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Report Summary

This 104 page report covers the physical and commercial aspects of the UK natural gas market, and its role in the wider European gas market. Key market trends, including the growth of trading liquidity, are highlighted in 33 tables, 25 charts and 6 maps. The report is structured as follows:

❖ **Chapter 1 – The Trading Market:** this chapter reviews the development and state of trading liquidity in the UK gas market, as well as in the wider northern European market. It assesses the total volume of trading, and reviews the traded contracts and instruments, both physical and financial, along with the OTC and exchange trading markets. The chapter concludes with a review of price formation in the UK market, and the development of both wholesale and end-user gas prices.

❖ **Chapter 2 – Gas Market Fundamentals:** this chapter provides an introduction to the fundamentals of UK gas supply and demand. The current UK gas reserves and production are reviewed, and policies and prospects for future gas production are discussed. The chapter considers the consumption of gas within the UK, including analysis of new gas-fired power projects. It concludes with a review of import and export flows.

❖ **Chapter 3 – Infrastructure:** as the UK becomes more dependent on gas imports, there is increasing need for new infrastructure. This chapter describes the infrastructure for gas transmission, LNG import and storage in the UK, including planned development projects. The chapter reviews the system of tariffs for third party access to the infrastructure, and concludes with a discussion of the provision of seasonal flexibility.

❖ **Chapter 4 – Regulatory Framework:** this chapter reviews UK energy policy and energy market legislation. It also describes the European gas directives and energy regulation, including the third legislative package, and the UK experience in implementation of gas market liberalisation.

❖ **Chapter 5 – Market Participants:** this chapter provides profiles of the key players in the UK gas market, including traders, gas

suppliers and upstream market participants. It also includes a review of important mergers and acquisitions over the past few years.

❖ **Chapter 6 – Appendix:** this chapter describes the different qualities and types of natural gas, and explains the units, unit conversion factors and rounding conventions used in this report.

The UK has the largest and most mature gas market in Europe. Around 80% of Europe's gas trading takes place in the UK. Trading volumes grew in 2009, but not nearly as fast as in smaller and developing continental markets. The credit crunch and economic recession both had an impact on gas trading, especially on financial instruments.

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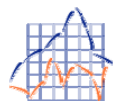
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- **Dutch Gas Market, May 2009**
This 106 page report covers the physical and commercial aspects of the Dutch natural gas market and its role in the wider European market. Key market trends, including the growth of trading liquidity, are highlighted in 27 tables, 25 charts and six maps.

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