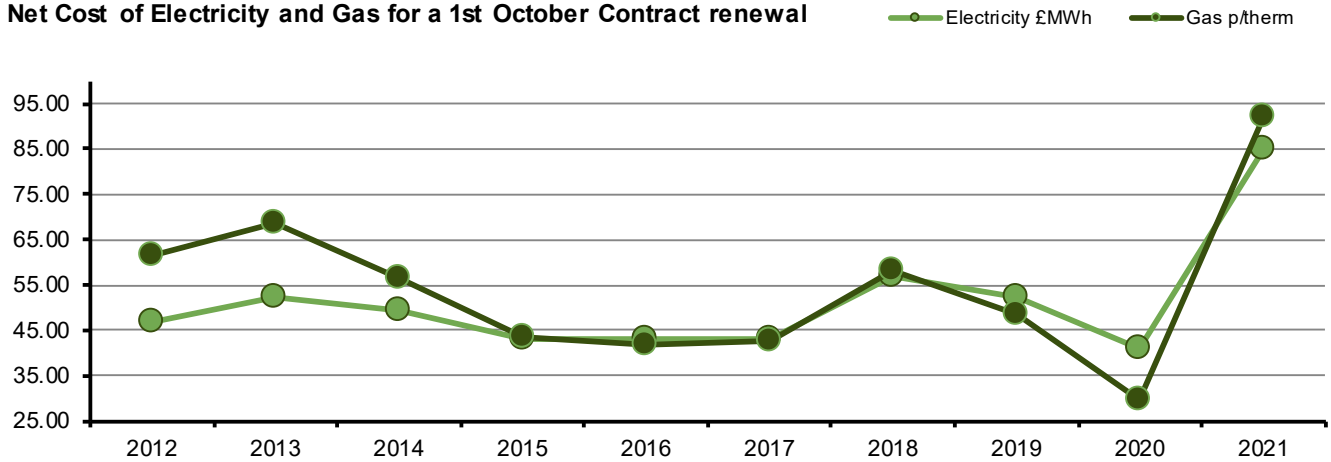


month on month marketview

Review of: August 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
46.92	52.29	49.17	43.02	43.03	43.26	56.76	52.21	40.93	85.03

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

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
61.40	68.63	56.38	43.48	41.73	42.65	58.10	48.65	29.68	92.08

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

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

August in summary

Again another month of volatility and bullishness as the fundamentals continue to drive, low Gas storage levels, low Russian flows to Europe and no LNG receipts.

Market volatility

Volatility mainly on the upside as a result of outages and the continued forecast of no LNG to the UK.

Weather

The first half of August was broadly unsettled, with plenty of rain between the 5th and 13th. The second half was drier, with high pressure developing by the 23rd and remaining near northern UK thereafter. Scotland, especially the west, was often warm by day, whereas further south warm days were much fewer. Many areas were drier than usual for the month, with less than half the average total rainfall in some places, and the wettest areas were south-east England, eastern Scotland and Northern Ireland. Western Scotland fared well for sunshine, though many other areas were duller than average, especially central and eastern England where some stations had their dullest August in records going back 60 or more years.

Gas, Storage and LNG News ▲

August opened with Gas Contracts rocketing, bullishness continued to feed from tight gas supply fundamentals, with a premium Asian market attracting LNG supply away from Europe, whilst outages impacted North Sea flows. European gas storage levels at this time were only 56% full, almost 30% down from last year, which added risk to tight supply going into winter. The volatility continued throughout August with more unplanned outages.

No scheduled LNG arrivals and planned September Norwegian outages only added to the tight market, stifling storage injections. News of the construction of Nord Stream 2 being 99% complete was announced with the expectation to be completed within weeks, however the news that commercial flows may not start until next year added even more risk into the market.

Politics and global economics ▲

The Russian energy company Gazprom announced that it has completed construction of the Nord Stream 2 natural gas pipeline from Russia to Germany.

It still needs to be certified by Germany's regulator, a process that could take up to four months. But environmentalist groups in the country such as Deutsche Umwelthilfe oppose Nord Stream 2, arguing that it is incompatible with Germany's emissions goals in the battle against man-made climate change.

Oil ▲

Oil contracts fell across the month, this was due to demand concerns from surging Delta variant cases of coronavirus worldwide, which has sapped global travel and threatens economic activity.

Japan poised to expand emergency restrictions to more regions while China imposed curbs in some cities and cancelled flights, threatening fuel demand.

Coal ▲

Coal markets have continued to rise following the sharp increase in gas prices. The incentive to switch from gas to coal generation remains strong, low renewable output strengthens this position.

Carbon ▲

Carbon prices pushed higher through the beginning of August with continued support from strong technicals, a reduction in auction supply and a bullish energy complex. UKAs went premium to EUAs, just a week removed from trading at almost a £3 discount.

EUA prices then followed Gas prices sharply down as TTF and NBP gas contracts reacted to a data error from the German TSO Gascade regarding Nord Stream 2 testing flows and news that Gazprom is planning to start flows via Nord Stream 2 pipeline this year. This dip in prices was short lived however as it emerged that data was incorrect.

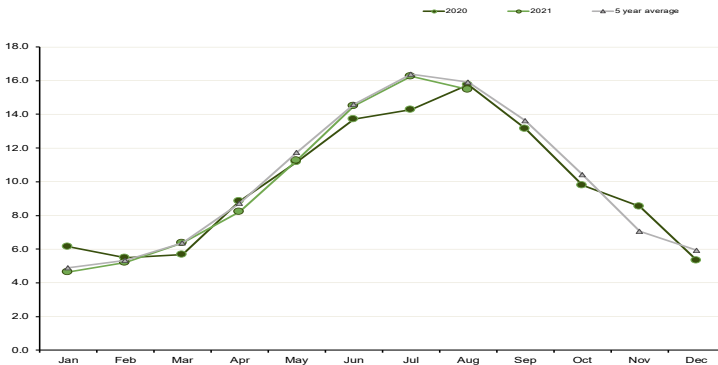
Looking Ahead

September is expected to be a continuation of August with high volatility and strong risk as the UK heads into Winter with below than norm Gas storage levels. Drivers to monitor such as Russian Flows, LNG receipts and news of Nordstream 2 to start flowing could bring relief to the Market in coming months.

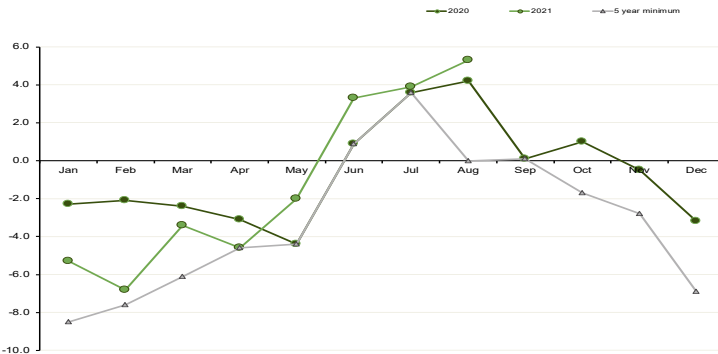
month on month marketview

Review of: August 2021

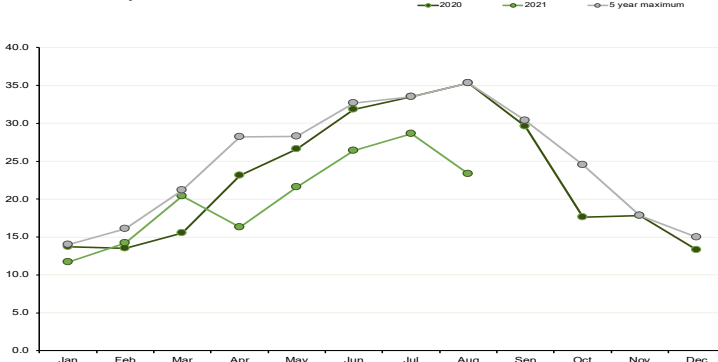
Average Temperature



Minimum Temperature



Maximum Temperature



Met Office UK summary

The first half of August was broadly unsettled, with plenty of rain between the 5th and 13th. The second half was drier, with high pressure developing by the 23rd and remaining near northern UK thereafter. Scotland, especially the west, was often warm by day, whereas further south warm days were much fewer. Many areas were drier than usual for the month, with less than half the average total rainfall in some places, and the wettest areas were south-east England, eastern Scotland and Northern Ireland. Western Scotland fared well for sunshine, though many other areas were duller than average, especially central and eastern England where some stations had their dullest August in records going back 60 or more years.

Average temp: 2021: Summary

2021 Summary v 5 Year Average

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

2021	July	Aug	Year total
°C	-0.1	-0.4	-0.3
%	-0.8	-2.7%	0.0%

2020 v 2021 Summary

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

2021	Jul	Aug	Year total
°C	2.0	-0.3	0.1
%	13.9%	-1.7%	0%

Min temp: 2021: Summary

2021 Summary v 5 Year Average

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

2021	Jul	Aug	Year total
°C	0.3	-0.4	1.9
%	8.3%	14.2%	19.9%

2020 v 2021 Summary

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

2021	Jul	Aug	Year total
°C	0.3	1.1	-0.5
%	7.7%	20.8%	21.1%

Max temp: 2021: Summary

2021 Summary v 5 Year Average

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

2021	Jul	Aug	Year total
°C	-4.9	-12	-5.9
%	-14.6%	-34%	-20.7%

2020 v 2021 Summary

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

2021	June	July	Year total
°C	-4.9	-12	-3.8
%	-14.6%	-34%	-11.5%

Utility Impact Summary

Bullish behaviour continued through Aug as a result of tight fundamentals.

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 darker, adjust any automatic lighting timers to ensure lights are not switching on needlessly.