

Downstream insights on the perceived future of the UK gas market

Richard Jemmett

27 November 2007

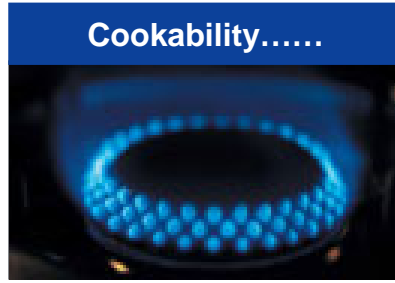
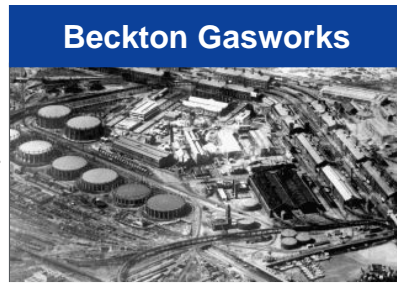


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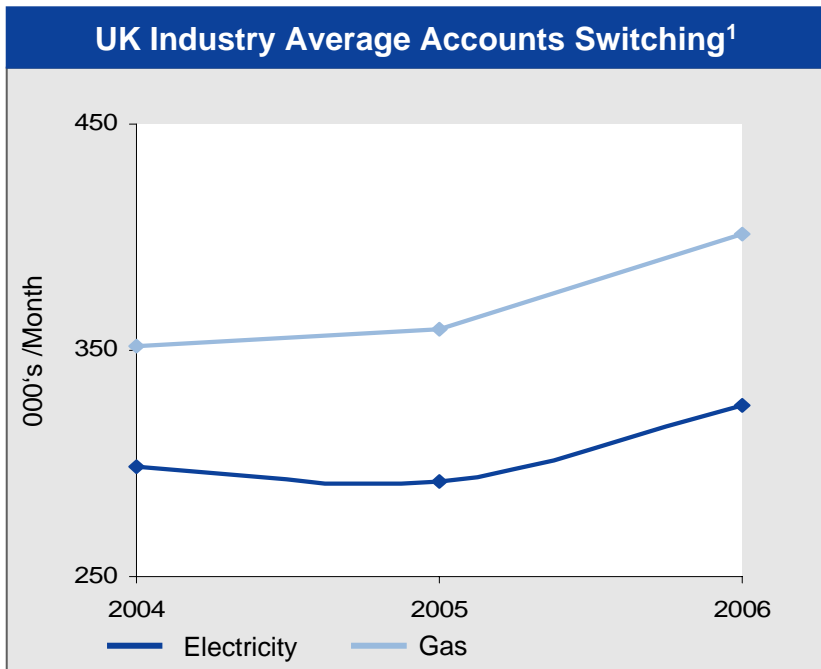


- 1** From gas lights to gas switching: we have moved from fuel to customer account competition. Overall energy demand is governed by population, GDP, technology and lifestyle – change drivers are pointing down
- 2** To understand residential gas demand better we need to look at customers' needs and behaviours
- 3** Increased gas demand from residential customers may only come about if new technology meets the customers' needs. Utility retail companies and perhaps other 'gas' companies must ensure that customers' needs are always met

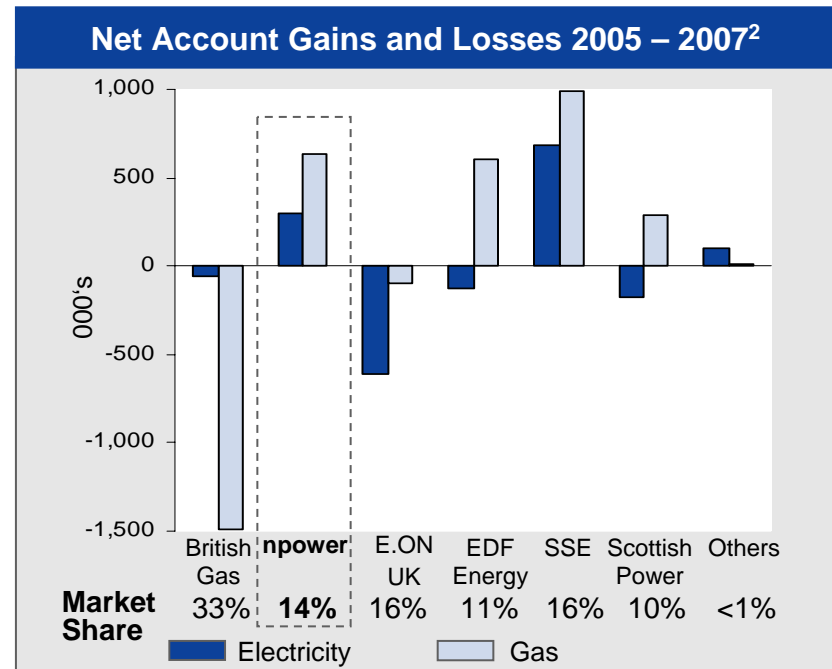
From gas lights to gas switching: we have moved from fuel to customer account competition



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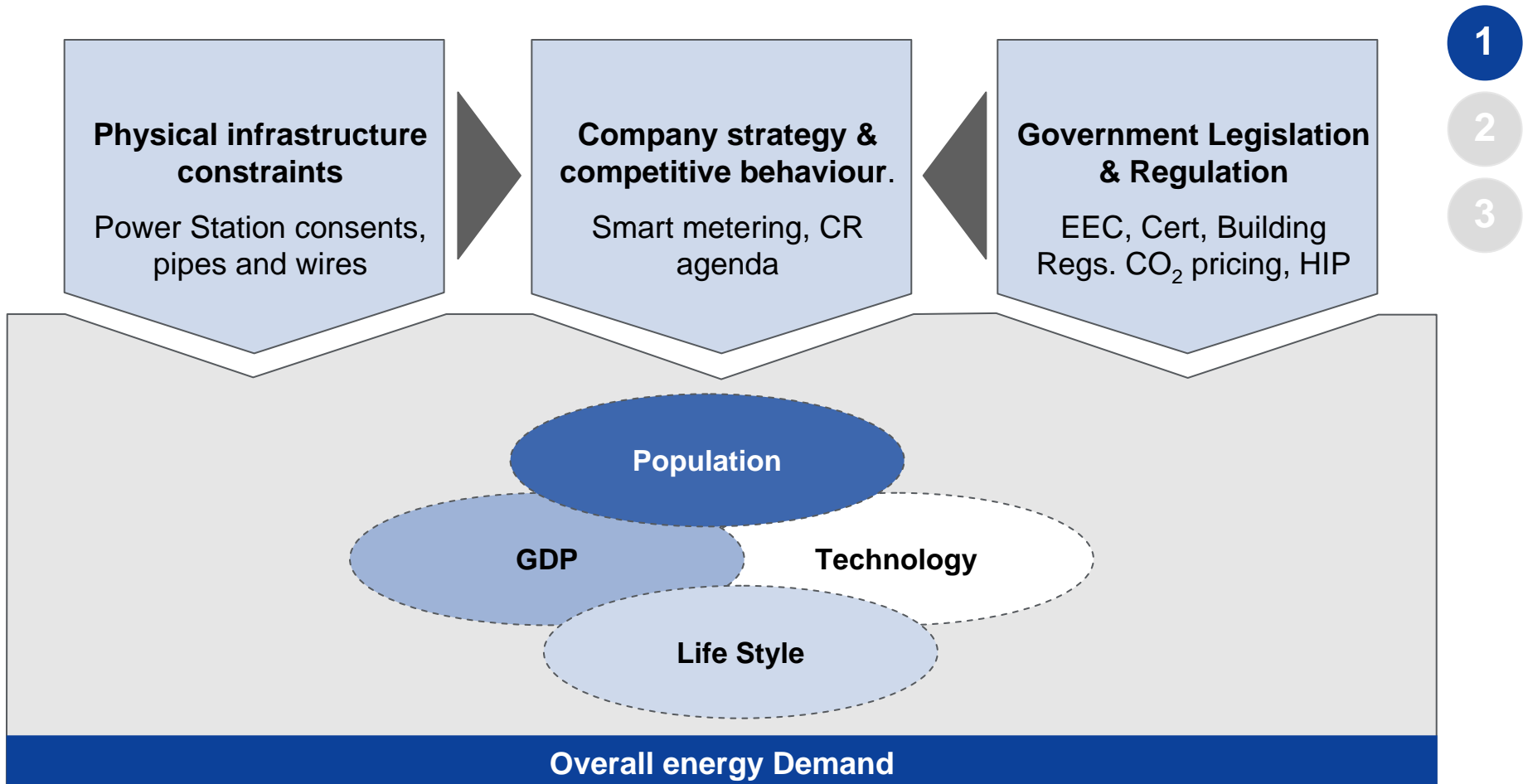


¹ Source: Ofgem – June 2007

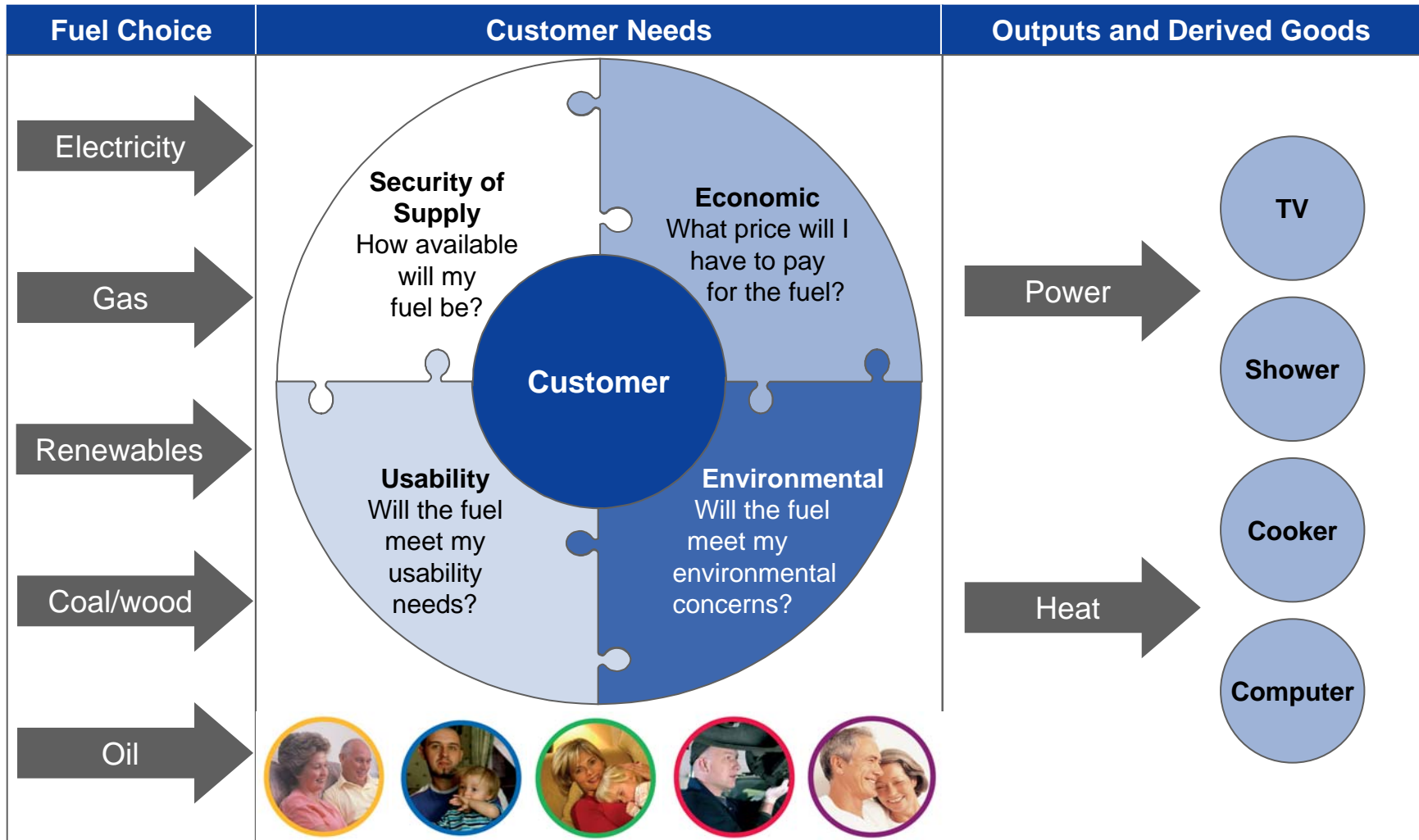


² Source: Cornwall Associates – July 2007

Overall energy demand is governed by population, GDP, technology and lifestyle – change drivers are pointing down

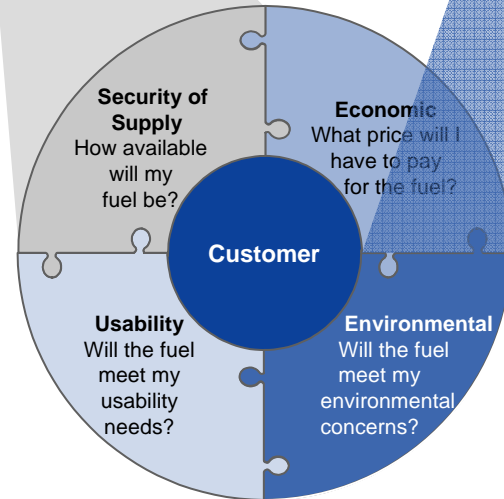
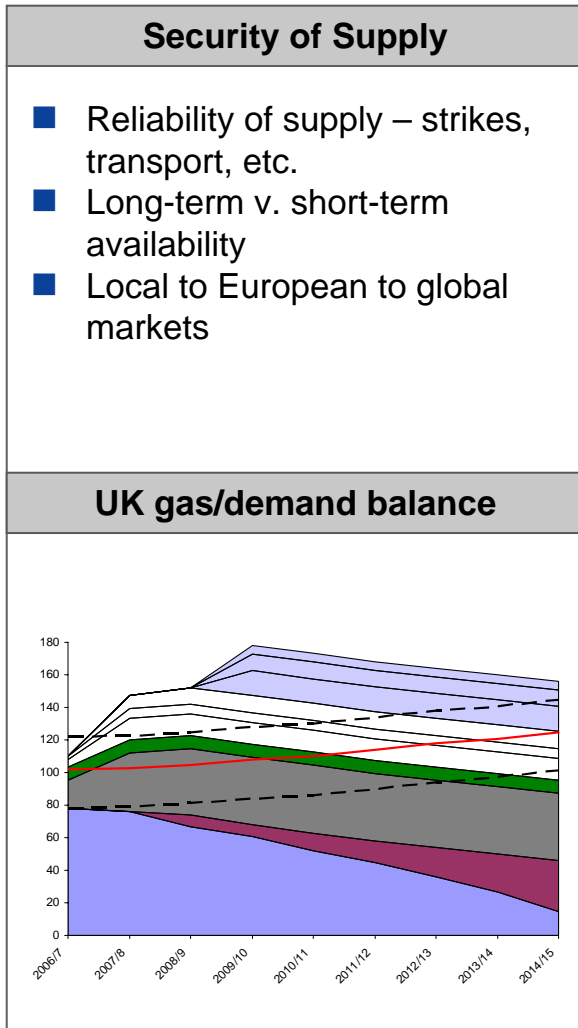


To understand residential gas demand better we need to look at customers' needs and behaviours



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- 3

Security of supply and environment issues have changed, but they are not new



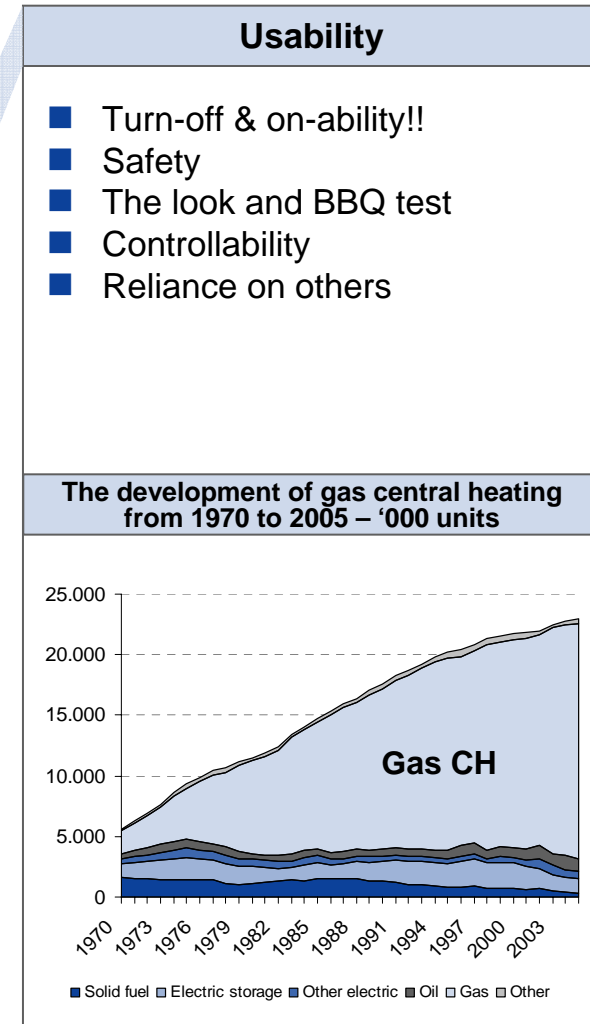
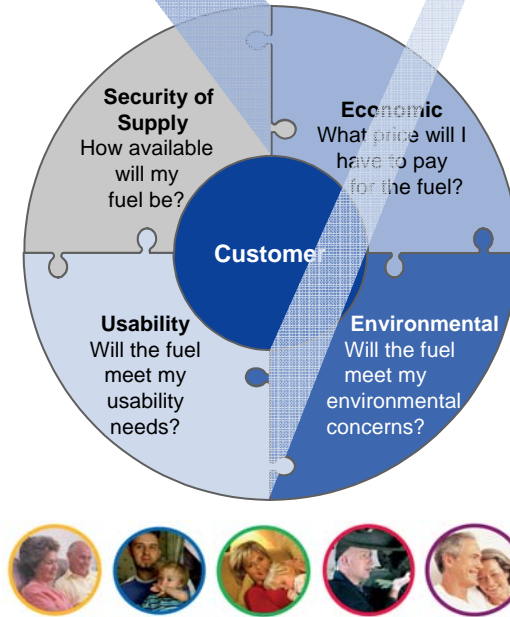
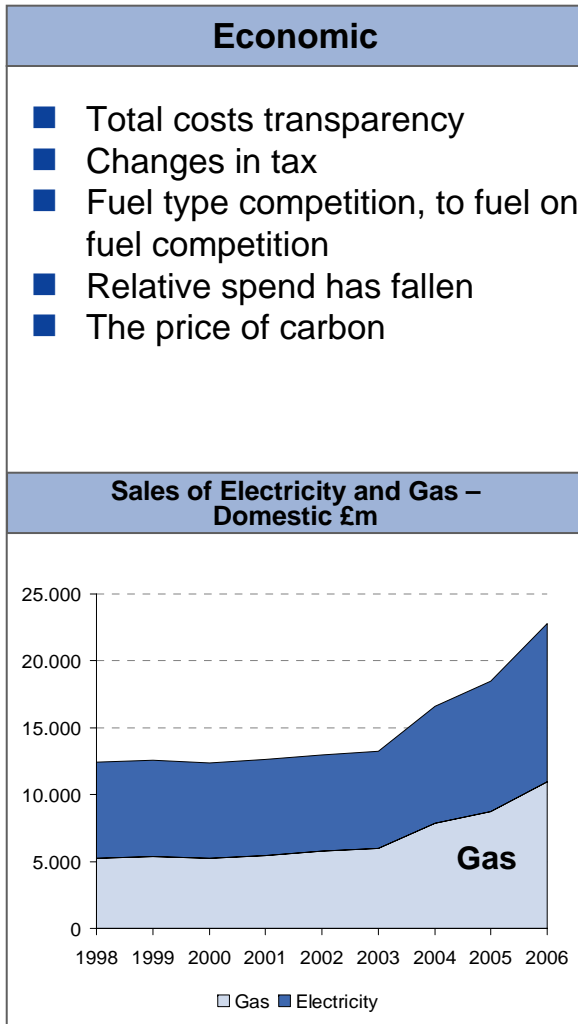
Environmental

- Always on the agenda – deforestation, city pollution, smokeless zones, fuel spillages
- Waste disposal
- Transparent consequences of fossil fuels
- Pricing impacts on economics

Low CO₂ energy



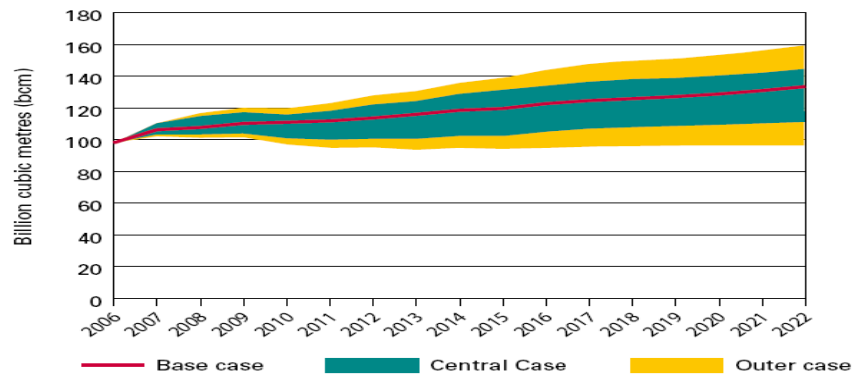
Gas is the preferred fuel for space heating given its relative pricing against electricity; carbon pricing may impact



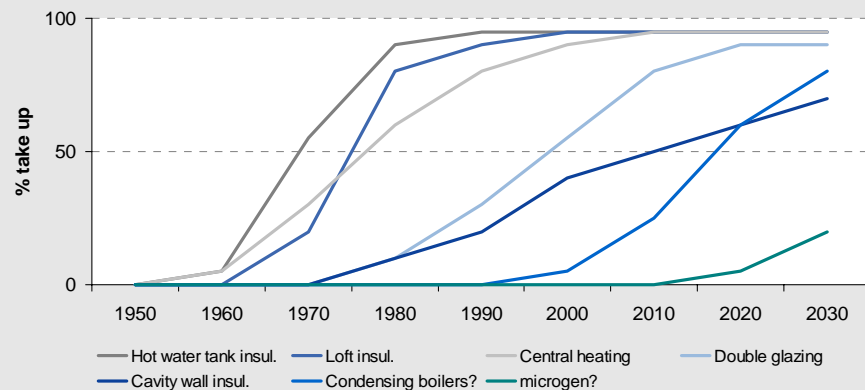
Increased gas demand from residential customers may only come about if new technology meets the customers' needs



Possible future annual gas demand in Great Britain



Demand for energy saving technologies



Source: BERR

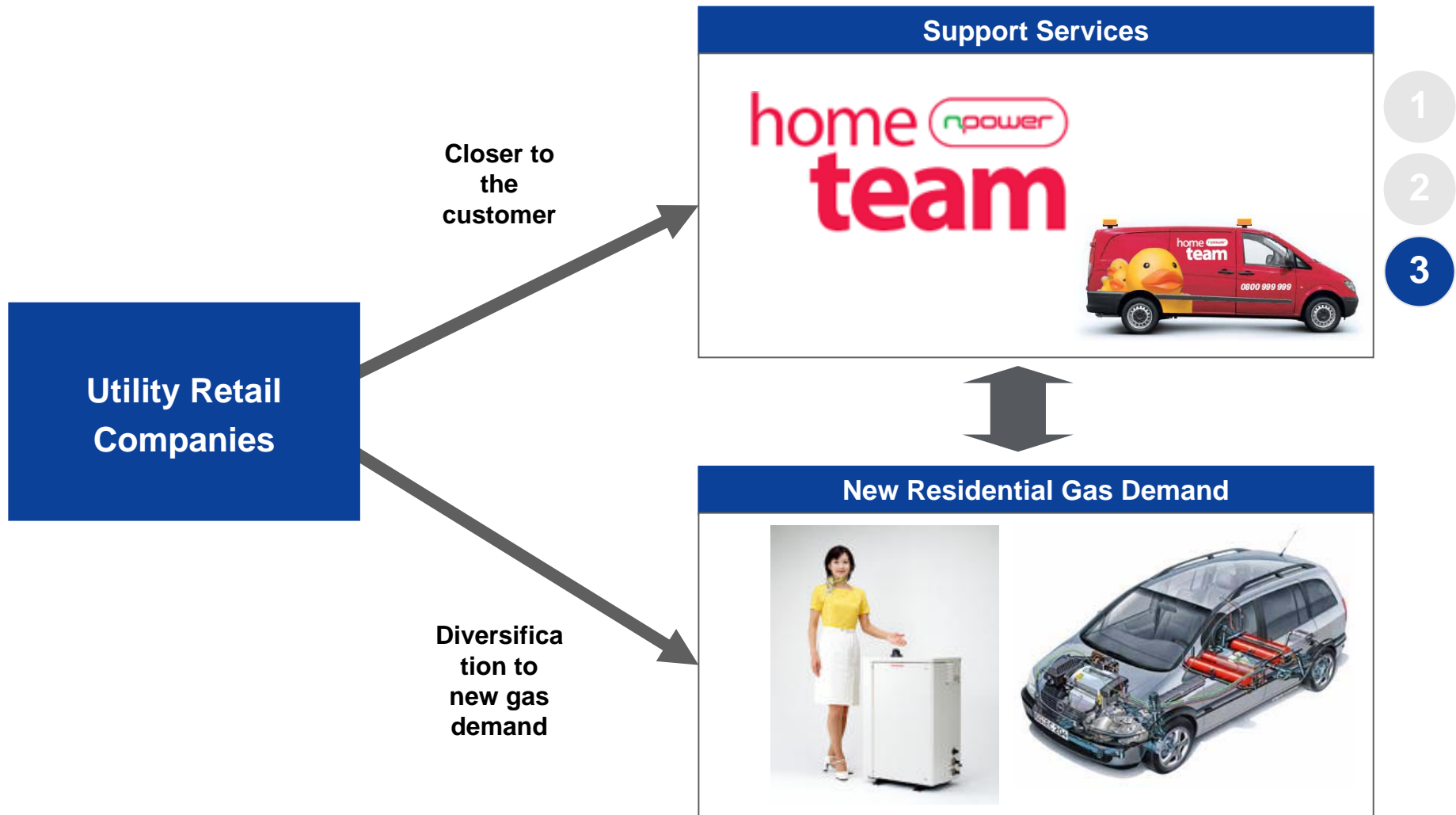
RWE npower

Demand for gas

- Gas demand for power generation still strong in order to meet generation gap, keeping prices relatively high to residential users
- Low CO₂ electricity from Renewables and possibly nuclear may ensure electricity from central plant is low carbon, compared to gas
- Existing gas central heating systems, for example, have relatively high efficiency acting as a barrier to DCHP
- Existing energy transportation systems meet immediate needs
- **New appliances could change everything – DCHP, NGVs, etc.**



Utility retail companies and perhaps other 'gas' companies must ensure that customers' needs are always met



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