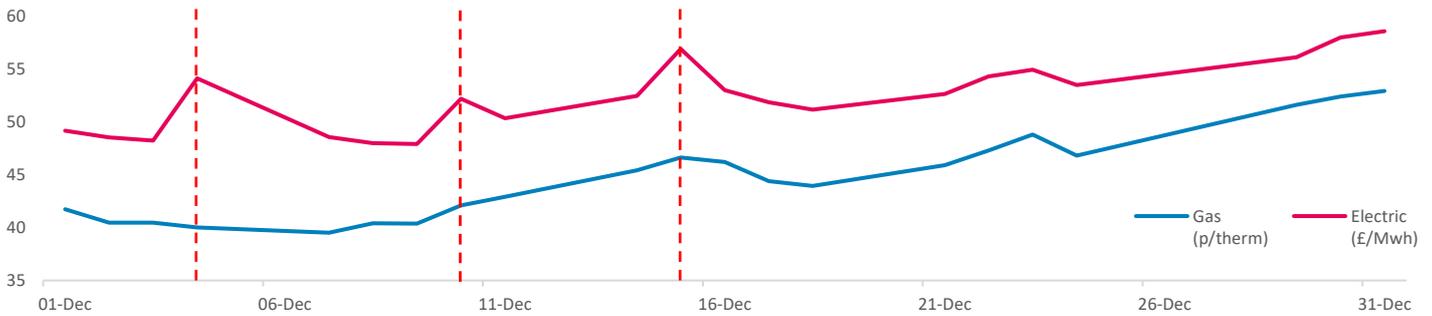


ENERGY MARKET UPDATE

December 2020

YEAR AHEAD WHOLESALE GAS AND ELECTRICITY PRICE



The month started with a stable market as the UK system was well supplied. However, the electric market saw an upturn on the 4th December as Carbon prices increased by around 3%, putting upward pressure on pricing. This was short lived as prices dropped after the weekend.

Both gas and electric markets saw bullish (upward) sentiments in the market on the 10th December as planned maintenance at the Asgard and Oseberge gas fields took 21mcm (million cubic meters) offline, reducing supply and pushing prices higher.

Markets continued to trend upwards with a sharp increase on the 15th December caused by a tight UK Gas system and an increased demand in gas being used to generate power to make up for the shortfall of reduced wind generation.

Following this, gas and electric markets saw a small downturn as an oversupplied system put downward pressure on prices. This was also helped as 10 LNG (Liquefied Natural Gas) vessels were expected to arrive into UK waters by the end of the month.

This downward run continued until prices became bullish again on the 21st December. The arrival of cooler temperatures caused demand for gas to increase and put further upward pressure on the market.

The market continued to climb towards the end of December as cooler temperatures across the Christmas period saw demand increasing amidst an undersupplied UK Gas system.

Overall, December saw prices climb gradually across the month as an undersupplied system and increasing demand due to cooler weather affected the market.

BRENT CRUDE OIL

Brent Crude prices rose gradually across the first half of December before leveling off.

December began with the market climbing as the UK approved the Pfizer COVID-19 vaccine, signaling possible demand increases in the future and supporting the market. The market was further supported as OPEC (Organisation of Petroleum Exporting Countries) and Russia agreed to add a further 500,000 barrels per day to the current production cuts.

News of the vaccine roll-out continued to affect the market as the US started administering the vaccine. This furthered optimism of a renewed demand outlook for 2021 and supported prices.

Prices began to level off towards the end of the month as many countries returned to tighter COVID-19 restrictions as the new strain saw cases increasing and leading to weakening the demand outlook for 2021.

BRENT CRUDE OIL (\$/BARREL)

