



GLOBAL INSIGHT



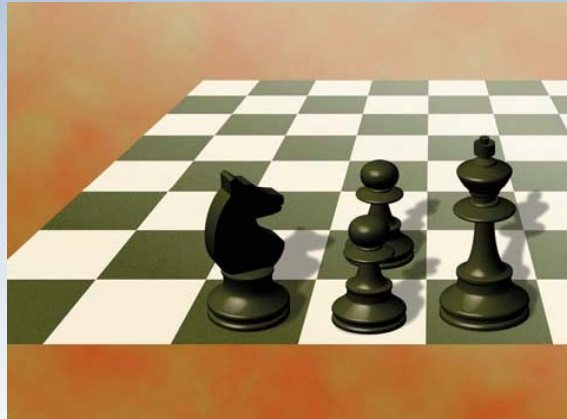
OUTLOOK FOR WINTER 2008/09

10 September 2008

Ofgem Seminar



About Global Insight



- DRI and WEFA founded in the 1960s
 - Global Insight formed May 2001
 - 600 staff. 350 consultants and analysts
 - 30 offices Worldwide, Turnover \$100m
 - Global Insight ranked as best commercial economic forecasting company by *Wall Street Journal* for 2003 and Reuters for 2004
 - 30 offices Worldwide, Turnover \$100m
-
- ◆ The **Energy Group** comprises 50 analysts
 - ◆ Based in London, Paris, Boston and Singapore, Milan, Frankfurt
 - ◆ **Multi-fuel** capability; strong **quantitative** methodology, **macroeconomic** expertise, and **global** perspective
 - ◆ **Market leaders** for energy demand and pricing analysis
 - ◆ 200 European clients – energy companies, industrials and governments
 - ◆ Strong Consultancy capabilities

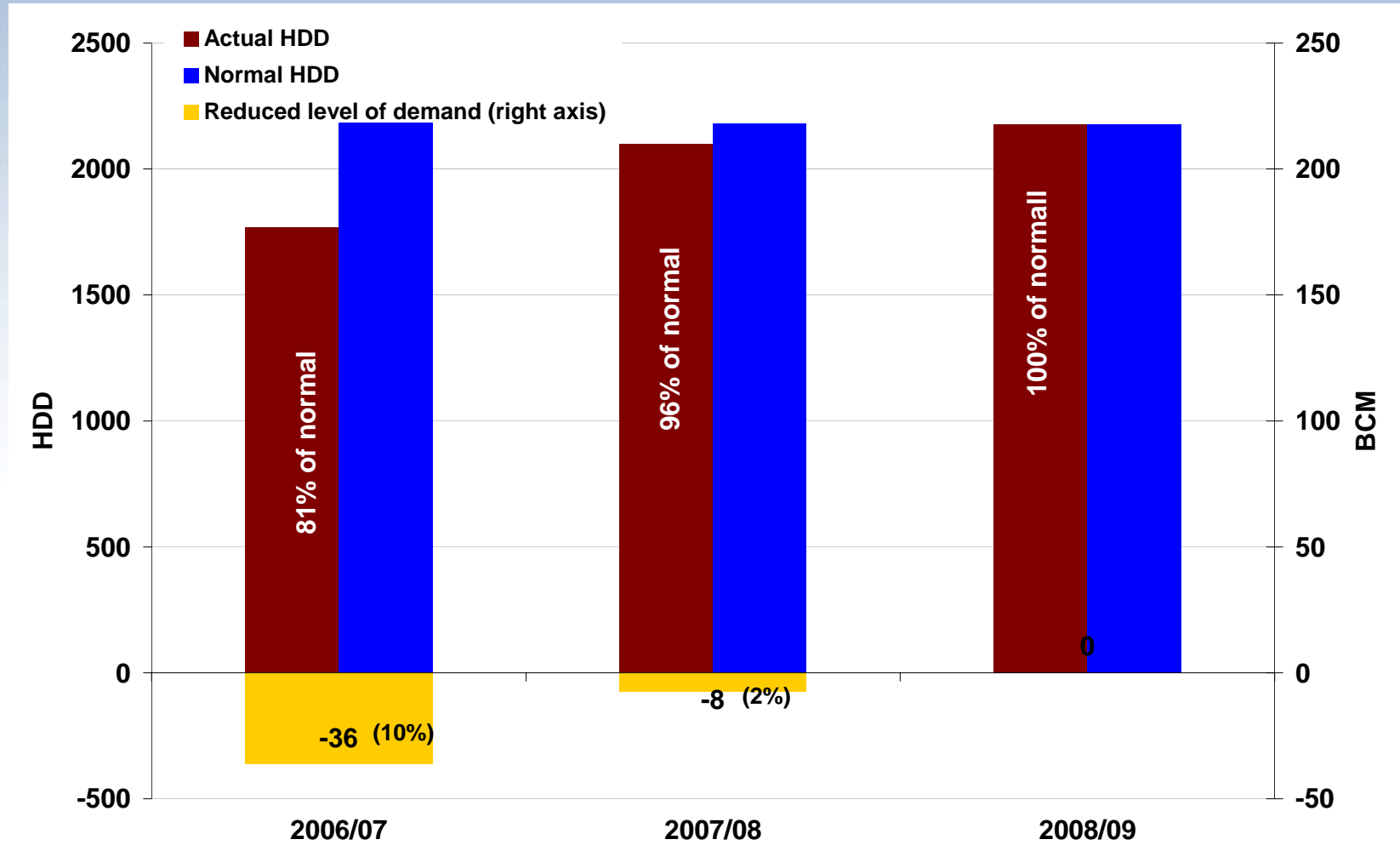


Agenda

- **Recent winters**
- **Storage levels**
- **Supply Flexibility**
- **Uncertainties**
- **Forward price curves**
- **GB as gas transit hub**
- **Electricity flows**

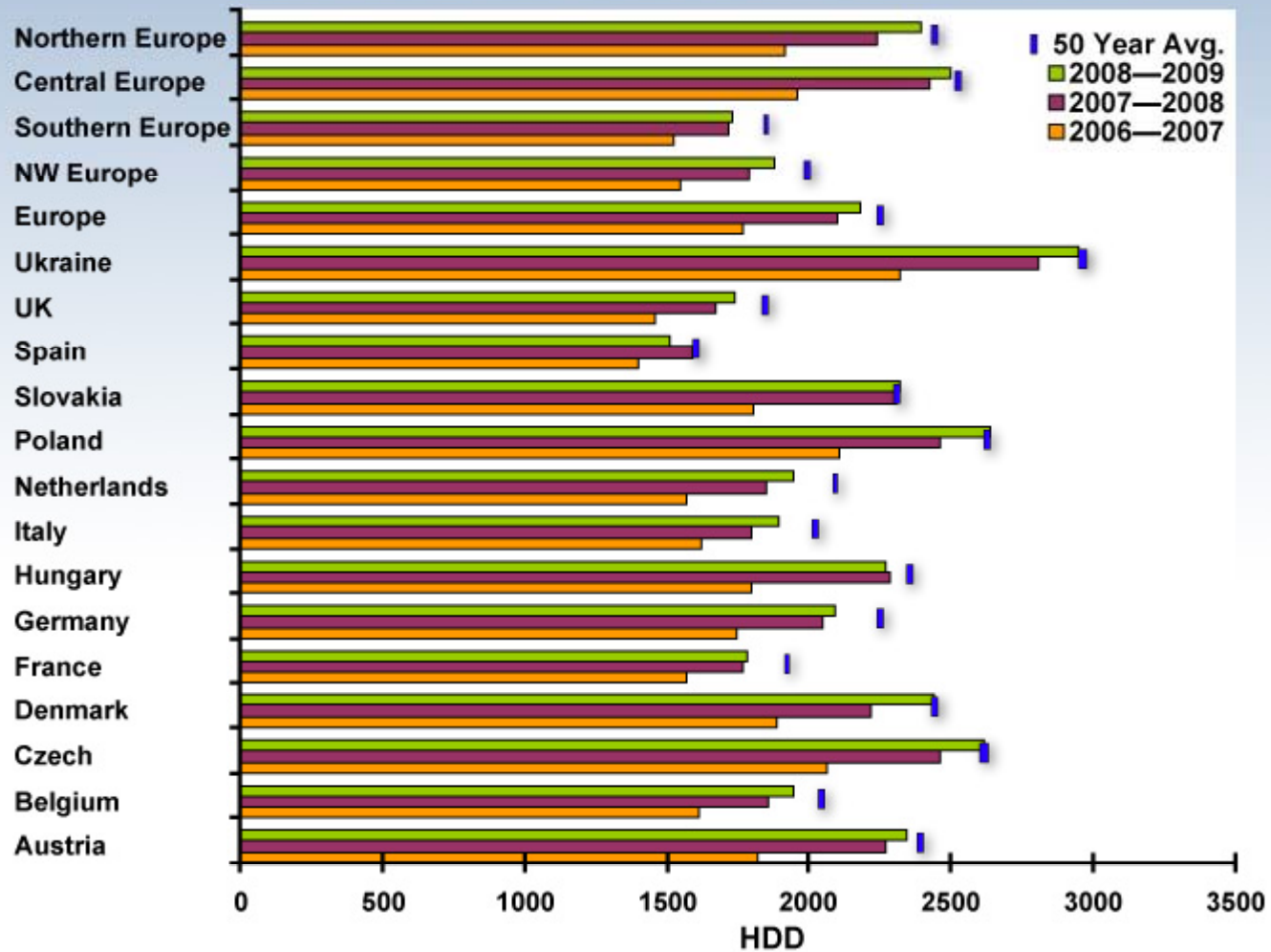


Winter Heating Degree Days in Europe



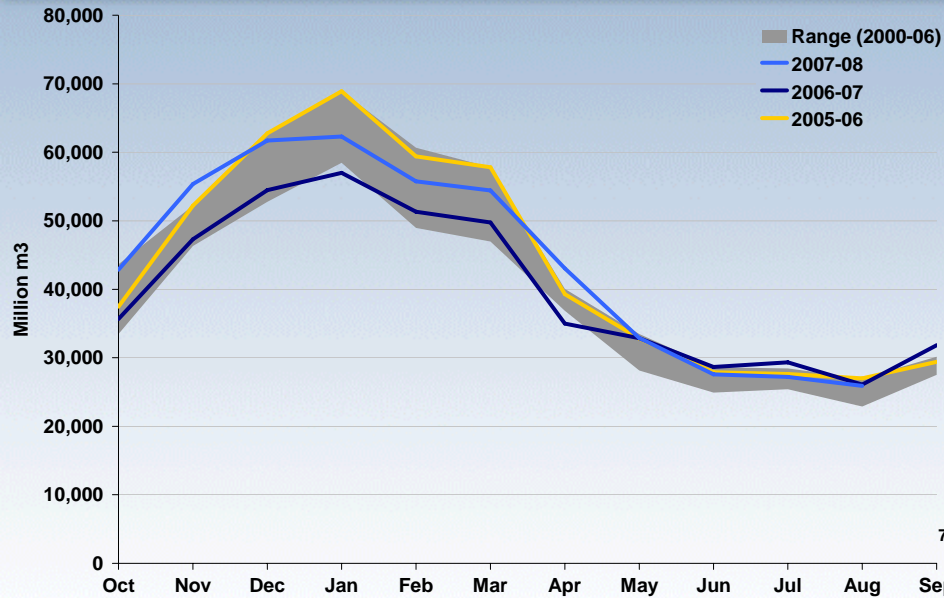


Heating Degree Days





Gas Demand and Stock Draw

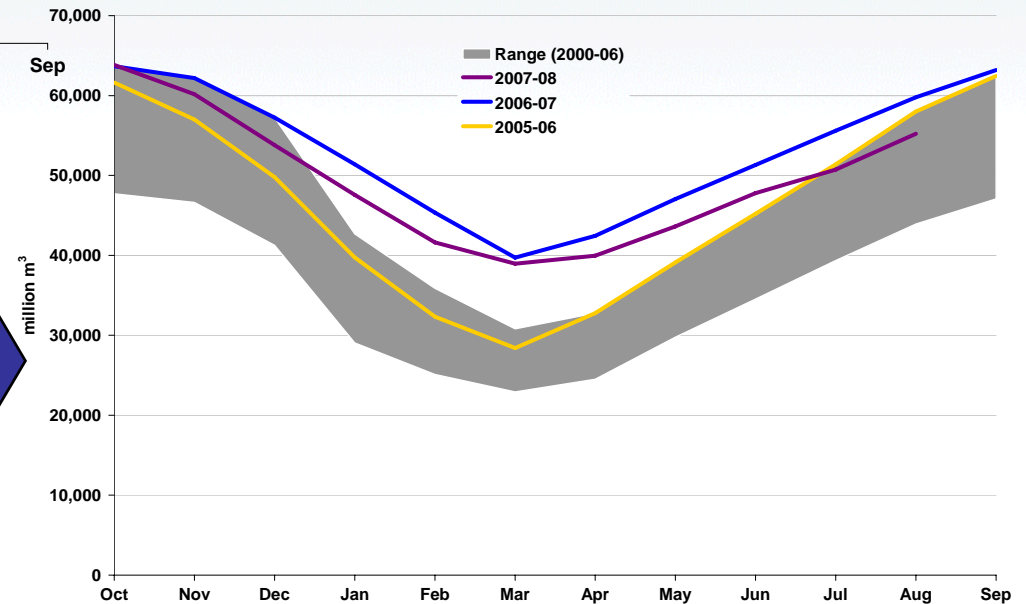


Demand

- Higher than in 2006/07 by 9.3%
- Winter demand 290 bcm (2007/08)
- 30 bcm above 2006/07 level

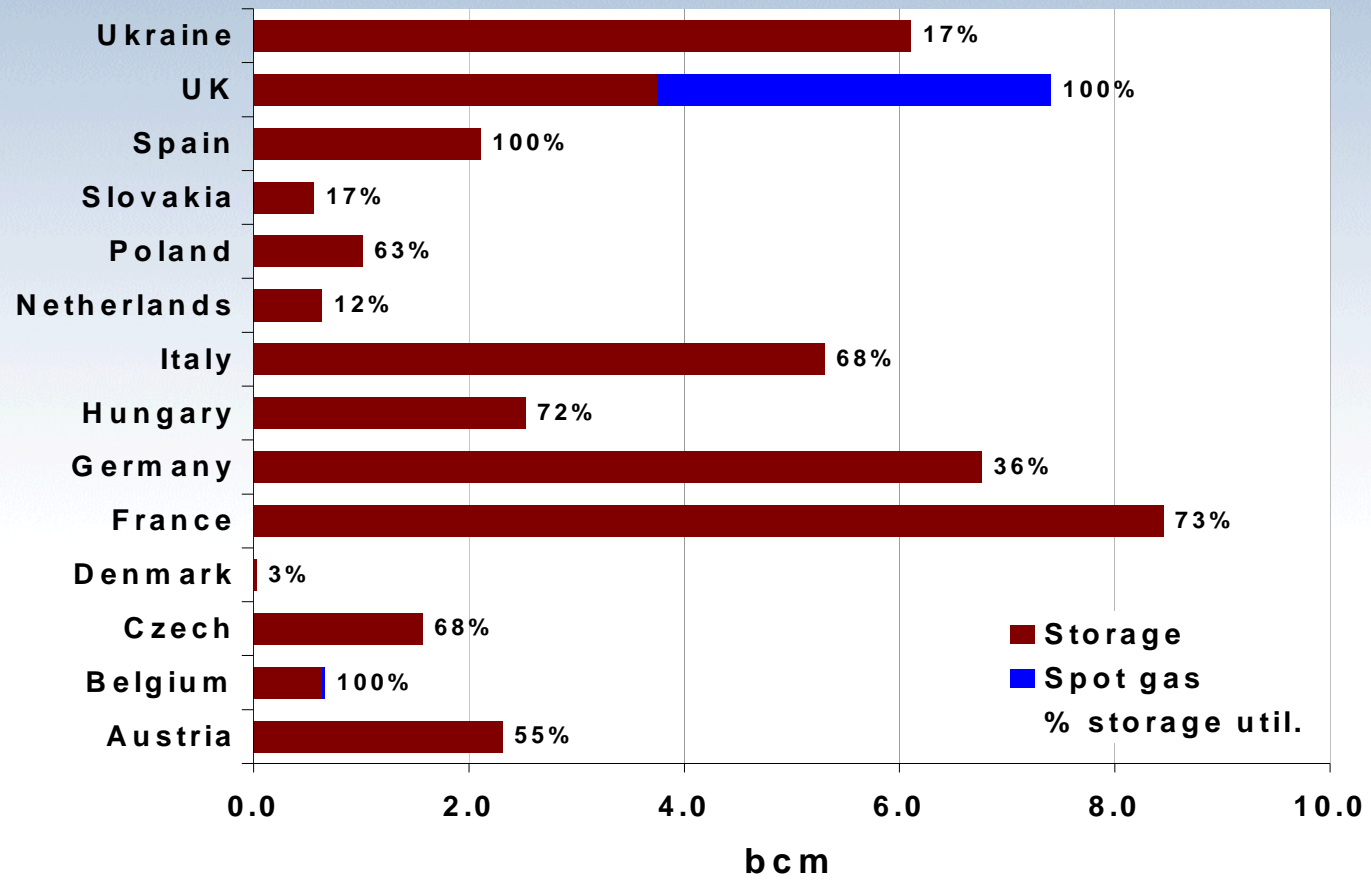
Stock Level

- Draw of 25 bcm
- 1 bcm more than 2006/07
- Stocks above average





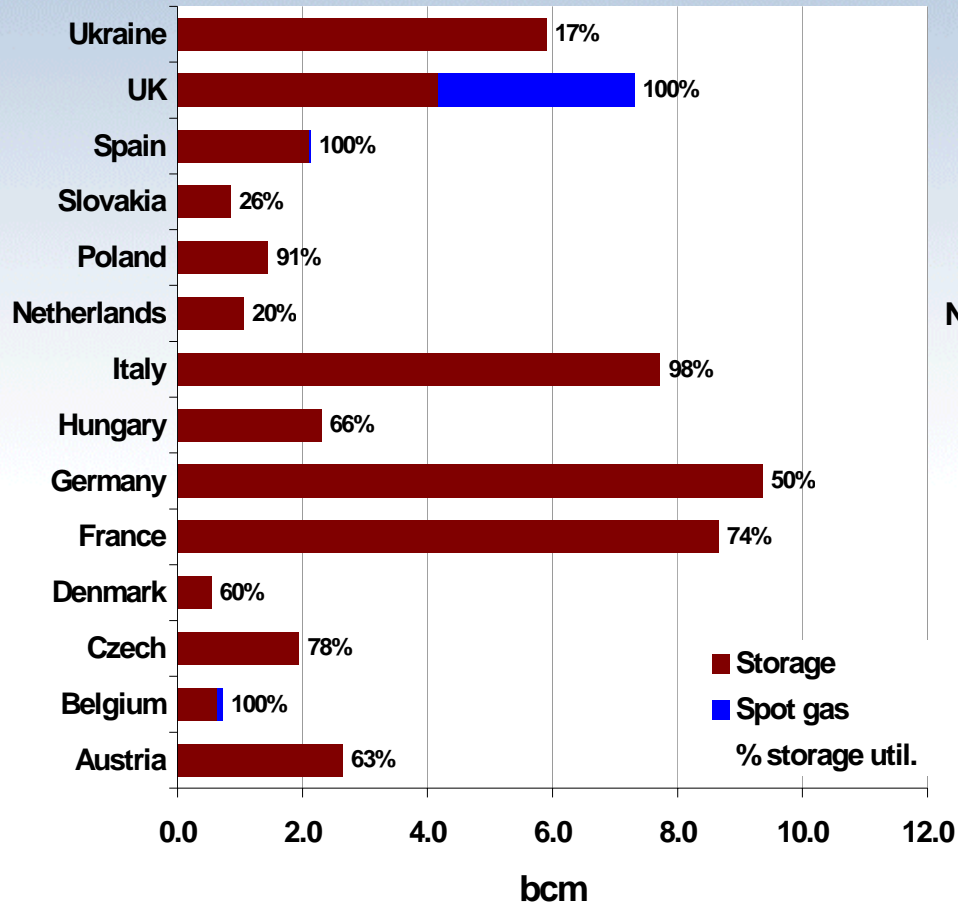
Storage Utilisation and Spot Supplies - 2007/08



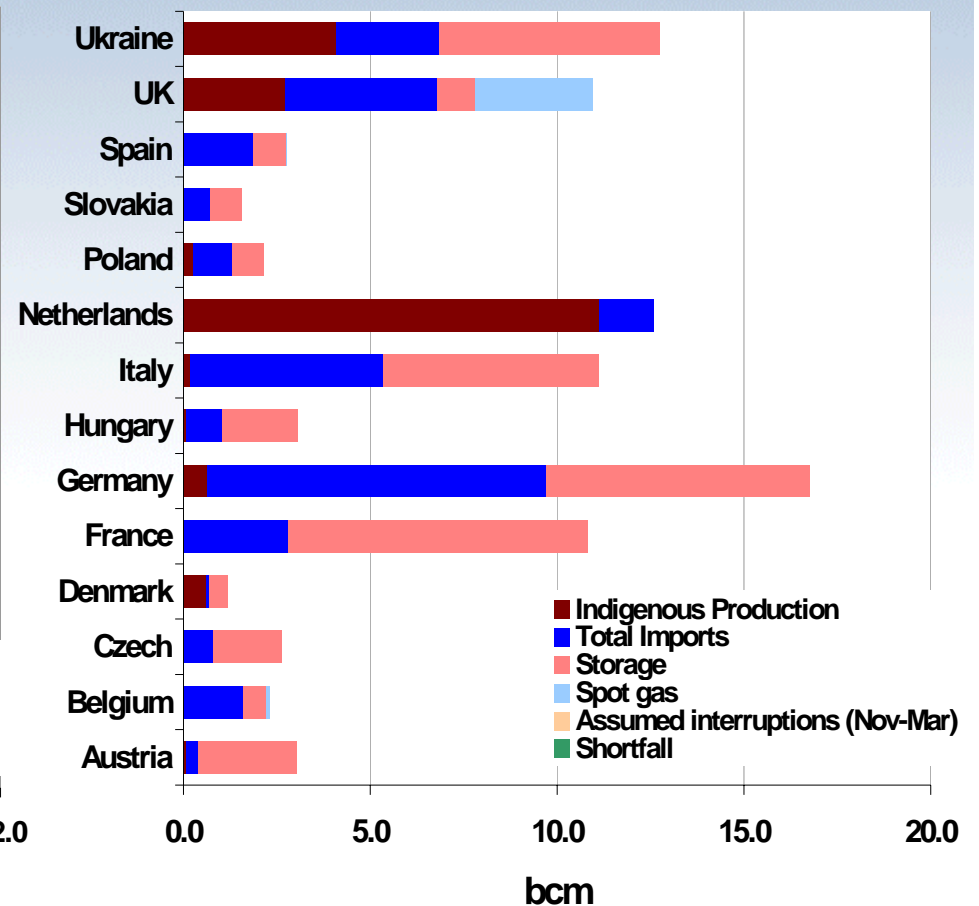


Storage Utilisation & Meeting Swing Demand - 2008/09

Storage Utilisation



Meeting Swing Demand



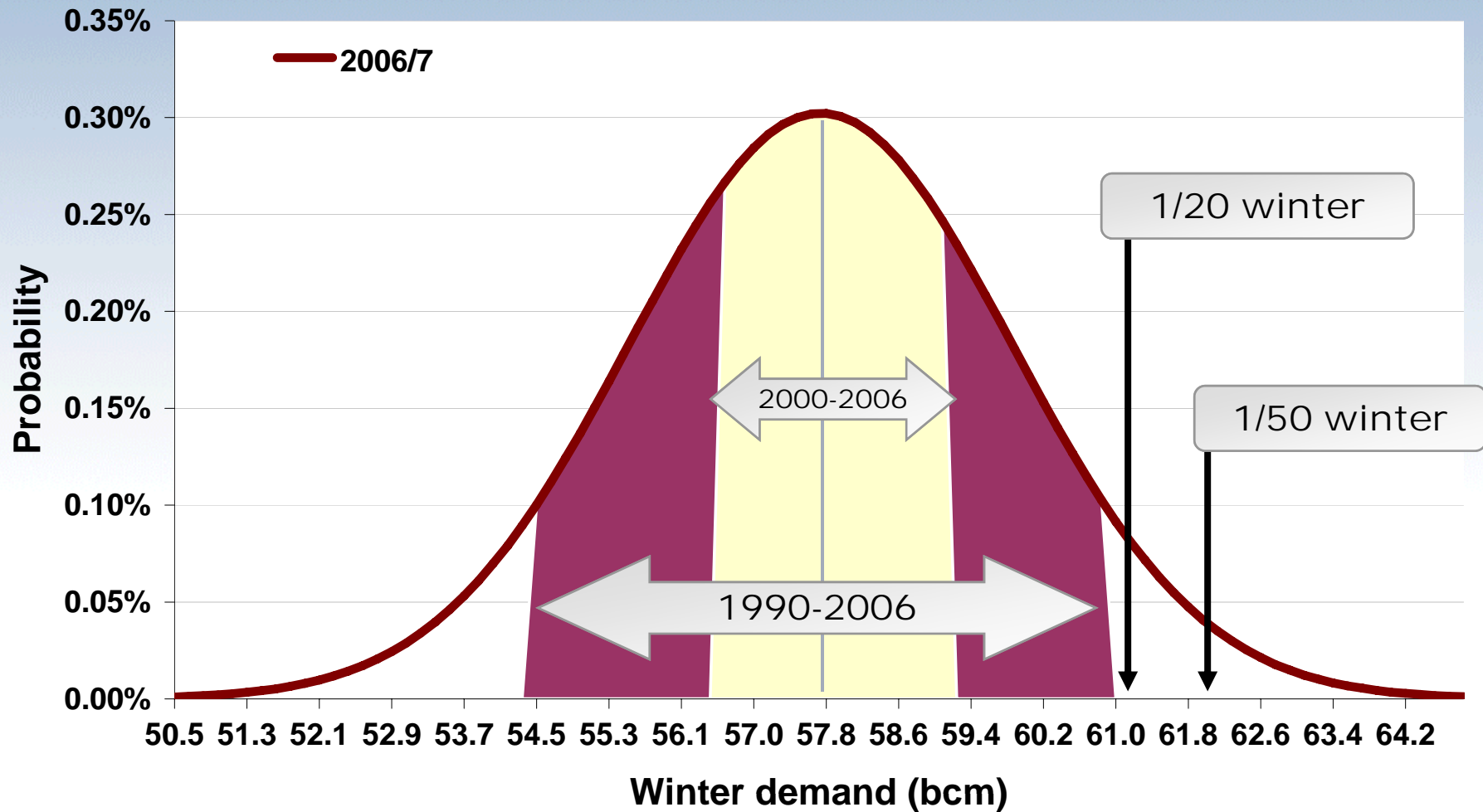


Uncertainties

- **Demand**
- **Milford Haven**
- **Supply shocks**
- **Global LNG prices**
- **Will the gas follow the price signal**



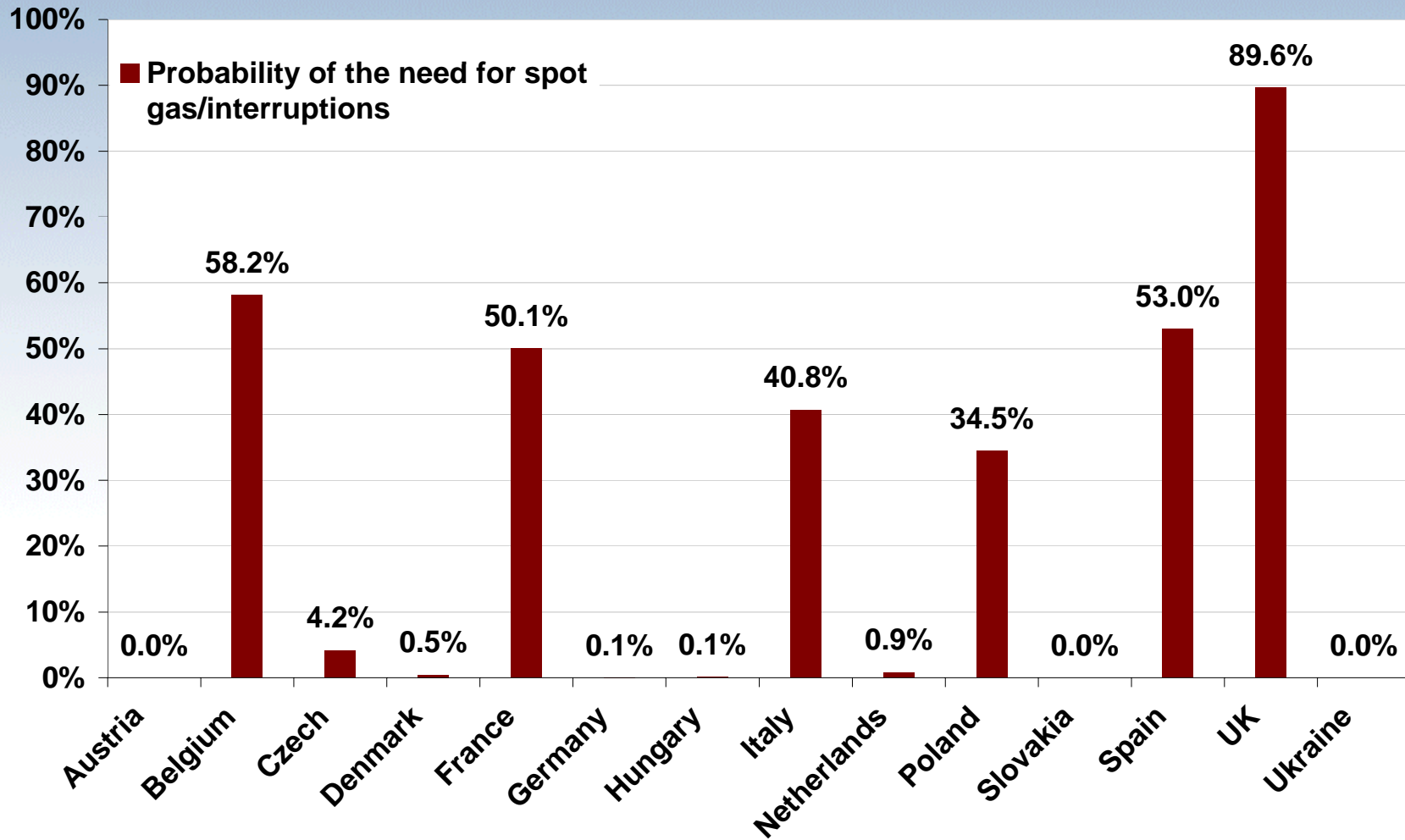
GB Winter Gas Demand



* Winter demand – November to March

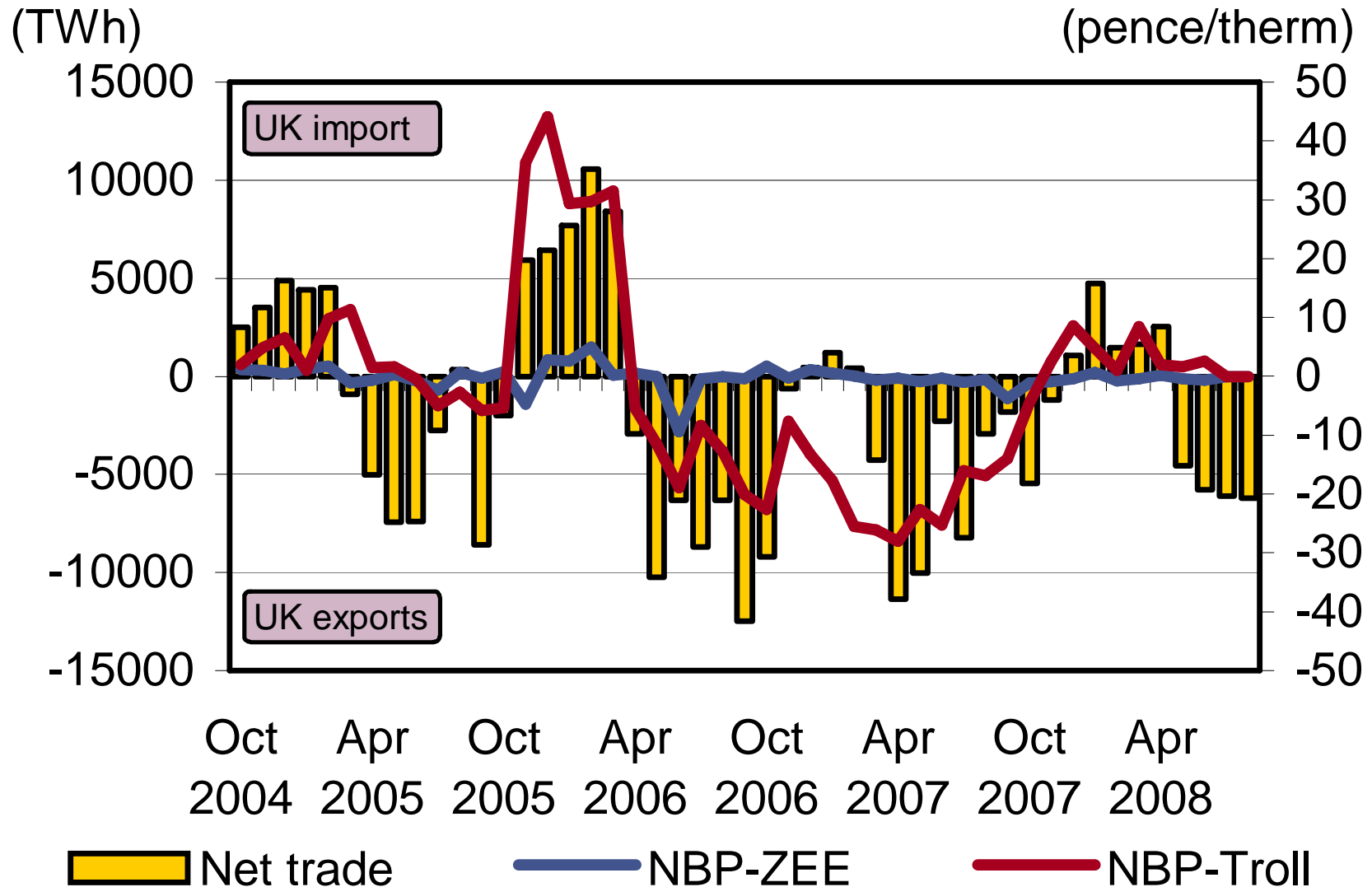


Spot Gas/Interruptions - Probability (2008/09)





IUK flows and NBP-Zeebrugge and NBP-Troll price differentials

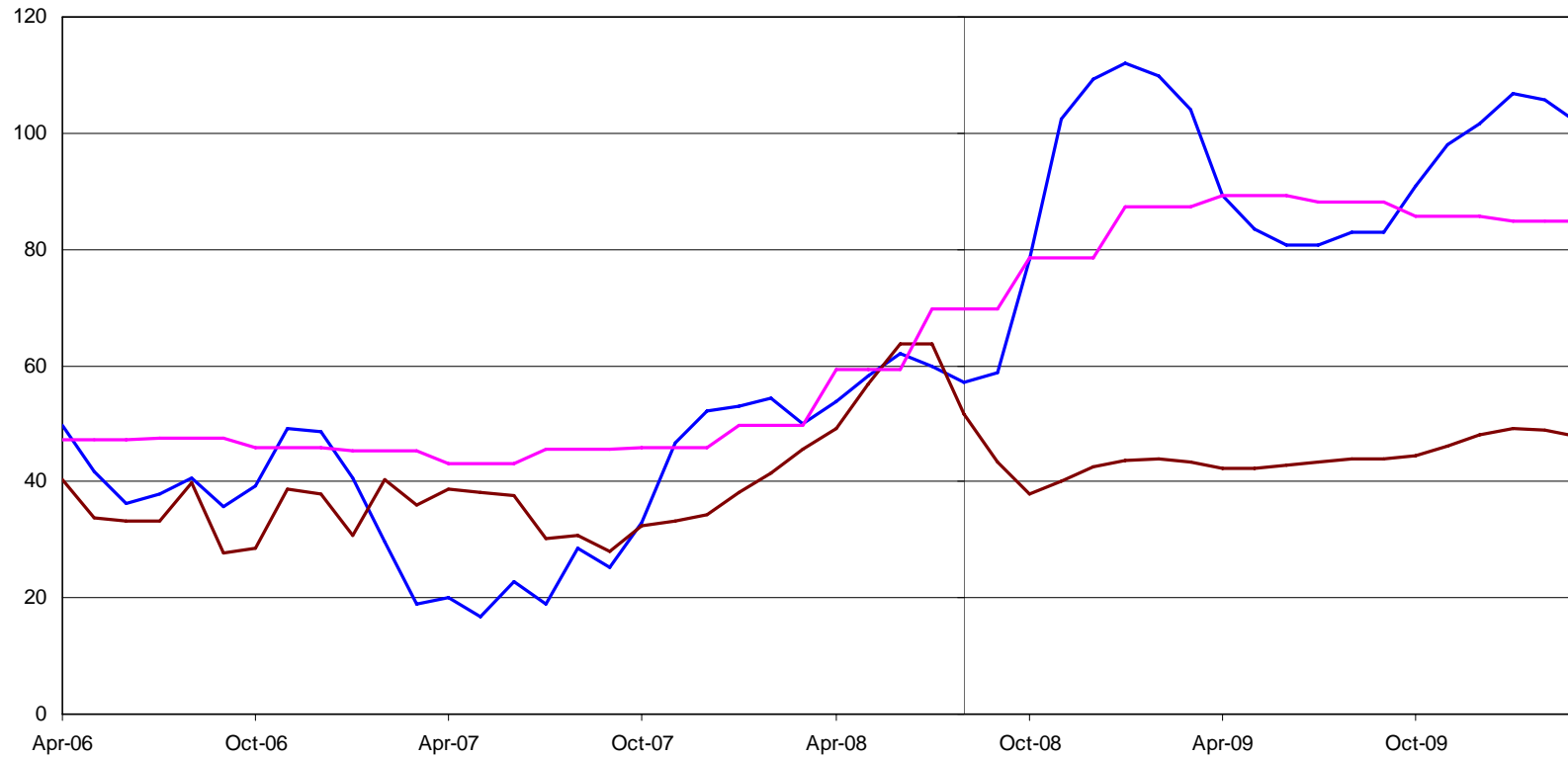




NBP and Henry Hub Futures v Troll

NBP v Henry Hub v Troll - Forward Curves (5th Sept 2008)

(Pence/Therm)



— NBP - Futures Market (5th Sept 2008)

— Henry Hub - Futures Market (5th Sept 2008)

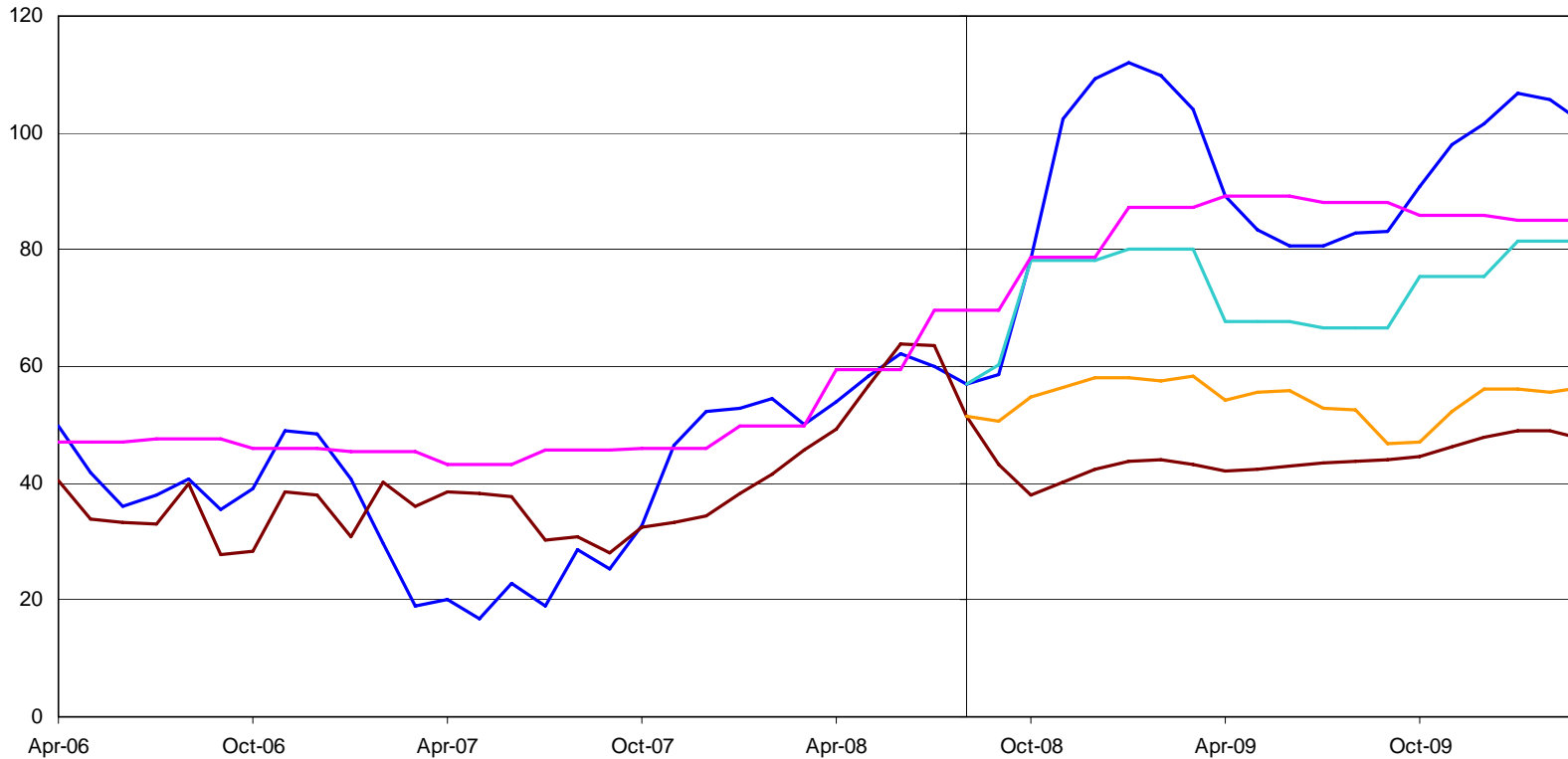
— Global Insight Q308 Troll Forecast



NBP and Henry Hub Futures v Troll & Global Insight Forecasts

NBP v Henry Hub v Troll - Forward Curves (5th Sept 2008)

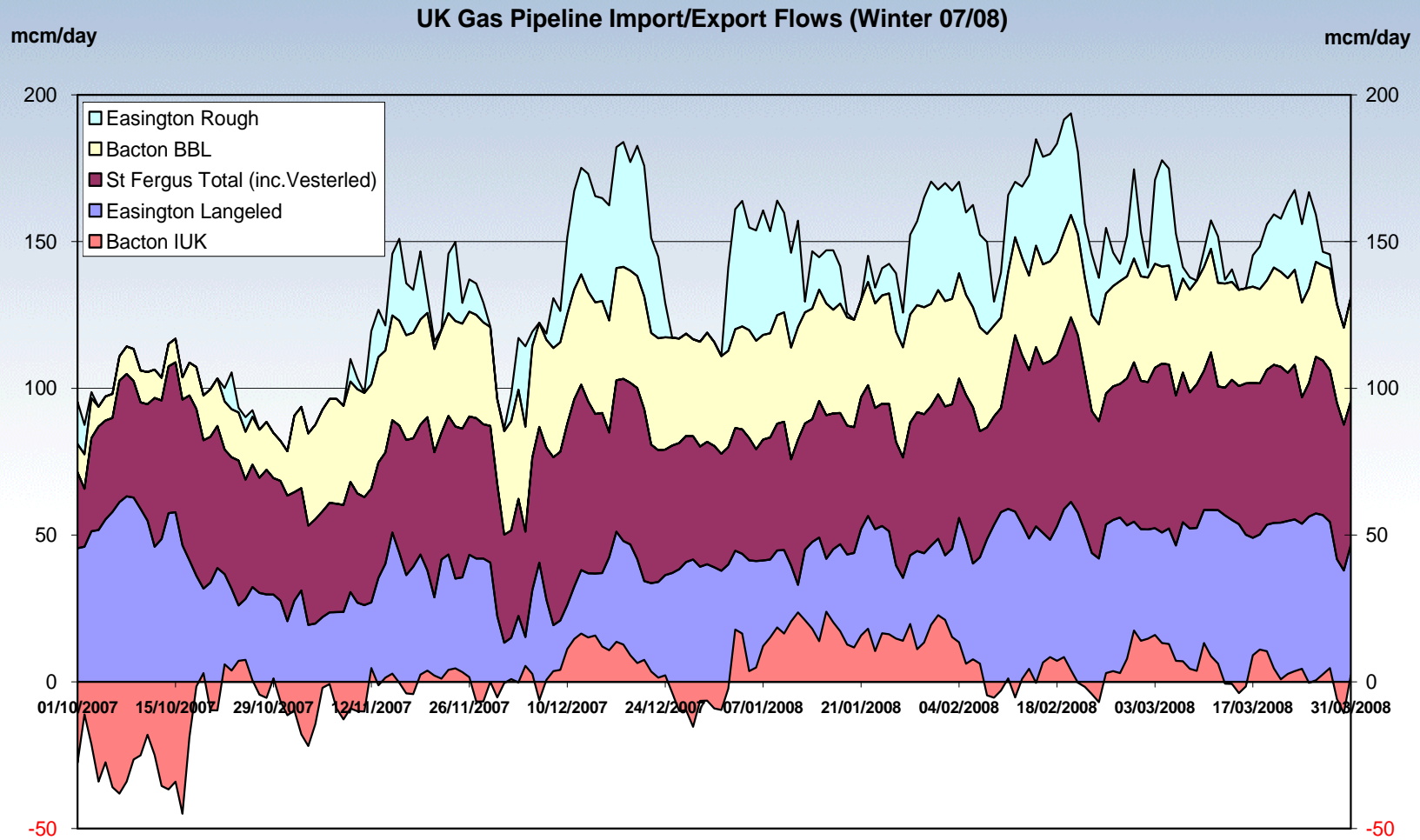
(Pence/Therm)



- NBP - Futures Market (5th Sept 2008)
- Henry Hub - Futures Market (5th Sept 2008)
- Global Insight Q3'08 NBP Forecast
- Global Insight Q3'08 Henry Hub Forecast
- Global Insight Q3'08 Troll Forecast



UK Gas Flows (Winter 07/08)

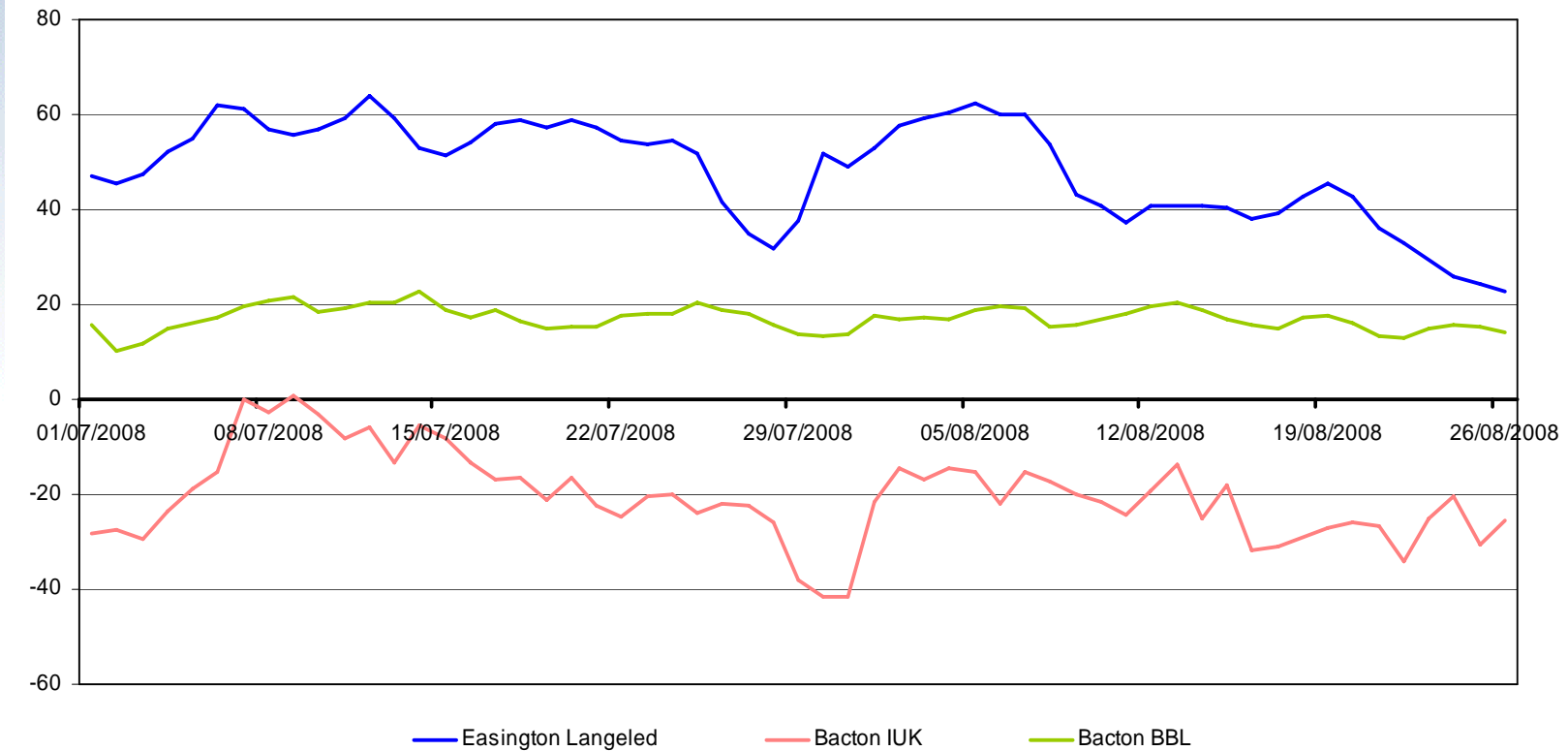




UK Gas Flows (Jul-Aug 2008)

Langeled v BBL v IUK Gas Flows (Jul-Aug'08)

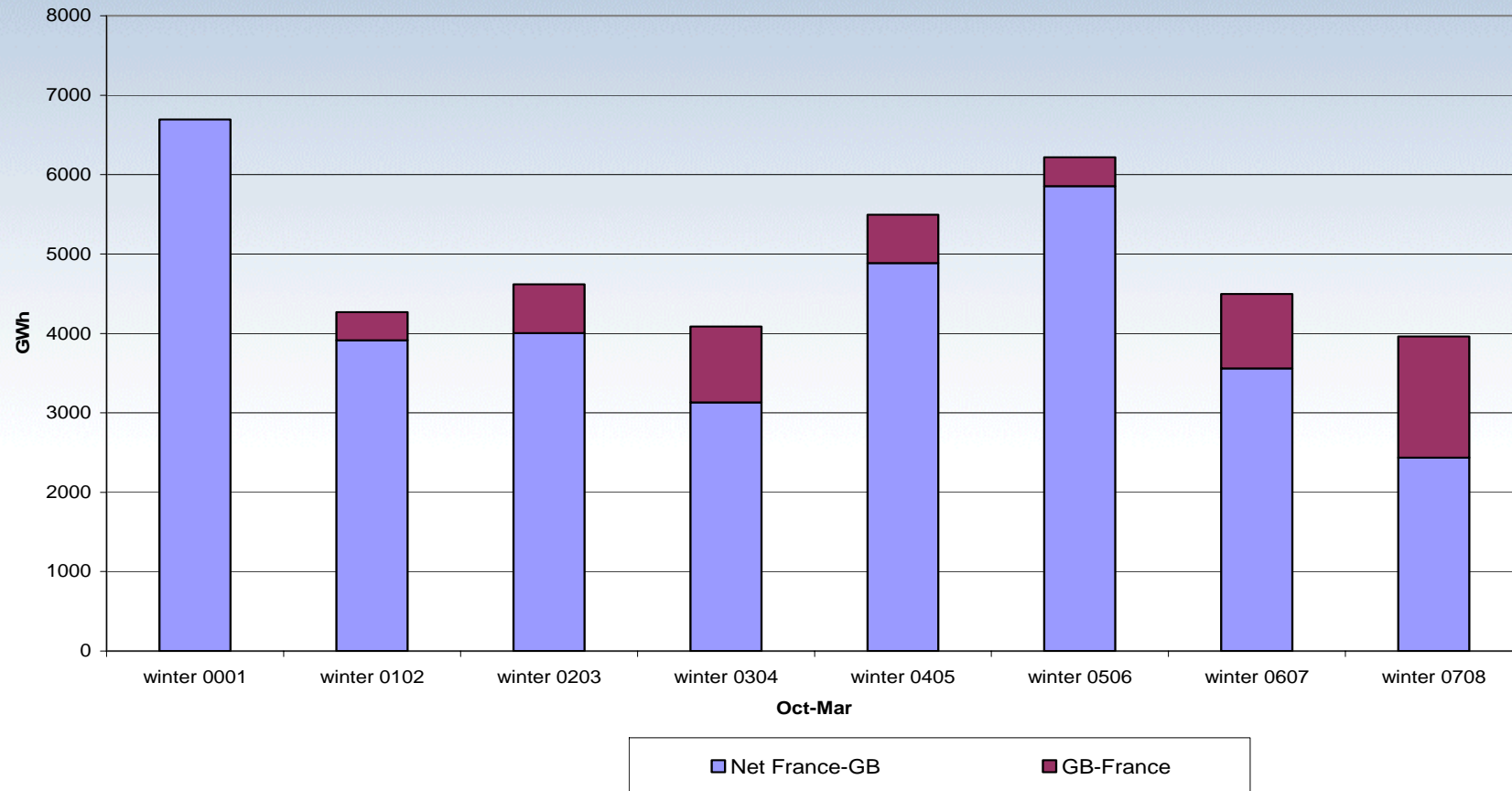
(mcm/day)





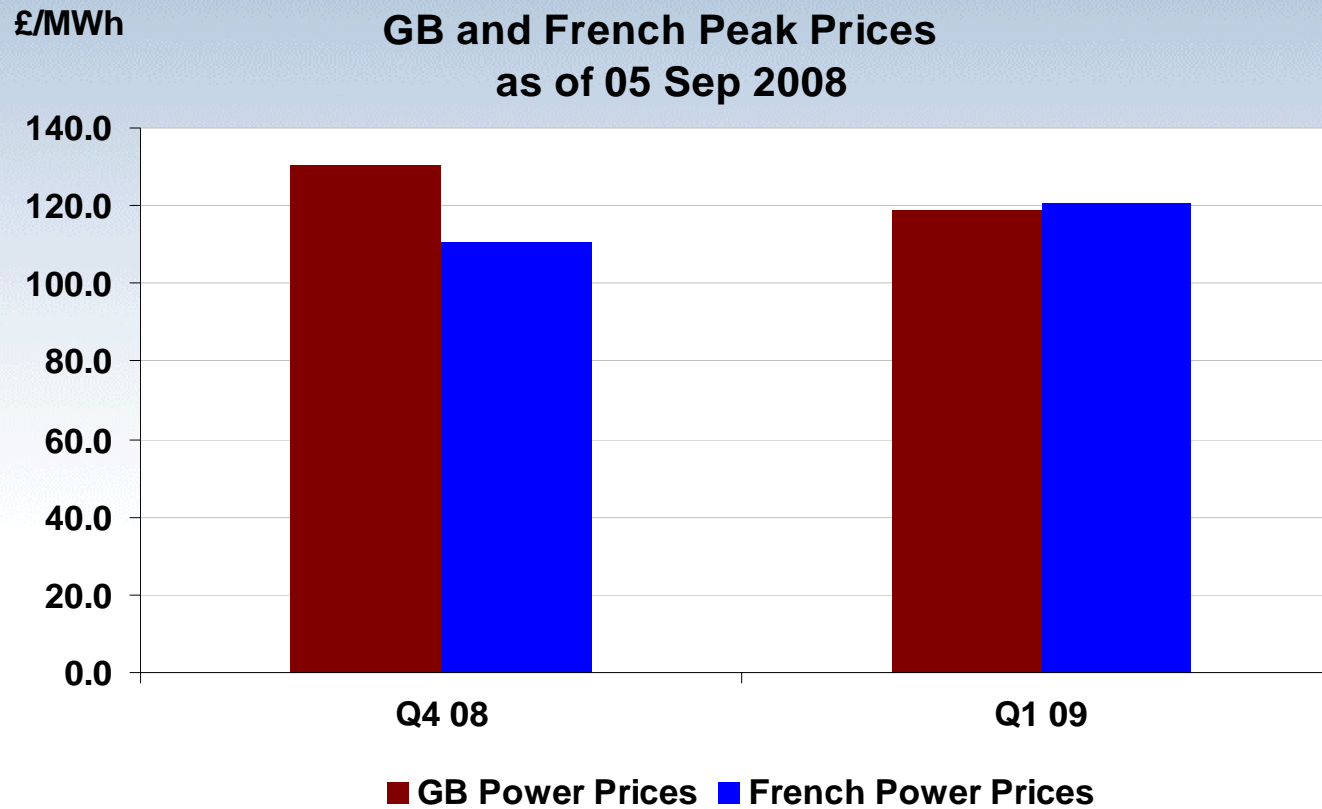
Electricity – flows France to GB

Flows - France-GB



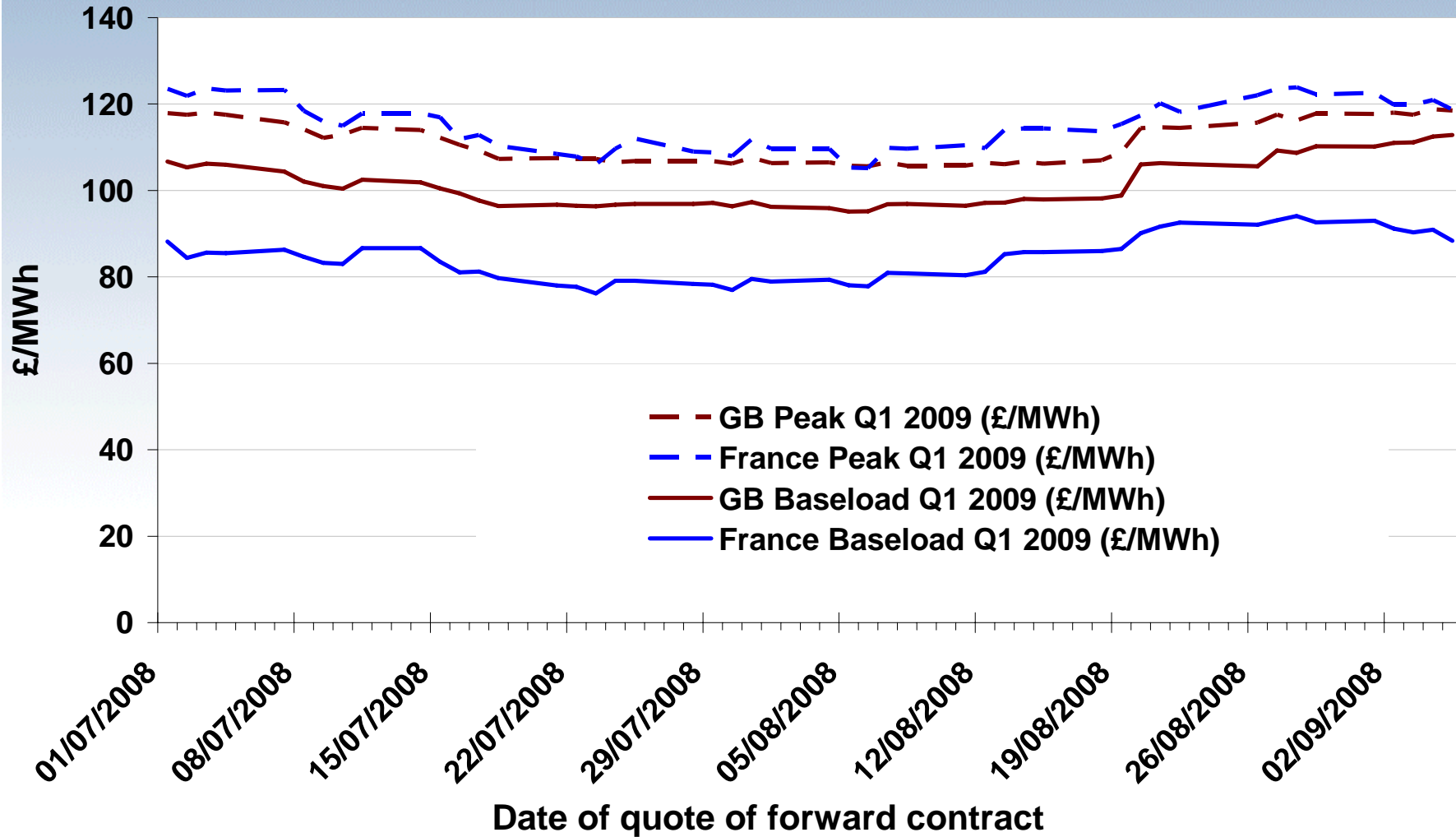


Power – price differentials





Forward Prices for Q1 2009





Summary

- **Storage utilisation is climbing and tightening markets – UK, Belgium, Italy, & Spain**
- **Less than 10% margin of non-spot supplies across much of Europe**
- **Liberalisation is limited and markets are not integrated**
- **Gas market is cautious**
 - ◆ **NBP market price higher than Troll**
 - ◆ **And above Henry Hub**
 - ◆ **Supply uncertainty**
 - ◆ **Weather uncertainty**
- **Electricity market**
 - ◆ **Responding to high gas and carbon prices, and plant availability**
 - ◆ **GB Q1 2009 appears less tight than Q4 2008**
 - ◆ **Convergence with French prices**
- **All markets untested in severe weather/supply conditions**



Thank You

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