Mid June 2024

Energy Market Insights

Twice Monthly Independent Market Analysis

ELECTRICITY

Q2 SURGE FALTERS AS PRICES SLIP

UK power prices dropped sharply at the start of June, briefly crept up and have been moving lower again as weak demand, improved renewable generation and falling gas values have helped to puncture the uptrend that has taken hold since the start of Q2.

October '24 Annual Baseload is currently just under £83/MWh – after peaking close to £88/MWh at the start of the month and moving under £82/MWh at one stage – a decline of nearly 4% since the end of May. April '25 Annual electricity has meanwhile shed 5% to near £81/MWh, while October '25 Annual has slipped 3% to £77/MWh.

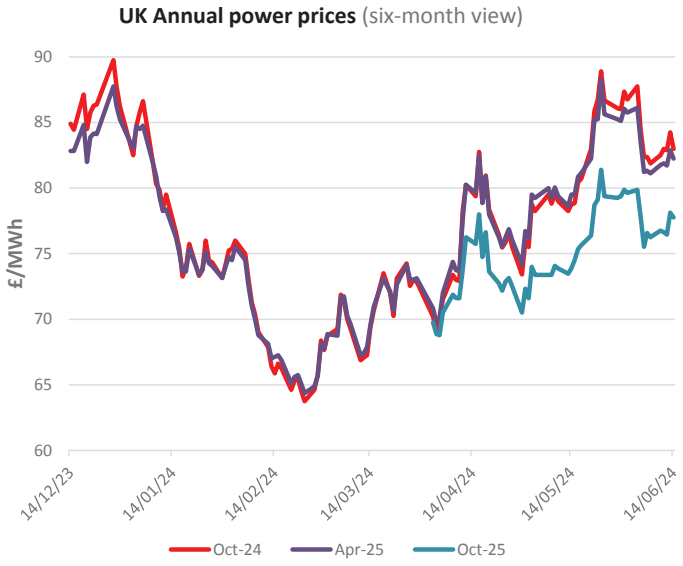
Wind generation has increased by more than a third to an average of 6.5 GW – accounting for 30% of power supply – while demand has dropped by about 10%. Falling power consumption has partly been due to rising daylight hours and temperatures, but also reflects the fact that much of the UK's solar fleet is connected to the distribution – rather than the transmission – network. Output from solar panels tied to the distribution grid is netted off against demand and is not recorded as electricity generated.

The Day-ahead power index hit a low of £67.5/MWh during a couple of days of strong winds, although it has since just risen back towards £84/MWh – as renewable forecasts have deteriorated over the last couple of days (output is expected to remain more subdued for the latter half of June). July '24 electricity – the month-ahead – has at the same time dropped by nearly 4% since the end of May, to move below £84/MWh.

Meanwhile coal prices started off the month with upwards swagger but have since cowed lower. Coal values for delivery into northwest Europe next month are currently around $110/tonne, down 9% in the past two weeks amid weakening demand for the fuel. In Germany – Europe's largest coal consumer – the share of power generated by coal has fallen to 21% this year, compared to 26% on average in 2023 and 33% the year before, as more renewable capacity has come online.

Elsewhere, exchange data showed that UK emissions allowances (UKAs) cleared just below £47/TCO2e at an auction earlier this month – up from about £44/TCO2e at the previous auction at the end of May – as market sentiment becomes increasingly bullish (a tender in early May cleared at £35/TCO2e). The shift in carbon expectations towards the upside has been driven by the upcoming election as Labour – which polls are indicating should win with a comfortable majority – is perceived as being more climate-conscious than the current administration. Benchmark UKAs are currently just shy of £50/TCO2e, edging 1% higher over the past two weeks.

Recent elections for EU members of parliament have gone the other way with a notable shift to the right – particularly in France. The perception that environmental policy on an EU level will weaken following these elections has contributed to a fall in EUAs – although at just over EUR 66/TCO2e they remain at a substantial premium to the UK market – of more than 10%.



ELECTRICITY: OUTLOOK

The European Commission will remove 267 million carbon allowances from auctions through the Emissions Trading Scheme (ETS) for the year from September 1st and plans to transfer these into the market stability reserve (MRS), a mechanism used to reduce oversupply since 2019. Last year the MSR was amended to align the market more closely with EU climate targets.

ENERGY PRICES

Energy prices continue a bullish trend due to increased LNG demand from Asia

TEMPERATURES

Temperatures are expected to rise over the rest of June, potentially increasing demand for cooling

SSE has submitted plans to build an 800 MW offshore wind farm in the Irish Sea, with construction slated to commence in 2026 and operations planned from 2029. Ireland aims to have 5 GW of offshore wind installed by the end of the decade, although the country only has one small-scale plant currently in operation.

The Dutch energy ministry has awarded two consortia – one comprising Swedish utility Vattenfall and Copenhagen Infrastructure Partners and the other the UK's SSE and two pension funds – rights to develop offshore wind projects with a combined capacity of 4 GW. The Netherlands is reportedly planning to launch another 4 GW offshore wind tender by the first quarter of next year.

German energy regulator BNA has received nine bids to develop a 1.5 GW offshore wind farm without the need for subsidy, as well as seven zero-subsidy bids for a 1 GW project. From June 17th companies will compete to pay the state to develop each offshore zone with bids starting at EUR 45 million for the 1.5 GW project and EUR 30 million for the 1 GW site.

UK WIND GENERATION

UK wind generation is down, on average providing only around 15% of demand month to date

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
83.00	-3.75	82.25	-3.50	74.64	0.39	83.28	8.84	92.58	-5.97	70.00	-13.88

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
120.50	-8.00	82.72	1.46	48.61	0.07	68.62	-5.50	71.42	-5.83	74.04	-5.94

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GAS

SOFTER GAS AS SUPPLY CONCERNS EASE

Easing maintenance restrictions on the Norwegian North Sea in the weeks ahead, very low demand and healthy storage levels – despite a fairly slow start to injection season – have helped to arrest the uptrend on UK gas prices and pull values lower over the opening half of June. October '24 Annual gas is currently around the 94 p/th mark – after peaking above 98 p/th at the start of June – falling 2% so far this month. The next two Annuals – April '25 and October '25 – have dipped by a similar proportion, to 93 p/th and 85 p/th respectively.

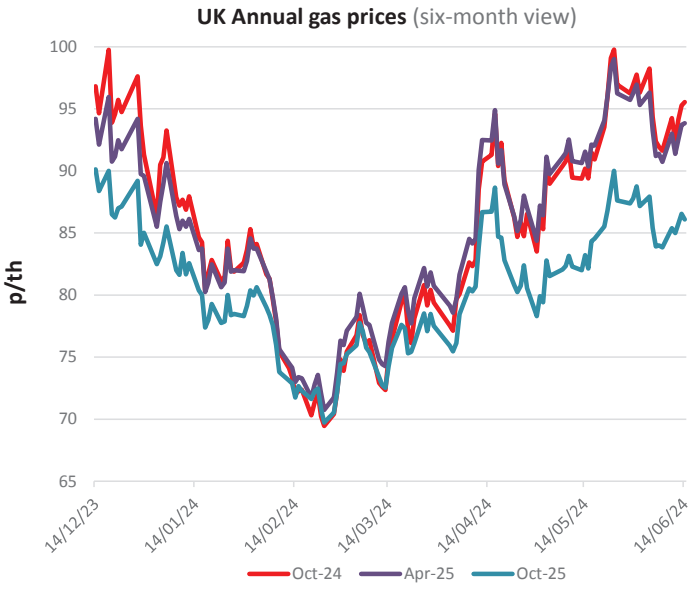
Gas demand has been 30% below the seasonal average so far in June – in line with the second half of May – with power sector gas use particularly weak. Month-to-date gas use for electricity generation has been almost 50% lower than during the same timeframe in 2023 – as output from wind turbines has been 60% higher – offsetting a substantial year-on-year rise (22%) in gas use from local distribution zones (LDZs), most of which is residential.

But patchy supplies have meant that short-term gas prices have been moving upwards – in contrast to the rest of the market – with Day-ahead approaching 84 p/th at the time of writing, ticking up by 2% since the end of May. Imports from Norway have averaged 55 million cubic metres (mcm) during June, which is actually an improvement of 12% compared to the previous fortnight. But the volume delivered into the UK has been volatile with lows of less than 16 mcm and highs of nearly 80 mcm.

A major unplanned outage at Norway's Nyhamna processing plant – taking 80 mcm offline for a few days – served as a reminder that much of the infrastructure in the North Sea is past its prime and led to intra-day spikes of 10% on multiple periods across European markets. But planned Norwegian maintenance is starting to ease and only minor capacity curtailments are expected for the rest of this month and through to late August. This has helped front month gas to edge down fractionally to 82 p/th, while Q3 '24 has slipped about 2% to 83 p/th.

The aforementioned issues with Norwegian exports – alongside weaker LNG supply (compared to last year) due to roaring demand and prices in Asia – have meant EU storage injections have been slightly slower in pace than last summer. After starting Q2 fuller than at the same point in 2023 – 59% vs 56% – EU stocks are now in line with last year (around 73%). It is worth noting that this is still substantially above normal with the five-year average about 20 percentage points below current storage levels. Dutch Winter '24 gas is currently just below EUR 39/MWh, creeping down 2% over the past couple of weeks.

Meanwhile North Sea oil had moved up towards $83/bbl at the time of writing, rebounding upwards after slipping down to almost $78/bbl earlier this month. A recent report from the International Energy Agency (IEA) suggests there could be a massive oil surplus – around 9 million barrels per day – by the end of the decade as supply increases outstrip demand, potentially crushing crude values as the decade progresses.



GAS: OUTLOOK

Chevron has said that an unplanned outage at Australia's Wheatstone LNG plant could last until June 27th – although this is currently just an estimate – after the facility was taken offline on June 10th. Problems at the site have bolstered global gas markets due to Wheatstone's position as a key exporter to Asia, which is experiencing strong demand as a heatwave drives up gas use for power generation. Another Australian LNG plant also operated by Chevron – Gorgon – will see at least 25% of its capacity curtailed for planned work from July 12th until August 18th.

GAS STORAGE

European gas storage has risen above the long-term average to 73.2% of capacity

Talks between Russia and China over proposals to build a 50 billion cubic metres (bcm) capacity pipeline – Power of Siberia 2 – have reportedly stalled. Reports have indicated that China is demanding too low a price and has not committed to receiving sufficient volumes to satisfy the Russians.

OIL PRICES

Oil prices reach their highest level since April 2024

Norwegian capacity curtailments due to scheduled maintenance are expected to be 35 mcm until Friday, after which restrictions will fall below 20 mcm until the next round of major works starts in late August.

UK LNG CARGO

Only one inbound cargo to the UK of LNG due before end of June

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
95.55	-0.75	93.85	-1.45	83.16	-1.56	84.07	0.14	37.39	-0.12	82.72	1.46

All changes (chg) are compared to last report

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