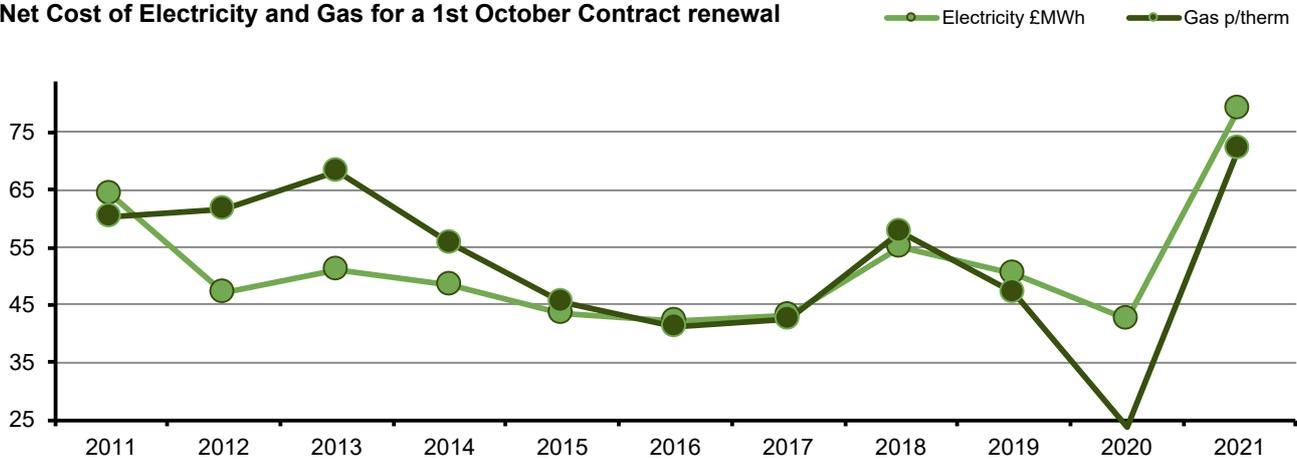


month on month marketview

Review of: June 2021

Net Cost of Electricity and Gas for a 1st October Contract renewal



Electricity: base load cost - excludes distribution, taxation and supplier margin and costs

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
47.06	51.05	48.34	43.65	42.28	43.03	55.11	50.48	42.54	79.01

Gas: core gas cost - excludes distribution, taxation and supplier margin and costs

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
61.64	68.18	55.79	45.62	41.28	42.45	57.73	46.99	23.7	72.09

▲ : Indicates that there was an upward pressure on prices.

▼ : Indicates that there was a downward pressure on prices.

June in summary

Prices have continued to climb in line with the extant tight market. The storage situation remains of huge concern, as it is appearing feasible that we begin the upcoming winter with stocks at the bottom of the five-year range.

Market volatility

Volatility this month has been as a result of low gas storage, cooler weather and an ever bullish wider fuels.

Weather

The first half of June was largely dry and warm, though less settled over Scotland towards mid-month. The second half saw temperatures broadly nearer to average, with some days very cool for the time of year, and numerous showery days over England including some thunderstorms, and some heavy convective outbursts especially in the south-east.

Gas, Storage and LNG News ▲

The start of the month saw UK gas prices recover as price action seemed to follow warmer weather, a strong roster of LNG arrivals to the UK, and losses in carbon contracts.

During the middle of the month, gas prices were on the rise with a drop in send-out from LNG facilities coupled with the start of Norwegian maintenance expected to reduce flows into the UK provided support to prices. Prices continue to lift along the curve as attention to storage injections re-ignited with temperatures across the UK dropping off, halting the injections we had seen whilst temperatures were often in the mid-20°C's.

Prices then continued to shift higher finding support from seemingly ever-present low storage coupled with Asian bid for LNG pushing the marginal price higher.

Towards the end of the month, prices continued the bull run with fundamentals unchanged as renewable output remained low, continued cooler temperatures and a strong Asian LNG bid all mean that injection season has faltered.

Politics and global economics ▲

Biden administration waived the Nord Stream 2 sanctions, and a few weeks later President Putin announced the completion of the first string of the pipeline. Still, a lot of work remains before the start of the commercial operation including testing and certification. We are however unlikely to see Nord Stream 2 flows before early next year. However, the positive progress around this project seen in June provides optimism to the market that additional Russian supply might be available if needed for the next winter season even if storages will fail to fill up sufficiently this summer.

Recent lifting of restrictions in place since October 20 has seen industrial demand rise, and consumption is expected at July 2020 levels.

Oil ▲

Brent markets continued to trek higher with the August contract first pushing above \$70/barrel then quickly trading above \$71/barrel. Strength was linked to OPEC+ showing a strong agreement amongst members to only continue to add supply at a slow rate in line with increased demand rather than flooding the market as well as crude stockpile drawdowns and slowing Iranian nuclear deal talks.

Coal ▲

Coal markets have been beset with supply concerns (Columbia & South Africa) while China still has a ban on Australian coal imports which has seen them source supply from other sources which has left the European market short. Coal prices on the API2FM hit a 10-year high while the global benchmark Newcastle index hit an 8-year high.

Carbon ▲

Carbon had traded below €50/t on the 19th but since then the bulls returned, buoyed by optimism in global markets, policy changes, and the start of the UK ETS scheme.

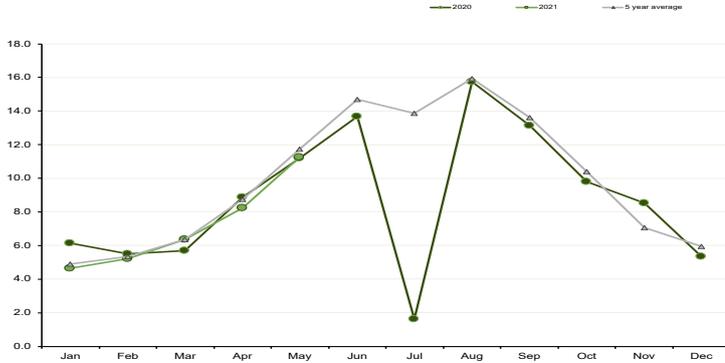
Looking Ahead

In July, we expect the supply-side much improved amid eased maintenances at UKCS and NCS. Both the UK and NWE balances are a lot looser compared to June. A glimmer of hope on the horizon is that Nord Stream 2 will come online in good time, and we will see a pick-up in Russian gas flows to Europe.

month on month marketview

Review of: May 2021

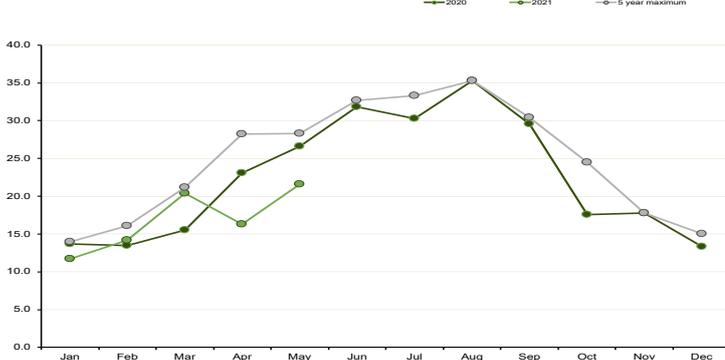
Average Temperature



Minimum Temperature



Maximum Temperature



Met Office UK summary

May began very unsettled and unseasonably cold, with frosts in many places. We began to see slightly warmer temperature after the first week, but frequent rain showers for most areas continued. The UK experienced a number of deep low-pressure systems that resulted in a number of notably windy days. The weather settled down for the final few days of the month, when it also became much warmer reaching seasonal normal temperatures.

Average temp: 2021: Summary

2021 Summary v 5 Year Average

(* Positive numbers = warmer, negative = colder than 5 year average)

2021	Mar	Apr	Year total
°C	-0.5	-0.5	-0.1
%	-5.7%	-4.0%	-0.0%

2020 v 2021 Summary

(* Positive numbers = warmer, negative = colder than 2019)

2021	Mar	Apr	Year total
°C	-0.6	0.1	0.4
%	-7.1%	0.8%	0.1%

Min temp: 2021: Summary

2021 Summary v 5 Year Average

(* Positive numbers = warmer, negative = colder than 5 year average)

2021	Mar	Apr	Year total
°C	0.0	2.4	3.1
%	0.0%	-54.5%	-41.7%

2020 v 2021 Summary

(* Positive numbers = warmer, negative = colder than 2019)

2021	Mar	Apr	Year total
°C	-1.5	2.4	-2.5
%	32.6%	-120.0%	52.4%

Max temp: 2021: Summary

2021 Summary v 5 Year Average

(* Positive numbers = warmer, negative = colder than 5 year average)

2021	Mar	Apr	Year total
°C	-11.9	-6.7	-3.5
%	-42.2%	-23.7%	-16.3%

2020 v 2021 Summary

(* Positive numbers = warmer, negative = colder than 2019)

2021	Mar	Apr	Year total
°C	-6.8	-5.0	0.0
%	-29.4%	-18.8%	0.0%

Utility Impact Summary

May saw more bullish behaviour, with below seasonal normal temperatures lingering, and further easing of COVID restrictions seeing Brent Crude reach a 3-year high.

When you switch your heating on make sure:

-It is on a timer, don't leave it running when there is no-one in the building

-On a temperature set point, usually around 22 degrees is enough, heating to a higher temperature does not make it warm up faster, it will only use more energy try to reach an unachievable temperature.

It is particularly important this year to check your heating settings as closing the building during lockdown may have meant that the usual settings were altered and timers and temperatures need to be reset.

As the evenings begin to grow lighter, adjust any automatic lighting timers to ensure lights are not switching on needlessly.