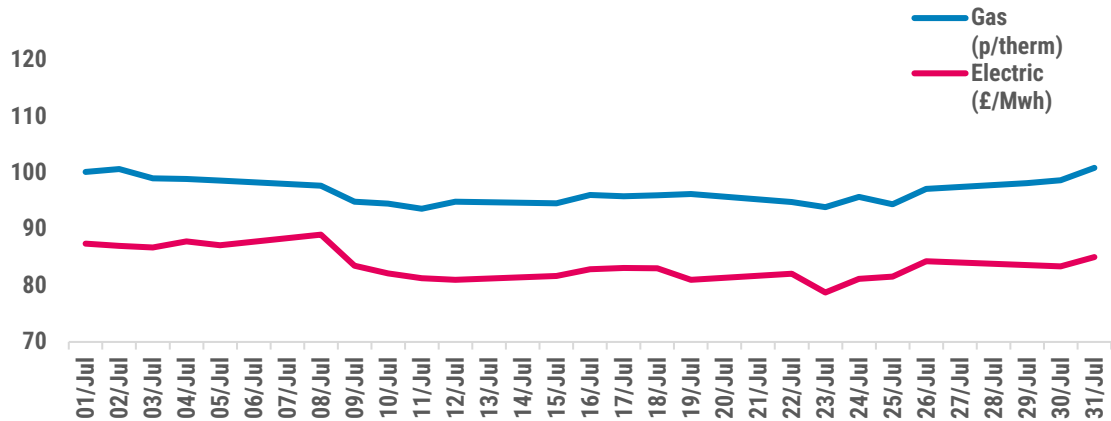


ENERGY MARKET UPDATE

July 2024

Year Ahead Wholesale Gas and Electricity Price



July began with bullish (upward trending) sentiment, however this was not felt until the first week of the month. The month started with prices curving upwards because of unplanned outages at Cygnus coupled with a decline in renewable fundamentals. Prices remained bullish and were driven by an outage at the Nyhamna gas plant in Norway, which significantly curtailed flows to the UK and EU. However, this momentum quickly reversed as bearish (downward trending) pressures emerged, primarily due to high storage levels in the EU, which reached 70% capacity, well above the 5-year average of 58%. This trend was further supported by Norway's recovery from the unplanned outage which, in turn, led

to a softening of prices to levels below the initial spike on the 8th.

Prices remained fairly level with less volatility in the market throughout the second and third week of the month. This was heavily influenced by storage levels, weather and steady flows from Norway. The slight rises in pricing are reflective of heatwaves across Europe increasing the need for Air Conditioning and electricity usage. Additionally, the UK's Heysham 2 nuclear reactor began increasing output, further decreasing the need for gas-fired generation.

Bullish pressure returned on July 18th as unscheduled maintenances occurred at the Skarv and Visund gas plants, resulting in reduced Norwegian flows to the UK and Northwestern Europe. However, due to strong fundamentals, the market remained resistant to these pressures, An extension to the UK's Easington gas facility and an unanticipated outage at Norway's Dvalin gas field further contributed to rising prices. This, alongside the effects of Hurricane Beryl, and, more importantly, America's rapid recovery from it, have led to an increased confidence in the market and allowed for the market to close shorter than it opened.

Brent Crude Oil

The Brent crude oil market saw another month of volatile pricing. Peak-Summer usage meant the month started with stockpiles being drained. This, alongside OPEC's plans to cut production levels has led to concerns of prices rising in this period. As a result of inflation rates and economic factors, the start of the month suggested that oil pricing was expected to ease. Despite this, after an initial spike, oil prices saw a steady decline throughout the month.

Alongside the softening of the dollar, the demand for US oil grew further causing pricing to rise. Hurricane Beryl, the assassination of prominent figures in the conflicts in the Middle East and Egypt's intention to invest \$10 billion into their energy infrastructure all point to the significant volatility experienced in the oil market this month. These factors generally suggest a rising oil market, however strong fundamentals have led to prices resisting these pressures and continuing to trend downwards.

The month ended bearishly falling below \$80/barrel towards the end of the month for the first time in six weeks. This was mainly driven by concerns of a slowing Chinese economy and high American interest rates.

Brent Crude Oil (\$/barrel)

