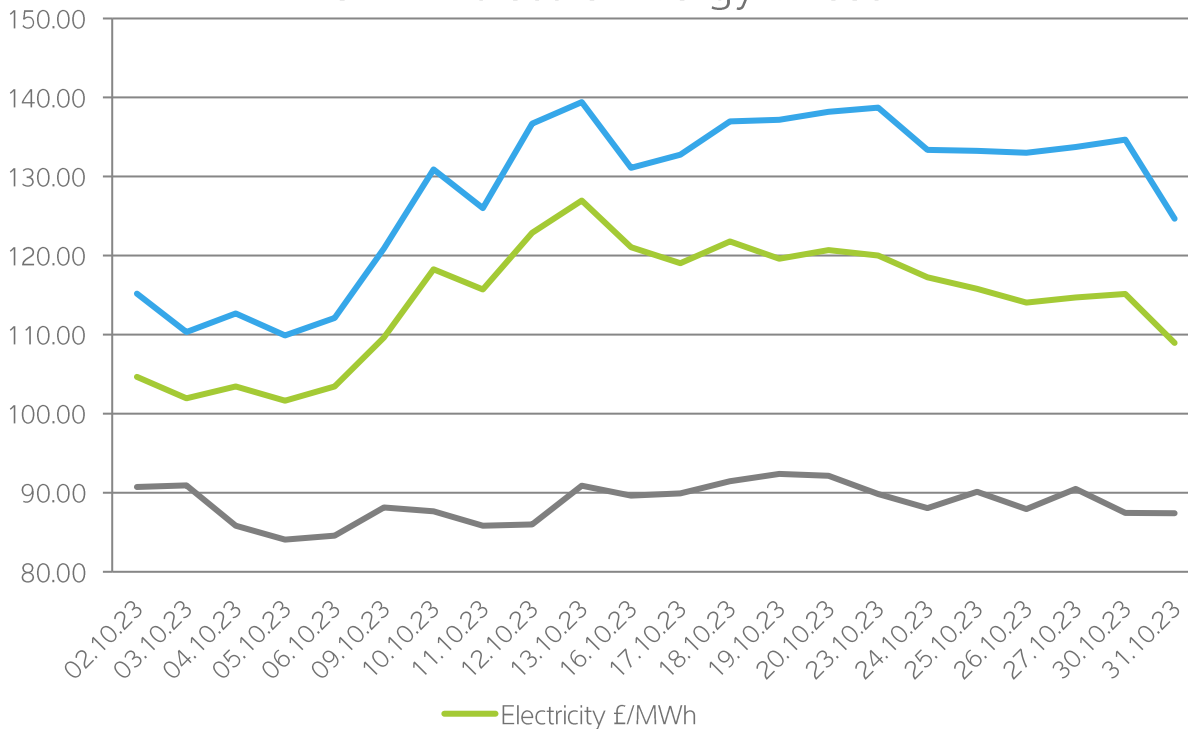


Monthly Market Update

October 2023

UK Wholesale Energy Prices



October 2023 was very much a month of two halves with prices roaring upwards for the first 2/3 weeks, but only for a steady decline to then occur as we headed towards the back end of the month. The losses were not enough to counteract the bullish momentum at the start of the month therefore prices closed at higher levels than where they started.

Prices were driven upwards over the first half of the month due to a number of different factors but predominantly due to the geopolitical tensions driven by the unrest in Israel. The violence in Israel has led to the closure of the Tamar gas field, jeopardising supply into Egypt – an LNG exporter to Europe. Although Egyptian LNG exports have been quiet since June, fears of the wider region becoming embroiled in the conflict have put European markets on heightened alert. In addition to this, reports of potential sabotage on the Balticconnector – a pipeline linking Finland to Estonia – has not garnered the same media attention as the fighting in Israel but has added tension to the gas market with the Finnish government quick to point the finger at Russia. Reminiscent of a similar situation on the Nord Stream pipeline last year – also allegedly involving Russia – this has provided another reminder of the potential vulnerability of European gas infrastructure and supply.

Although these concerns were still in place at the back end of the month, markets seemed to turn their attentions to the healthy-looking near-term fundamentals that we are experiencing such as a mild start to Winter, strong renewable output and a steady level of inbound LNG on its way to UK shores. All of which are adding a degree of confidence to market participants minds as we head deeper into Winter.

It is also noteworthy that aggregated UK/EU storage facilities now sit at over 99% full as we approach the imminent drawdown phase. This again will only help to keep a lid on prices whilst supply concerns remain in place.