Gas price forecasts for Winter 06/07

Winter Outlook Consultation 06/07
20th July 2006, Ferrybridge

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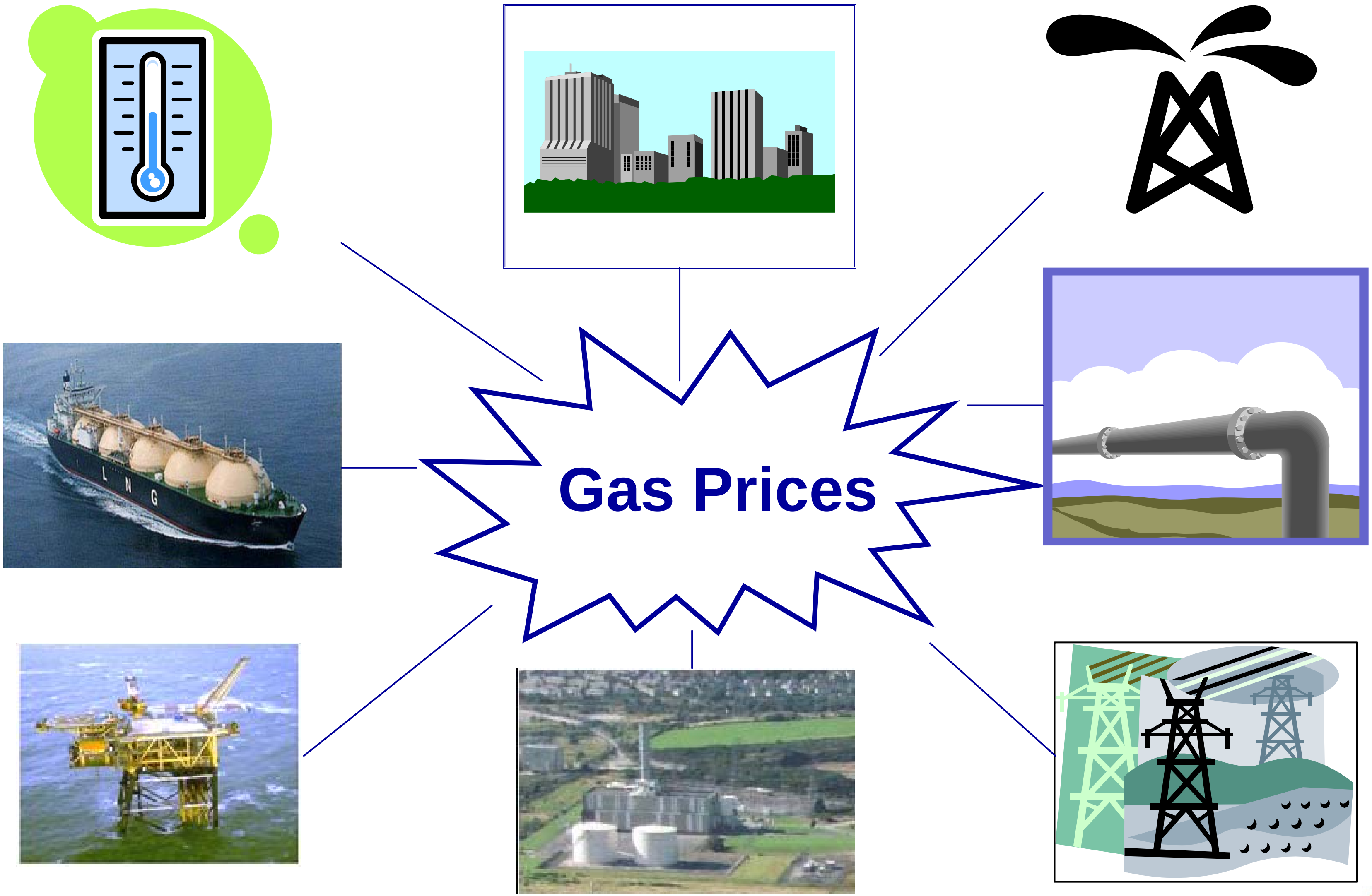
Centrica

UK gas price drivers



Winter 06/07 Gas Price Survey

- Exclusive survey of key industry parties
  - Gas Producers
  - Traders
  - Consultants
  - European Utilities
  - Regulators
  - System Operators
- Q. Forecast of average UK daily gas price during Winter (October-March) 06/07 ?
- Guide - last Winter out-turn (SAP) – **60.9p/th**
- Confidential

Views of three Consultants on the 2006/7 Winter

- "UK Expected to be well supplied"

  - 30 to 40 mcm/day additional gas expected through Langeled

  - 26 mcm/day expected through BBL

- "In 2006/7, for the first time in 10 years there appears to be a noticeable improvement in the winter supply/demand ratio"

  - Supply improvement of 22 mcm/day

- Range of expected gas prices for Q1 07

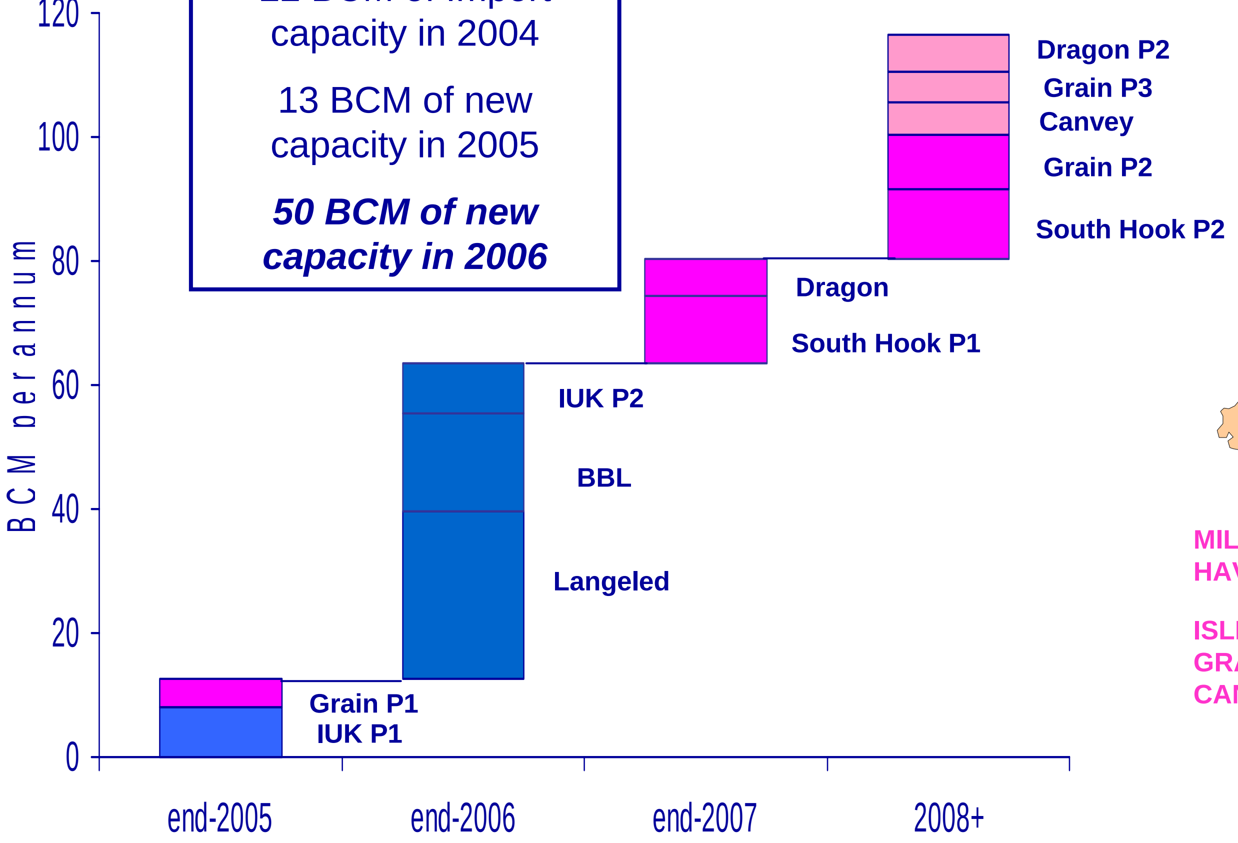
  48 p/th to 70 p/th

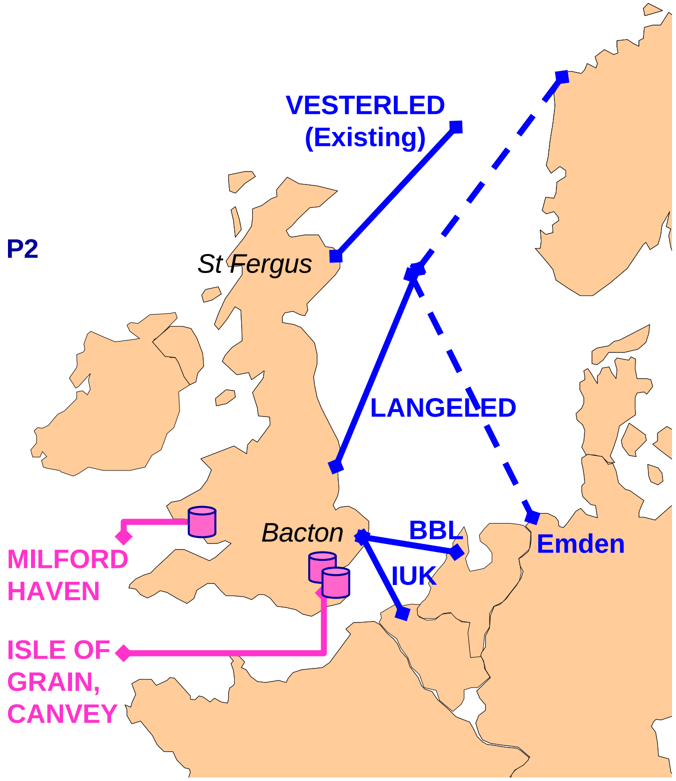
Spectacular increase in import capacity in 2006

22 BCM of Import capacity in 2004

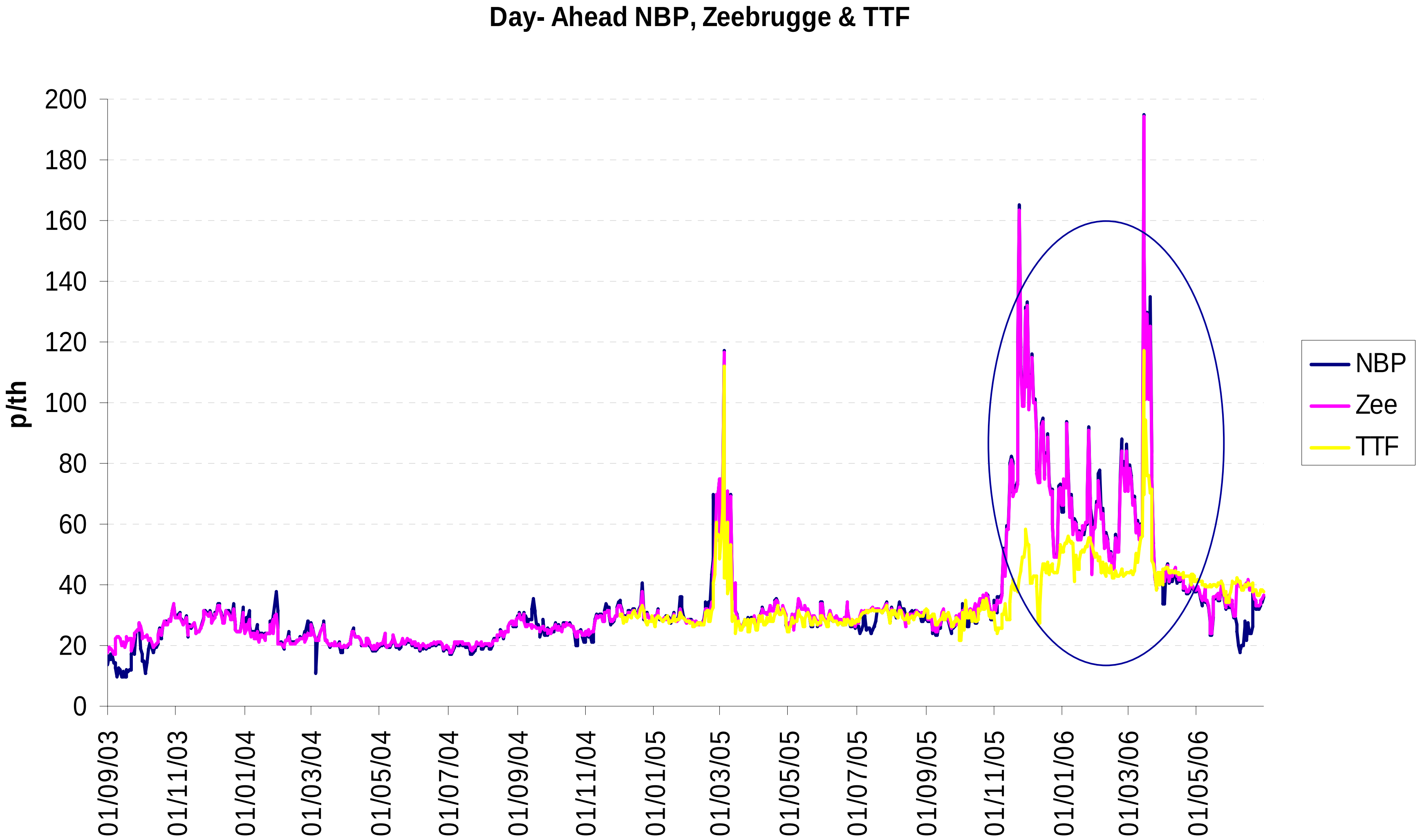
13 BCM of new capacity in 2005

50 BCM of new capacity in 2006





Are there bottlenecks on the Continent that physically constrain gas availability at Zeebrugge?



Centrica view

UK Market Driver	Price Impact	Risk Factors
Pipeline Imports	↓	- BBL
LNG Imports	↓	- US supply
Oil Prices	↑	- Prices at new highs
Storage	↔	
Weather	????	
Market Arrangements	↓	- DSR - P194
UK Gas Production	↔	- New fields

Summary

- Last Winter gas price out-turn – 60.9 p/th
- Multiple drivers of UK gas prices – each with own dynamics and risks - increasingly complex
- Many different views of prices!
- Centrica view of current drivers, key issues and risk factors –fundamentals point to lower prices than current forward curve BUT
- UK forward curve includes a premium (over expected out-turn) to reflect these risks – particularly around oil prices and gas flows from Europe
- As Winter gets closer, price risks will reduce – or materialise – and so will prices.