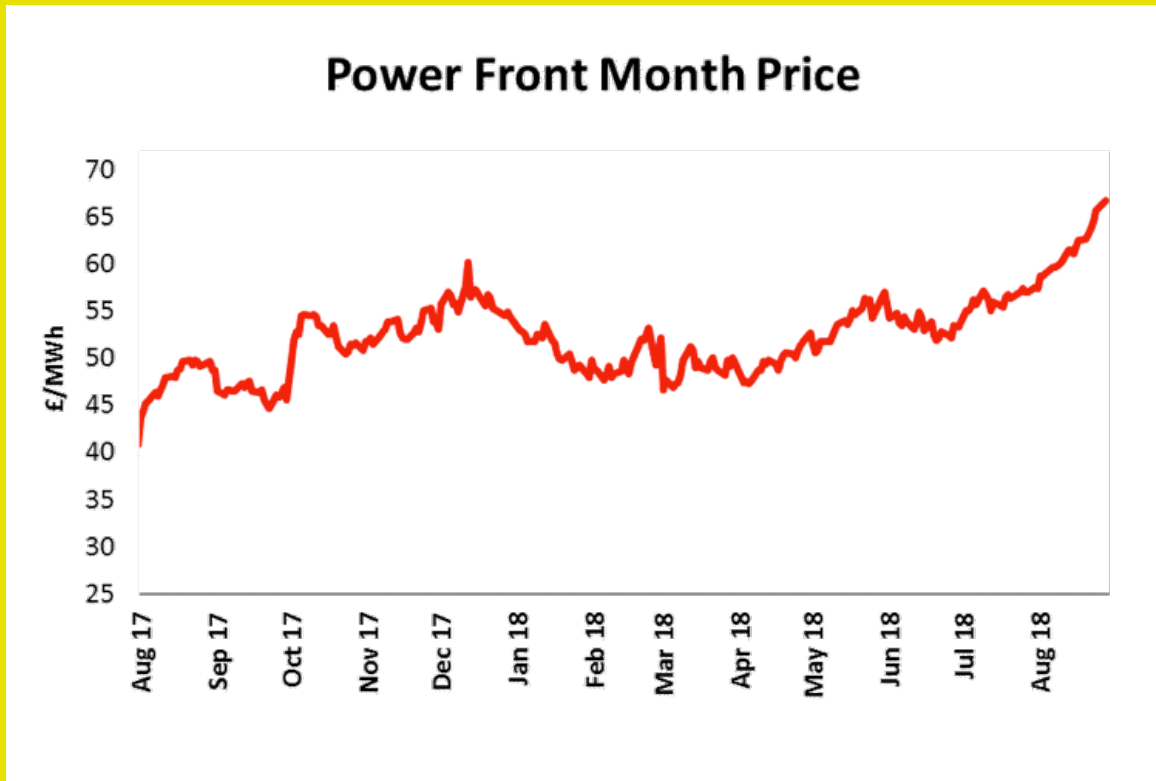
August saw a sustained increase in gas prices which, by the middle of the month, broke May's highs. The rise in gas prices was triggered by a combination of lower than expected physical supply, a weak pound, and bullish fuels.

Summer is generally the peak period for maintenance, and, this August, there were several planned and unplanned outages in Norwegian and UK fields impacting flows towards the UK gas system. Compounding this was a strike

by Total's workers and continued low LNG deliveries. Weakness in sterling was another bullish factor for the UK gas curve. In August, the pound reached its lowest level in almost a year as a hard Brexit was perceived as more of a reality. Finally, strong coal and oil prices added to the upward momentum. A high coal price makes it relatively more competitive to burn gas in power generation, and consequently increases gas demand.

Power

Strong fuels and nuclear availability concerns lift power prices



Power prices continued to rise in August with many contracts reaching new highs. The strong increase in gas prices, along with the gains in oil and coal markets, provided support to the UK power curve. Moreover, sterling's depreciation against the euro and a rally in EU ETS emissions allowances added further to the upward momentum.

During August, additions and extensions to the French nuclear availability schedule spurred concerns over physical supply in September.

Supply disruptions and dollar weakness buoyed oil prices

Brent Crude Front Month Price



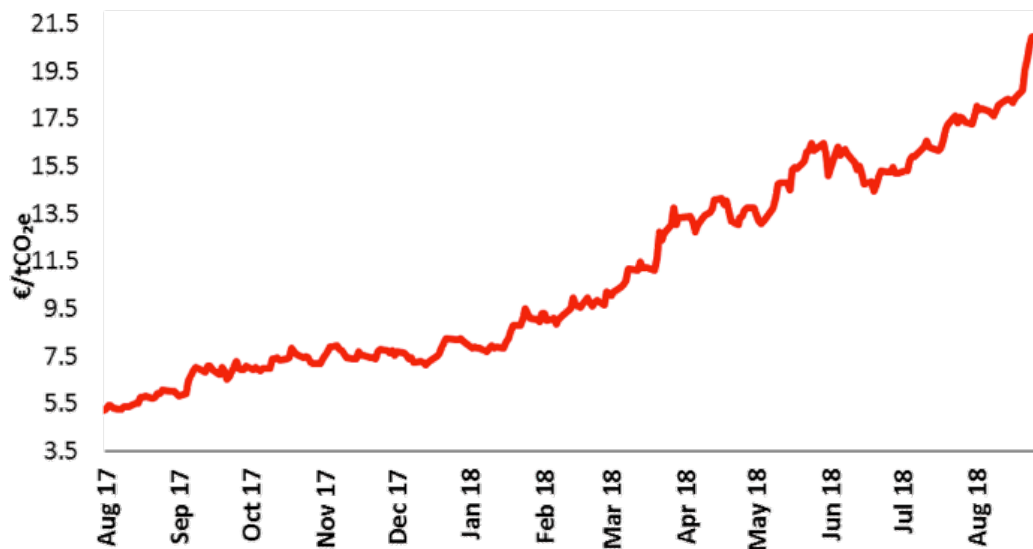
Oil prices had a volatile month, rising back to July highs in the end. At the beginning of August, investors and market participants were concerned with the ongoing trade war between China and the US and the negative impact tariffs would have on global growth, and that put a downward pressure to the oil price. Further US sanctions on Turkey and Russia reinforced this bearish sentiment for global oil demand and prices for Brent crude fell to around \$71 bbl.

However, by mid-month, sanctions on Iran started showing effect, with a number of big companies pulling out of contracts and shutting down business with Iran. Concerns around the loss of Iranian oil is expected to have a larger impact on supply than the reduction in demand, with prices rallying towards \$77 bbl in the last trading days of August. Two consecutive large draws in US crude oil inventories and a weak dollar added further support to prices.

Carbon

Carbon reaches 10-year highs amid low auction volumes

EUA Front Year Price



Carbon prices have soared to 10-year highs over the last month on the back of tighter auctions and strong demand ahead of the market stabilisation reform next year. EU ETS emissions allowances reached €21.79/t during the last week of

August with further price upside likely to breach €22/t. Further support on carbon has come from firmer energy complex and lower renewables which have caused contracts to reach new highs.

Things to watch out for in September

September is expected to see the return to full capacity of much of the gas infrastructure in the North Sea, and also much of the UK power generation fleet which has been undergoing maintenance. Much of the tightness in the gas and power markets has been caused by this maintenance and the return is expected to give a better reflection of how the systems will be supplied for the winter ahead.

There are also several nuclear units in France expected to come back online in September. Any additions to the maintenance schedule, or any extensions to these expected returns would add support to French power prices which would also lead to a rise in UK prices.

September will see further economic indicators in the middle of the month, notable inflation figures and retail sales for August. These will be informative in gauging the strength of the UK economy as Brexit approaches and before the October summit.

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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