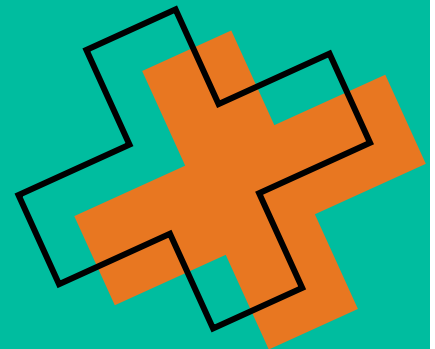




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ENERGY

Energy Market Review

November 2023



1st December 2023

Market Context

The market settled back into the overall bearish trend we have witnessed throughout much of 2023 despite the cold snap experienced at the end of the month. The below average temperatures were met with ample supply providing confidence to the market keeping downward pressure on prices.

- A slowdown in volatility as geopolitical risk receded slightly with fears of contagion in the Middle East not materialising yet and a momentary ceasefire provided hope for longer lasting suspension to the conflict.
- A seizure of a cargo ship in the southern Red Sea by Yemen's Houthi rebels amid the ongoing Israel-Hamas war failed to stoke fresh concerns over an escalation of the conflict to other parts of the Middle East. The vessel was not an LNG ship but demonstrated a potential risk to gas and oil supplies being transported through the Suez Canal.
- The Tamar gas field offshore Israel returned to operation after being shut-down after the October 7th attacks.
- Strong LNG arrivals and flows across the month.
- Colder weather led to an increase in demand which was met by growth in supply capacity and therefore created no cause for alarm.
- After Northwest Europe storage reached levels never previously observed, withdrawals began due to the cold weather, but levels remain much higher than the same time of year for the last 5 years.

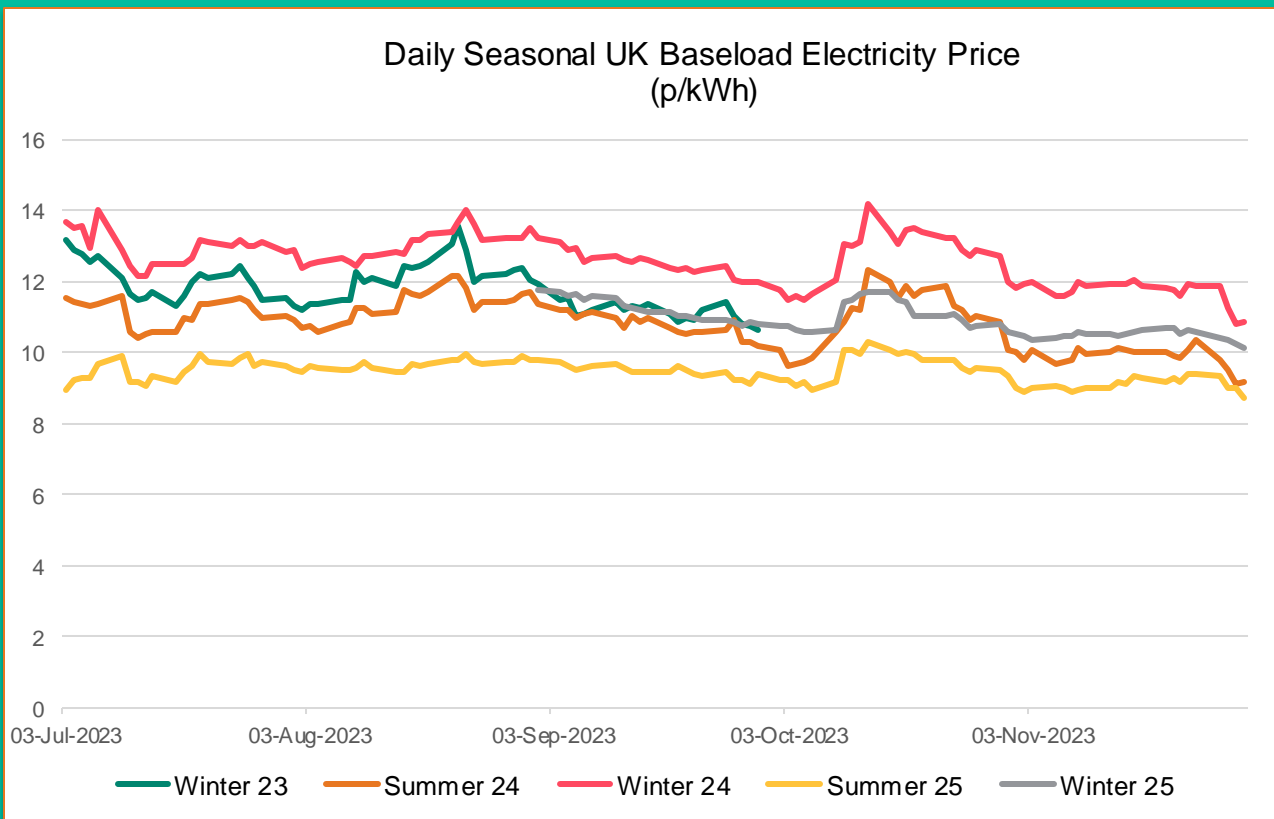
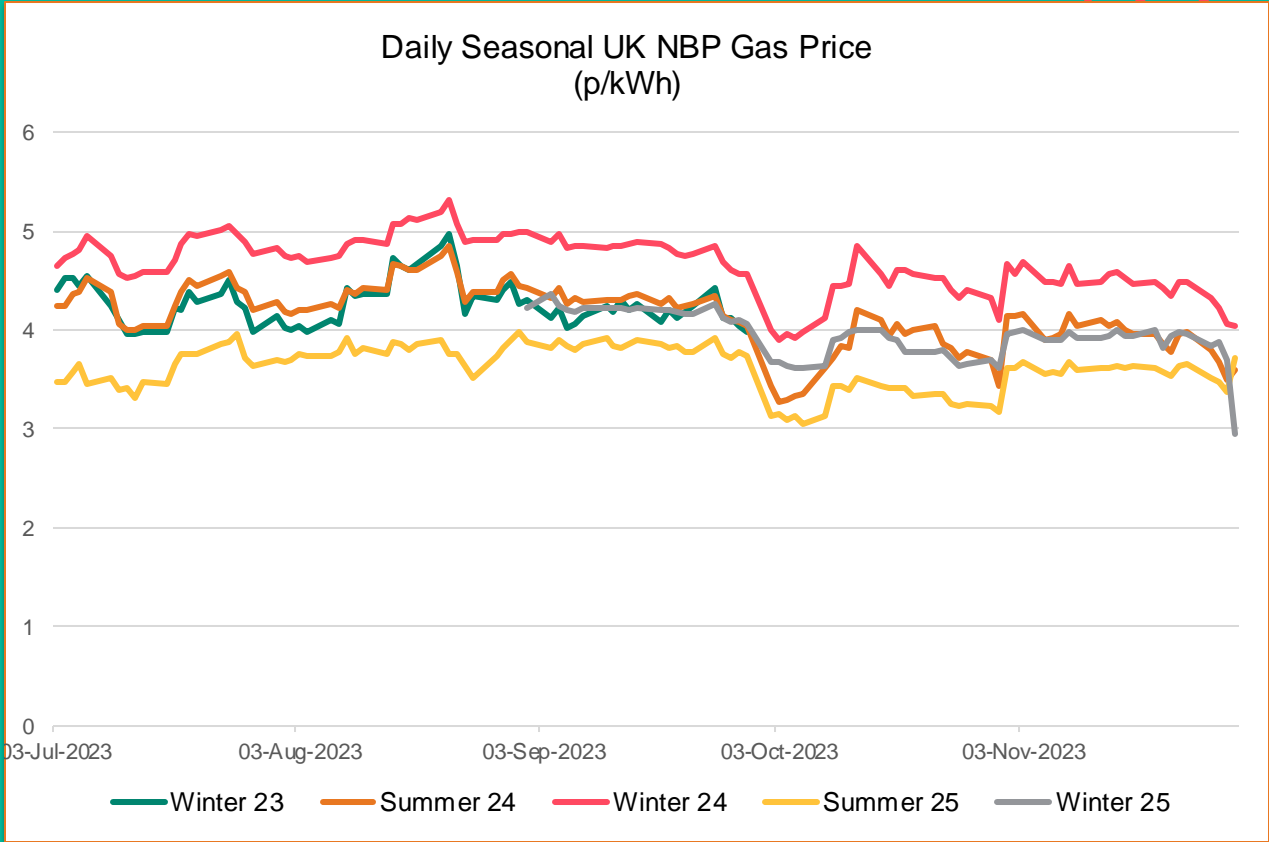
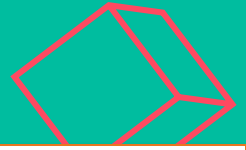
In other news

At the end of November Ofgem announced the latest domestic price cap figures which will come into effect from January 1st.

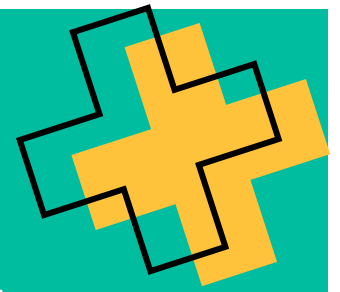
The new prices result in a rise in domestic energy bills of roughly 5% with households due to be paying more for energy than ever before.

The price cap was higher last winter, but Government support kept bills lower than the expected January '24 levels.

Seasonal Prices



Price Table



October saw a return to the general bearish trend that has been evident throughout 2023 for all future contracts. Spot prices demonstrated an increase as cold weather took hold at the end of the month.

Month End Prices				
	Fuel	Nov-23 (p/kWh)	Oct-23 (p/kWh)	Month-on-Month Difference
Spot Prices	Gas (NBP)	3.64	3.48	5%
	Power (UK Baseload)	14.18	7.65	85%
Front Month	Gas (NBP)	3.53	3.77	-3%
	Power (UK Baseload)	9.09	10.72	-15%
Front Season	Gas (NBP)	3.60	4.15	-13%
	Power (UK Baseload)	9.15	10.07	-9%
Annual Price (Oct-23)	Gas (NBP)	3.90	4.60	-15%
	Power (UK Baseload)	10.10	11.13	-9%
Historical Comparison	2019 Average Front Season Price (p/kWh)		% Increase to Nov-23	
	Gas (NBP)	1.64	120%	
	Power (UK Baseload)	5.10	79%	



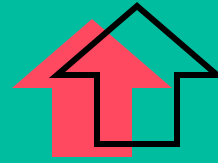
Outlook

With the market now seemingly more comfortable with the geopolitical situation, direction will likely be driven more by fundamentals. So far the system has demonstrated its ability to meet the rising winter demand. If flows remain strong and storage high (for the time of year) the downward momentum will likely continue. However, weather forecasts for January will start to play a role in setting price direction.



Bearish signals

- Any sort of de-escalation of the conflict.
- NWE gas storage forecast to remain at record high for the time of year by the end of December.
- French nuclear capacity up.
- Demand destruction in industrial sector is set to continue amid weak macro economic environment.



Bullish signals

- Any sort of escalation of the conflict.
- Ramp up in heating demand due to cold weather.
- Weather forecasts revised lower.
- Unplanned outages or disruption to supply infrastructure.



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