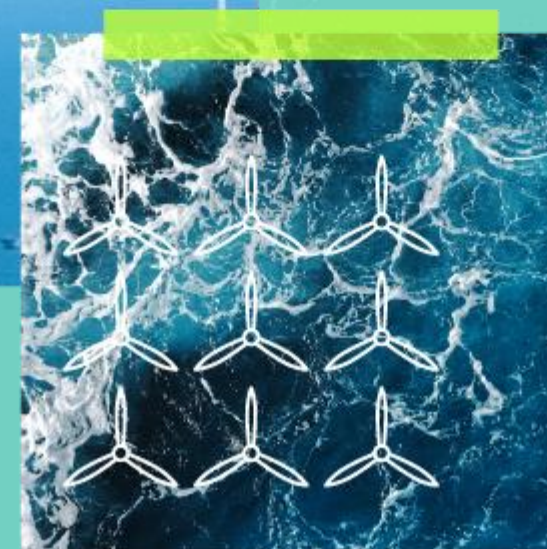
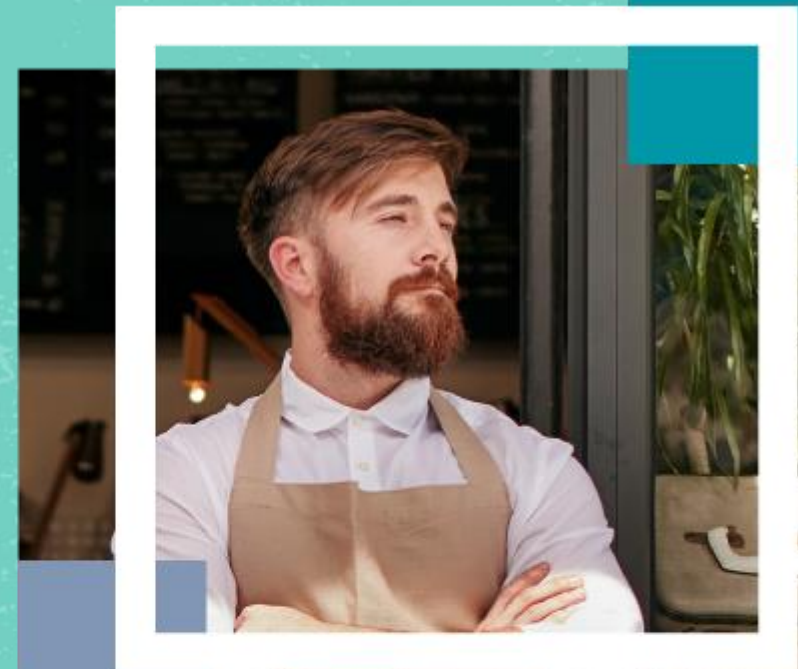


# Monthly Market Review Report

September 2023

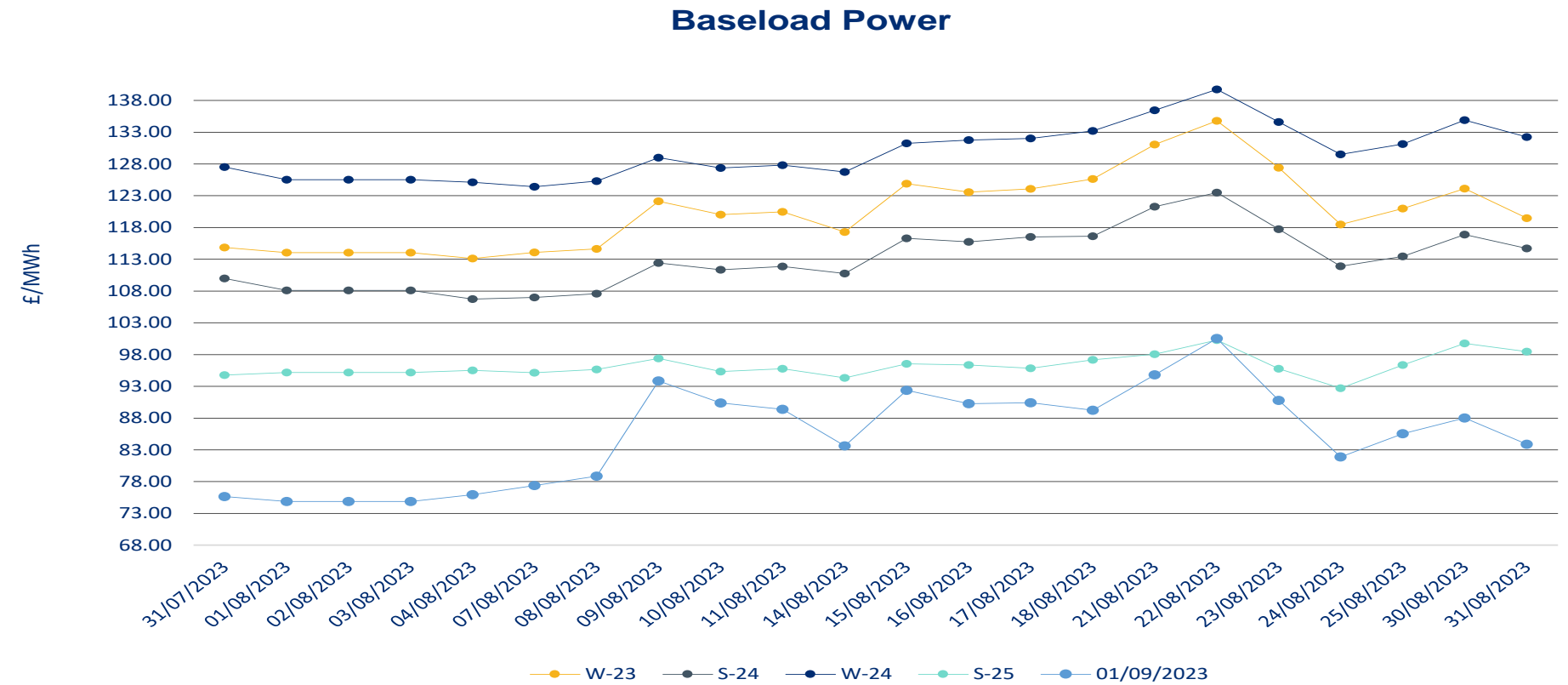


# Monthly Report

## Market Update – Power and Gas

**Review:** Whereas July was characterised by mild and windy conditions, which boosted wind output, August saw a reverse with below average wind as high pressure began to build. The volatility experienced in the gas market fed through to the front month power contract as August Baseload price movements largely matched those seen in the corresponding gas contract. On the continent the threat of heatwave has now largely subsided with attention now focussed on Winter. The premium of the French W23 market over the UK, at nearly £150/MWh earlier this year, has continued to erode to near parity as confidence around nuclear availability through the Winter increase.

**Outlook:** Wind output set to remain below average. Next round of CfD auction results due early September, split into two funding pots, one covering solar PV, waste to energy, offshore and onshore wind and a smaller allocation of new technologies including geothermal, tidal and wave technologies.



Power Bld (£/MWh)	Jul-23	Aug-23	Change	% Change	High	Low	Average
Sep-23	75.64	83.87	↑ 8.23	↑ 10%	100.54	74.87	85.34
Winter 23	114.86	119.46	↑ 4.60	↑ 4%	134.78	113.14	120.60
Summer 24	109.97	114.71	↑ 4.74	↑ 4%	123.50	106.75	113.03
Winter 24	127.53	132.25	↑ 4.72	↑ 4%	139.72	124.42	129.85
Summer 25	94.77	98.46	↑ 3.69	↑ 4%	100.29	92.70	96.22

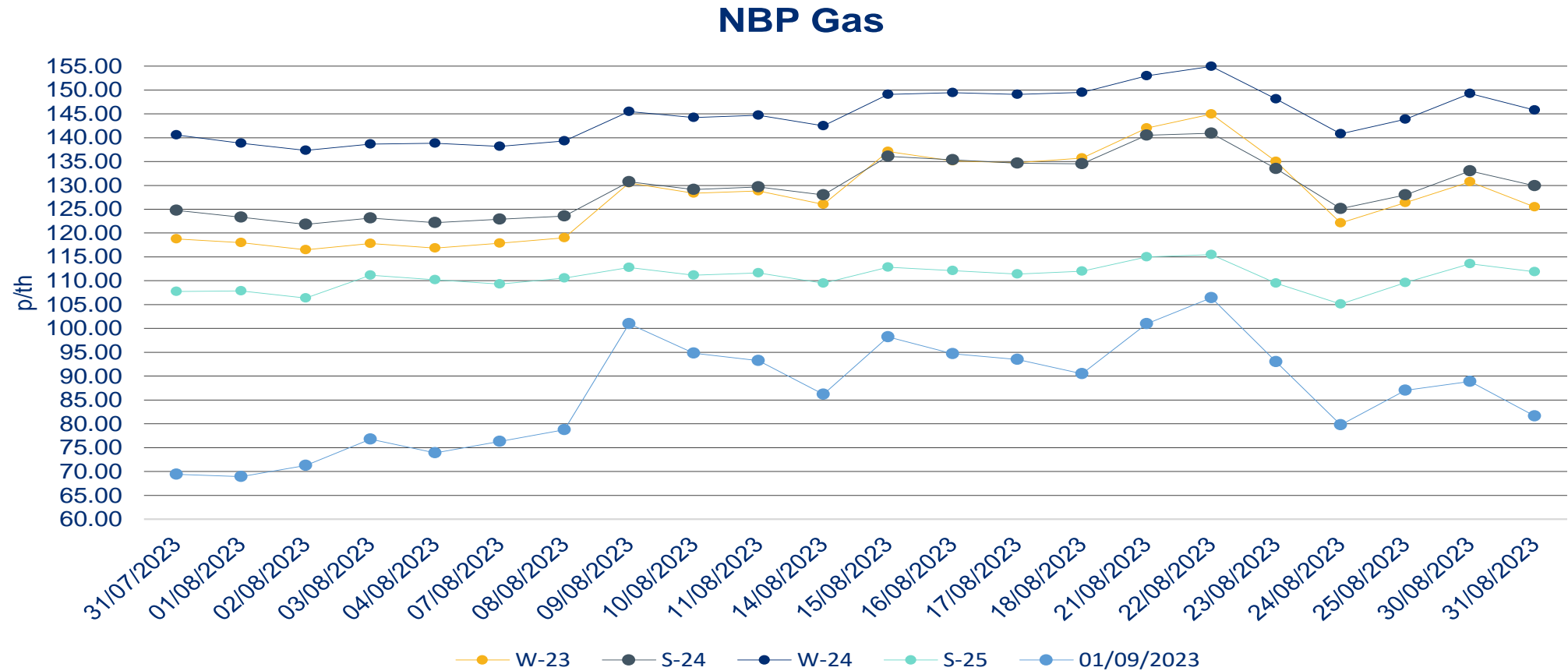
# Monthly Report

## Market Update – Power and Gas

**Review:** A volatile month, particularly in the prompt. A strike threat by Australian LNG workers, putting up to 10% of global LNG supply at risk, was the dominant story affecting the gas market through the month. Protracted talks between the unions and two major producers, Woodside Energy Group and Chevron, saw workers at the former eventually accept a pay offer, whilst at the latter unions rejected a pay deal. A potential strike from 7<sup>th</sup> September is now a distinct possibility.

European storage injections have continued to remain strong with inventories currently sitting at 90 bcm, nearly 15 bcm ahead of the level seen 12 months ago, and on course to be completely full by early September, well ahead of the mandated target date of October.

**Outlook:** Australian LNG strike threat with uncertainty around potential duration. Planned Norwegian gas field maintenance scheduled to last until late September. Slowing of injections as EU gas storage levels near capacity.



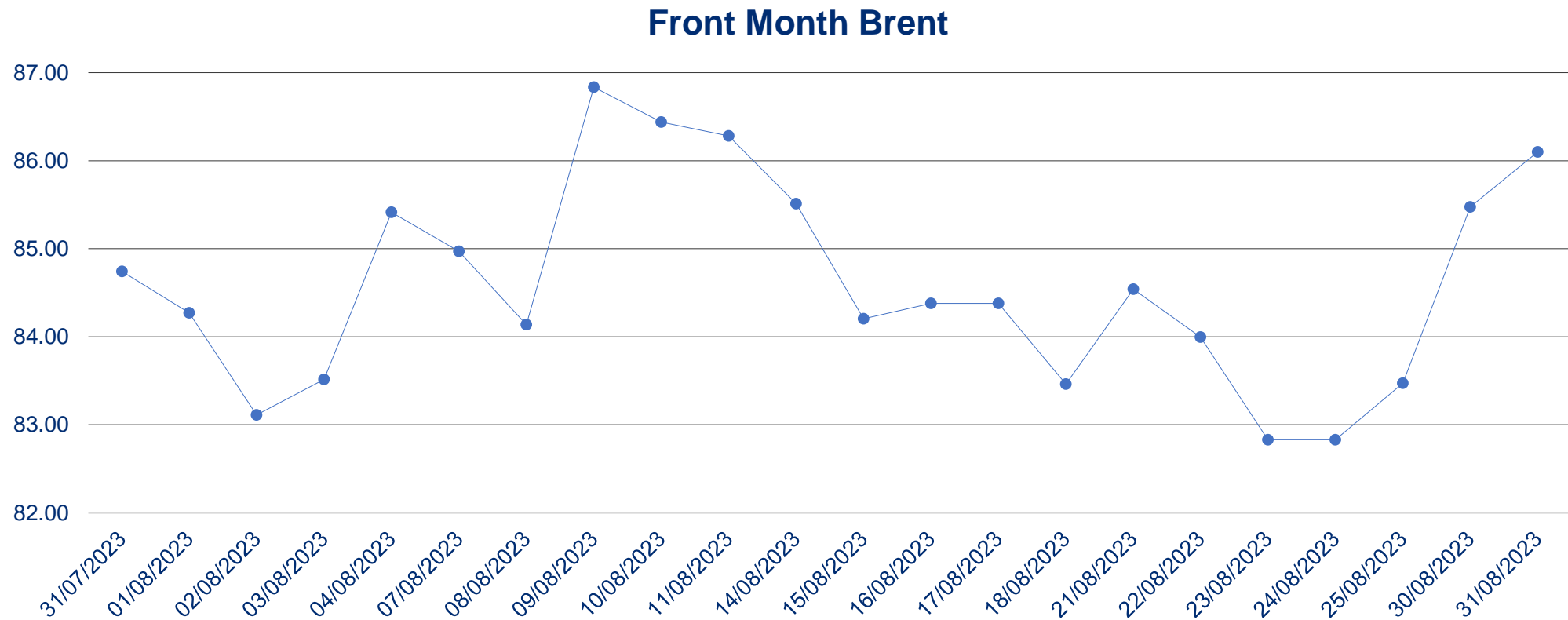
Gas NBP (p/th)	Jul-23	Aug-23	Change	% Change	High	Low	Average
Sep-23	69.40	81.60	↑ 12.20	↑ 15%	106.45	68.94	86.60
Winter 23	118.75	125.50	↑ 6.75	↑ 5%	144.95	116.50	127.63
Summer 24	124.75	129.90	↑ 5.15	↑ 4%	140.95	121.85	129.59
Winter 24	140.60	145.80	↑ 5.20	↑ 4%	154.95	137.35	144.62
Summer 25	107.75	111.90	↑ 4.15	↑ 4%	115.45	105.10	110.76

# Monthly Report

## Market Update – Oil and Carbon

**Review:** OPEC production has reached a 19 month low following Saudi production cuts and lower Nigerian output as the cartel targets higher prices. By the end of September, Saudi cuts are likely to be down by over 1 million barrels/day. Despite this Brent crude prices remained fairly range bound over the month. A poor ongoing economic picture continues to weigh on the markets; in China low growth, poor economic data in Europe and the outlook for interest rates in the US remains uncertain.

**Outlook:** Potential for further OPEC production cuts led by Saudi Arabia.



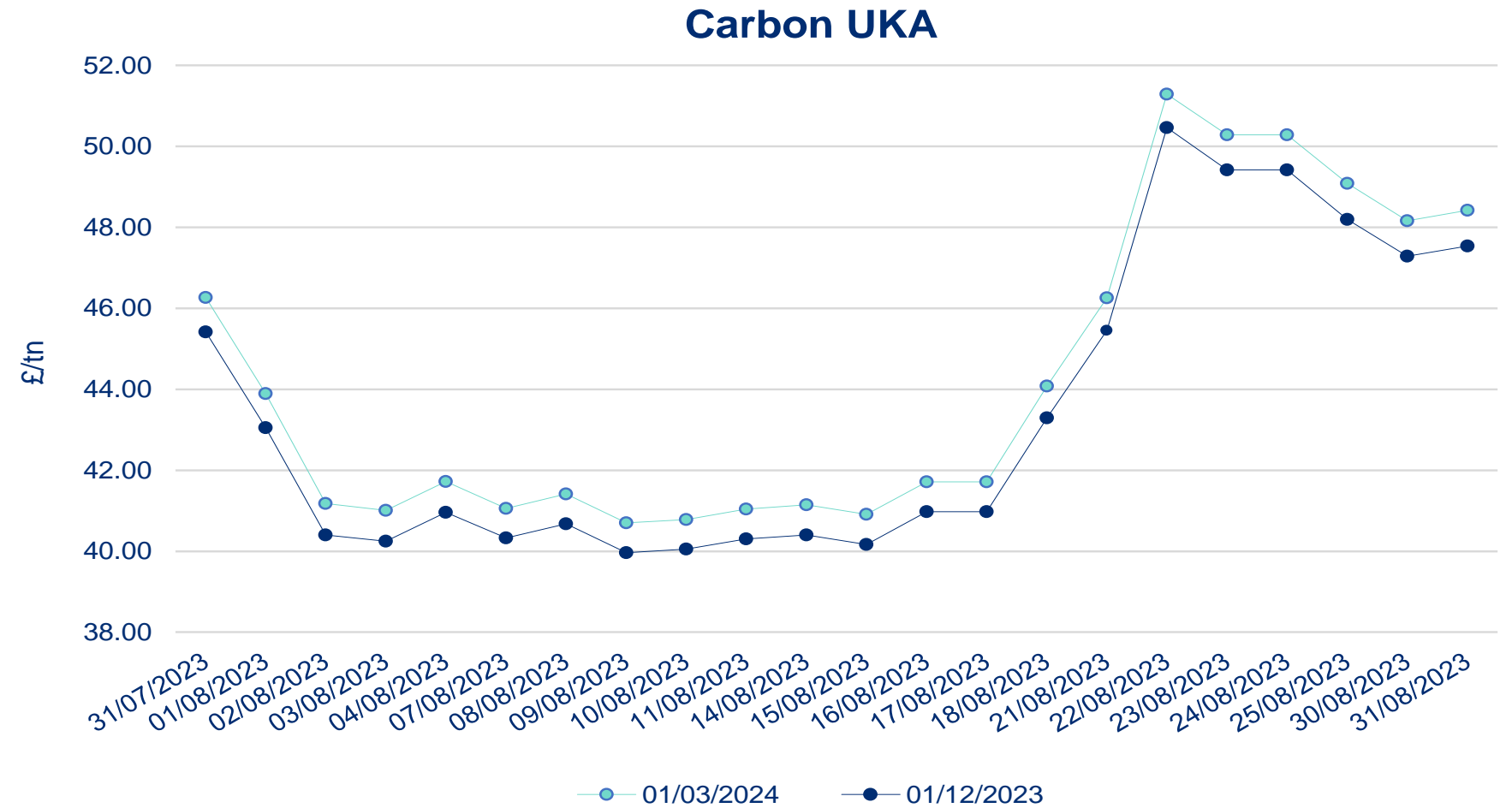
Brent (\$/Barrel)	Jul-23	Aug-23	Change	% Change	High	Low	Average
Front Month	84.74	86.1	↑ 1.36	↑ 2%	86.835	82.83	84.59

# Monthly Report

## Market Update – Oil and Carbon

**Review:** UKA's traded in a fairly tight range early in the month as high renewables output curtailed demand. As wind output began to drop in the wake of Storm Betty UKA demand increased, a move exacerbated by the increase in gas prices prompted by fears of the potential Australian LNG strike.

**Outlook:** Below average winds forecast during early September may prompt continued demand for UKAs as gas plant demand fills the gap.



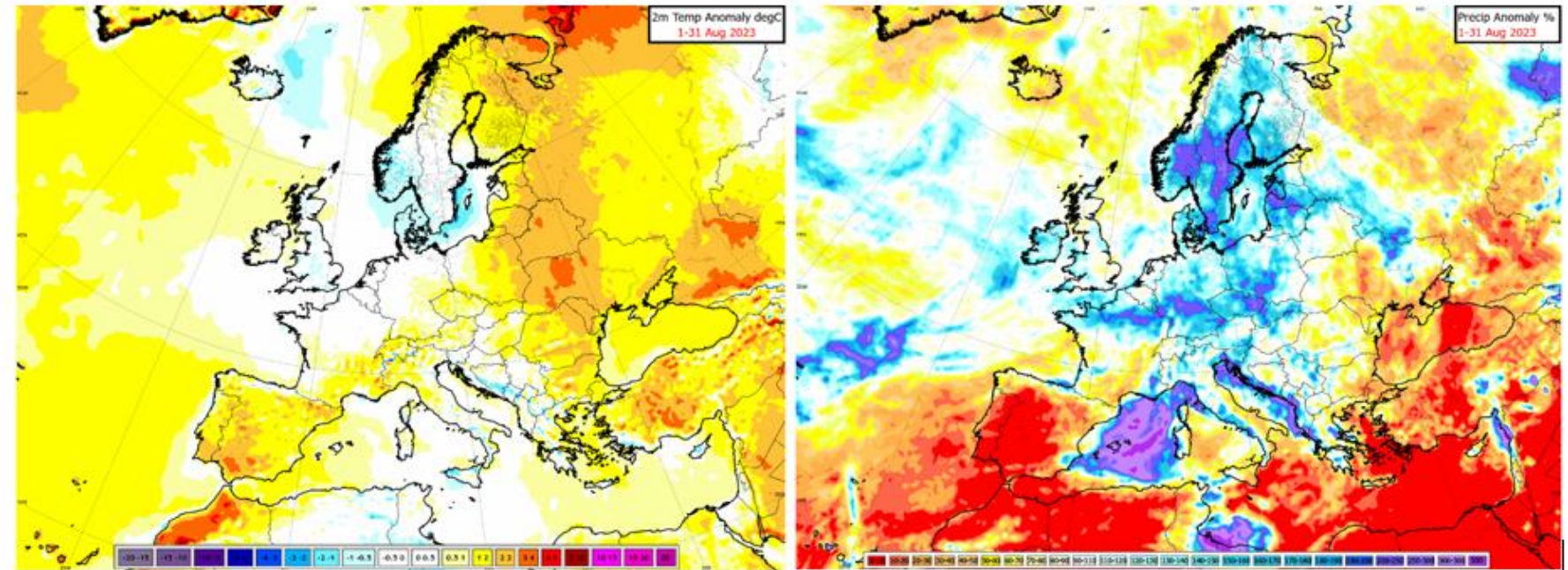
Carbon (£/ton)	Jul-23	Aug-23	Change	% Change	High	Low	Average
Dec-23	45.42	47.54	↑ 2.12	↑ 4%	50.46	39.97	43.41
Mar-24	46.27	48.42	↑ 2.16	↑ 4%	51.28	40.70	44.20

# Monthly Report

## Weather Review

**Review:** After a cool and very wet July, August's weather was more changeable bringing shifting wet and dry spells as low pressure systems frequented northern Europe. It wasn't an overly wet month for Scotland, but rainfall was a higher further south. Much of August saw temperatures running 1.5-2C above average, but some cooler spells in early and late August helped to bring the average for the month down to near normal. Winds were best in the North Sea, with onshore UK and Ireland winds tending to run below average. The near continent saw cool, wet weather broken up by a few heatwaves, although the heat was accompanied by some thunderstorms. Right near the end of the month, Atlantic hurricane activity exploded after a fairly quiet hurricane season up to that point. This caused some disruption to European weather to close out a wet, slightly cool summer.

**Outlook:** Hurricane activity is still causing a bit of disruption in early September and is helping to promote high pressure and reduced winds this week as well as an early-autumn heatwave in West Europe. Confidence for the month ahead is a bit lower than normal, as the long-range models have been struggling a lot with the pattern. However, there are a few things we can glean from the muddled signals. Hurricane activity should ease for a few weeks at least through mid-September, helping to stabilize the pattern and bring a better chance for some wetter, windier, and cooler weather. Later in the month, polar high pressure should also tend to increase, displacing the storm track further south, meaning Scotland may trend a bit drier than normal but also cooler while North-west Europe in general is wetter and windier. Over the entire month, winds and rainfall are likely to run a bit below average, but mid-to-late September is expected to be wetter than the first third of the month.



*Temperature (left) and Precipitation (right) anomalies for August.*

# Monthly Report

## Market Theme – UK/France Winter Power Spread

A dominant factor driving UK and European power markets this year has been the availability of French nuclear plant for the coming Winter. In early Spring the spread between GB and French Winter power prices saw a premium of over £150/MWh in the latter market compared to UK prices for the equivalent product. This was driven by a fear in France that plant shut for emergency maintenance last year following the discovery of cracks in a number of reactors would not be back online for the Winter. This had a knock on effect on power prices in bordering markets. Over the Summer that fear has diminished with greater optimism that plant will be ready to generate through the Winter. As a result the spread has fallen rapidly to a point where UK and French prices are nearly at parity.

