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### Macro Economics

<table>
<thead>
<tr>
<th></th>
<th>Closing Rate</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>GBP</td>
<td>1.0960</td>
<td>↓</td>
</tr>
<tr>
<td>EUR</td>
<td>1.0900</td>
<td>↓</td>
</tr>
<tr>
<td>USD</td>
<td>1.2100</td>
<td>↓</td>
</tr>
</tbody>
</table>

#### GBP to USD

![GBP to USD Graph]

#### GBP to EUR

![GBP to EUR Graph]
GBP/USD
The pound is drifting lower this morning as tensions mount re: what could be in store next week when parliament returns. Sterling has been on a roller-coaster ride recently with warm comments from Angela Merkel re: Brexit seeing the pound push higher last week before the move being undone by the announcement that Prime Minister, Boris Johnson had prorogued parliament, bringing an end to the current session sometime between the 9th and 12th September before a state opening on the 14th October.

The controversial move has been condemned far and wide by Remainers and those looking for more time to get a deal done with the EU. It was expected that an appeal to cancel the usual recess for the political conferences would be granted by the Speaker of the House, John Bercow however even allowing for that recess time there are now fewer sitting days in the house before the Halloween Brexit deadline. In response, Boris Johnson has said representatives of the UK and EU will meet twice weekly, instead of the usual once however anything agreed between the two sides has to be rubber stamped in parliament meaning this will likely be going down to the wire (again).

The commons first sitting day on Tuesday should be lively to say the least and the sterling will likely whip around on events from Westminster as opponents to Johnson attempt to block the prorogation with call of no-confidence in the armoury of Labour leader Jeremy Corbyn.

I anticipate a GBP/USD range of 1.2100 to 1.2230

I anticipate a GBP/EUR range of 1.0960 to 1.1090

Oil Market: Brent $60.43/bbl, WTI $55.10/bbl ↓

<table>
<thead>
<tr>
<th>Brent ICE (USD/b)</th>
<th>60.43</th>
<th>🔻</th>
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</thead>
<tbody>
<tr>
<td>Gasoil ICE (USD/t)</td>
<td>577.75</td>
<td>🔻</td>
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</table>
Brent crude was down 93 cents, or 1.53%, at $60.02 a barrel by 1420 GMT. U.S. West Texas Intermediate (WTI) crude was down $1.08, or 1.92%, at $55.22.

Brent is still set to register its fourth consecutive weekly gain while U.S. crude is on track for a second weekly rise.

Beijing and Washington on Thursday agreed to hold high-level talks in early October. The news cheered investors hoping for an end to a trade war that has brought tit-for-tat tariffs between the world’s two biggest economies, chipping away at economic growth.

The prolonged dispute has had a dampening effect on oil prices, though they have risen over the year thanks partly to production cuts led by the Organization of the Petroleum Exporting Countries and Russia to drain inventories.

However, analysts warn that market fundamentals remain bearish and depend heavily on a resolution to the U.S.-China trade saga.

“If trade tensions escalate further, oil demand growth may soften even more, requiring much lower prices,” UBS oil analyst Giovanni Staunovo said in a note analysing oil market trends for 2020.

“On the other hand, unexpected supply disruptions in the Middle East or a surprise production cut by OPEC and its allies may push oil prices higher.”

U.S. crude and product inventories fell last week, with crude drawing down for a third consecutive week despite a jump in imports, the Energy Information Administration (EIA) said. [EIA/S]
Crude stocks dropped 4.8 million barrels, nearly double analyst expectations, to 423 million barrels, their lowest level since October last year.

Oil prices on Thursday soared more than 2% after the EIA report, though they gradually trimmed gains on investor doubts over the chances that the trade talks will yield results.

“There is still no getting away from lingering demand-side concerns,” said Stephen Brennock, of oil broker PVM.

“Consequently, any looming upside potential will be built on wobbly foundations so long as the U.S. and China continue to do battle on the trade front.”

In another sign of a possible global economic slowdown, data released on Friday showed German industrial output fell unexpectedly in July, putting Europe’s biggest economy at risk of falling into recession in the third quarter.

European markets slipped from one-month highs and the upbeat mood brought on by potential U.S.-China trade talks seemed to fade as markets awaited U.S. jobs data later on Friday.

**European Gas Market NBP Price: 0.947 pence/kWh**

<table>
<thead>
<tr>
<th></th>
<th>Day Ahead (p/therm)</th>
<th>September 2019 (p/therm)</th>
<th>Winter 2019 (p/therm)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>27.75</td>
<td>29.30</td>
<td>47.40</td>
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wholesale gas prices were mostly lower on Friday morning as expectations of high output from the country’s wind farms curbed demand for gas, leaving the system oversupplied.

Within-day gas price down 0.80 pence at 26.30 pence per therm by 0821 GMT.

“Price have just slipped a bit on the weaker (gas for) power demand,” a gas trader said.

The British gas system was oversupplied by 9 million cubic metres (mcm) with demand forecast at 115 mcm and flows at 124 mcm/day, National Grid data showed.

Peak wind power generation is forecast at 9.8 gigawatts (GW) on Friday and 8.9 GW on Saturday National Grid data showed.

Wind power was providing 32% of Britain’s electricity on Friday morning with gas-fired power plants providing just 27%, the data showed.

Analysts forecast demand for gas from power stations at 37 mcm, down 6 mcm from their previous forecast.

Further out on the curve prices fell.

The September contract was down 0.78 p at 29.30 p/therm.
The day-ahead gas price bucked the trend and was 0.75 p up 27.75 p therm.

Traders said the contract had edged higher on uncertainty over supplies from Norway, with many Norwegian sites still undergoing maintenance early next week.

“LNG send out is expected to increase from 1 September due to several cargo arrivals scheduled,” analysts said in a daily research note.

Two LNG tankers are currently scheduled to arrive in Britain in September although these are expected to increase as winter approaches.
UK Electricity Market Average Buy Price: £40.20/MW

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<thead>
<tr>
<th></th>
<th>Price (p/kWh)</th>
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<tbody>
<tr>
<td>Day Ahead (p/kWh)</td>
<td>4.020</td>
</tr>
<tr>
<td>September 2019 (p/kWh)</td>
<td>4.110</td>
</tr>
<tr>
<td>Q4 2019 (p/kWh)</td>
<td>4.810</td>
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<tr>
<td>Winter 2019 (p/kWh)</td>
<td>5.221</td>
</tr>
<tr>
<td>Summer 2020 (p/kWh)</td>
<td>4.820</td>
</tr>
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Prompt/Day-ahead Power
The day ahead baseload price for Monday 26th August was mostly unchanged, compared to those seen at the end of week 34. This was due to similar levels of wind generation as we transitioned into week 35.

The prompt price for Tuesday 27th August moved higher as average daily wind output fell by approximately 500MW day-on-day. Prompt prices for the following day became lower in response to a 3.5GW rise in daily average wind output. In addition, the NBP day-ahead price was largely unchanged on the day, helping to prevent prompt power price losses extending further.

Day ahead prices, for delivery over Thursday 29th and Friday 30th August, were down day-on-day due to continuously rising wind output. However, a rising NBP gas day-ahead price did provide some support for the day-ahead power prices. Continuing outages, caused by maintenance on Norwegian gas fields, were a notable bullish driver on short-term European gas prices.

Imbalance Prices
During week 35, negative system prices returned to the balancing mechanism, after being absent since Wednesday 17th July. The lowest price of £65.93/MWh was seen during settlement period 35 (17:00-17:30) on Saturday 31st August. This price was set by accepted bids to decrease generation at four different windfarms owned by the same generator. These include the Black Law, Dersalloch, Hare Hill and Glen App windfarms; all located in central and southwest Scotland.

The highest imbalance price in week 35 was £85/MWh. This price occurred during settlement period 48 (23:30-00:00) and was set by Spalding Power Station, an 860GW capacity gas fired generator situated north of Spalding, Lincolnshire.

Renewables and other
During Monday 26th & Tuesday 27th August there were low levels of wind generation, averaging 2.3GW over the two-day period. The lowest level of wind output occurred on Tuesday morning, falling to just 1.15GW. In contrast, solar output on Monday was high, peaking at 7.46GW. This was in line with the high levels of generation seen over the weekend of week 34.

On Wednesday 28th August, wind output rose to an average of 5.6GW on Wednesday 28th. This increased further on Thursday 29th August, reaching an average generation of 8.9GW. Solar generation fell midweek, peaking on Wednesday at just 4.05GW.

The high levels of wind output continued on Friday 30th August, with the week’s highest level of generation occurring during the early afternoon of that day. Solar output peaks ranged from 6.30GW to 5GW for the rest of week 35. Over the weekend, wind generation fell steadily, with Saturday 31st August and Sunday 1st September averaging 8.6GW and 6.6GW respectively.
Average weekly wind generation was up slightly, increasing from 6.25GW in week 34 to 6.45GW in week 35. Conversely, the weekly solar average decreased, from 2.2GW to 1.80GW.

Seasonal Contracts
Over week 35, secure and promote* (Seasons +1, +2, +3, +4) baseload contracts were up by an average of £0.43/MWh.

On Tuesday 27th August the power curve lost value across all products. A falling EUA (European Emission Allowances) carbon price was the dominant factor affecting seasonal power prices. However, there was a drop in NBP curve prices, which also put pressure on the power curve.

On Wednesday 28th August, curve power contracts rebounded slightly as they reacted to a bullish move in carbon. The EUA Dec-19 contract was up by 2% on the day, which is a change to the bearish trend we’ve seen in carbon prices over the last five weeks. This bearishness is attributed to the fall in European industrial activity, caused by the slowing global economy. The decreased industrial activity lowers power demand. This, in turn, decreases purchases of carbon receipts, a requirement for all CO2 producing power generators.

Over Thursday 29th August carbon prices continued to rise, providing bullish momentum to UK power curve contracts. Upward movement in NBP curve products also helped lift power prices.

Curve power prices opened higher on Friday 30th August. However, due to weakness in the overall energy complex, they posted losses over the course of the day’s trading session. Carbon, NBP curve products and Brent crude oil all moved lower on the day.

Over week 35, EUA carbon prices managed to partly shake off the bearish sentiment that’s persisted since Wednesday 24th July, when the contract hit an all-time high of €29.95/t. The EUA Dec-19 contract also increased from €25.14/t to €26.32/t.
Coal Buy Price: $46.55/metric tonne
Carbon Buy Price: €26.80/tonne

News

The energy industry regulator has fined a company for 'spoofing' gas prices for the first time

The energy regulator has fined a company £2.1m for market abuse after it was found to be manipulating British gas prices in order to control prices.

Ofgem said that a trader in a unit of France’s Engie had “spoofed” the National Balancing Point (NBP), a benchmark for European energy prices, by logging false energy trades.

The trader from Engie Global Markets (EGM) is alleged to have placed bids and offers for energy contracts without intending to follow through on the deals, sending out “misleading” price signals in the process.

It is the first time that Ofgem has fined an energy company for “spoofing”.

Market manipulation
Engie is the first company to be fined for price manipulation by Ofgem. Above, chief executive Isabelle Kocher and chairman Gerard Mestrallet (Photo: Jacques DeMarthon/Getty)

Ofgem said it decided to fine EGM after being tipped off to the trader’s actions.
After its investigation, the regulator found that price manipulation had taken place over three months between June and August 2016.

“A market participant alerted Ofgem to suspicious activity on the wholesale gas market,” Ofgem said in a statement.

“Ofgem launched an investigation which found that EGM had engaged in a type of market manipulation called ‘spoofing’ over a three-month period between June and August 2016.”

The regulator said it had not found more widespread market manipulation but it had fined EGM £2.1m because it did not have enough measures to prevent or detect the market abuse.

It added that EGM had fully co-operated with its investigation and has since taken steps to prevent the issue occurring again, including implementing better surveillance of trading activity.

This meant that EGM’s fine was reduced from an initial £3m.

‘A strong signal’

Ofgem chief executive Dermot Nolan said: “This investigation demonstrates Ofgem’s commitment to monitoring wholesale energy markets in Great Britain and ensuring their integrity on behalf of consumers.

“Ofgem’s enforcement action sends a strong signal to all energy market participants that we have the powers to tackle market manipulation wherever we find it – and are ready to use them.”

British gas prices, especially its day-ahead and month-ahead contracts, are seen as benchmark for European gas prices, alongside the Title Transfer Facility (TTF) Dutch gas prices.

The month-ahead contracts also act as benchmarks for liquefied natural gas (LNG) prices, helping global commodity traders calculate how to ship the fuel between countries across the ocean.


A spokesperson for the firm said: “EGM fully cooperated with Ofgem throughout its investigation and provided authorities with any relevant information they required.

“EGM operates with the highest standards of risk control, ethics and compliance, and therefore strongly condemns practices that distort the market.

“The company immediately undertook measures to ensure that such practices are detected and not repeated again by reinforcing the implementation of its existing supervising tools which guarantee a constant and rigorous follow-up and audit of energy trading activities.
Terminology
- All oil prices: in US dollar
- Oil product: Brent crude or West Texas Intermediary (WTI)
- Mbd – Million Barrels per day.
- Freight rates: US dollar per tonne.
- Natural gas prices quoted as pence per therm.
- Power prices quoted as Pounds Sterling per MWh.
- CO2 market: EURO

Information & Data Sources
1. MEUC
2. GdF Suez
3. Haven Power
4. EIA
5. Forex
6. ICIS

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