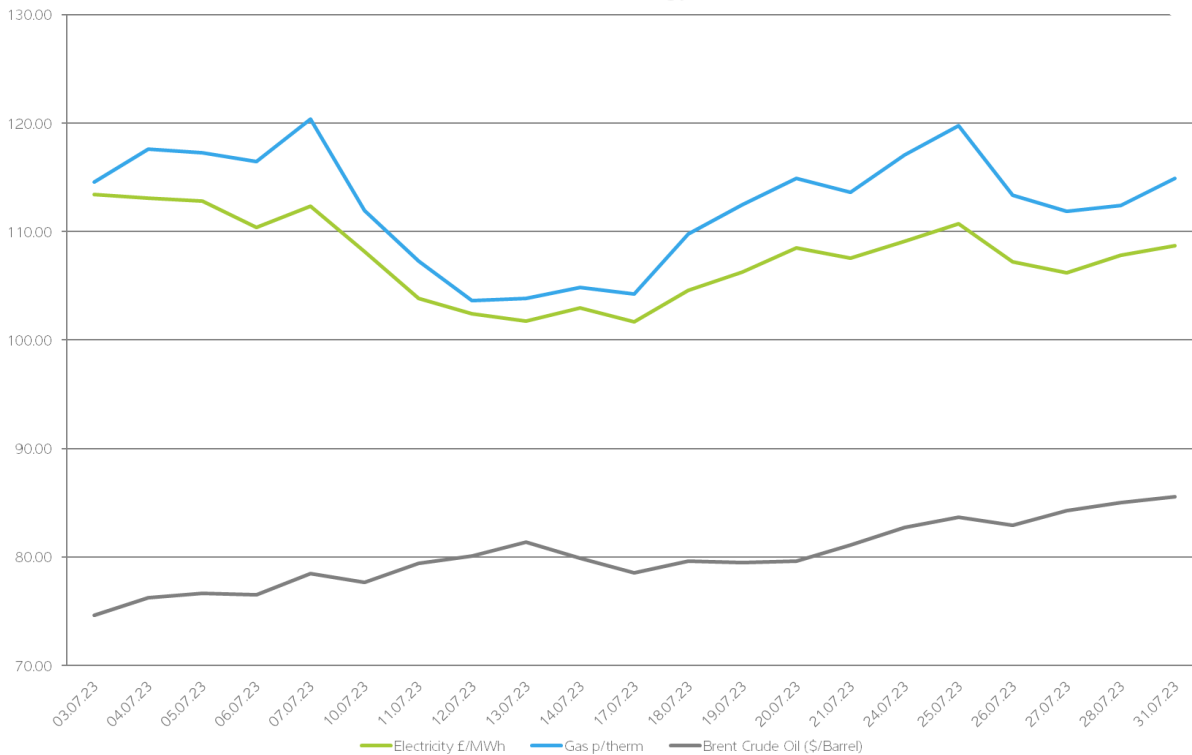


Monthly Market Update

July 2023

UK Wholesale Energy Prices



Volatility remained apparent with energy markets over the course of July with both upward and downward swings seen throughout the month. However ultimately gas and power prices in particular closed the month lower than the levels we saw at the open.

Overall, current fundamentals are relatively bearish meaning concerns over supply security for this winter are slowly diminishing and I think this is apparent when we look at the values for the next few gas seasons. The price for Winter 23 closed at 117.11p/th on 02.08.23 which is marginally lower than the price for Summer 24 at 122.07p/th and considerably lower than the price for next winter at 138.07p/th. There are a number of reasons for this but predominantly I would point to the ever increasing level of gas storage across UK/Europe which now sits at over 85% full, compared to 70% on average at this point over the last 5 years.

As well as the healthy storage position we can also point to higher levels of wind generation, returning gas imports from Norway after planned maintenance and a healthy LNG outlook for the next week or so as reasons for prices to ultimately close below July's open and this momentum has continued into August as things stand.

As ever, I would expect volatility to remain as we creep closer to Winter especially given the fact that the next round of Norwegian maintenance will kick in later this month, with a considerable amount of capacity offline from 26.08.23 to 07.09.23. This time last year the extreme temperatures caused havoc for power demand due to increased levels required for cooling therefore I would imagine all eyes will be focused on upcoming weather forecasts for the UK and Europe. The warmer than average conditions seen in Europe during July saw the UK export high levels of power to France and this would have contributed to some of the upside we saw at times back in July due to a tightening system.