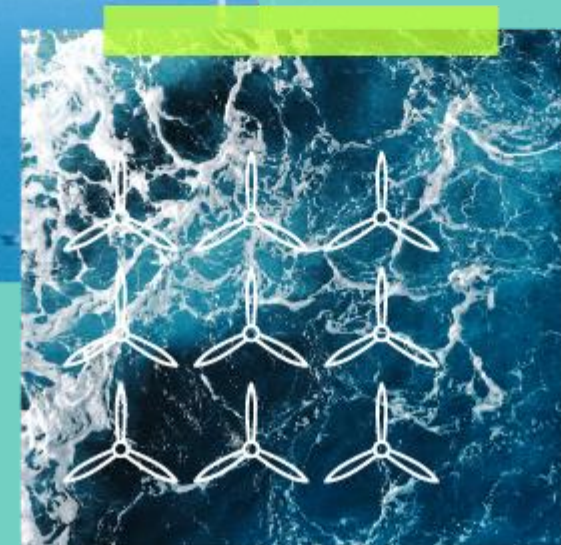
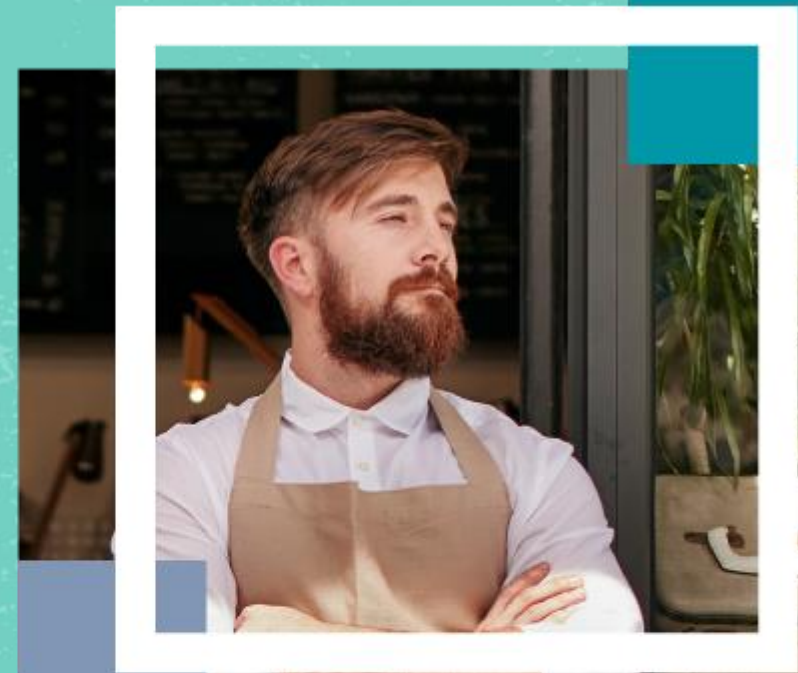


Monthly Market Review Report

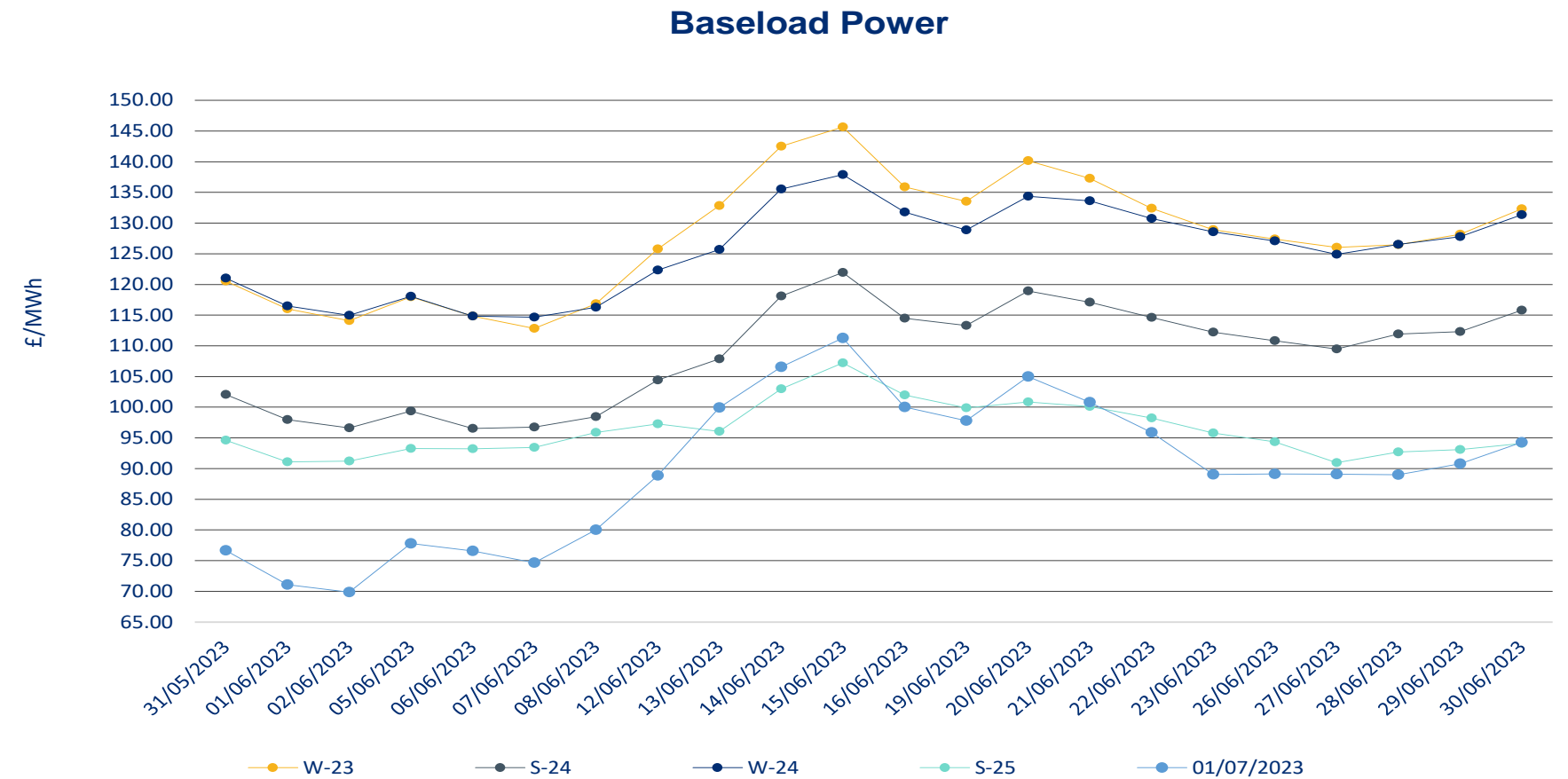
July 2023



Monthly Report

Market Update – Power and Gas

Review : Despite UK solar output over 10% above seasonal normal levels early in the month, a drop in wind output, around 20% down on seasonal normal levels, coincided with the return of high temperatures across GB and North-West Europe. The warm and dry conditions led to a lift in the clean spark spread for the July contract driven by an increase in air conditioning demand. The arrival of mild, yet wetter conditions, with wind levels back to 120% of seasonal normal output, helped to soften prices from the highs seen earlier in the month.



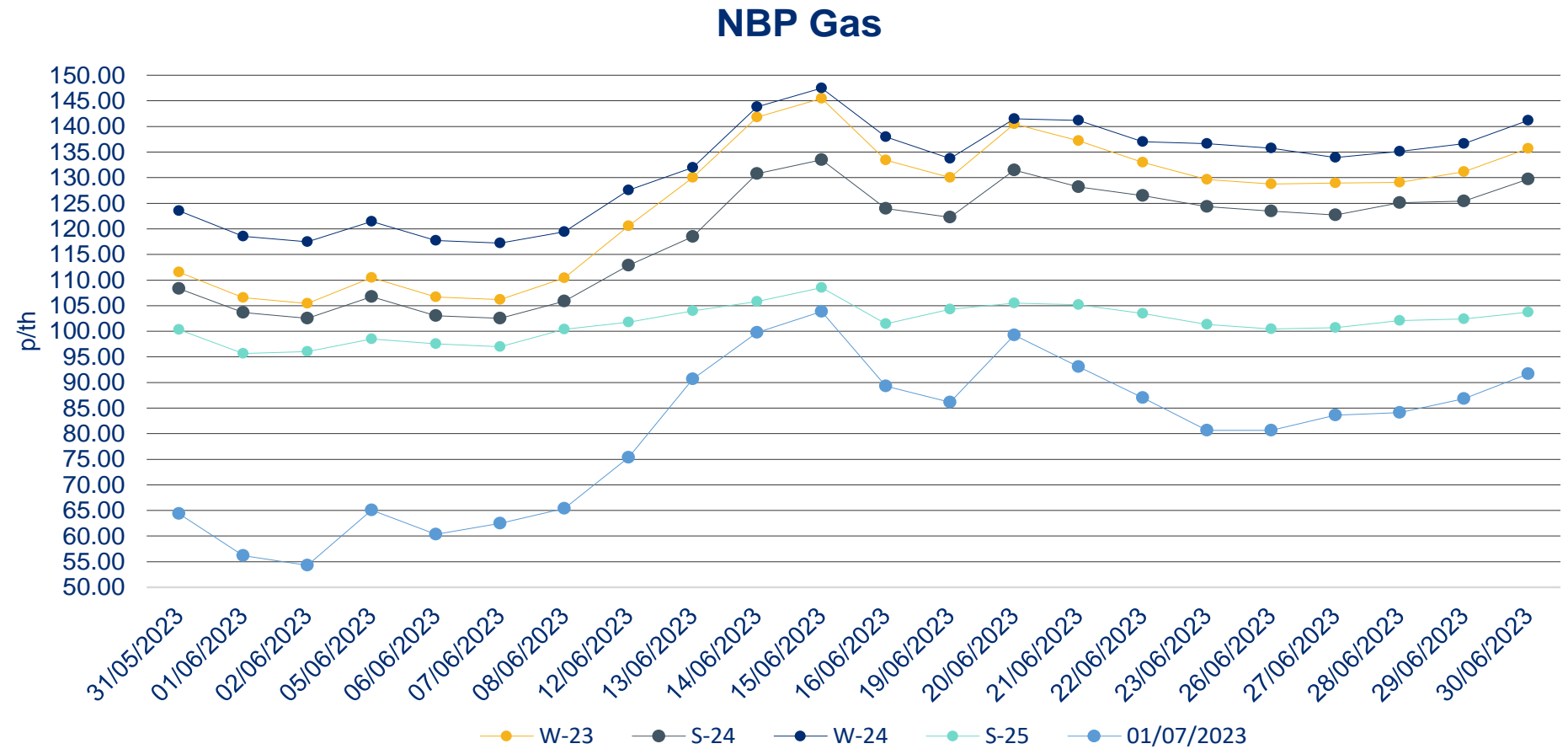
Power Bld (£/MWh)	May-23	Jun-23	Change	% Change	High	Low	Average
Jul-23	76.68	94.26	↑ 17.58	↑ 19%	111.26	69.86	89.73
Winter 23	120.55	132.33	↑ 11.78	↑ 9%	145.67	112.82	127.66
Summer 24	102.09	115.81	↑ 13.72	↑ 12%	121.94	96.54	108.69
Winter 24	121.03	131.35	↑ 10.32	↑ 8%	137.91	114.66	125.61
Summer 25	94.63	94.11	↓ -0.53	↓ -1%	107.23	90.97	96.29

* Clean Spark Spread: the margin for gas fired power plants accounting for the difference between the power price, the cost of generation and the necessary emissions allowances required to produce it

Monthly Report

Market Update – Power and Gas

Review: After a benign period, volatility returned to the gas market with a vengeance in June. Tightness across the EU gas system was triggered by a combination of extended Norwegian maintenance outages, lower LNG supplies, above average temperatures and low renewables output. Despite the system tightness European storage injections have continued to remain strong with inventories currently sitting at 74 bcm, some 19 bcm ahead of the level seen 12 months ago, and on course to be completely full by early September, well ahead the mandated target date of October.



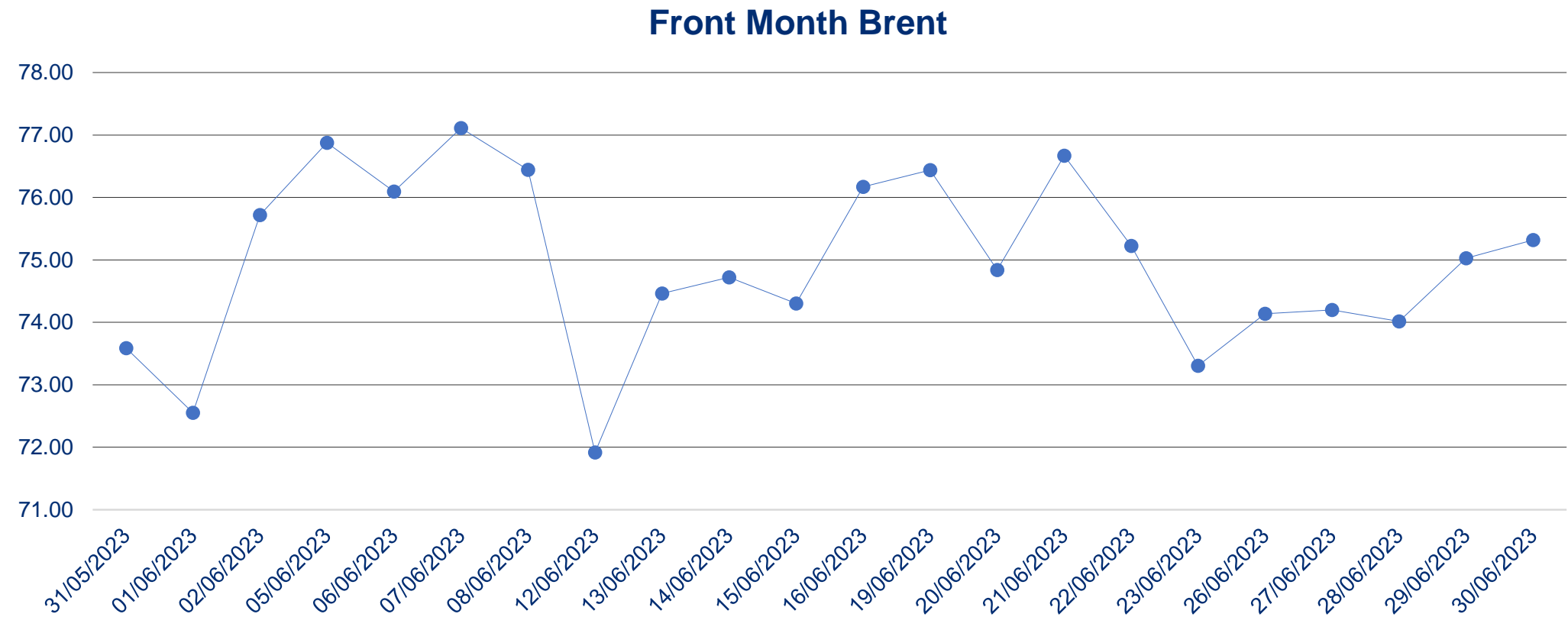
Gas NBP (p/th)	May-23	Jun-23	Change	% Change	High	Low	Average
Jul-23	64.37	91.68	↑ 27.32	↑ 30%	103.87	54.31	80.01
Winter 23	111.55	135.70	↑ 24.15	↑ 18%	145.50	105.45	125.12
Summer 24	108.30	129.70	↑ 21.40	↑ 16%	133.50	102.50	118.70
Winter 24	123.55	141.20	↑ 17.65	↑ 13%	147.50	117.20	131.67
Summer 25	100.30	103.70	↑ 3.40	↑ 3%	108.50	95.65	101.64

* Clean Spark Spread: the margin for gas fired power plants accounting for the difference between the power price, the cost of generation and the necessary emissions allowances required to produce it

Monthly Report

Market Update – Oil and Carbon

Review: At the start of the month there were hints of a split in the unity of Opec+ following Saudi Arabia’s surprise decision to cut production by a further 1m barrels/day, increasing the overall cut to 2.6m b/day, in a move designed to “do whatever it takes” to support prices. Despite Russia and the UAE declining to follow suit, crude prices increased by \$4/barrel. Since the announcement, the market has been volatile with the bullish Saudi move pitched against a bearish global economic picture evidenced by a UK interest rate hike of 0.5% coupled with the release of poor European manufacturing data.

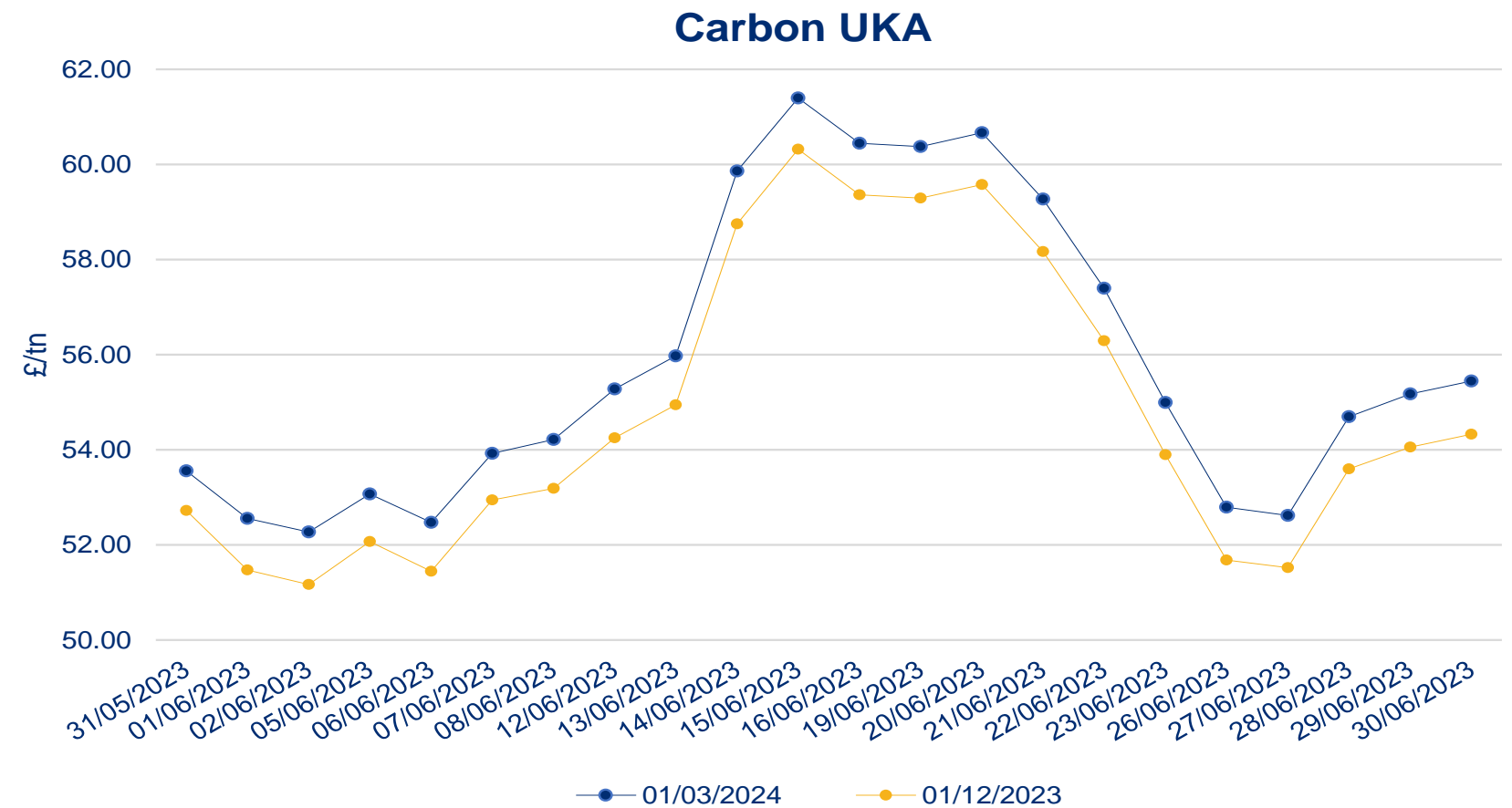


Brent (\$/Barrel)	May-23	Jun-23	Change	% Change	High	Low	Average
Front Month	73.585	75.32	↑ 1.74	↑ 2%	77.11	71.915	74.96

Monthly Report

Market Update – Oil and Carbon

Review: Above average renewables coupled with a drop in European industrial output helped suppress EUA and UKA prices at the start of the month. However, as the month continued the volatility exhibited in the gas market was felt in the carbon markets. Demand for EUAs was boosted as gas fired power was called upon to meet cooling demand as temperatures rose across the continent.



Carbon (£/ton)	May-23	Jun-23	Change	% Change	High	Low	Average
Dec-23	52.73	54.33	↑ 1.60	↑ 3%	60.32	51.17	54.78
Mar-24	53.56	55.44	↑ 1.89	↑ 3%	61.39	52.27	55.84

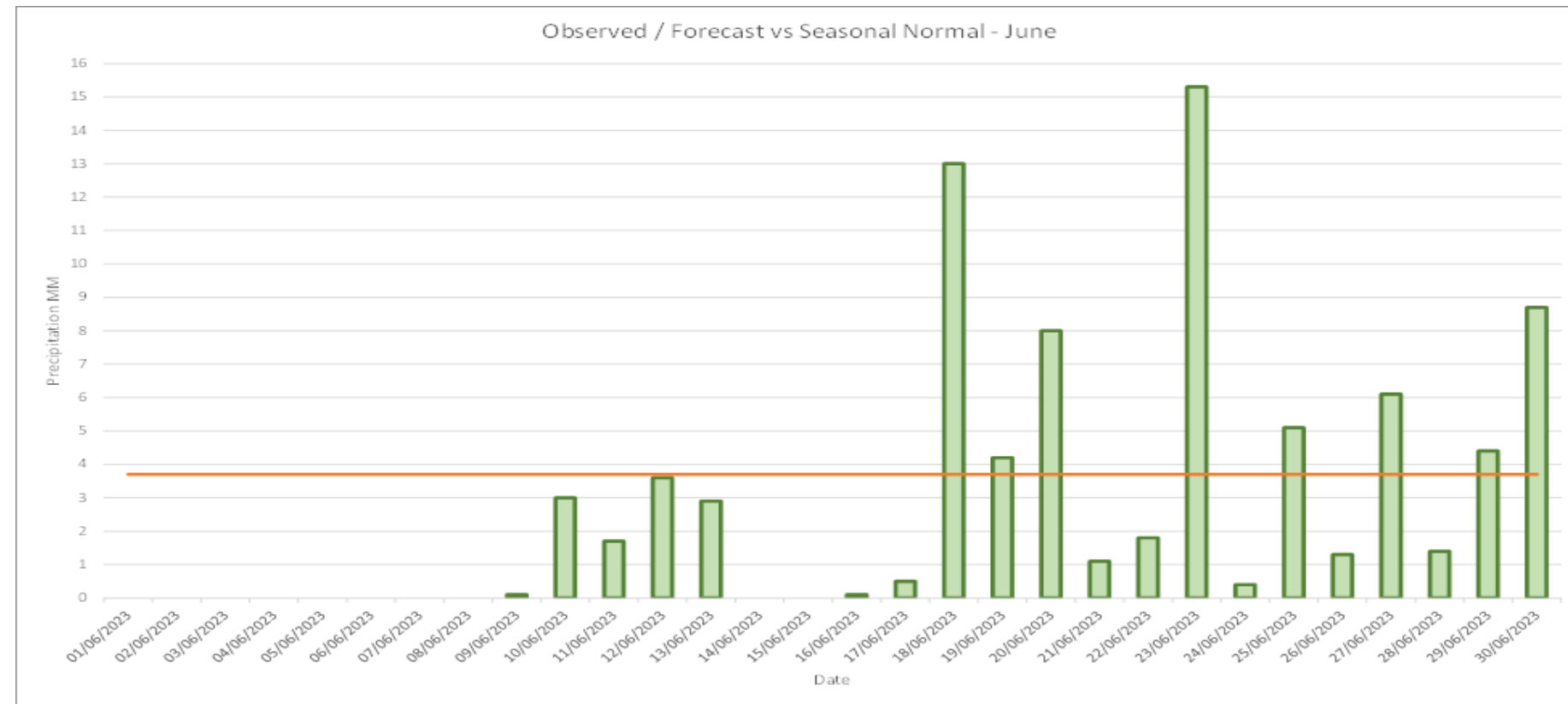
Monthly Report

Weather Review

Review: High pressure dominated the first half of June, causing some very dry weather across the UK. Some showers were able to push in from the South around the middle of the month, but it wasn't until late June, when a more typical Iceland low pressure pattern took over that we saw any significant rainfall. Temperatures began near normal, but a hot spell commenced around the 10th thanks to some hot and humid air from Iberia, this did moderate after about 1 week, but remained above seasonal until very late June. Winds were below average throughout the British Isles, but Scotland was especially low due to closer proximity to the high-pressure centers. June was officially the hottest on record, as well as the 4th sunniest, with an average temperature (15.8°C).

Outlook: We begin July with a trough over NWE. There are strong signals for this area of low pressure to remain through July, bringing wetter and cloudier conditions to the region. Temperatures begin below average in GB and Ireland but trending above average. Risk is generally for warmer weather across Europe through July, thanks to very warm sea surface temperatures around the Eastern Atlantic. A short-lived heatwave is expected this weekend across Central Europe, along with high pressure bringing clear and dry weather.

Unsettled conditions are expected with variable winds, but overall, this should be near seasonal for GB and Ireland. There is risk through the month to see another 1-2 days of high wind, if one of these low-pressure systems strengthens, similar to the weekend of 1st – 2nd July.



Monthly Report

Market Theme – European LNG imports Exceed pipeline gas supplier for the first time

The Energy Institute has published its annual review of world energy. One striking finding within the myriad data is that European LNG imports have outstripped gas supplied via pipeline for the first time. This reflects the rapid development of European gas infrastructure to accommodate the increased imports of LNG to replace lost Russian pipeline gas halted after the Ukraine invasion. Cargoes have flowed into Europe over the past 12 months, where prices have been at a premium to Asia. However, Asia remains the biggest overall importer of LNG, accounting for over 56% of the global trade last year.

