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ENERGY

Monthly Energy Market Report

October 2023



2nd November 2023

Market Context

October witnessed a return to high volatility after a period of relative calm. The lows of the start of the month were quickly followed by rapid increases off the back of the Hamas attacks on 7th October which were followed by the ongoing Israeli response. Geopolitics has dominated price direction, rendering market fundamentals minor players.

- Israeli response to the Hamas attacks has created a large amount of unrest in the Middle East, sparking fears of a wider conflict which could impact global oil and gas markets.
- Israel shut down Tamar gas field which impacted exports to Egypt which in turn reduced Egypt's exports of LNG.
- Threats of strikes at Australian LNG plants continue to rumble on but Chevron are committed to resolving the issues and reaching a deal.
- An undersea gas pipe connecting Estonia to Finland (Baltconnector) was damaged. Investigations have confirmed an anchor from a Chinese registered vessel was to blame but authorities are still unsure if the damage was accidental or deliberate.
- LNG flows to Europe were strong this month.
- Total EU gas storage has passed the 99% mark and reached higher levels than any point in the last 5 years.

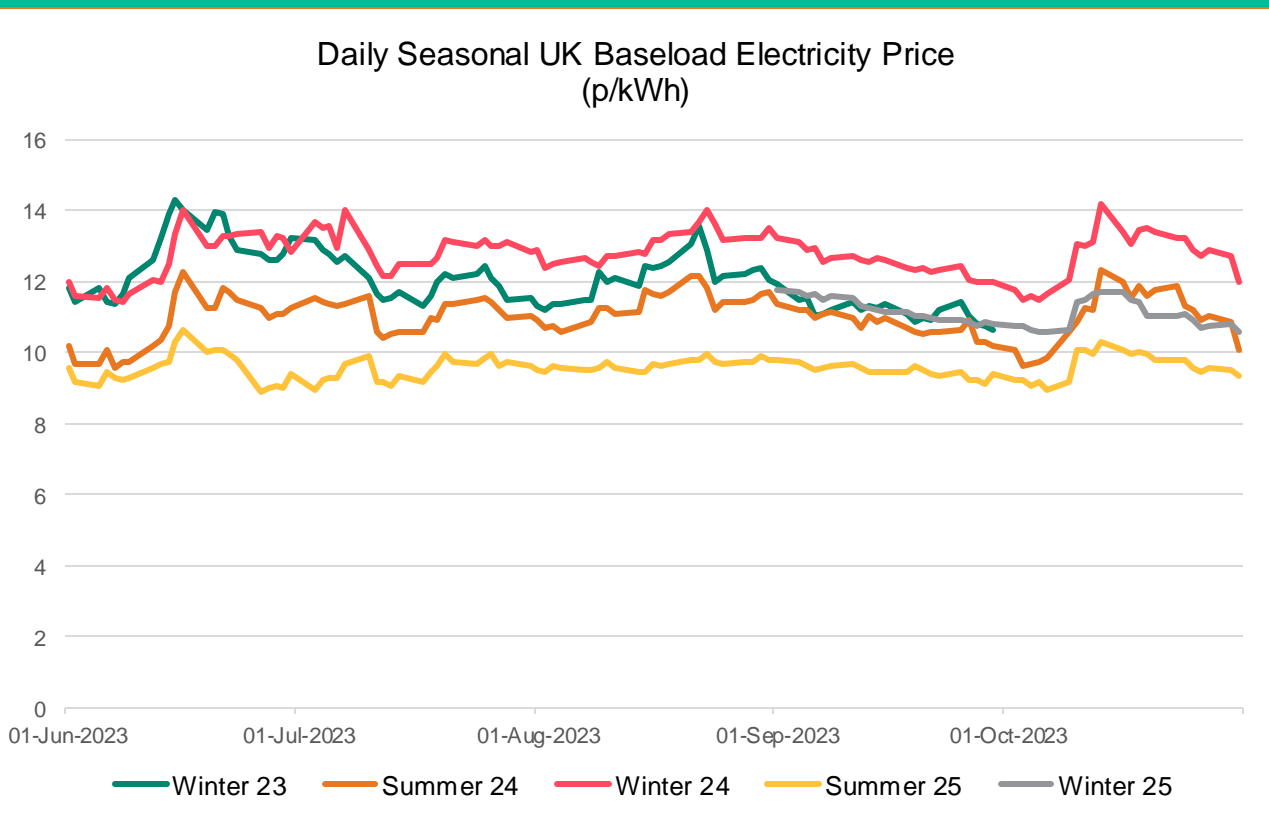
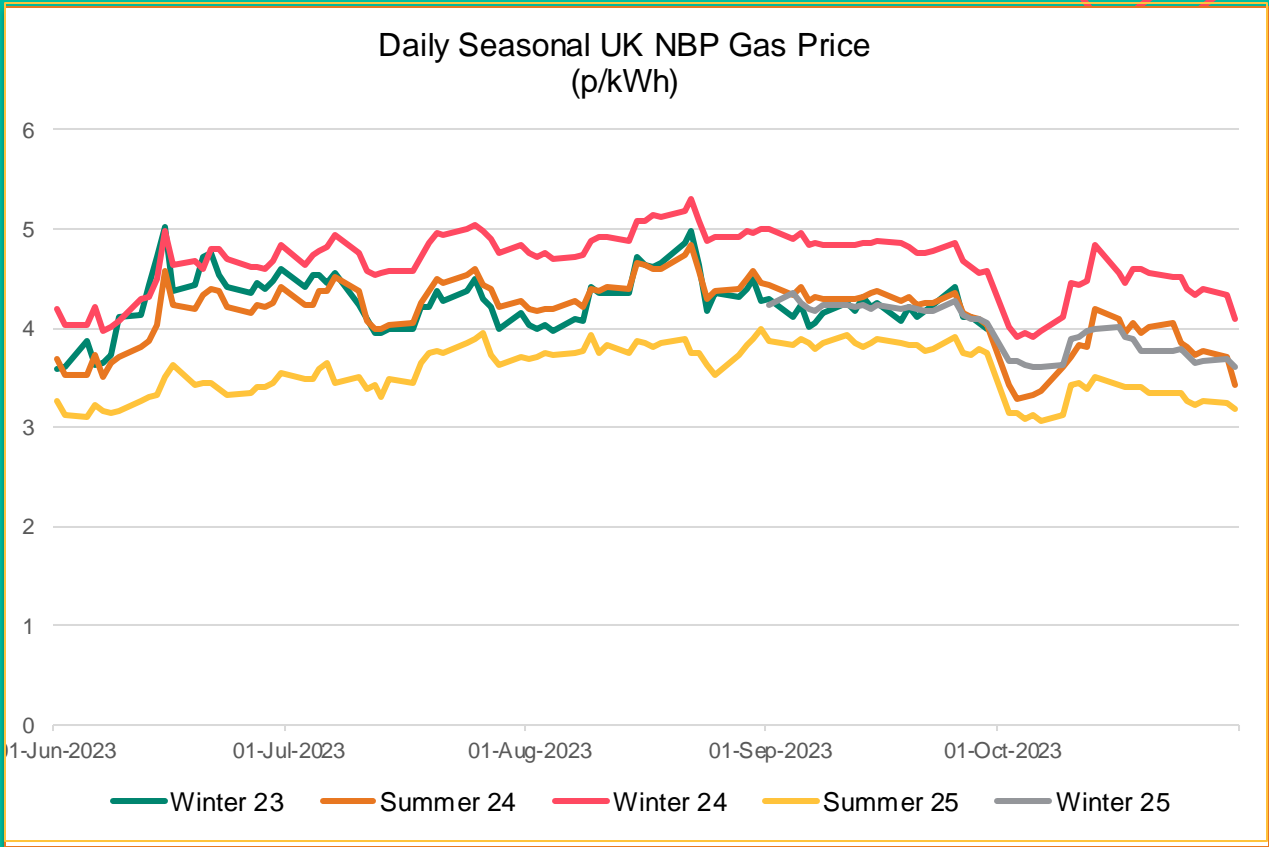
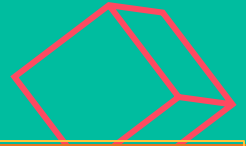
In other news

Wind power now has the largest capacity of any power generation type in the UK. The wind fleet has reached 29 GW of installed capacity, recently overtaking combined cycle gas power stations. The capacity includes an almost 50/50 split of onshore and offshore farms.

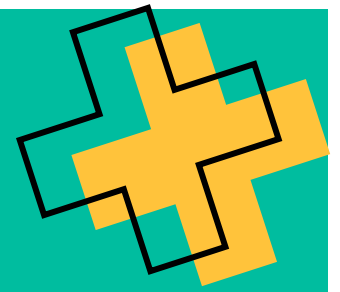
This makes Britain only the 5th country in the world to have built more wind farms than any other type of power station.

There is a vast 98 GW of capacity in the pipeline, the second largest in the world (only behind China).

Seasonal Prices



Price Table



Throughout the month prices for some contracts increased by as much as 50% before retracing most of the gains by the end of the month. Front Month prices ended October showing the largest increase, but this is partly a reflection of edging further into the Winter '23 season.

Month End Prices				
	Fuel	Oct-23 (p/kWh)	Sep-23 (p/kWh)	Month-on-Month Difference
Spot Prices	Gas (NBP)	3.48	3.23	8%
	Power (UK Baseload)	7.65	8.82	-13%
Front Month	Gas (NBP)	3.77	3.29	27%
	Power (UK Baseload)	10.72	8.70	23%
Front Season	Gas (NBP)	4.15	3.98	4%
	Power (UK Baseload)	10.07	10.62	-5%
Annual Price (Oct-23)	Gas (NBP)	4.60	4.00	15%
	Power (UK Baseload)	11.13	10.43	7%
Historical Comparison	2019 Average Front Season Price (p/kWh)		% Increase to Oct-23	
	Gas (NBP)	1.64	154%	
	Power (UK Baseload)	5.10	97%	



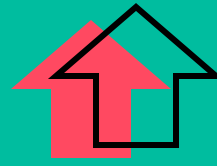
Outlook

The positive fundamental outlook continues to take a backseat to geopolitical drivers. Where the market goes in the short term is going to be hugely dependent on how things unfold in the Middle East. Throughout the winter season risks are skewed towards upside with volatility likely to stick around.



Bearish signals

- Any sort of de-escalation of the conflict.
- NWE gas storage over 99% full.
- Increased LNG arrivals scheduled.
- Weather forecast have adjusted milder for short/medium term.
- Demand destruction in industrial sector is set to continue.



Bullish signals

- Any sort of escalation of the conflict.
- Risk of cold winter weather becomes a factor.
- Growth in Asian LNG demand.
- Unplanned outages or disruption to supply infrastructure.
- Global demand bounce back.



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