

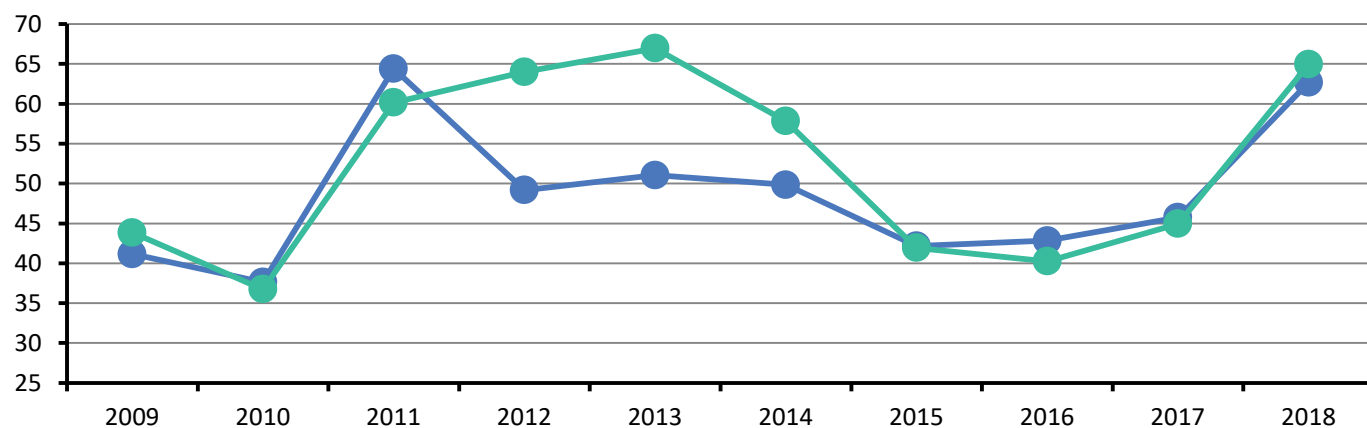
month on month marketview

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Review of August 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	49.65	52.1	50.8	42.54	41.7	45.46	63.96

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	63.67	67.71	58.3	44.02	38.26	44.95	65.84

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

August in summary

Low LNG send out, bullish oil prices along with a ramp up in coal and carbon prices all lead support to prices throughout August leading to prices ending higher at the end of the month.

Market volatility

Low LNG send out, bullish oil prices along with a ramp up in coal and carbon prices all offered bullishness to prices.

Weather

August 2018 was warmer than normal in temperatures with below average relative humidities and above average wind speed. The mean temperature of the month was 35.5°C which is 1.5°C above the long-term normal for August. Note that the highest mean monthly temperature ever recorded in Bahrain for August was 36.6°C which occurred on August 2017.

Gas, Storage and LNG News

Contracts throughout the gas wholesale market moved higher over the course of August. The lack of LNG cargoes heading for European terminals continued, which offered the prompt and near curve products support throughout the month. Strength from the Japan Korea Marker meant that it held a premium over key European gas hubs, removing the price incentive to send LNG spot cargoes to Europe. Settled conditions across Europe meant that wind generation was fairly muted throughout August, leading to a ramp up in gas-for power demand which also helped to support prompt products. Bullish movement from Crude oil and carbon also helped to price gains into later dated gas contracts. The Brent benchmark settled the month at \$77.42/bbl, around \$3/bbl higher than the previous months settlement. Concerns regarding global oil supply following the impending implementation of US sanctions on Iran provided the support despite these measures not taking effect until the beginning of November 2018.

Politics and global economics

August saw the GB Pound post week-on-week losses following a downward slide on 2nd August as the Bank of England increased interest rates to 0.75%. The

currency market paid attention to comments made by the Governor of the Bank of England, Mark Carney, that Brexit still posed economic risks which therefore provided the bearish pressure.

Oil ▲

Brent Crude gained value over the course of August with much of the strength being provided by news that the US would be reimplementing sanctions on Iran. Concerns arose regarding global oil supply following the start of sanctions on oil exports from OPEC's third largest producer at the beginning of November. Strength was mitigated by the ongoing US-China trade war which sparked concerns that global oil demand could drop alongside global economic growth.

Coal ▲

Coal prices rallied throughout August as temperatures in North East Asia were very high, lifting coal consumption in order to meet the ramp up in air conditioning demand. Warm weather across Europe also helped to lift coal consumption in Germany, which further fuelled the gains made by the commodity.

Carbon ▲

Increased confidence that the Market Stability Reserve (MSR) will reform the EU Emissions Trading System (EU ETS) has boosted allowance purchases and driven the price up to multi-year highs. Priced close to €5.00/tonne in May 2017, August saw the allowances close at €21.09/tonne. Belief that the EU ETS has seen a significant influx of speculative capital enter the market has also boosted prices.

Looking Ahead

It's a fairly mixed bag for September 18 in terms of drivers with most of them indicating prices should start to recover as we move into the month. Strong Norwegian exports, IUK exports to remain high along with cancellation of industrial action on UKCS all should provide bearish pressure to prices. Bullish drivers to watch out for include, Europe being exposed to a cold start to winter along with continuation of low LNG, especially in the UK.

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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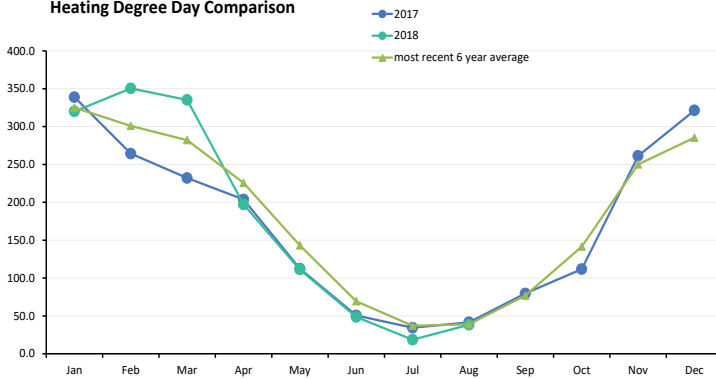
month on month weather review

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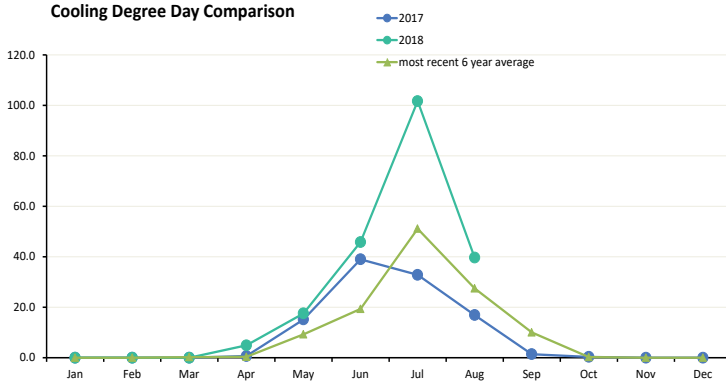
Review of August 2018

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.

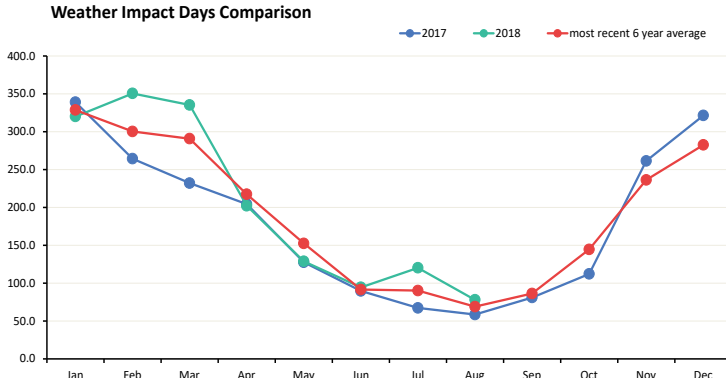
Heating Degree Day Comparison



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	July	Aug	Year total
DD	18.5	0.8	2.8
%	50%	2%	0.1%

2018 v 2017 Summary

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

2018	July	Aug	Year total
DD	15.9	3.3	-141.6
%	46.2%	7.9%	-6.9%

Cooling 2017/18: Summary

2018 Summary v 6 Year Average

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

2018	July	Aug	Year total
DD	50.5	12.2	102.1
%	98.9%	44.4%	86.5%

2018 v 2017 Summary

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

2018	July	Aug	Year total
DD	68.8	22.8	105.1
%	209.6	134.5%	98.8%

Weather impact days 2017/18: Summary

2018 Summary v 6 Year Average

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

2018	July	Aug	Year total
DD	30	9	136.5
%	33.3%	13%	6%

2017 v 2016 Summary

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

2018	July	Aug	Year total
DD	52.9	19.4	244.1
%	78.7%	33.2%	11.3%

Met office UK summary

The first week of August continued the warm and settled theme of the previous couple of months, especially in southern areas, but after that conditions were more unsettled and closer to the climatological average. There was cooler weather at times during the second half of the month, particularly in the north and west, and rainfall amounts were more significant. The hottest spell of the month was between the 2nd and 7th. The last few days were the most unsettled and the coolest part of the month.

The provisional UK mean temperature was 15.3 °C, rainfall was 95% of average and sunshine was 90% of average.

Utility impact summary

The beginning of August continued the heatwave however the second half of the month was closer to the average temperatures we are used to. This means that the overall impact of the weather on your consumption is likely to have caused slight increase vs last year and the 6 year average.

There have been some days below 15.5°C for some regions of the UK meaning the overall heating requirement was 7.9% higher than last year and possibly a slight increase in gas bills

Air conditioning has still been in use significantly more than last year with the heatwave persisting through the start of August. Expect your electricity bills to have increased with the weather impacting them 134.5% more than August last year.