Mid May 2024

Energy Market Insights

Twice Monthly Independent Market Analysis

ELECTRICITY

UKRAINE DAMAGE STOKES SUPPLY FEARS

UK power prices have been creeping upwards as geopolitical tensions, low renewable generation and French nuclear constraints have offset weak demand and helped to lift the market. October '24 Annual and April '25 Annual Baseload were being discussed around £80/MWh at the time of writing – up 5% this month – although both remain fractionally short of their 2024 peak that was reached in mid-April. October '25 Annual has meanwhile inched 3% higher to nearly £75/MWh.

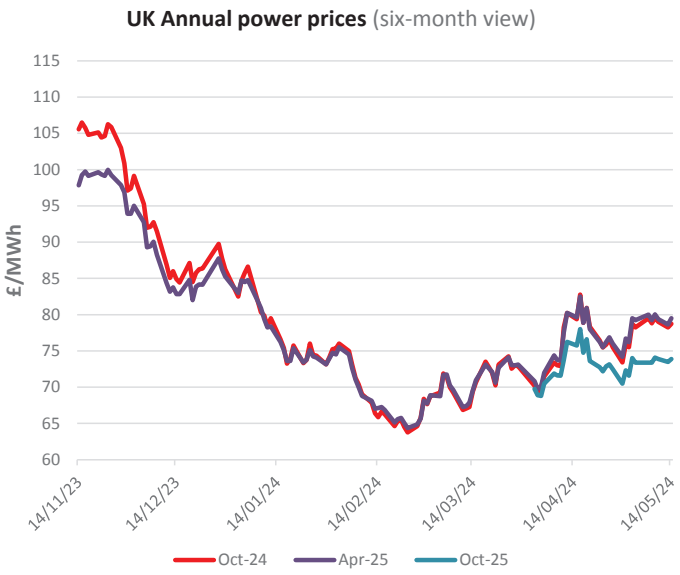
The war in Ukraine is starting to have a material impact on the European power market as damage to Ukrainian generation and transmission infrastructure means imports have increasingly had to fill supply gaps. Exports from the EU to Ukraine reached nearly 20 GW on one occasion this month. With no end to the conflict in sight the strong exports are likely to continue, presenting another headache for European energy markets – already reeling from the loss of Russian pipeline gas, issues with the French nuclear fleet and a lack of large-scale storage to support the wave of new renewable capacity coming online – and has been pushing fresh risk into forward periods. Month-ahead UK power – June '24 – has also gained 5% over the last fortnight, while Q3 '24 Baseload has moved 4% higher.

Low renewable output has also played into the gains with UK wind generation slumping 40% to an average of just over 4 GW. The impact of this has been limited to an extent by a 10% dip in demand as daylight hours have lengthened, although gas-fired generation has still needed to rise 8%. Day-ahead power index values reached a high of £76/MWh during a six-day stretch towards the start of the month when wind production was below 2 GW. Since then, next-day values have eased down slightly to just under £73/MWh, still up 7% isince the start of May.

On the Continent EDF has struggled to return some of the French nuclear fleet from maintenance – while other planned work has also kicked in – and output from the country's reactors has dropped almost 10%. Front year French Baseload has moved above EUR 82/MWh, edging up 3% in the past couple of weeks, while the same German period has gained 4%.

Coal inventories in northwest Europe have reportedly fallen to the lowest level in two years due to weaker demand from the Continent's power generators as gas prices have come down and more renewable capacity has been installed. For instance, in Germany coal-fired generation this year has been 35% lower than during the same period last year, while wind and solar output has increased by 13%. Coal prices for delivery into northwest Europe in June are currently around $107/tonne, up 2% this month but below the $120/tonne reached in mid-April.

Elsewhere UK carbon prices have been on an upward trajectory in early May – mirroring movements in the EU that have been driven by restricted auction volumes and technical trading – but have started to edge lower in recent days. UKAs were changing hands around £37/TCO2e at the time of writing, ticking up 4% from the end of last month.



ELECTRICITY: OUTLOOK

Danish power grid operator Energinet has said that capacity on the 1.4 GW Viking Link with the UK will be limited to 800 MW until the end of September 2026, 15 months later than originally anticipated. This is due to a delay in upgrading the Danish electricity network. During 2024 the UK has imported just over 400 MW on average through the Viking Link.

UK POWER

UK Power prices go upwards in early May, due to ongoing geopolitical tensions.

Next month more than 600 MW of offshore wind capacity will be restored at the Hornsea facility, following maintenance that has restricted production at the site since early April.

LOW RENEWABLES

Low renewable generation and French nuclear constraints,offset weak demand and help to lift the market.

EU/UK CARBON PRICES

EU/UK Carbon prices on an upwards trajectory in early May, but have started to edge lower in recent days.

The UK has more than 91 GW of battery storage projects in the pipeline – according to RenewableUK – although only about 4 GW is currently in operation. Another 4.3 GW is under construction, just over 30 GW has received planning consent while the remainder – with a capacity of 56 GW – is in the planning or pre-planning stage. The average project size has increased from 27 MW in 2019 to 80 MW now.

The world's largest carbon dioxide absorption facility – capable of removing 36,000 metric tonnes annually – has started operating in Iceland. The plant – which is called Mammoth – is nine times larger than the previous record-holder and has been developed by Swiss start-up Climeworks. Mammoth filters out carbon molecules, combines them with water and then pumps the mixture underground where it reacts with basalt rock and is solidified.

KEY POWER INDICATORS:

Long-term UK (£/MWh)				Short-term UK (£/MWh)				European power (£/MWh)			
Apr '24 Annual	chg	Oct '24 Annual	chg	Month-ahead	chg	Day-ahead index:	chg	Germany Cal '24	chg	France Cal '24	chg
78.75	2.85	79.50	2.78	64.78	2.28	70.36	1.86	93.38	4.07	82.38	2.29

KEY OTHER INDICATORS:

Coal ($/MT) '24	chg	Oil (Brent) $/bbl	chg	UKA '23 (£/TCO2)	chg	EUA '23 (€/TCO2	chg	EUA '24 (€/TCO2)	chg	EUA '25 (€/TCO2)	chg
110.68	0.42	82.49	-5.20	37.10	1.41	70.10	0.90	73.01	0.99	76.32	2.41

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GAS

ANNUALS EDGE UP 5% ON LACK OF LNG

Intense Asian LNG demand, further Russian attacks on Ukrainian gas infrastructure, and temperamental Norwegian exports have contributed to rising UK gas values even as demand has been crumbling and storage levels rising. October '24 Annual gas is hovering around 91 p/th, down slightly from the May-peak reached a week earlier but up 5% since the end of April. Similar gains have been posted on April '25 and October '25 Annuals, which are up to 92 p/th and 84 p/th respectively.

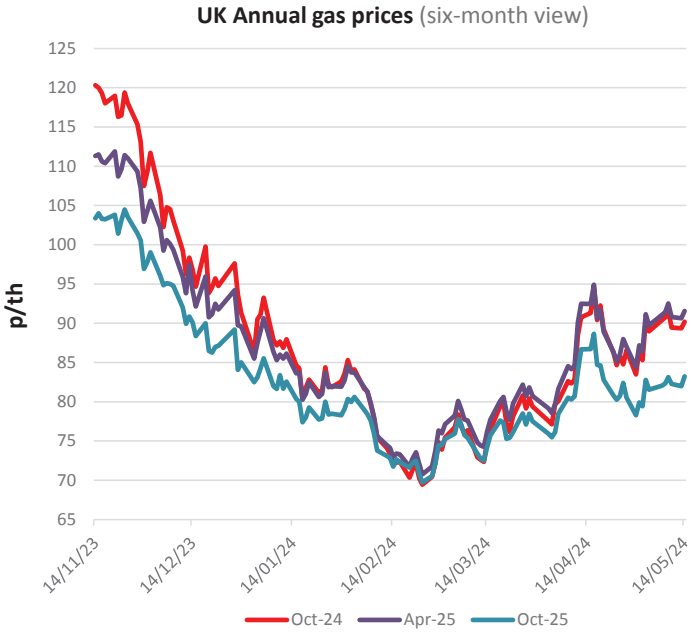
LNG demand in Asia has been supported by a drought in China reducing hydro capacity, a heatwave in the southeast of the continent, and Japanese utilities refilling storage. Issues with Australian supply – crucial for Asian buyers – have added upside momentum and intensified competition with European importers, the UK included. Winter '24 prices on the Japan-Korea marker (JKM) – an Asian LNG benchmark – are currently above $12/MMbtu, or 96 p/th. Front winter prices in the UK – as well as in the Netherlands – are short of this threshold at 93 p/th currently.

UK gas volumes delivered by LNG terminals have ticked up by 13% compared to the latter half of April but have still only accounted for 5% of overall supply. Since the start of April, the amount of gas delivered into the UK grid by LNG facilities has dropped by more than 60% from Q1 – when the proportion of LNG-derived supply was close to 20% – as stronger prices in Asia have pulled cargoes east. Imports from Norway have also been erratic as summer maintenance has stepped up. Norwegian exports to the UK through the Langeled pipeline – the largest connection between the countries – have sunk by more than a fifth during May so far.

The impact of tight gas supply has partially been offset by extremely low demand, which has been more than 30% below the seasonal average over the past two weeks. Gas demand has remained substantially below normal levels even with exports to the Continent more than doubling, on top of an 8% rise in gas-fired power generation. This has held gains on the short-term market in check with June '24 gas only inching up 1% to 73 p/th.

On the policy front the EU has started discussions on new Russian sanctions – potentially coming into force by the end of June – that could target LNG for the first time. A ban on the trans-shipment of Russian LNG to countries outside the bloc has been proposed – rather than prohibiting EU LNG imports from Russia – which means the impact on supply is likely to be negligible unless there are responses from the Russian side. A complete ban on EU imports of Russian LNG is envisioned from 2027.

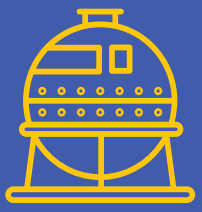
Elsewhere North Sea oil has been hovering around $83/bbl this month – after spiking to $90/bbl during April – as concern over a wider war in the Middle East has eased. In addition, currency weakness in major importers such as Japan and South Korea relative to the dollar – which makes it more expensive to import crude – has helped to suppress oil values as sellers adjust their offers lower.



GAS: OUTLOOK

On May 21st nearly 180 million cubic metres (mcm) of Norwegian gas processing and export capacity will be taken offline for planned maintenance, according to the schedule from operator Gassco. Curtailments will ease after that but at least 55 mcm will be unavailable until early June.

An outage at the Australian Gorgon LNG plant – affecting one of the three production trains at the site – is expected to be in place for the rest of May and into early June. Gorgon is one of the world's largest export facilities and has an annual capacity of more than 15 million tonnes. Deliveries from Gorgon are almost exclusively to markets in Asia.



UK GAS VOLUMES

UK gas volumes delivered by LNG terminals have ticked up by 13% compared to the latter half of April

A lawsuit has been filed by 16 US states challenging a freeze on the permitting process for new LNG export plants implemented by the Biden administration.

OIL INVENTORY

Record high oil inventories putting pressure on Brent and WTI prices.

Cheniere Energy has said it is on track to deliver the first LNG cargo from the third stage of the Texas-based Corpus Christi plant by the end of this year. The expansion is expected to add 10 million tonnes per annum (MPTA) of capacity, in addition to the 15 MPTA already operational. Corpus Christi is currently the second-largest US LNG plant – joint with Freeport – behind Sabine Pass in Louisiana.

GAS SUPPLY

Tight gas supply has partially been offset by extremely low demand, c.30% below the seasonal average over the past two weeks

KEY GAS INDICATORS:

Long-term UK (p/th):				Short-term UK (p/th):				European gas (€/MWh):		Crude Oil:	
Apr '24 Annual	chg	Oct '24 Annual	chg	Month-ahead index:	chg	Day-ahead index:	chg	TTF 2024:	chg	Oil (Brent) $/bbl:	chg
90.18	3.52	91.55	4.35	72.18	-0.17	70.01	-2.30	35.35	1.45	82.49	-5.20

All changes (chg) are compared to last report

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