

Energy Market Insights

Twice Monthly Independent Market Analysis

ELECTRICITY

ANNUALS TICK UP AS VOLATILITY WANES



Falling renewable generation, buoyant Asian LNG demand and political instability amid several elections – potentially unsettling decades of European consensus on energy policy – have contributed to minor gains on the UK power market since mid-June, although the upward momentum has been tempered by weak demand.

October '24 Annual Baseload is currently around £83/MWh, inching 1% higher over the past two weeks. The difference between high and low closing values on the front Annual has been just £3/MWh – compared to swings of close to £6/MWh during the opening half of June – as volatility has drained from the market. April '25 and October '25 Annuals have also crept up by 1%, to £83/MWh and £78/MWh respectively.

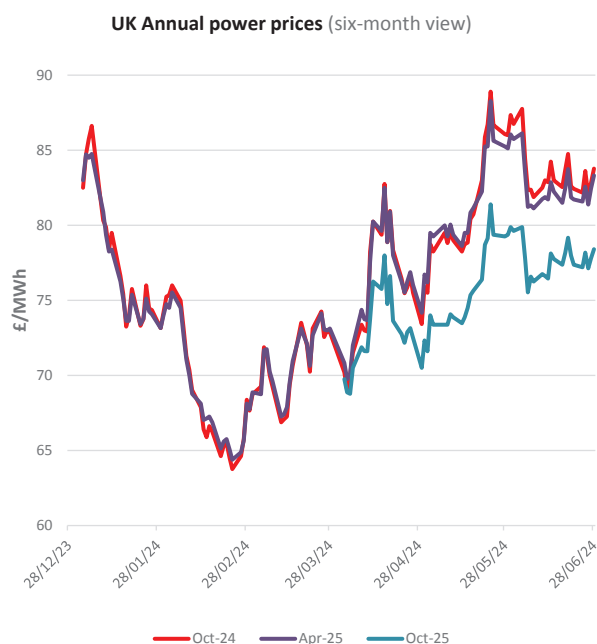
The near-term market, on the other hand, has come off a touch. Wind generation has been 20% lower than during the opening half of June, but towards the end of the month output started has been rising and forecasts indicate unsettled conditions are expected in early July. This contributed to a slight decline in July '24 Baseload towards the end of June, with the period ending the month just over £73/MWh, shedding 2% in the past couple of weeks. The new month-ahead – August '24 – was changing hands slightly below £73/MWh at the time of writing, falling 2% too. Next-day power had moved as low as £40/MWh during a few days of particularly strong wind generation, but has since moved back up towards £78/MWh (7% lower than a fortnight ago).

On the Continent a snap election in France – on the back of poor results for the incumbent coalition during EU parliamentary elections – could shake up governance of the EU's second-largest economy. Front year French power has traded up nearly 7% in the last two weeks – in part due to the uncertain political environment – whilst in Germany 2025 Baseload has nudged down by 1.5%. Despite this front year German power remains almost EUR 20/MWh above the same period in France.

Meanwhile net short positions held by speculative traders on EU carbon allowances have risen to a two-month high

of more than 18 million tonnes – according to the most recent report on June 21st – as the market anticipates a weakening of the green agenda in Brussels following recent EU elections. In contrast investment funds are currently long on UK carbon – reflecting the expectation that prices will rise – due to polls pointing towards a Labour win at UK elections. This represents a reversal of previous sentiment that drove a huge wedge between the two carbon markets and potentially paves the way for values to converge. The premium held by EUAs over UK carbon has narrowed by EUR 10/TCO₂e since the start of the year

Elsewhere coal prices have continued to edge lower as lacklustre demand – particularly in China where improved hydro production has reduced coal-fired generation – has weighed on the fuel. Coal values for delivery into northwest Europe in August are now at \$107/tonne, sliding down 7% since the middle of June.



ELECTRICITY: OUTLOOK



A 1 GW cable linking the UK to the Netherlands has been taken offline for maintenance set to last until August 11th. Net flows this year have averaged about 250 MW towards the UK.

Norway's NVE has said the country's power surplus could fall to 9 TWh per year by 2028 – down from 18 TWh currently – with demand forecast to rise by 14 TWh against a 5 TWh supply increase. UK electricity imports from Norway have averaged just over 1 GW in 2024 so far.



COAL VALUES

Coal values for delivery into northwest Europe in August are now at \$107/tonne, sliding down 7% since the middle of June.



Average Baseload electricity prices could fall to £19/MWh on average by 2028 – according to a report from Aurora Energy Research – driven mainly by falling gas and carbon values. The company said it expects gas prices to average just under 70 p/th until 2027 – 20% lower than a previous forecast – while predicting UKAs will average £65.8/TCO_{2e} over this period.

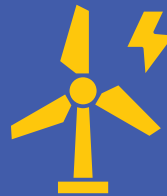


ANNUAL BASELOAD

October '24 Annual Baseload is currently around £83/MWh, inching 1% higher over the past two weeks.



Global offshore wind capacity has increased by 21% over the last year to 75 GW – according to a report from RenewableUK – led by China with nearly 37 GW installed. The UK has the second-largest offshore wind capacity, behind China, at close to 15 GW, followed by Germany (8 GW) and the Netherlands (just under 4 GW). The report indicated there could be 277 GW of operational offshore wind farms by the end of 2030, while the global pipeline of projects – including those in the very early stages of development – has risen to 1,231 GW across 41 countries.



WIND GENERATION

Wind generation has been 20% lower than the opening half of June, towards the end of the month output started has been rising and forecasts indicate unsettled conditions expected in July.

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	0.00	82.25	0.00	72.68	-1.96	78.75	-4.53	90.78	-1.80	74.70	4.70

KEY OTHER INDICATORS:

Coal (\$/MT) '24	chg	Oil (Brent) \$/bbl	chg	UKA '23 (£/TCO ₂)	chg	EUA '23 (€/TCO ₂)	chg	EUA '24 (€/TCO ₂)	chg	EUA '25 (€/TCO ₂)	chg
114.00	-6.50	86.45	3.73	45.95	-2.66	67.36	-1.26	70.09	-1.33	72.76	-1.28



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GAS

ASIAN LNG STRENGTH SUPPORTS UK



It has been a tight couple of weeks for UK gas with the market struggling to establish a clear direction. Strong LNG demand in Asia has been the main supportive factor – not to mention ever-present worries over Ukraine – while short-term fundamentals remain fairly benign given healthy storage levels and subdued summer demand. October '24 Annual gas is currently around 95 p/th, virtually flat to levels seen two weeks ago and down from peaks of close to 97 p/th. April '25 and October '25 Annuals have ticked up by about 1% since mid-June to 95 p/th and 87 p/th respectively.

Ravenous LNG demand in Asia has continued to limit deliveries into the UK – imports in June were reportedly at an 11-month low – while arrivals on the European mainland have also been sparse compared to last year. Winter delivery prices on the Japan-Korea Marker (JKM) moved above \$13/MMbtu – around 103 p/th or EUR 41.5/MWh – during May and have neared \$14/MMbtu on several occasions since then as very high temperatures have driven up power demand, which in turn increases the need for LNG to supply gas-fired plants. UK Winter '24 is currently around 99 p/th – or \$12.5/MMbtu – at least \$1/MMbtu below the same period on the JKM.

For now, at least, the dearth of LNG has not been a problem for the UK supply balance. Pipeline imports from Norway have been rising since mid-June – despite several unplanned outages – as planned maintenance restrictions have eased. Demand has also been extremely low – about 25% below the seasonal average – largely driven by the power sector as renewable capacity displaces conventional thermal generation. The amount of gas used to produce electricity during June was more than 40% lower than the same month in 2023, which has applied some pressure to near-term values. The weak demand contributed to July '24 ending June at just under 80 p/th, sliding down by 4% in the last fortnight. August '24 gas had been changing hands at just over 78 p/th, dipping nearly 8% over the same timeframe. Day-ahead gas has also dropped, falling about 6% to just under 79 p/th currently.

Elsewhere the pace of storage injections on the Continent has picked up with about 25% more gas added to stocks over the past two weeks than during the opening half of


June. Aggregate sites are now 77% full – according to Gas Infrastructure Europe – in line with a year earlier and massively higher than the five-year average of 59%. Dutch Q3 '24 – covering the three months of the year when storage injections have traditionally peaked – ended June at just under EUR 35/MWh, creeping down 3% over the latter half of June.

Meanwhile month-ahead North Sea oil has ticked up by 5% over the past couple of weeks and is nearing \$86/bbl for the first time since late April. The upside has partly been driven by an extension to production cuts from the OPEC cartel – as well as other major producers including Russia – into next year. Increasingly hostile rhetoric towards Iran from Israel – which is combatting Iranian-backed groups in Gaza and Lebanon – has led renewed anxieties that localised conflicts will spiral into a wider war in the Middle East.

UK Annual gas prices (six-month view)



GAS: OUTLOOK

 The UK Supreme Court has ruled that Surrey County Council should have considered downstream emissions when it approved plans to expand oil production at the onshore Horse Hill field in 2019 – a judgement likely to have ramifications for the wider industry – following a legal challenge from an environmental group. UK Oil and Gas – the project developer – has said it will work with the local authority to amend its planning application and that future production would be below the threshold at which an environmental assessment is required. The six wells at Horse Hill – which was commissioned in 2014 – are expected to produce 3.3 million tonnes of crude oil over the next 20 years.



LNG DEMAND

Ravenous LNG demand in Asia has continued to limit deliveries into the UK – imports in June were reportedly at an 11-month low.



GAS USAGE

The amount of gas used to produce electricity during June was more than 40% lower than the same month in 2023, which has applied some pressure to near-term values.


 The EU has approved a new sanctions package against Russia that targets the gas sector directly? for the first time, prohibiting Russian LNG from being re-exported via European terminals rather than banning imports directly. Facilities in Belgium, France, the Netherlands, and Spain are the main entry points for LNG delivered from the Russian Yamal plant, some of which is then shipped to markets elsewhere. around 10% of Russian LNG exports.

German plans to auction 10 GW of gas-fired, hydrogen-ready, power capacity – originally planned for this year – have been delayed with 5 GW now due to be tendered next year and another 5 GW in 2026, according to local reports.



NORTH SEA OIL

Month-ahead North Sea oil has ticked up by 5% over the past couple of weeks and is nearing \$86/bbl for the first time since late April.

 From the end of July the 832 MW Stublach gas-fired power plant will be taken offline for planned maintenance for two months.

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	0.00	93.85	0.00	79.08	-4.08	79.59	-4.48	38.00	0.62	86.45	3.73

All changes (chg) are compared to last report

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