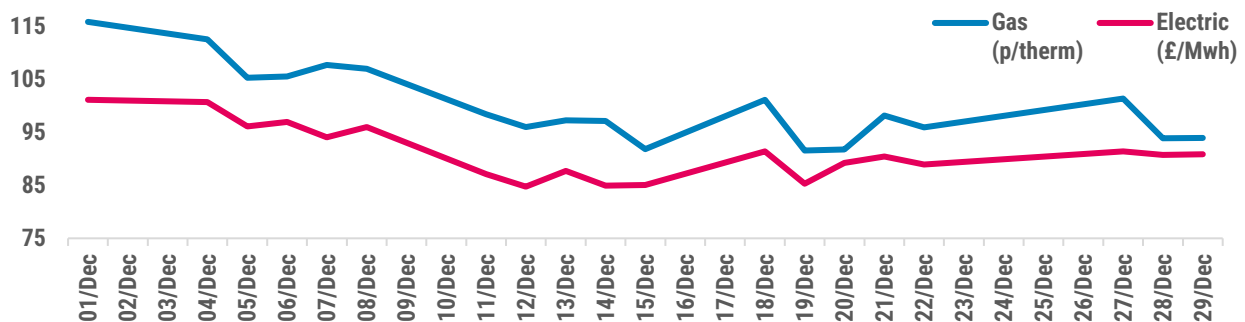


ENERGY MARKET UPDATE

December 2023

YEAR AHEAD WHOLESALE GAS AND ELECTRICITY PRICE



December began bearishly (downward trending) due to strong wind generation, resulting in reduced demand of gas for power. The drop in price was exacerbated by projected temperatures in the UK and Europe being above seasonal norms. Data also revealed that residential and commercial customers were consuming 15% less gas than this time last year, and when combined with the milder temperatures, this reduced heating demand.

Despite pricing increasing slightly on the 5th due to talks of the EU considering allowing member states to impose bans on Russian gas supplies - including significant Liquefied

Natural Gas (LNG) shipments - this was quickly overturned due to various favourable fundamentals. The week following the 8th saw prices significantly fall due to temperatures hovering at 5 degrees above the seasonal average, strong flows from Norway with no outages occurring, and forecasts of French nuclear power rising by 6GW (gigawatt).

High LNG inflows also reinforced price declines with 18 LNG cargoes expected to reach UK shores between 11th December - 7th January, and more throughout Europe, thus adding to the already strong storage levels within the UK and EU, helping the supply for colder months ahead.

Pricing saw bullish (upward trending) pressures introduced midmonth as oil and LNG exports in the Red Sea were disrupted by rebel attacks, causing prices to rise as companies were forced to reroute their vessels. The Red Sea and Suez Canal carry around 12% of worldwide trade, and pricing increased as the Houthi rebels announced their intention to continue targeting vessels on the 22nd.

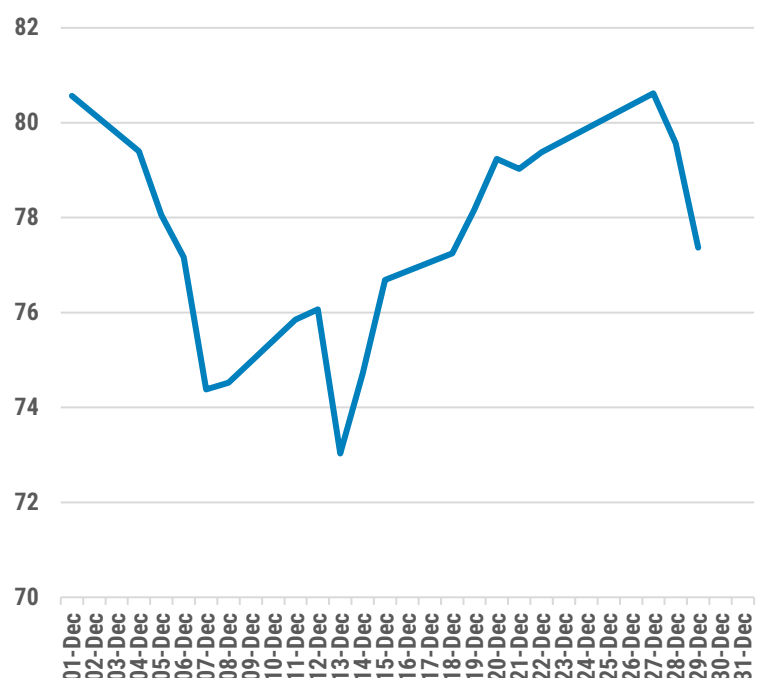
This was intensified with predictions of a cold spell in January. However, with many vessels rerouting around Africa, in addition to strong storage levels and high windspeeds from Storm Gerrit at the end of the year, this limited the extent to which pricing increased.

BRENT CRUDE OIL

Oil prices began the month bearishly following reports that OPEC's supply cutbacks were not as big as expected. OPEC now pump roughly 40% of the world's oil and attempted to reduce output due to weak demand and excess supply projections. Analysts predicted a 2 million barrel per day (bpd) cut, but OPEC ultimately agreed to a 900,000 bpd decrease instead. Although prices rallied on the 8th after U.S. data supported expectations of demand growth, prices soon dropped as concerns raised over China's economic recovery as data suggested the country was entering deflation and their crude imports fell.

Midmonth saw significant bullish pressures affect prices as Houthi rebels began attacking oil tankers bound for Israel. This intensified with the Federal Reserve announcing no further interest rate cuts for the month and a drop in crude oil inventories also being recorded. Prices continued to increase the rest of the month with Russia announcing additional supply cuts of roughly 500,000 bpd in 2024 and the International Energy Agency predicting 2024 global oil consumption to rise by about 130,000 bpd more than its previous projection. The end of the month saw pricing act bearishly due to larger than expected increases US stockpiles and oil tankers rerouting around the Red Sea.

Brent Crude Oil (\$/barrel)



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ENERGY PROCUREMENT TEAM ON 01707 299 100 .