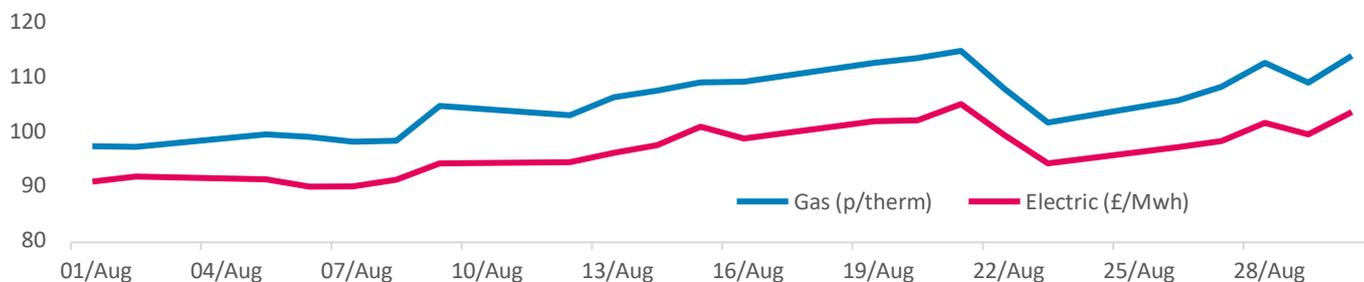


ENERGY MARKET UPDATE

August 2021

YEAR AHEAD WHOLESALE GAS AND ELECTRICITY PRICE



The month began with energy prices making headlines as Ofgem announced a record increase to the price cap on domestic energy.

Wholesale Gas and Electric pricing had a steady start to the month before turning bullish (upwards) in the second week. The upturn was fuelled by the continued disruption to Russian supply to Europe and an unplanned outage at Norway's Troll field.

On the 18th an IT error at a receiving station of Nord Stream 2 made it look like the pipeline had begun testing. This caused a shock in the

market and prices turned bearish (downwards) quite significantly. In response, Gazprom announced flows will start from the Nord stream 2 pipeline later this year. The initial reaction was again bearish, and prices continued to fall. In just two days the previous two weeks increases had been reversed. However, the non-committal update from Gazprom at the end of the month spurred a bullish rally.

UK gas storage began the month at 31%, well below the 5-year average of 71%. However, healthy renewable generation throughout

August allowed UK gas stocks to recover, reaching 85% by the end of the month and above the 5-year average 84%. In contrast, the much larger European gas storage system remains well below the 5-year average.

The worries over European storage combined with the additional concerns of Russian gas domestic supply / stocks also being tightly balanced, supported the bullish market in the final week of the month. To add to these concerns the UK currently has no LNG (Liquefied Natural Gas) arrivals scheduled for the first few weeks of September.

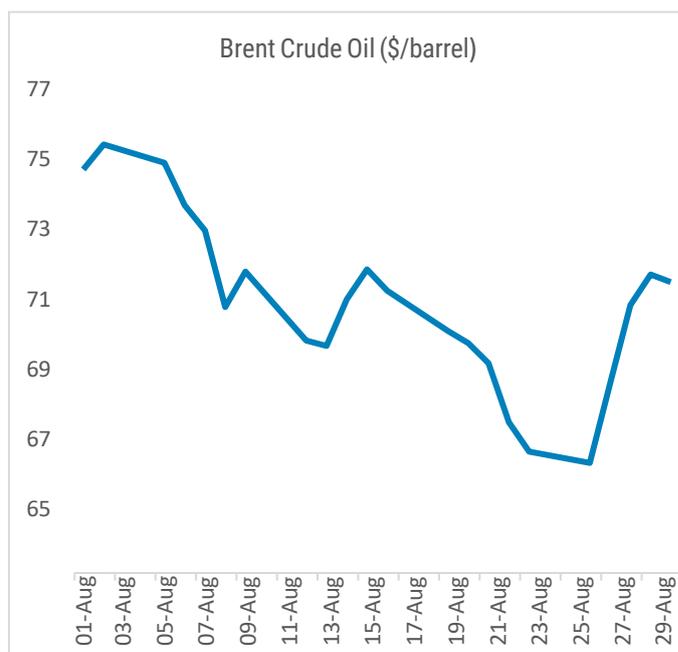
BRENT CRUDE OIL

The month began with a large drop off in oil prices as the Delta variant Covid-19 cases grew in China and lockdown restrictions were re-introduced causing uncertainty amongst traders. The bearish trend continued for the first two weeks of August, with China's oil imports hitting a 3-month low on the 12th.

There was a small spike in prices in the middle of the month as the supply concerns crept in for the rest of 2021. The US asked OPEC+ to increase supply. This request was rejected.

Global Covid cases continued to rise throughout the month especially in emerging market countries.

A fire at a Mexican offshore platform took 400,000 barrels per day offline in the final week of the month. As Hurricane Ida approach US shores, the expected disruption to oil supply caused a bullish end to the month for oil prices.



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CONTACT OUR ENERGY PROCUREMENT TEAM ON 01707 299 100.