

Press Release

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For immediate release

Market View: Sharp spikes in UK gas market will ease as new supplies come on-stream

The threat of sudden hikes in the price of gas in the UK should lessen as the shortage of supply to the UK market becomes less marked, says Alliance Trust Global Oil and Natural Resources Analyst Angus McPhail.

In Alliance Trusts' Market View on the outlook for UK gas published today (Tuesday), McPhail said, "As new supplies arrive from Europe and Norway over 2006/7 the probability of any spike recurring during winter months should diminish." New supplies to the UK will gradually ramp up to 180bcm by 2010, from 18bcm today, according to company information.

Although volatility may ease, UK gas prices will remain firm because of their dependence on oil prices. The level of support for gas prices at the moment at an average 33p/therm, 7p/therm higher than in the last five years, gives us confidence that companies exposed to the UK gas market will generate meaningful returns, McPhail said.

While new projects for imports and more storage will secure supplies to the UK gas market over the next couple of years, the future is also bright for UK gas production. "New finds, along with more efficient recovery, should mean that UK output continues to supply around two-thirds of UK gas needs in the next few years," McPhail said.

The investment companies that comprise the Alliance Trusts, the Alliance Trust and the Second Alliance Trust, have 17.2% of their portfolio invested in oil and resources stock.

The full Alliance Trusts' Market View on UK Gas is available on www.alliancetrusts.com or you can ask for a copy by emailing contact@alliancetrusts.com

Notes to Editors

1. The Alliance Trusts are two of the UK's largest investment trusts, the Alliance Trust and the Second Alliance Trust, which have been investing since the 1880s. Between them, the trusts manage more than £2.7bn in assets (as at 31 January 2006).

2. Photographs of Angus McPhail are available.

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