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ENERGY

Monthly Energy Market Report

August 2023



5th September 2023

Market Context

August market movement was dominated by potential industrial action in Australia causing markets to once again demonstrate nervousness about the potential for future supply challenges. Markets reached a high for the month around 22nd August before retreating slightly on some positive news from the Australian disputes.

- Potential industrial action at LNG facilities in Australia caused mild panic in European markets creating bullish pressure for much of the month.
- Australia has in recent years been the world's largest LNG exporter. Australian LNG is exported to Asian markets, but the removal creates significant pressure on global markets. Woodside Energy and Chevron LNG facilities are responsible for over 20% of Australia's exports and around 10% of global LNG supply.
- Woodside Energy industrial action was averted but uncertainty continues with workers at several Chevron facilities.
- The situation once again demonstrated the anxiety within European markets regarding the security of supply since the near complete removal of Russian piped gas.
- Total EU gas storage has passed the 90% mark well ahead of the EU mandated deadline set for November 1st.

In other news

Ofgem have announced the latest domestic price cap which will come into effect from October '23. The estimated average annual cost is £1,923 down from £2,074. This small decrease is representative of the wholesale price remaining fairly flat during the assessment window. However, many people are calling for further government support as bills are still significantly higher than 2021.

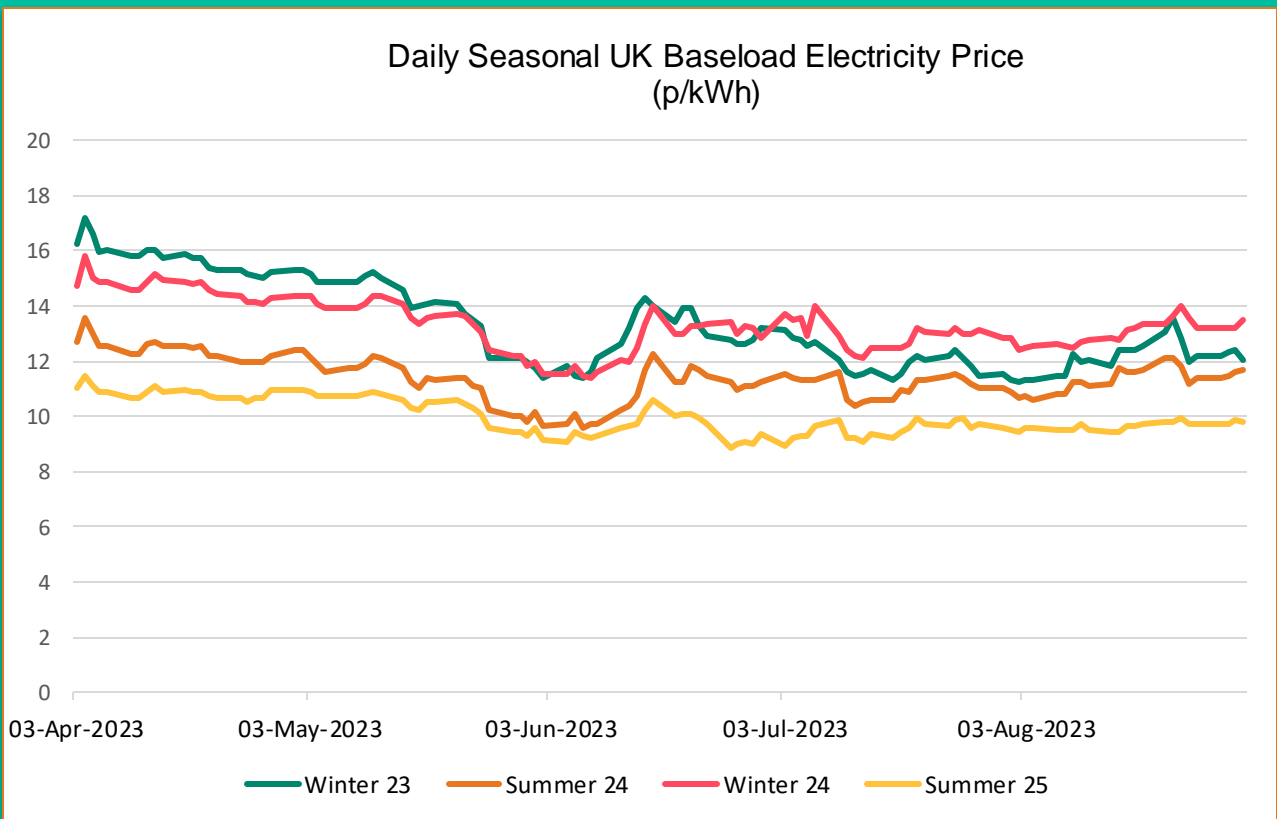
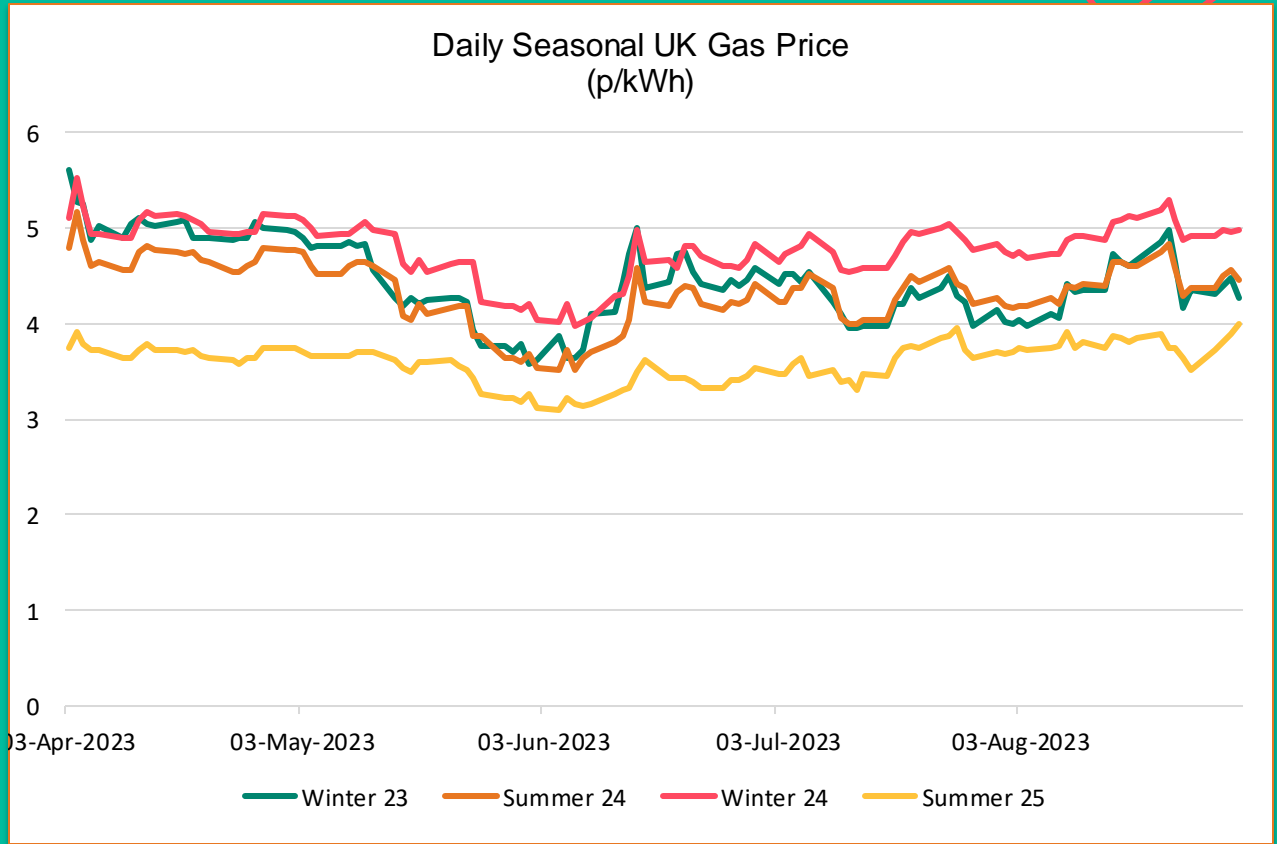
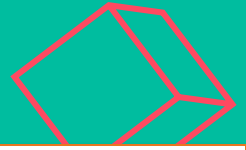
Rates*

Gas unit rate = 6.89p/kWh (7.51) / standing charge = 29.62p/day

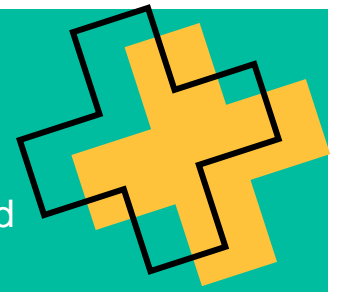
Electricity unit rate 27.35p/kWh (30.11) / standing charge = 53.37

**Direct debit*

Seasonal Prices



Price Table



Front Season prices ended July up around 4% from the end of July but more significant gains were seen on nearer dated contracts mainly due to the Australian LNG industrial action threat. Front season prices remain around 2.5x higher than 2019 levels.

		Month End Prices			
		Fuel	Aug-23 (p/kWh)	Jul-23 (p/kWh)	Month-on-Month Difference
Spot Prices	Gas (NBP)		2.75	2.27	21%
	Power (UK Baseload)		9.11	7.27	25%
Front Month	Gas (NBP)		2.73	2.23	22%
	Power (UK Baseload)		8.63	6.93	25%
Front Season	Gas (NBP)		4.27	4.14	3%
	Power (UK Baseload)		12.05	11.55	4%
Annual Price (Oct-23)	Gas (NBP)		4.32	4.17	4%
	Power (UK Baseload)		11.88	11.12	6%
Historical Comparison	2019 Average Front Season Price (p/kWh)		% Increase to June-23		
	Gas (NBP)	1.64	160%		
	Power (UK Baseload)	5.10	136%		



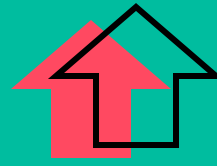
Outlook

The fundamental balance continues to provide bearish signals for September with strong storage and warm weather forecast for the start of the month. However, there are some key bullish drivers which could easily override the bearish outlook.



Bearish signals

- NWE gas storage forecast to end September over 94% full.
- Potential for further deals to be reached at Australian LNG plants.
- UK LNG send out in September is expected to pick up for the first time in 4-months.
- Demand destruction in industrial sector is set to continue.



Bullish signals

- Potential for strike action in at Australian LNG plants.
- Norwegian exports set to decrease due to maintenance.
- Risk of extensions to planned maintenance schedules.



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