

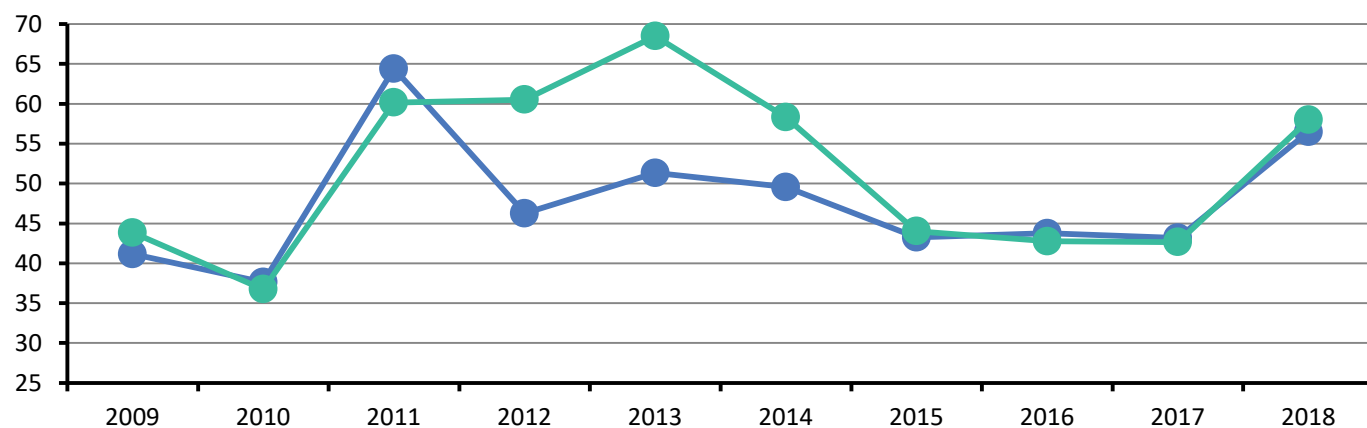
month on month marketview

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Review of
July
2018

Net Cost of Electricity and Gas for a 1st October Contract renewal

Electricity £MWh Gas p/therm



Electricity: base load cost - excludes distribution, taxation and supplier margin and costs

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
41.15	37.63	64.4	46.92	52.29	49.17	43.02	43.03	43.26	56.76

Gas: core gas cost - excludes distribution, taxation and supplier margin and costs

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
43.84	36.75	60.17	61.40	68.63	56.38	43.48	41.73	42.65	58.10

▲ : Indicates that there was an upward pressure on prices. ▼ : Indicates that there was a downward pressure on prices.

July in summary

July was another bullish month with prices heavily influenced by maintenance and unplanned outages.

Market volatility

The start of maintenance season, exports and strong gas-for-power demand.

Weather

The first half of July was dominated by high pressure and the first week in particular was very warm or hot, dry and sunny over a large majority of the country. The second week was similar but not generally as hot or sunny. The weather was a little less settled in the second half of the month, particularly in the north and west, but rainfall amounts remained small in many parts of the country until the last few days. The hottest spell of the month was between the 23rd and 26th, followed by a thundery breakdown. The last few days were more changeable with rain at times and this ensured that while the month was dry overall, it was not exceptionally so.

Gas, Storage and LNG News

NBP prompt market was driven upwards by above seasonal normal system demand as a result of strong IUK interconnector exports and strong gas-for-power demand. IUK exports were high during the IUK interconnectors first full week since its return from annual maintenance. The settled conditions in the UK also hampered wind generation pushing up demand for gas from the power sector.

The start of maintenance on the Nord Stream pipeline resulted in a rise in export nominations across the IUK interconnector. System demand was further bolstered by strong gas-for-power demand amid warm temperatures and weak wind generation.

Movement at the end of the month was bullish as industrial strike action at a number of North Sea oil and gas platforms inhibited UKCS production. The system was further strained as an unplanned outage at the Gulfaks field cut Norwegian flows into the NBP.

Politics and global economics

US imposed \$34 million worth of tariffs on imports from China, starting what looks to be a trade war between two of the largest economies in the world. China immediately retaliated to the tariffs by placing their own import tariffs on US goods, with the Chinese state news agency Xinhua reporting that the rate of 25% on US good would match the US rate placed on Chinese imports.

Oil ▲

Brent Crude rallied on as the US Dollar fell to a four-day low against a basket of currencies, making the green-back denominated commodity more attractive to buyers dealing in other currencies. The US Dollar's weakness came as Donald Trump expressed concerns that he believed the Federal Reserve would hike rates twice throughout the year. Further support for the Crude oil market came in response to the recent news that Saudi Arabia expects its August oil exports to be around 100,000 bpd lower.

Coal ▲

The European coal benchmark gained value week-on-week. Stronger coal burn helped to lift the price of coal and the outlook remains bullish due to increasing consumption in France and Germany along with forecasts for poor German wind output.

Carbon ▲

Carbon prices rallied throughout the weeks to close above €17.00/tonne. Bullish buying interest and firmer power prices amid the ongoing heatwave provided the support.

Looking Ahead

With heavy UKCS maintenance from August 3-10, could see reduced production and if delays to restarts after UKCS production will make the markets very bullish. This was a key price driver in 2017. Also with Kollsnes / Troll maintenance in second half of August could impact is on Langed.

Disclaimer: The above information is based on current market data available at the time of producing this document and is subject to change. ECA cannot be held responsible for movement in the commodity market.

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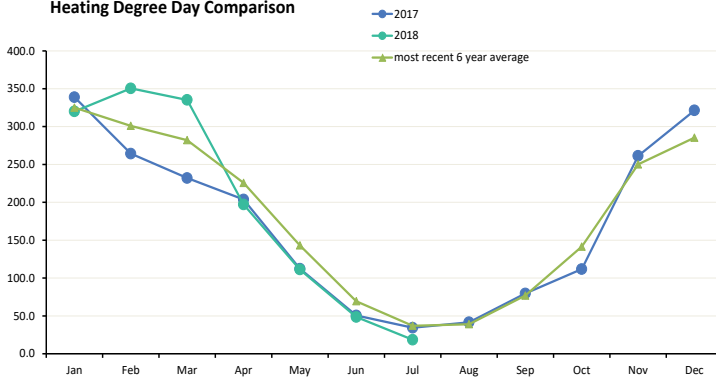
month on month weather review

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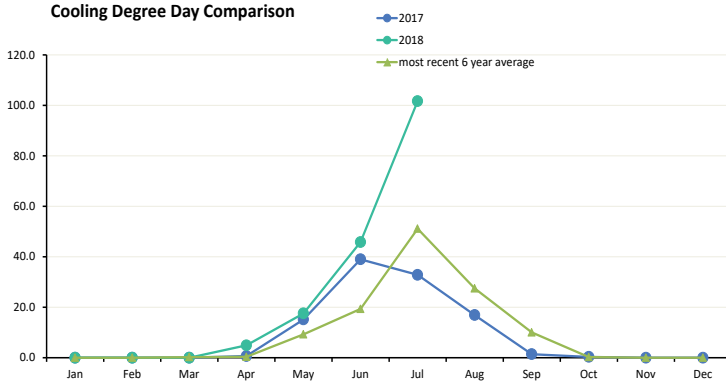
Review of July 2018

Degree days are a representation of the length of time and severity with which the outside temperature either drops below (heating days) or goes above (cooling days) 15.5°C, and therefore it is assumed that heating or cooling is required.

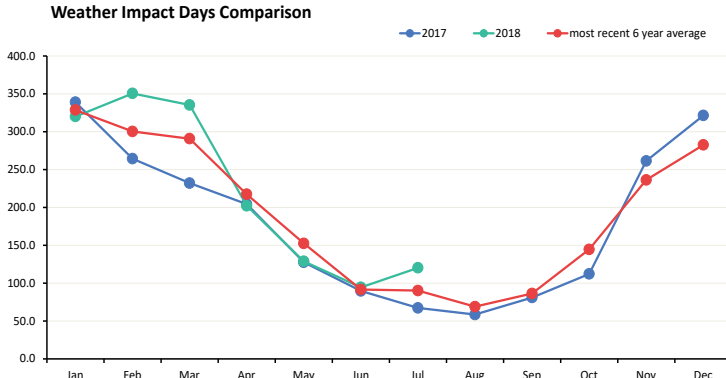
Heating Degree Day Comparison



Cooling Degree Day Comparison



Weather Impact Days Comparison



Heating 2017/18: Summary

2018 Summary v 6 Year Average

(* Positive numbers = warmer, negative = colder than 6 year average)

2018	June	July	Year total
DD	20.8	18.5	2
%	30%	50%	0.1%

2018 v 2017 Summary

(* Positive numbers = warmer, negative = colder than 2016)

2018	June	July	Year total
DD	2	15.9	-144.9
%	4%	46.2%	-7.1%

Cooling 2017/18: Summary

2018 Summary v 6 Year Average

(* Positive numbers = warmer, negative = colder than 6 year average)

2018	June	July	Year total
DD	26.5	50.5	89.9
%	137.1%	98.9%	76.1%

2018 v 2017 Summary

(* Positive numbers = warmer, negative = colder than 2016)

2018	June	July	Year total
DD	6.8	68.8	82.3
%	17.5%	209.6	77.4%

Weather impact days 2017/18: Summary

2018 Summary v 6 Year Average

(* Positive numbers = warmer, negative = colder than 6 year average)

2018	June	July	Year total
DD	3	30	127.5
%	3.2%	33.3%	5.6%

2017 v 2016 Summary

(* Positive numbers = warmer, negative = colder than 2016)

2018	June	July	Year total
DD	4.8	52.9	224.7
%	5.4%	78.7%	10.4%

Met office UK summary

The first half of July was dominated by high pressure and the first week in particular was very warm or hot, dry and sunny over a large majority of the country. The second week was similar but not generally as hot or sunny. The weather was a little less settled in the second half of the month, particularly in the north and west, but rainfall amounts remained small in many parts of the country until the last few days. The hottest spell of the month was between the 23rd and 26th, followed by a thundery breakdown. The last few days were more changeable with rain at times and this ensured that while the month was dry overall, it was not exceptionally so.

Rainfall was 71% of average, and it was locally a very dry July, most especially in parts of Norfolk and Cambridgeshire, but most places were not exceptionally dry. Sunshine was 138% of average and it was provisionally the sixth sunniest July in a series since 1929, and sunniest relative to normal in England where it was provisionally the second sunniest July after 2006.

Utility impact summary

Mid June was the start of the heatwave we are currently experiencing and as such will have caused some businesses to significantly increase the use of air conditioning and fans to keep staff and customers cool. You may have seen an increase in your electricity bills because of this.

The most cost efficient way to cool a building is to make use of natural ventilation first such as opening doors and windows and turning on fans to move the air around. Air moving over the skin makes people feel cooler even if the room temperature is high. If that is not enough then air conditioning should be a secondary cooling measure.

This has also been a very sunny month fooling the trend from May and June, if you have large windows make the most of the natural light to keep costs down where possible.

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