Midsummer Market Webinar

July 2025

UK wholesale energy price drivers

- Gas storage and the updated EU mandate
- Middle East conflict
- Trump tariffs
- Global LNG balance and Chinese demand
- French Nuclear fleet concerns
- NESO early winter outlook

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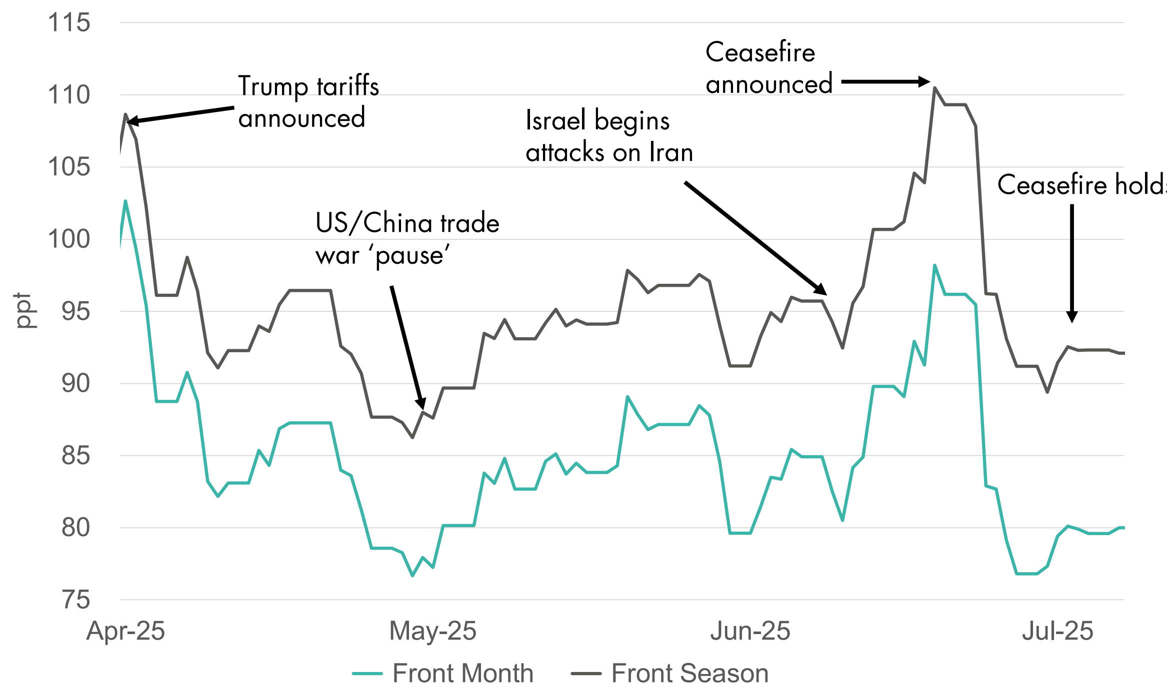
UK Gas Prices

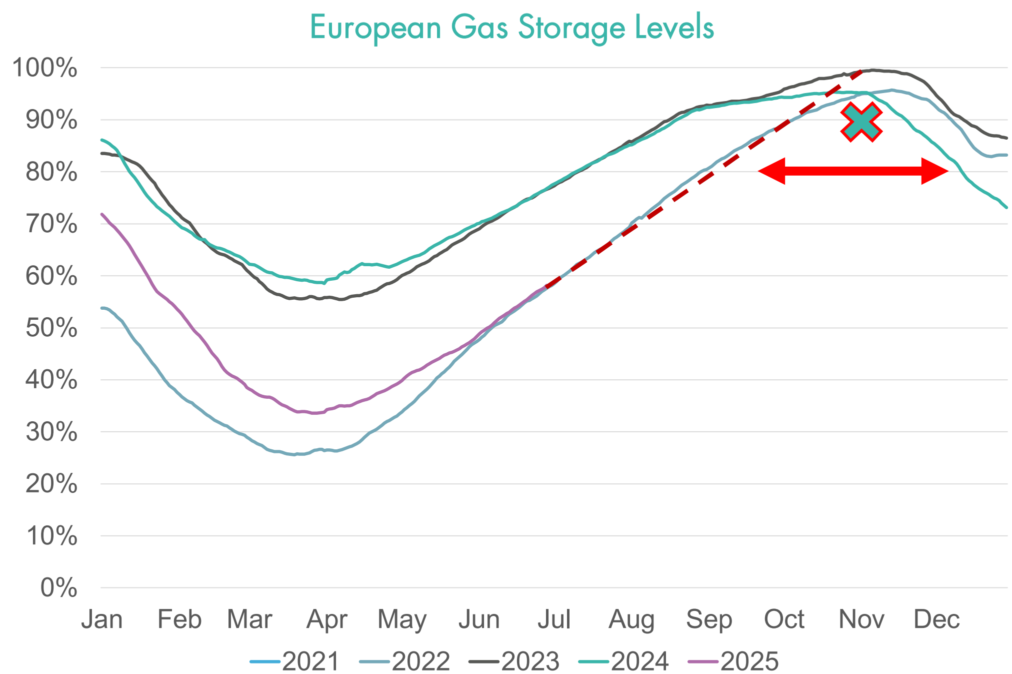
- Trump tariffs cause markets to fall on expectations of global gas demand reduction.
- US/China pause trade war, and markets rise on recovering Chinese industrial demand.
- Israel-Iran conflict causes markets to price in risk, due to concerns over the Strait of Hormuz.
- US involvement and subsequent ceasefire brings prices down to pre-conflict levels.

Front Month and Season Gas Price - UK



EU Storage Mandate

- Storage mandate extended until end of 2027, amended from 90% on 1st Nov to 90% between 1st Oct and 1st Dec.
- Clause implemented to allow storage to reach 80% in ‘adverse’ market conditions.
- Makes the mandate a de-facto 80% storage target.
- Forecast to be close to 100% storage by 1st Nov.



Pricing signals remain intact

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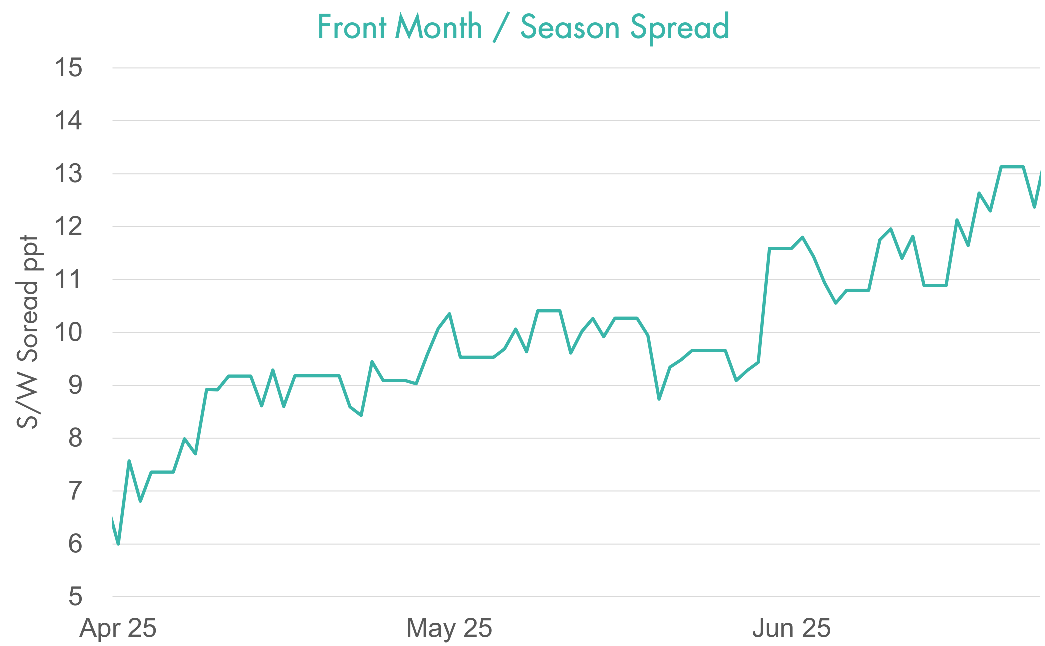
- Incentive to inject into storage remains, spread between remainder of summer and winter remains strong.
- As a result, gas storage injections remain strong and forecast to achieve storage mandates ahead of time.
- Comfortable storage over W25 will erode supply risk down the curve.

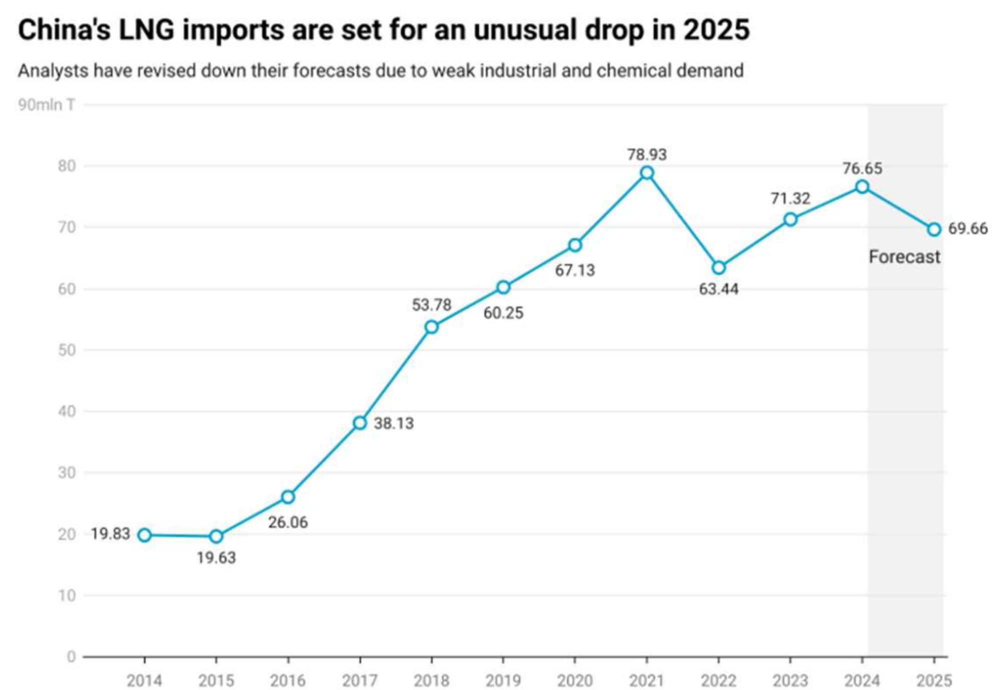


US, Israel and Iran volatility

- Prices jumped in response to US attacks, due to fears over Iran retaliation in the Strait of Hormuz.
- 20% of global LNG transits the Strait.
- However, market reaction was muted compared to expectations.
- Markets gapped down on ceasefire news.

US Tariffs and Chinese Demand

- Tariffs cut between US and China from 145%/125% to 30%/10%.
- Chinese industrial demand slowed then picked up following the tariff changes.
- Despite this, Chinese LNG imports are down, reflecting mild winter, alternative pipeline supplies and increased renewable deployment to compensate.
- LNG imports down to lowest levels since 2022, contrary to expectations of demand growth.

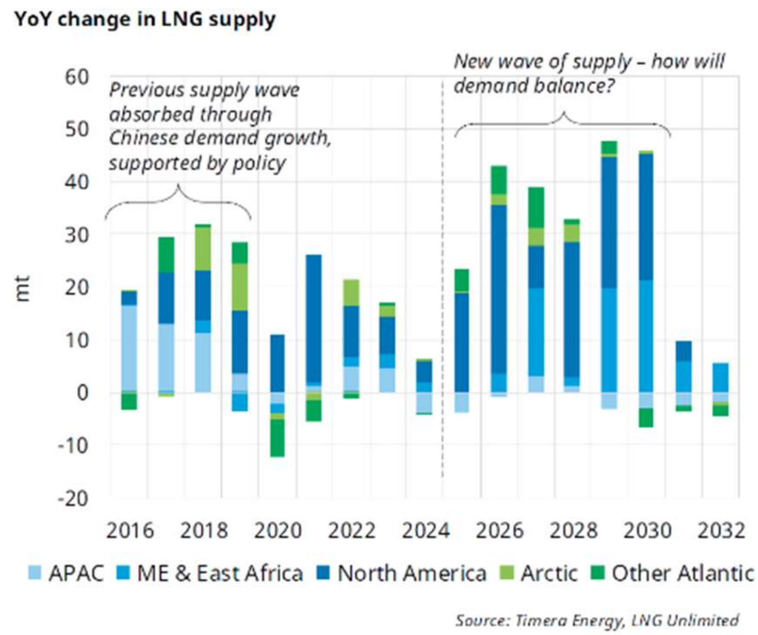


The 2025 forecast figure is the average of five research firms' forecasts. Their respective projections are: Kpler – 72 million tons, Rystad – 69.7 million tons, ICIS – 69 million tons, Rabobank – 68 million tons, and Energy Aspects – 69.6 million tons.

The chart shows China's LNG imports from 2014–2024 and forecasts for 2025. Imports peaked in 2021 at 78.93M tons, triple 2014 levels, but fell 19.6% in 2022. Research firms forecast a 6–11% drop in 2025 due to weak industrial and chemical sector demand.

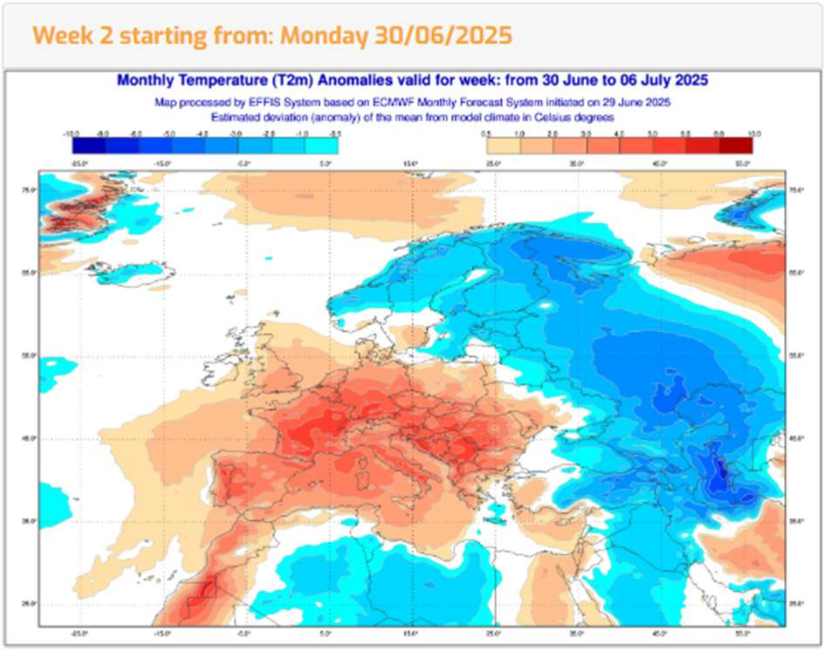
Global LNG balance

- Large volume of LNG supply coming online over the next 5 years
- Last supply glut at end of 2010s was met with increased demand, predominantly from China.
- With weaker Chinese demand, will global demand increase to meet supply, or will we face a glut?
- Slow global economy unlikely to stimulate an increase in demand, so excess supply putting bearish pressure on prices.



French Nuclear Fleet concerns

- Two welds have confirmed corrosion in the Civaux 2 power station.
- EDF maintain that output will not be affected across the fleet as a result of this.
- Bugey 2 reactor in SE France slashed output to 25%, with two other reactors reducing output due to 40C heatwave.
- Central Europe heatwave forecast to continue through the summer, so more reactors could follow.

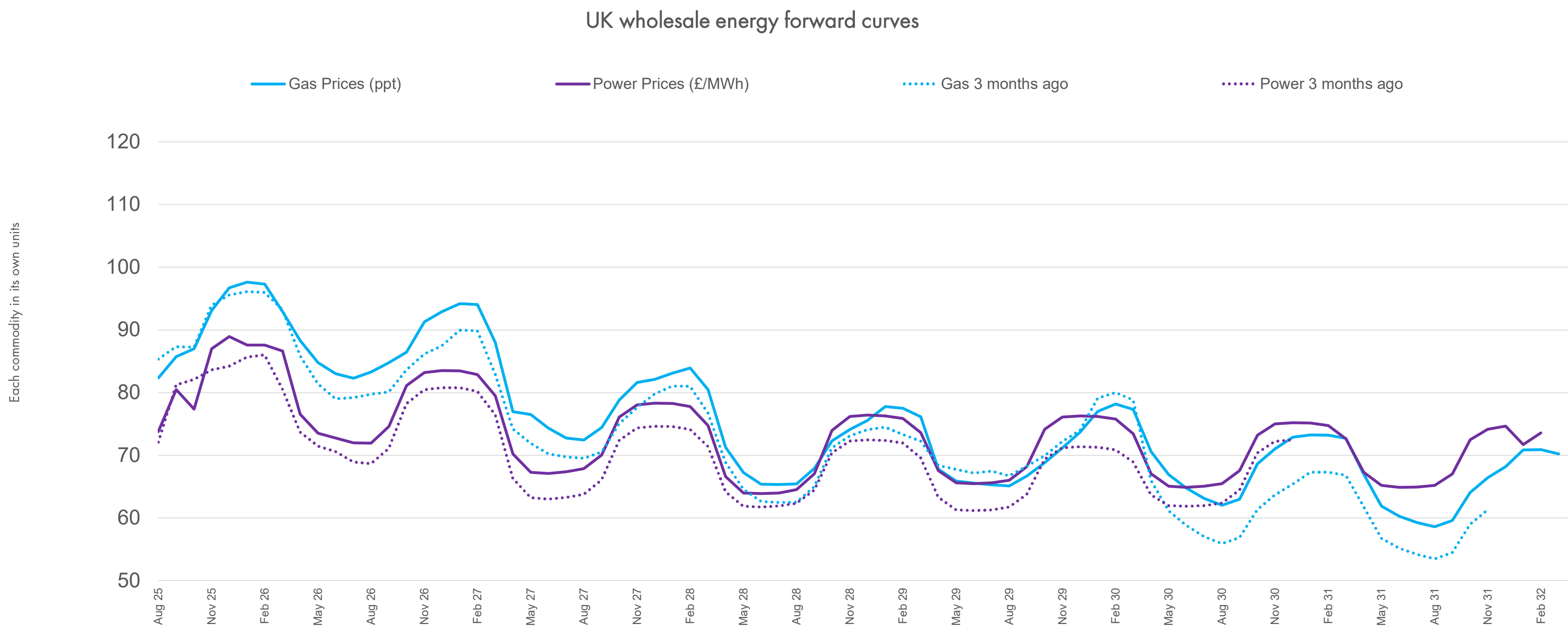


NESO – Early Winter Outlook

- De-rated margin (additional generation the grid can call on above seasonal normal demand), is 1GW higher than last year.
- National demand over winter typically around 60GW
- Demonstrates the increased battery deployment onto the grid, despite coal now fully phased out of fuel mix.

Winter	De-Rated Margin (Early View)	De-Rated Margin (Winter Outlook)
2019/20		7.8 GW (12.9%)
2020/21		4.8 GW (8.3%)
2021/22	4.3 GW (7.3%)	3.9 GW (6.6%)
2022/23	4.0 GW (6.7%)	3.7 GW (6.3%)
2023/24	4.8 GW (8.0%)	4.4 GW (7.4%)
2024/25	5.6 GW (9.4%)	5.2 GW (8.8%)
2025/26	6.6 GW (10.9%)	

UK wholesale energy prices



Source: ICE