

UK Natural Gas & Power Market: Week Commencing 27-02-2017

UK energy prices fell across the board on Monday with supply outstripping demand and on expected improved wind and solar power for the next working day (on Tuesday). With at least two LNG tankers en route to dock in the UK and weakness in the oil market, prices falls continued into Tuesday and this was despite an announcement from Centrica that Rough may be suspended for a whole year from April 2017. Mid-week, however, prices did regain with UK energy markets heavily correlated to bullish oil and currency markets that day. Data confirmed less favourable economic conditions for the UK, igniting speculation around the future of the UK economy since the Brexit vote and in a post-Brexit era. Continued expectations of a reduction in national demand translated into price falls on Thursday. The gas system was once again oversupplied thanks to higher UK gas production. Demand for gas from the power sector fell on higher low-cost wind power. Oil closed the week stable despite the OPEC-led production cuts. Coal ended the week more than 2.5% down. The biggest mover however was LNG sendout, which rose 225% week-on week on Friday.

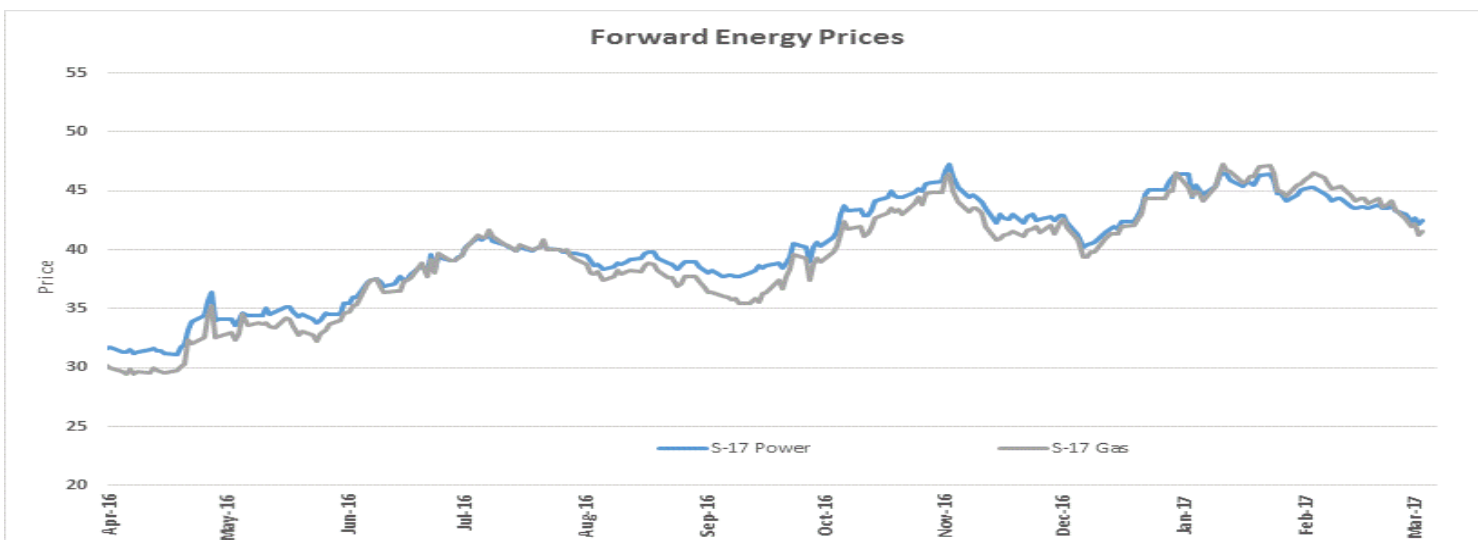
Outlook and drivers: Week Commencing 06-03-2017

UK gas production remains generally strong and this is likely to continue in week commencing 6th March, especially given the expected return of Barrow this week. LNG sendout is forecast to increase with cargo arrivals and this remains a strong bearish influencer on prices. Domestic usage is expected to decline just over 11% as temperature rise just over 2 degrees Celsius week-on-week. The likelihood of withdrawals from gas storage sites is diminished in view of robust supply, particularly from LNG sources, and lower demand. Any unplanned outages or events during the week will reduce the likelihood of further improved prices. Un-envisaged circumstances can never be ruled out and are an ongoing risk. Oil has been largely stable despite OPEC-led production cuts with a ramp up in US shale production offsetting some of the risk. Global crude inventories are at record levels and climbing. Aiding is the direction of Coal prices, which trend down from the high point seen so far this year (around mid-January) when it hit \$69.90 per ton compared to the closing level last week of \$66.50.

Prices and Summaries

Contracting Period		Electricity £/MWh				Gas p/Therm					
Date Range		Settlement Price		Price Change	% Change	Direction	Settlement Price		Price Change	% Change	Direction
		Fri 03/03	Fri 24/02				Fri 03/03	Fri 24/02			
01 April 2017 - 12 Months		£44.70	£45.56	-0.86	-1.89%	▼	44.89	46.48	-1.59	-3.42%	▼
01 April 2017 - 24 Months		£43.20	£44.08	-0.88	-2.01%	▼	44.77	46.13	-1.36	-2.95%	▼
01 April 2017 - 36 Months		£41.99	£42.75	-0.76	-1.78%	▼	-	-			
01 October 2017 - 12 Months		£43.17	£44.09	-0.92	-2.10%	▼	44.75	46.17	-1.42	-3.08%	▼
01 October 2017 - 24 Months		£41.83	£42.81	-0.98	-2.29%	▼	44.63	45.80	-1.17	-2.55%	▼
01 October 2017 - 36 Months		£41.12	£41.73	-0.61	-1.46%	▼	-	-			
01 April 2018 - 12 Months		£41.69	£42.60	-0.91	-2.14%	▼	44.64	45.78	-1.14	-2.49%	▼
01 April 2018 - 24 Months		£40.63	£41.34	-£0.71	-1.72%	▼	-	-			

Wider Fuel Complex						Summary			
Fuel	Settlement Price		Price Change	% Change	Direction	Item	Dates		% Change
	Fri 03/03	Fri 24/02					Fri 03/03	Fri 24/02	
Coal \$ Per Tonne	66.50	68.25	-1.75	-2.56%	▼	Demand MCM	208	201	3.48%
Carbon Euros Per Tonne	5.60	5.36	0.24	4.48%	▲	Rough Fullness	14.30%	14.30%	-
Brent Crude Front Month \$ Per Barrel	55.90	55.99	-0.09	-0.16%	▼	LNG Send out MCM	26.00	8.00	225.00%



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