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Market Update

15th July 2021

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Market Summary

The Bulls

Low European gas storage

Russian gas flow

LNG supply

Nord Stream maintenance



The Bears

Low gas demand

Norway supply

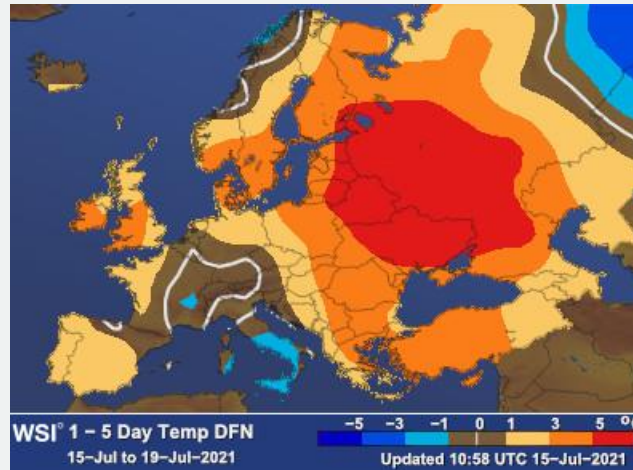


Weekly Roundup – extreme volatility as LNG supply remains thin

- Volatile start to July sees front month daily price moves from -10p/th to +8p/th
- Winter-21 retreats from near 100p/th highs as supplies from Norway ramp up
- Just two Qatari LNG imports due in the UK this month
- Nord Stream maintenance cuts Russian flows to Europe by 156mcm
- Nord Stream 2 CEO says construction could be complete by the end of August

Keep an eye out for over the coming weeks

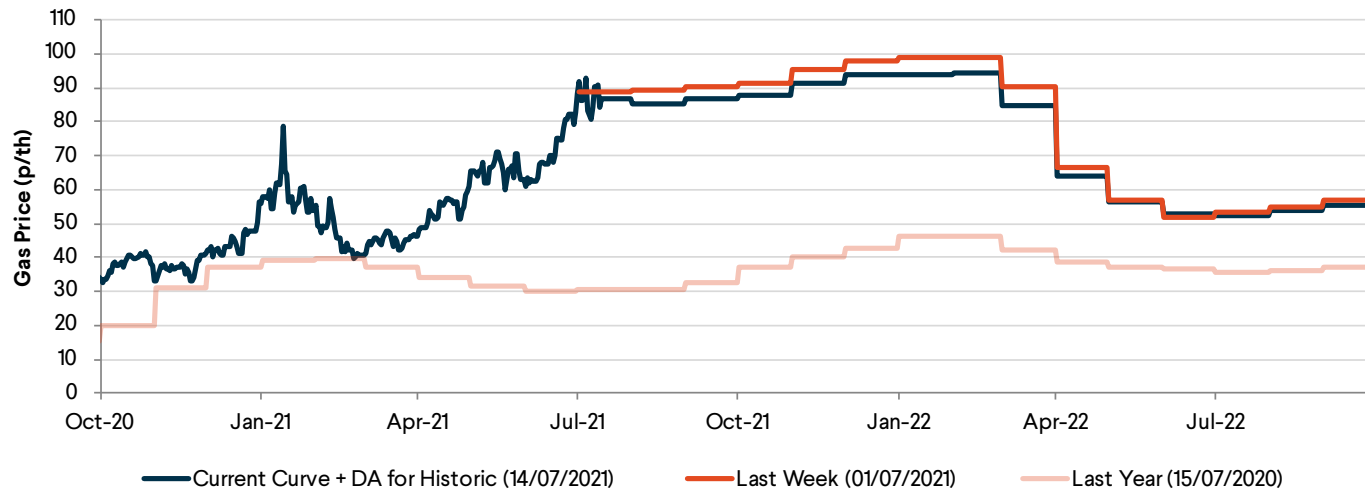
- Further updates on Nord Stream 2 construction and testing
- Nord Stream maintenance until 25th July and impact on storage injections
- Rate of injections into European and UK gas storage
- European LNG supply as the Asian gas market strength falters



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NBP Gas – Market Movements

Forward Curve Comparison- Current vs. Last Week / Last Year



Prompt prices retreat as Norway flows ramp up:

Day ahead currently at 84.5 p/th
-7.8 p/th since last update (-8.5%)

Curve falls after extreme volatility sees Winter-21 trading close to 100p/th:

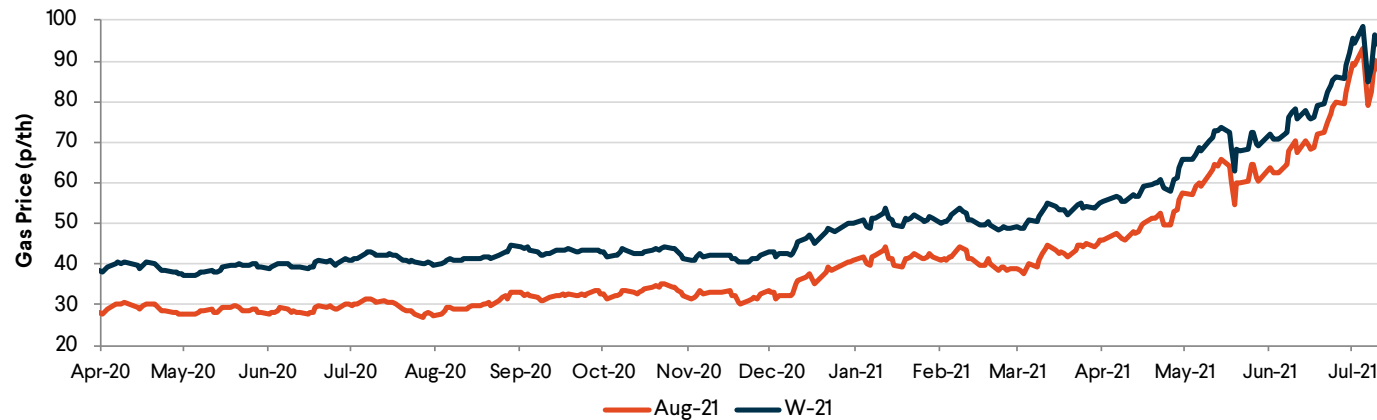
Aug currently at 84.5 p/th
-6.8 p/th since last update (-7.4%)

Winter-21 currently at 89.7 p/th
-6.9 p/th over past fortnight (-7.1%)

Summer-22 currently at 55.1 p/th
-0.7 p/th over past fortnight (-1.3%)

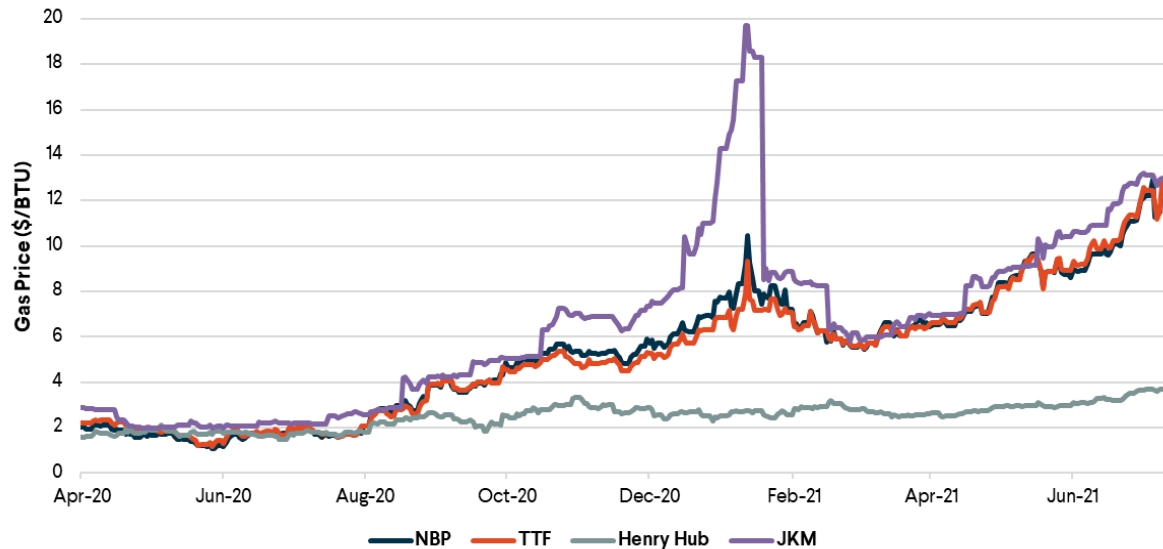
***please note that these price changes are versus the previous market update sent on 2nd July**

Aug-21 / Winter-21 Price Evolution Apr-20 to Date

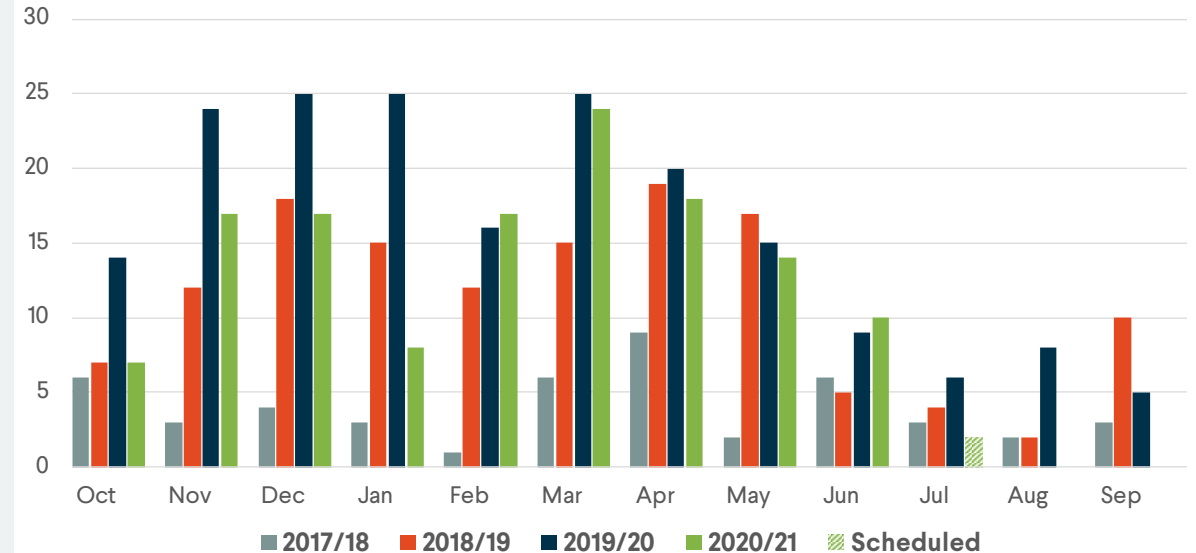


LNG Market

NBP vs. TTF vs. JKM Front month



UK LNG - Number of Import Shipments

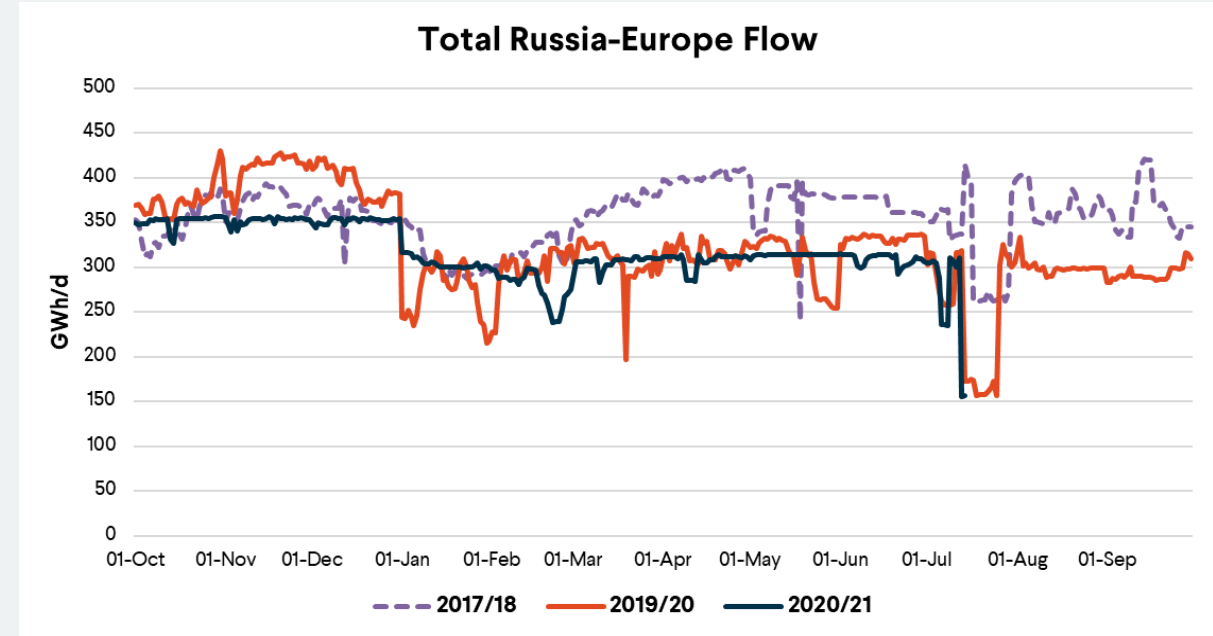
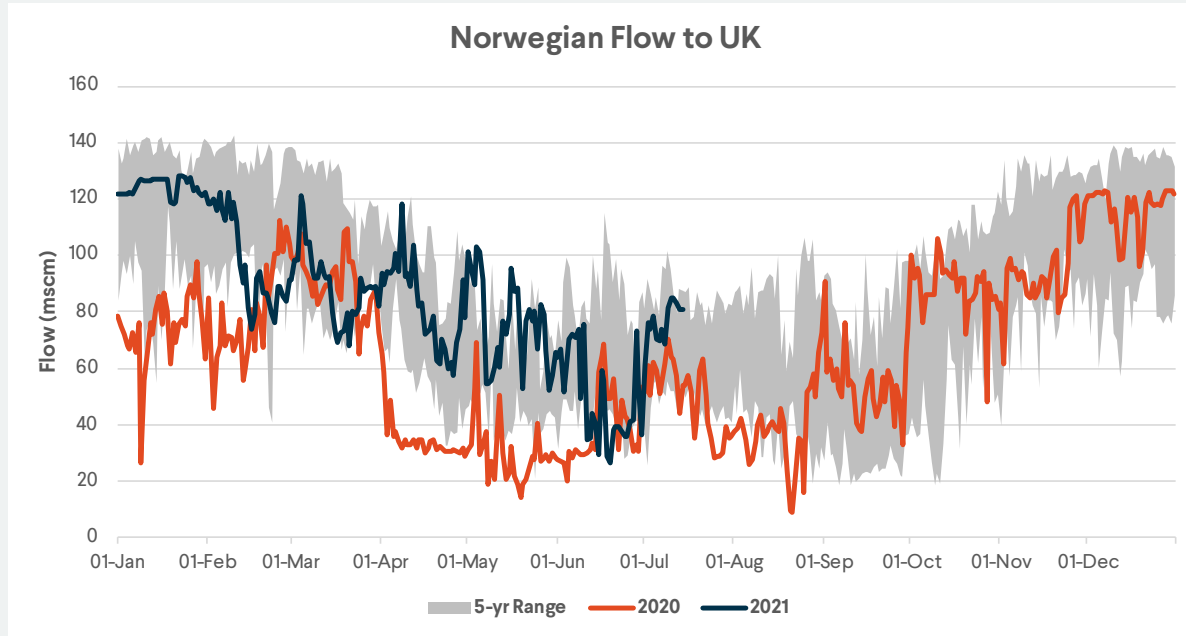


LNG supply remains thin as Asian market momentum stalls

- Having received 10 shipments in June, the UK is currently expected to receive just two in July
- Both shipments due in the UK are the larger Qatari Q-Max tankers each carrying 266k cubic meters of LNG
- JKM market strength appears to have stalled at around \$13/MMBtu – around a 5% premium vs. European front month prices

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Norway and Russia Supply

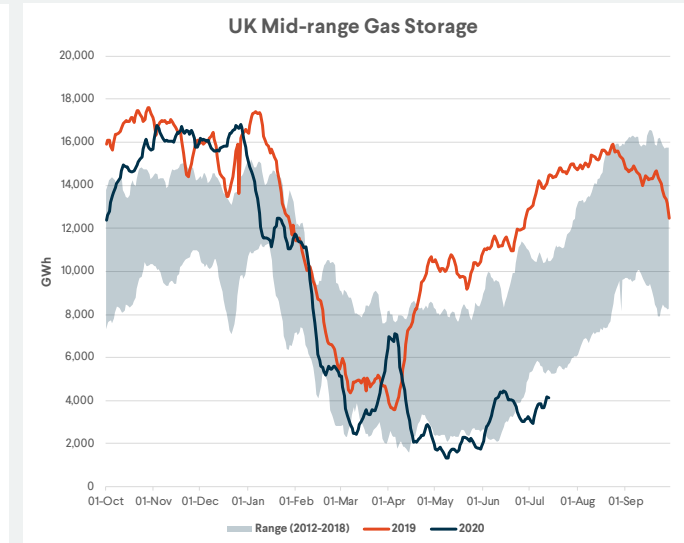
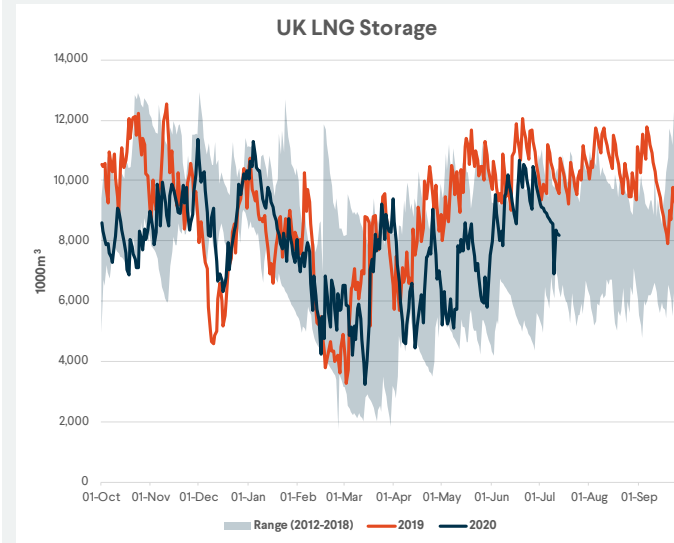
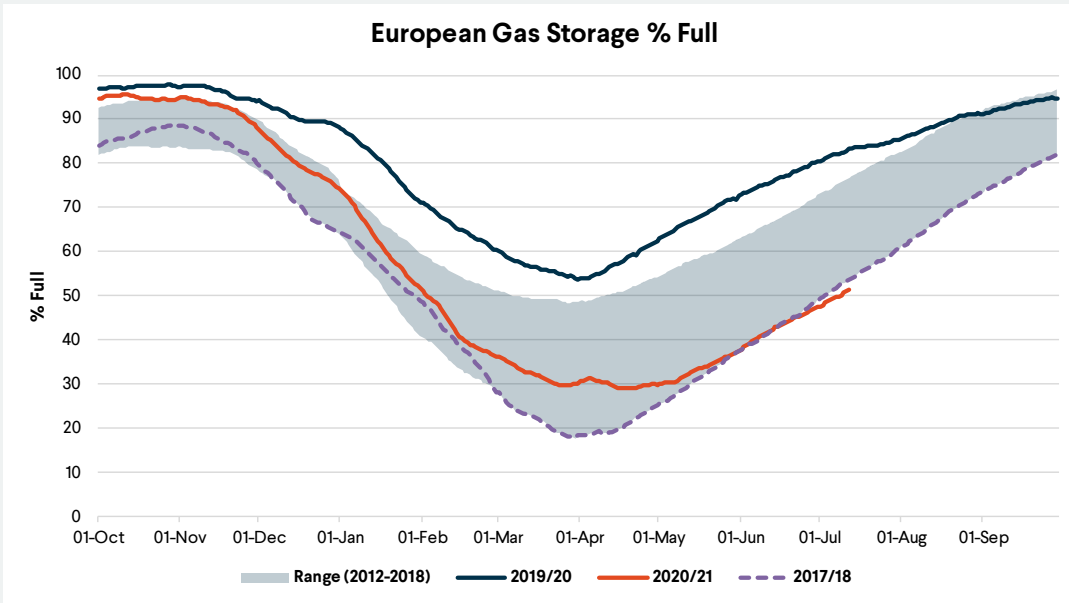


Norway flows ramp up as Nord Stream maintenance begins

- UK imports from Norway average 80mcm in the second week of July – a 63% increase vs. the June average of 49mcm
- Norway flows to mainland Europe have also increased significantly with a relatively few maintenance outages planned for July
 - Russian flows to Europe have dropped around 50% with Nord Stream offline for maintenance from 13th-25th July
- Nord Stream 2 announces they expect construction to be completed by the end of August with a further 2-3 months for commissioning
 - Timescales and magnitude of first NS2 flows still uncertain due to sanctions and current transit/supply arrangements

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Storage Update

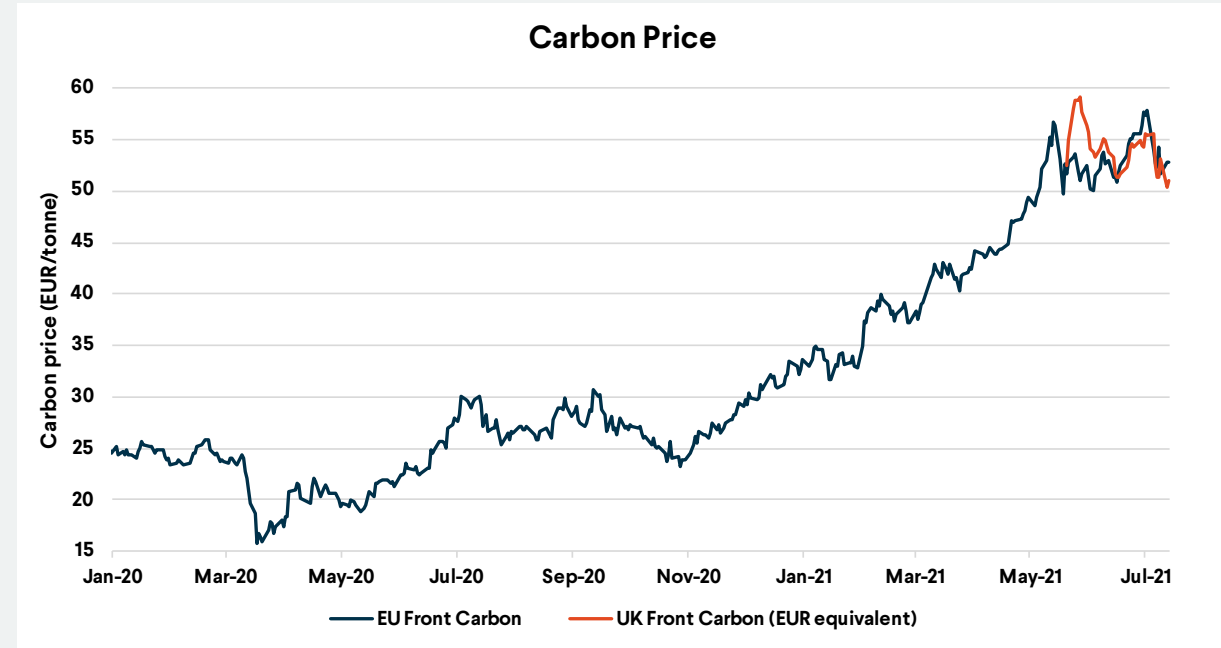
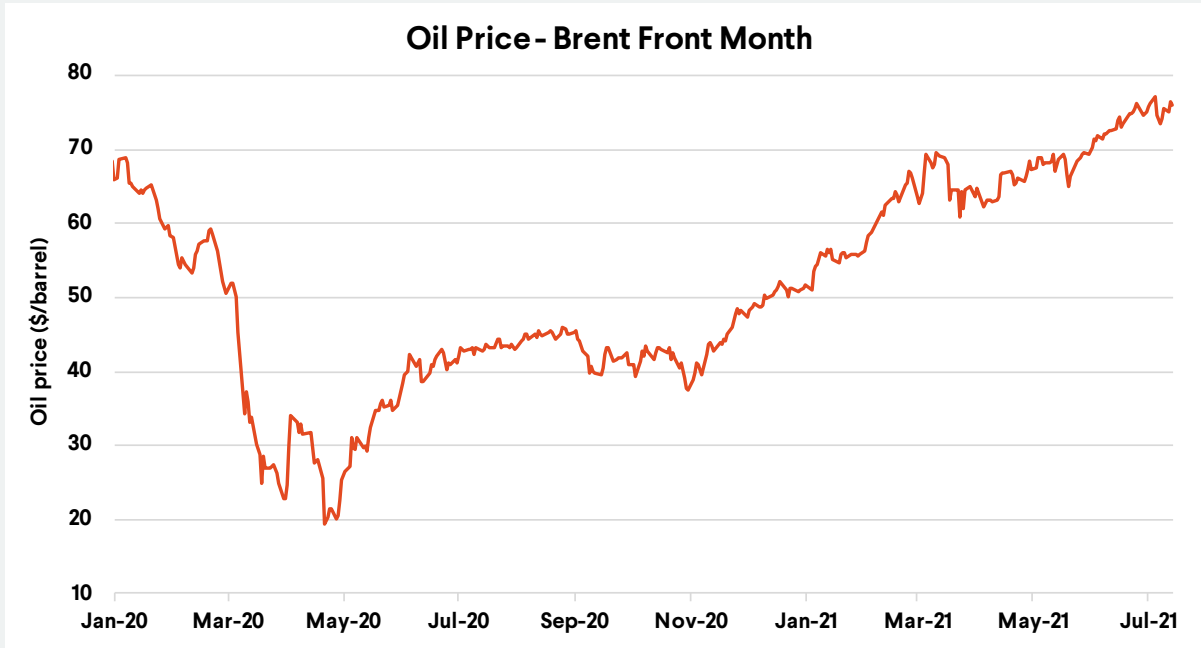


Storage levels improving but behind levels seen in previous years

- European storage facilities now 51.5% full vs. 84% full this time last year
- Nord Stream maintenance could impact injections over the coming days but this should be partially offset by improved Norway flows
 - UK LNG stocks are gradually declining with only minimal “boil-off” sendout to the grid
 - Mid range inventories are improving but remain comfortably below the levels seen in recent years

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Oil and Carbon



OPEC+ reach compromise after standoff between Saudi Arabia and the UAE

- Talks earlier this month collapsed after the two parties couldn't agree new production targets for the UAE
- OPEC+ had targeted additional production of 400k bpd each month until the year-end as demand continues to recover
- UAE refused to back the deal until their own output baseline figure was raised - now been agreed to increase from 3.17 to 3.65m bpd
 - The agreement saw Brent retreat around 3% to \$73.6 at present
- Carbon prices have largely tracked gas over recent days – EUA currently at 53 EUR/tonne

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