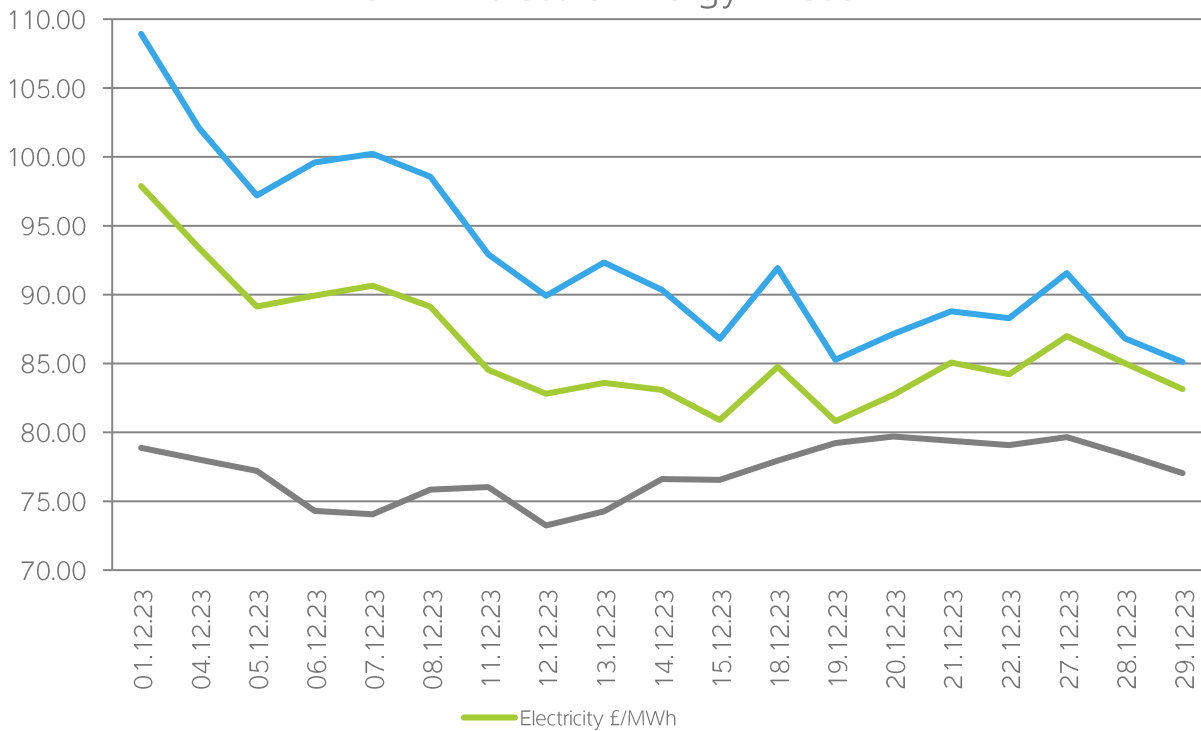


Monthly Market Update

December 2023

UK Wholesale Energy Prices



The downward momentum that we witnessed from the previous month was carried into December at some pace. We did then hit one or two bumpy patches towards the latter half of the month – which can be expected this time of year – but electricity and gas markets maintained their bearish stance and ultimately closed the month lower than where they started.

As an example of the losses we saw last month, front season gas (Summer 2024) fell a whopping 25.87p/th which is a 24% drop. The equivalent period for electricity fell by £15.18/MWh which is a smaller yet respectable 16% drop.

Prices were driven down due to a number of factors but most of them relate to the growing level of confidence that the UK will be able to cope with balancing supply with demand this Winter. Forecasts for warmer weather at the start of the month coupled with the ongoing healthy storage situation saw prices drop substantially. The level of gas storage that the UK/EU currently has at its disposal sits at over 85% full which is 2.5% higher than this time last year and around 10% higher than the average from the last 5 years and this is despite heavier levels of withdrawals lately due to cooler weather on the continent. In other news, nine laden LNG vessels are expected to arrive in Britain by the end of this week, putting inbound LNG in a healthy position which again will have been another important factor in driving prices lower last month.

Towards the back end of the month prices briefly spiked after it was reported that LNG cargoes were being diverted from the Red Sea following attacks on some cargo ships – carried out by the Houthi movement based in Yemen – although the gains came off fairly quickly after an initial panic.

Elsewhere North Sea oil has been given a lift by the tensions in the Red Sea and with the commodity almost hitting the \$80/barrel mark at the end of December, although weak economic conditions continue to act as a counterweight to crude prices.