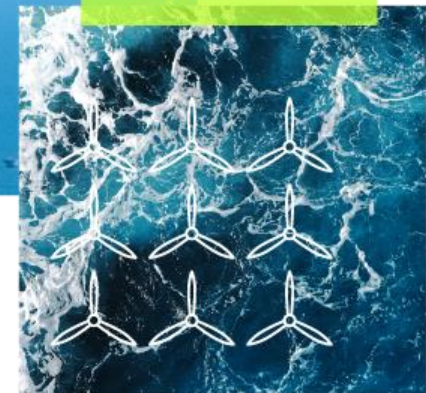


December 2023

Energy overview

Your monthly report featuring market updates
and weather review



Monthly Report – December 2023

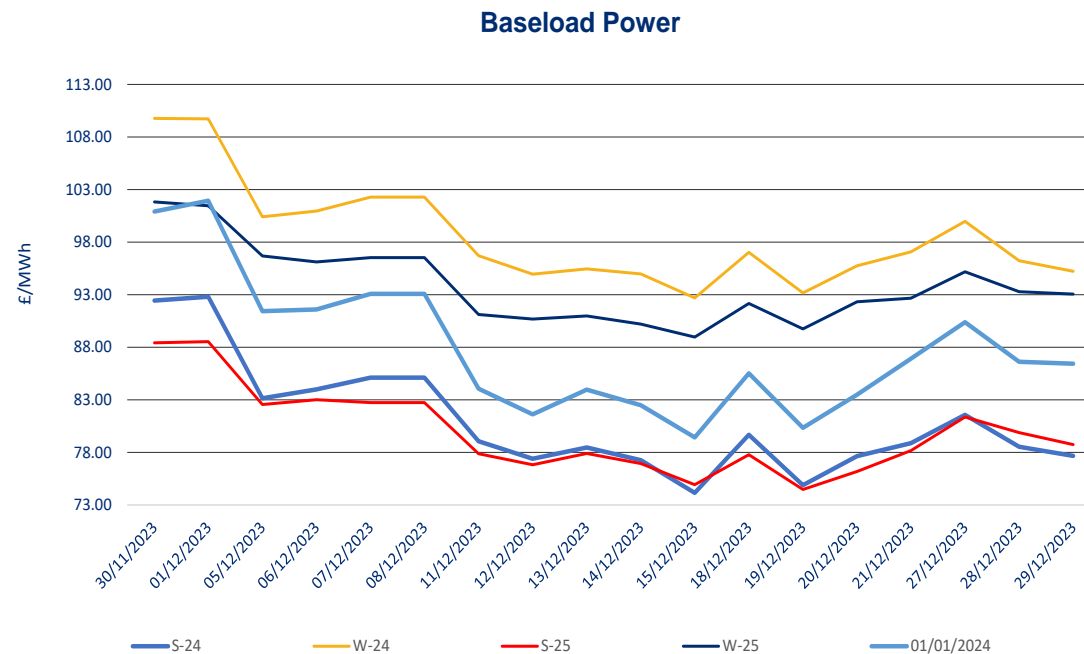
Market Update – Power

Review: A return to a milder, wetter and windier weather pattern saw a more bearish month for power than we saw in November. This was reflected in the clean spark spread*. December out-turned at -£12/MWh; by contrast, November out-turned at £3/MWh.

Curve prices followed the bearish theme with Q124 and summer 24 baseload shedding nearly 20% of their value over the course of the month.

The Viking Link interconnector between Denmark and the UK began commercial operations over the festive period, with imports to date averaging c.390MW. The operating capacity will be restricted to c.850MW for the first year of operation before rising to 1400MW in 2025.

Outlook: Attention is likely to focus on a forecast spell of cold weather set to develop early in the new year. Uncertainty around the duration is set to influence the market in the short to medium term.



Power Bid (£/MWh)	Nov-23	Dec-23	Change	% Change	High	Low	Average
Jan-24	100.91	86.45	↓ -14.46	↓ -17%	101.94	79.44	87.97
Summer 24	92.46	77.68	↓ -14.78	↓ -19%	92.80	74.15	81.00
Winter 24	109.78	95.24	↓ -14.54	↓ -15%	109.78	92.70	98.60
Summer 25	88.43	78.73	↓ -9.70	↓ -12%	88.55	74.47	79.95
Winter 25	101.83	93.07	↓ -8.76	↓ -9%	101.83	88.98	93.87

* 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

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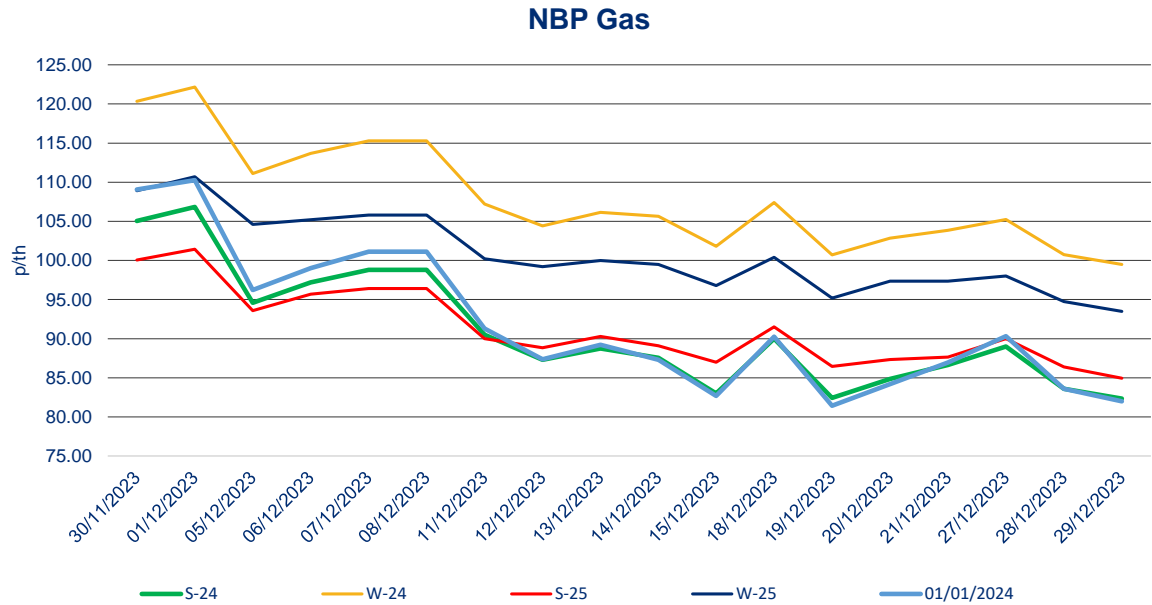
Market Update – Gas

Review: Overall, a bearish picture for December with prompt and curve prices dropping steadily over the course of the month. Temperatures in the UK and across the EU returned to above seasonal normal levels following the cold spell at the end of November. High renewables output reduced the need for gas-fired generation and heating demand.

The global LNG picture remains healthy with US cargoes continuing to head to Europe, aided by the ongoing constraint in the Panama Canal. The Houthi attacks continued on shipping in the Red Sea, but this is having a negligible effect on cargoes into Europe.

Storage inventories remain healthy with EU gas in store currently 4bcm ahead of the levels seen at the end of 2022.

Outlook: Potential for a cold spell, with temperatures in the second and third weeks of the year expected to see temperatures around 3°C below seasonal normal. Low wind and rainfall could see an increase in demand for gas-fired generation.



Gas NBP (p/th)	Nov-23	Dec-23	Change	% Change	High	Low	Average
Jan-24	109.06	81.99	↓ -27.06	↓ -33%	110.27	81.45	91.85
Summer 24	105.05	82.35	↓ -22.70	↓ -28%	106.85	82.35	90.96
Winter 24	120.35	99.50	↓ -20.85	↓ -21%	122.15	99.50	107.97
Summer 25	100.05	84.95	↓ -15.10	↓ -18%	101.45	84.95	91.29
Winter 25	108.90	93.50	↓ -15.40	↓ -16%	110.70	93.50	100.74

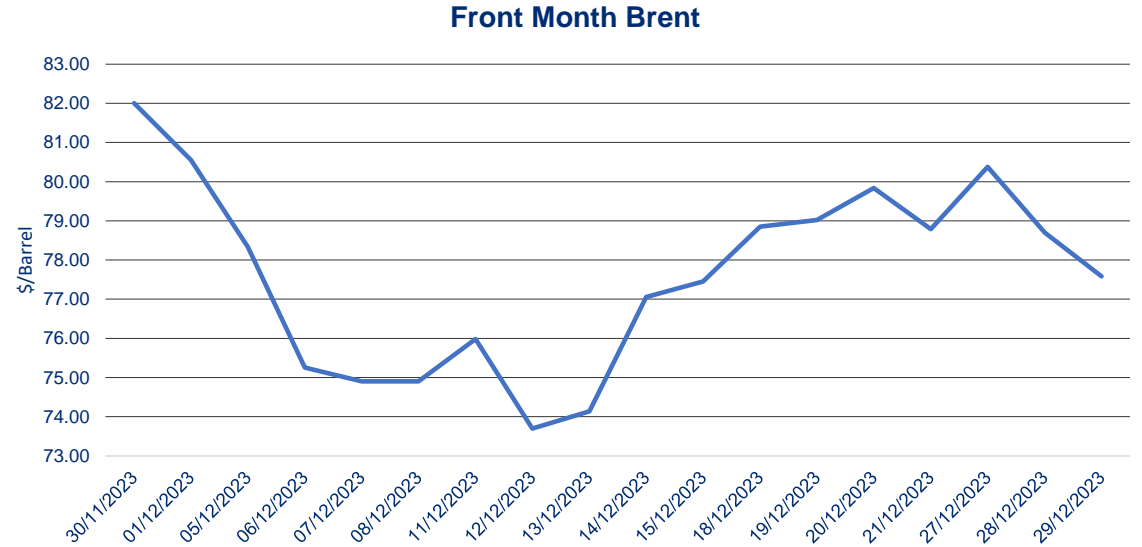
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Market Update – Oil

Review: Despite Opec+ agreeing to a further 900 bbl/d of production cuts, in addition to the cuts previously announced by Saudi Arabia, crude prices fell over \$8/bbl in the first week of the month, driven mainly by weak demand in the face of building US stocks.

An increase in attacks on shipping in the Red Sea prompted a \$5 rally in the middle of the month. Whilst the fundamentals remain weak, there are fears of supply disruption for shipments heading westwards toward Europe.

Outlook: Focus is set to remain on geopolitical tensions in the Middle East, despite the US and Iran making statements attempting to ratchet down any talk of escalation.



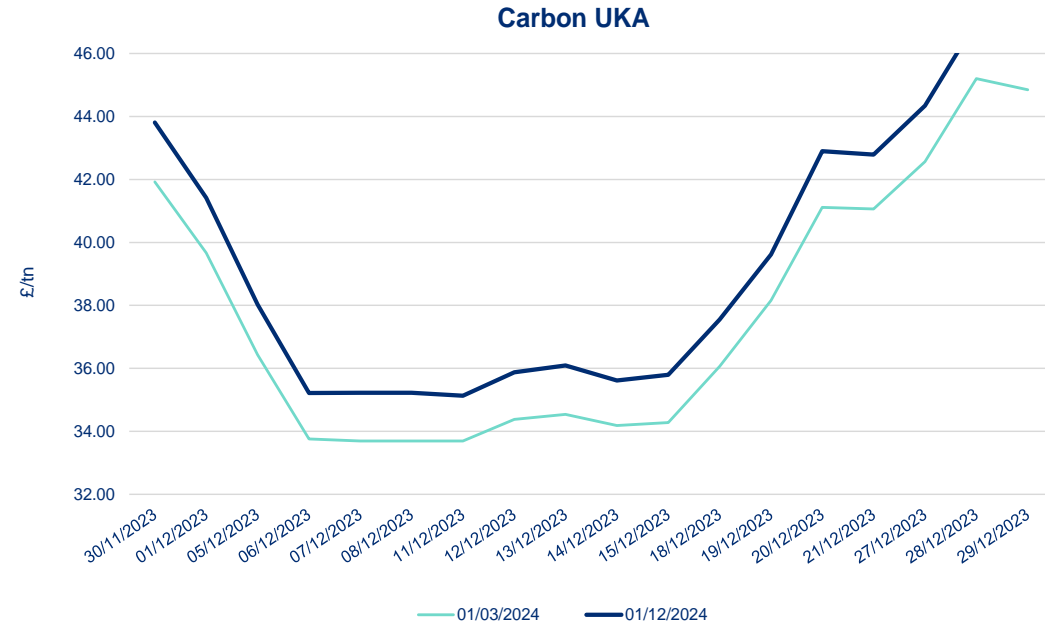
Brent (\$/Barrel)	Nov-23	Dec-23	Change	% Change	High	Low	Average
Front Month	82	77.59	↓ -4.41	↓ -6%	82	73.7	77.64

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Market Update – Carbon

Review: Despite the industrial outlook remaining weak, the run-up to the expiry of the Dec-23 UKA and EUA contracts supported prices during the month. A £6/tn increase in the latter part of the month corresponded with compliance purchasing ahead of expiry and traders covering short positions prior to the Christmas holiday.

Outlook: The fundamentals are set to remain weak. The new year has begun with speculative traders re-opening short positions.



Carbon (£/ton)	Nov-23	Dec-23	Change	% Change	High	Low	Average
Mar-24	41.92	44.85	↑ 2.93	↑ 7%	45.20	33.69	37.74
Dec-24	43.81	46.72	↑ 2.91	↑ 6%	47.02	35.13	39.35

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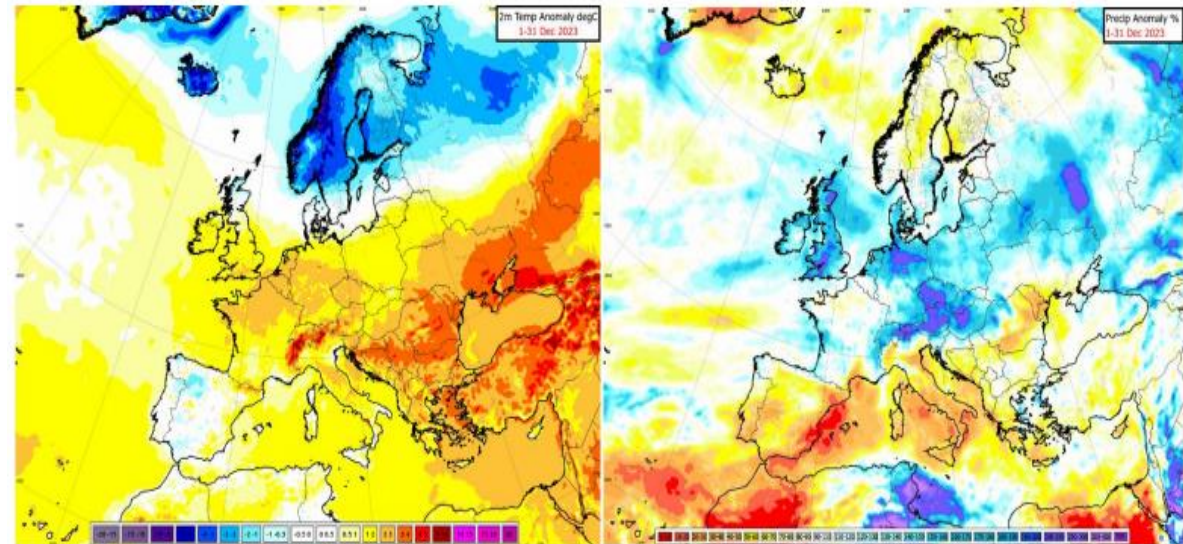
Weather Review

Review: December brought a mild start to winter with widespread positive temperature anomalies across much of Europe. The exception saw parts of Scotland, Spain and Portugal, and more notably Scandinavia, well below average.

The overall mild, wet and unsettled weather was thanks to an active jet stream which maintained a frequent flow of mild Atlantic air into Europe. Early December saw the storm track directly cross the British Isles, which drove above average winds and rain across northwest Europe. This period also saw heavy rain from storms Elin and Fergus cause flooding across parts of the UK and Ireland.

Towards mid-December high pressure became influential in western Europe leading to drier weather and lower winds across the region. A return to a mild westerly wind late in the month saw storm Gerrit bring heavy rain, snow and extreme winds to Scotland, Ireland and northern parts of the UK.

Outlook: A strong area of high pressure is set to build over the British Isles bringing a potentially long spell of cold, low wind and below average rainfall extending into northwest Europe. Models are suggesting that there may be signs in early February of a return to a milder, wetter and windier regime as the jet stream tracks on a more northerly path.



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Market Theme – European Gas In Storage

EU storage inventory sits at record levels at the turn of the year. With 84.6bcm in store, 3.9bcm ahead of last year and 12.5bcm ahead of the five-year average, withdrawals began later in the autumn than normally seen.

This is due to a combination of the mild start to winter and continued flow of LNG across the Atlantic.

As the first cold spell of the new year looms, storage withdrawals have increased in response to cold temperatures. Withdrawals are likely to continue at an elevated level throughout the cold snap, although thus far gas futures contracts remain remarkably flat.

