ENERGY NEWSLETTER

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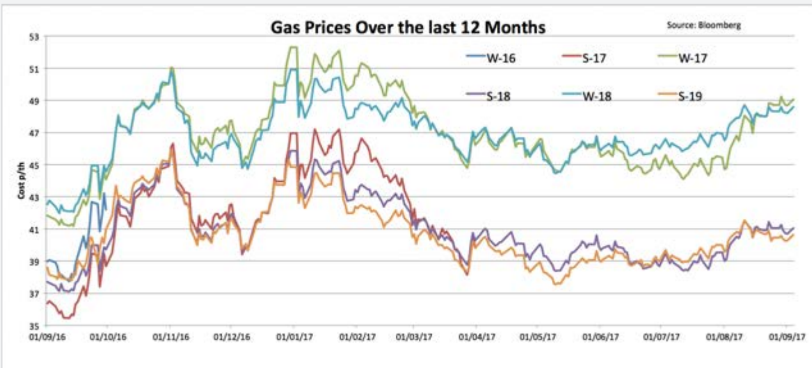
Market Update

As we move into the beginning of winter 2017, energy markets have increased in volatility and begun moving in a bullish direction. This is unsurprising as the removal of the UK's only long range gas storage site, Rough, from the supply mix has shaped this season to be the most unpredictable in the last 30 years.

The closure of Rough in spring of this year has removed 70% of the UK's ability to store gas. Over the last 30 years, Rough has been vital in meeting demand spikes and maintaining security of gas supply for the UK. Its removal will force the country to rely on more unpredictable sources of supply, with a corresponding decline in price stability.

At its peak Rough was capable of sustaining flows of around 30 million cubic metres per day for over twenty days, supplying around 13% of the UK's gas requirement over the same period. With this resource removed and no alternative built to replace it, the UK will be forced to rely on increased supply from domestic production, Norway, Continental Europe and LNG (liquefied natural gas).

Domestic and Norwegian production have been steady over the last two years and already supply gas into the UK at almost maximum possible levels, removing much opportunity to replace the lost Rough volume. Continental European flows and LNG both have the capacity to deliver additional volume but both suffer from major disadvantages.



Gas prices over the last 12 Months

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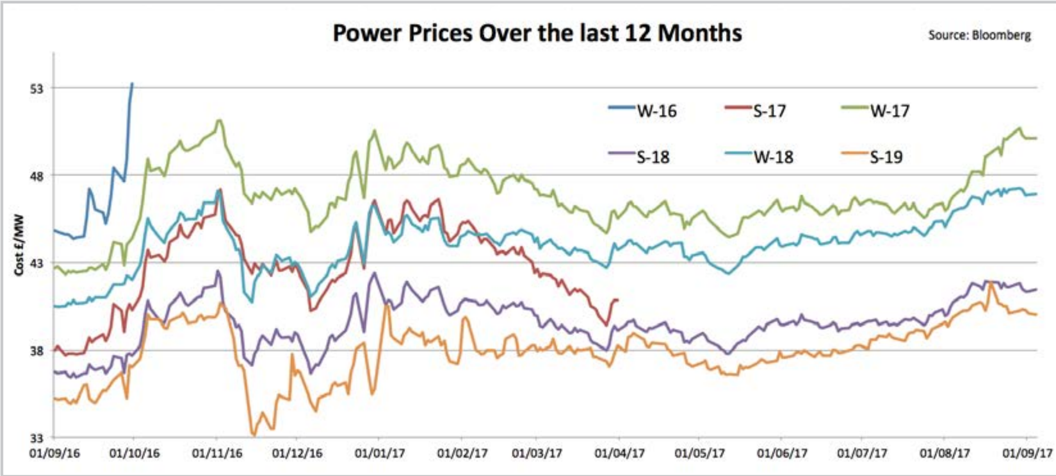


Power prices over the last 12 months

Continental European gas imports to the UK originate mainly from the Netherlands and Russia. Dutch flows have been reduced significantly over the last few years, as production from the giant Groningen field has been limited due to seismic activity. Flows from Russia have increased substantially over the last year but are directed to the UK via a number of other European countries, crucially Germany. This raises the possibility of gas being diverted if European demand is high. Given higher gas demand in Italy and Germany, as gas becomes a greater part of the electricity generation mix, this is an increasingly likely prospect.

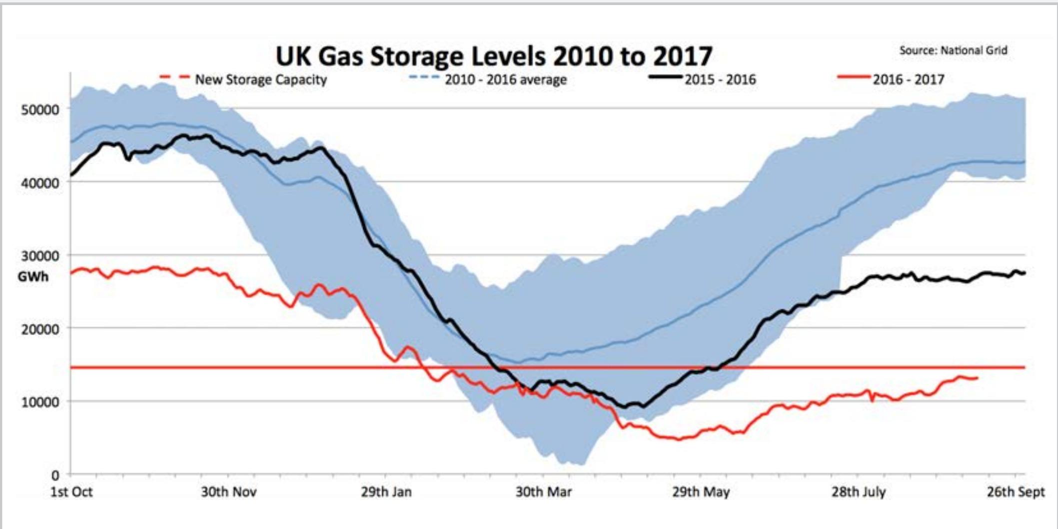
Finally the UK can import more LNG. There is plenty of infrastructure capacity in the UK to sharply increase the volume of LNG imported, and internationally large volumes of LNG are coming online from a number of new projects. However, purchasing LNG forces the UK to compete directly in a very competitive international market. Half of all LNG is purchased by Japan, South Korea and Taiwan. Historically the UK has been unable to compete with these countries on price, and if additional volume is imported it will come at a substantial cost. In addition, it takes around two weeks for an LNG tanker to travel from Qatar (the UK's main supplier) to the UK. If the UK suffers from a sharp cold spell this winter the transit delay could result in supply shortages before additional gas arrives.

In addition to the above, imports from Norway, Continental Europe or via LNG have increased in cost due to the extremely poor performance of the Pound following the EU referendum.

On the power side, the system remains under pressure from low generation margins, with the spare capacity between demand and supply improved from last winter, but still well below comfortable levels. Currently around 45% of the UK's electricity is generated from gas power stations, leaving the power sector exposed to any supply problems on the gas side. The matter is further complicated in that periods of high gas demand for power generation tend to occur when high pressure weather systems dominate, bringing cold conditions and very low wind generation. In these situations heating demand will also spike adding pressure to both systems.

On the international oil markets no clear direction remains. The continuation of OPEC's oil production caps failed to keep the market stable and led to oil prices falling from March into June. Prices then recovered but despite recent rises remain below the level seen between December 16 and March 2017. Oil prices are still torn in two directions by competing market events. On the bullish side it is becoming apparent that the oil market is rebalancing, with demand steadily increasing and stock levels declining. However, this rebalance is taking longer than originally expected with balance not expected until well into 2018. On the bearish side, additional supply is rapidly coming back onto the system from the improved security situations in Libya and Nigeria. In addition, US shale has proved remarkably resilient to low prices and continues to produce vast volumes of oil. Overall it is likely that oil prices will gradually increase over the next two years, whilst remaining well below levels seen in 2014.

		01-Jun 2017	03-Jul 2017	01-Aug 2017	12-Sep 2017	High	Low
Brent Oil	$/BBL	38.54	37.9	38.63	53.8	53.8	34.93
UK Gas p/th	Day Ahead	36.58	38.43	37.97	46.7	46.9	25.3
	Month Ahead (Oct 17)	40.36	40.48	39.86	45.77	46.35	38.1
	W17	45.52	45.59	44.71	50.6	51.1	44.1
	S18	39.68	39.49	39.02	42.48	43.05	38.4
	W18	45.88	46.6	46.52	50	50.27	45.56
	S19	38.95	39.69	39.57	41.55	41.55	38.65
UK Power Baseload £/MW	Day Ahead	39.67	51.33	39.3	47.5	65.33	30.87
	Month Ahead (Oct 17)	42.8	43.55	41.8	46.95	47.44	41.75
	W17	45.92	46.56	45.95	51.25	51.45	45.55
	S18	39.43	39.65	39.95	42.85	43.1	39.08
	W18	43.88	44.8	45.03	48.1	48.25	43.88
	S19	37.58	38.58	39.33	40.85	41.9	37.58



UK gas storage levels 2010 to 2017

On a geopolitical note, two stories are currently dominating headlines. Firstly the situation in Venezuela continues to be very unstable, with recent US sanctions raising the already likely possibility of a government debt default in the next six months. Given that Venezuela holds the world's largest oil reserves, a default has the potential to shock oil markets.

On the other side of the Pacific, the increasing tensions around North Korea continue to cast a shadow over the area. The recent missile and nuclear tests demonstrate a technological ability advancing more rapidly than analysts predicted. Whilst North East Asia is not an energy exporting region, the proximity of the worlds second, third and eleventh largest economies means that any increased tensions hold the potential to significantly impact the global economy.

From the above it will become apparent that the stability of the UK's energy systems over this winter will be largely dependent on the weather. A mild winter will lower the pressure on the remaining gas storage sites, leading to lower price volatility. In contrast a cold winter has the potential to lead to severe disruption and very sharp price spikes. Either way this winter is more likely to result in sharply moving market rates than any period recently seen by the UK market.

CASE STUDY | SUSSEX PARTNERSHIP NHS FOUNDATION TRUST

SERVICE OFFERING: BUREAU & ENERGY MANAGEMENT
SECTOR: NHS TRUST

Sussex Partnership NHS Foundation Trust provides NHS care and treatment for people living in south east England. Their services provide care and treatment for people living with mental health conditions and their specialist learning disability services provide community and inpatient care for people with complex health needs.

With an energy spend over £1.5 million per annum and nearly 100 sites, monitoring and managing energy is a real challenge. The Trust uses Estates Return Information Collection (ERIC) reporting – an NHS specific annual usage and cost report for the previous financial year. This data is collected and published on behalf of the Department of Health. The Estates and Facilities team were determined to further understand their energy use and minimise costs, so they approached LASER's Energy Bureau team to assist with their data management.

Key benefits delivered:

- With over 250 gas, electricity and water meters routinely monitored, the Trust now understands where their energy is being used.
- Water invoices are validated and errors resolved with suppliers.
- The in-house team can focus on fixing problems and making savings rather than struggling with inconsistent data.
- A monthly suite of reporting is provided covering costs, consumption and weather.
- Half Hourly data, manual meter reads and invoice data are stored and presented all in one place.
- LASER's Customer Relationship team work as an extension of the Trust's in-house team with regular correspondence.
- Compliance requirements such as NHS ERIC reporting and Display Energy Certificates are under control with LASER's support.

Key statistics
Energy and water invoices checked and monitored to date:
Electricity **2,024**
Gas **11,495**
Water **1,281**

"LASER's Bureau service has really helped us to get our energy data in order."

At LASER, we work with multiple NHS Trusts to reduce energy costs and assist with their energy management. We have recently released our latest Case Study highlighting the work we do with Sussex Partnership NHS Foundation Trust and how our Bureau service in particular has helped them have a reliable baseline and a basis from which to plan further saving activities.

To download and read the full Case Study please click here

What else do we have to offer?

As part of Kent Commercial Services, it's not only your energy requirements we can cater for. Our Recruitment department can provide services to both Private and Public sectors via Connect2Staff. Both businesses are constantly engaging with the wider marketplace to identify best practices, innovation, continuous improvement and potential cost efficiencies through relationship building and collaboration. We can also provide innovative joint venture or partnership arrangement to meet your recruitment needs.

If you need help recruiting staff into your organisation and would like to discuss this further with us please contact us on the details below quoting ref: LASER17:

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T: 0808 2819544
E: info@connect2staff.co.uk

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Our difference is recognising yours

Our Connect2Staff division provides recruitment services to both Private and Public sectors by recruiting permanent, temporary and contract staff. We are fully equipped to assist with individual assignments, through to project and high volume recruitment. Our core specialisms include; office and professionals, health and social care, engineering, construction, education and IT.

Staff Profile

FULL NAME
Hollie Harvey

JOB TITLE
Marketing Manager

PAST EMPLOYMENT

I have been working in marketing for over 14 years now, 8 of which have been in the Energy industry. I started off as a Marketing Assistant for a property fund management company in London and joined CS back in 2013 as Marketing Manager for the Energy Division.

ABOUT ME

I've recently just come back from maternity leave after 14 wonderful months off enjoying my beautiful daughter Scarlett, I must admit being back at work is very refreshing (there's only so long before you turn mad listening to nursery rhymes and musical toys day in day out) I've always had a passion for all the things marketing encompasses and thoroughly enjoy playing an active part in LASER and Lumina's growth.

INTERESTS/HOBBIES

There's nothing I like more than to spend quality time with my friends and family so I'm often organising catch ups, family days out and weekends away. I tend to visit a soft play centre at least once a week so my daughter can run around and go mad and when I do get the odd spare moment to myself I love to throw on my trainers and go running around Greenwich park.

GUILTY PLEASURE

I have a major shoe obsession...my last tally was 230, some of which I've never worn (don't tell my husband).

Are you on LinkedIn?

If so, don't forget to follow us to keep updated on our latest company news.

You can find us at:

LASER Energy Buying Group

L•A•S•E•R

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