# Energy Market Insights

Twice Monthly Independent Market Analysis

## ELECTRICITY

## Geopolitics Propels Market Upwards

UK power prices have been rallying in tandem with the gas market as the Ukrainian conflict entered a new chapter and threatened the residual Russian pipeline gas still being delivered to the west. Scorching weather on mainland Europe has also played a role as cooling-related demand has intensified while major generators have issued warnings over production restrictions, but the buoyant gas market has been the crucial component. October '24 Annual Baseload electricity has neared £89/MWh for just the second time this year – the last occasion was in May – and has gained 9% since the end of July. April '25 Annual has bounced 7% to over £88/MWh while October '25 Annual has swelled by 6% to £82/MWh.

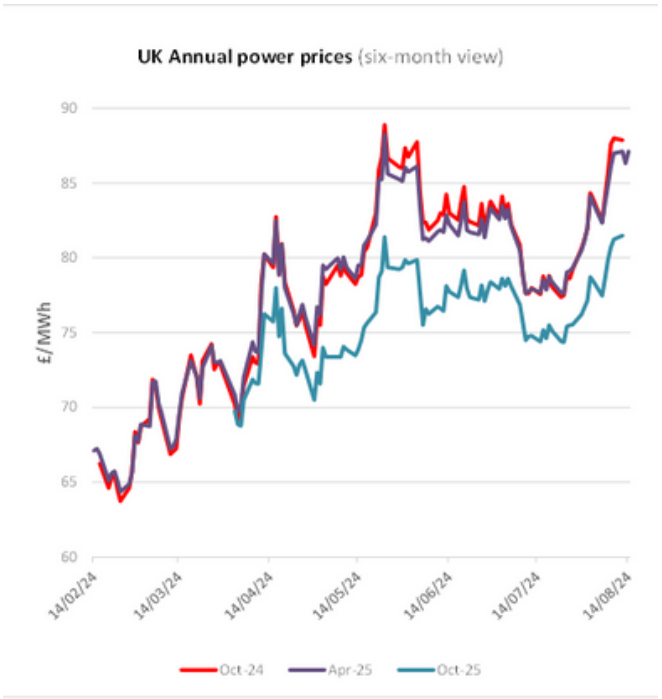
It has been a different story at the front end of the market with nuclear generation on the rise after operations were restored at three UK reactors following maintenance – all UK nuclear capacity is currently online – leading output from the fleet to rise by 10%. Conversely the heatwave in France has led to disruptions for the nuclear sector there with EDF forced to reduce operations as river temperatures soared and reduced reactor cooling capabilities. However, the impact has been fairly isolated (so far) and French nuclear production has been in line with output in July. UK electricity imports from France have slipped slightly compared to last month but not by enough to cause any headaches for the overall supply balance.

Despite the relatively negligible impact on French power supply, the very high temperatures – alongside gas concerns – have contributed to strong gains with French month-ahead soaring by 17% to EUR 66/MWh currently. The lift to the German front year – a key benchmark – has been more modest at 5%, with the period around EUR 99/MWh at the time of writing.

Back in the UK renewables have been strong, with wind farm production surging by nearly 80% to an average of 6.5 GW, applying downward pressure to the short-term market in contrast to periods farther out.

The Day-ahead Baseload index moved all the way down to £18/MWh a day before wind production reached nearly 12 GW – the highest level since early July – and across the fortnight it has averaged £60/MWh, down 20% compared to the previous two weeks. At the time of writing Day-ahead had been changing hands at £68/MWh, down 16% since the end of July. But beyond periods for immediate delivery the movement has been resolutely upwards with month-ahead – September '24 – climbing 6% to reach £80/MWh.

Elsewhere EU carbon has been ticking upwards and is currently around EUR 71/TCO2e – about 1.5% higher than a fortnight ago – partly driven by strength on the gas market with buying demand ahead of a compliance deadline also factoring in. UKAs on the other hand have been flat, hovering between the £38 and £39/TCO2e mark for the past couple of weeks. Coal – which has been on a steady uptrend since early July – has also been on an upward trajectory despite lacklustre economic data from the fuel's largest consumer China. Coal prices for delivery into northwest Europe next month have moved up by 4% this month to $122/tonne

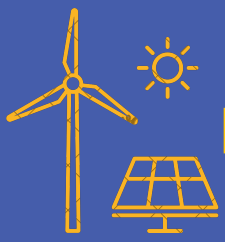


# ELECTRICITY: OUTLOOK

Above average temperatures have been forecast through most of Europe until late September – according to EU weather service Copernicus – which should support demand and could lead to more disruption on the supply side, particularly for the French nuclear sector.

## UK Power Prices

**UK power prices have been rallying in tandem with the gas market as the Ukrainian conflict entered a new chapter and threatened the residual Russian pipeline gas still being delivered to the west.**



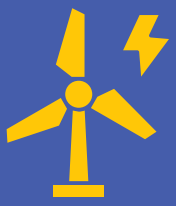
## Europe Power

**Despite the relatively negligible impact on French power supply, the very high temperatures – alongside gas concerns – have contributed to strong gains with French month-ahead soaring by 17% to EUR 66/MWh currently.**

Eastern Green Link 2 – a 2 GW cable that will connect Scotland to England – has become the first project to complete a fast-track process and secure funding through regulator Ofgem's Accelerated Strategic Transmission Investment (ATSI) framework. The ASTI is expected to fast-track 26 grid connection projects that will boost capacity and support renewable deployment. Eastern Green Link 2 has been awarded £3.4 billion through the scheme.

Several major players in UK energy have pushed for the country to link its emissions trading scheme (ETS) with the EU market. A report from Frontier Economics – prepared on behalf of Centrica, Drax, Equinor, National Grid, SSE and Uniper – has suggested that the discrepancy between UK and EU carbon prices could lead to the UK exchequer losing out on £3.5-8 billion from 2025 to 2030. The report added that even if prices converge, the EU's carbon border adjustment mechanism (CBAM) will lead to an increased administrative burden for UK companies and could hamper European decarbonisation efforts if there is increased friction in power trade between the UK and mainland Europe.

From August 18th 800 MW will be restored on the Viking Link cable between the UK and Denmark after planned maintenance comes to an end. The full 1.4 GW capacity will not be available to the market until September 2026.



## WIND GENERATION

**UK renewables have been strong, with wind farm production surging by nearly 80% to an average of 6.5 GW, applying downward pressure to the short-term market in contrast to periods farther out.**

KEY POWER INDICATORS:

| Long-term UK (£/MWh) | | | | Short-term UK (£/MWh) | | | | European power (£/MWh) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Apr '25 Annual | chg | Oct '24 Annual | chg | Month-ahead | chg | Day-ahead index: | chg | Germany Cal '24 | chg | France Cal '24 | chg |
| 87.13 | 5.10 | 88.00 | 6.05 | 70.70 | 0.70 | 50.95 | -30.67 | 98.70 | 4.80 | 83.38 | 4.40 |

KEY OTHER INDICATORS:

| Coal ($/MT) '24 | chg | Oil (Brent) $/bbl | chg | UKA '24 (£/TCO2) | chg | EUA '23 (€/TCO2 | chg | EUA '24 (€/TCO2) | chg | EUA '25 (€/TCO2) | chg |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 128.75 | 30.00 | 80.34 | -0.17 | 38.87 | 1.16 | 71.79 | 2.49 | 74.27 | 2.48 | 76.73 | 2.54 |

All changes (chg) are compared to last report

# Energy Market Insights

Twice Monthly Independent Market Analysis

## Gas

### Front Annual Jumps 10% to 2024-High

Ukraine's incursion into Russia's Kursk region – the location of key gas transit infrastructure – has sparked fresh panic that a potential cut to remaining Russian pipeline flows could be imminent and has propelled key UK gas prices to 2024-highs. Since the news broke the dreaded cut-off has not materialised, but tensions remain high and wholesale gas values in the UK and EU have held onto the gains accrued during the initial push from Ukrainian forces. During June – the latest month for which aggregate EU demand data is available – Russian gas flows via Ukraine covered about 7% of EU gas consumption.

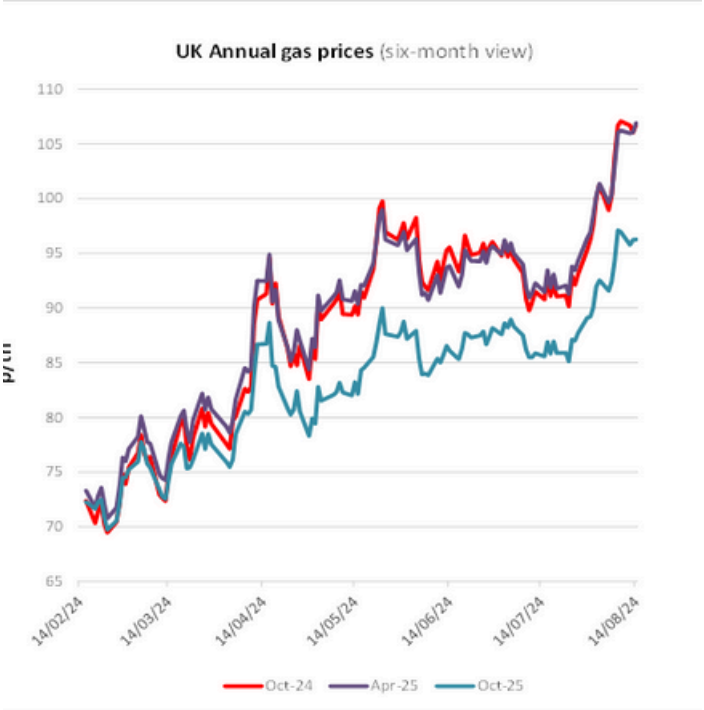
In the UK October '24 Annual gas has pushed above 107 p/th – the last time it was at this level was in November 2023 – jumping 10% in the past two weeks. April '25 Annual has climbed 9% to 108 p/th, while October '25 Annual has risen by 8% to 97 p/th. All three are at the highest levels seen this year.

This comes against a backdrop of comfortable fundamentals. UK gas storage – which has a relatively low capacity compared to similar-sized countries on the Continent – is now more than 75% full, up from 65% at the start of the month. In the EU sites are even better-stocked with aggregate fullness rising to 88% – over the last five years the average at this point has been 74% – which would normally be a downward driver for the remaining summer months as injection demand should be minimal, as well as applying pressure to winter-delivery prices.

But the UK front month – September '24 – has been hiked by 9% in the past couple of weeks to over 94 p/th, while Winter '24 has been lifted by 10% to more than 110 p/th. It has been a similar story on the Dutch market – Europe's benchmark – where month-ahead has increased by 9% to EUR 39/MWh and Winter '24 has risen by 8% to EUR 43/MWh. Gains on these periods have been met with corresponding bounces at markets in Asia, indicating LNG imports will remain limited in the short-term as higher prices continue to pull cargoes east.

As wind speeds have picked up there has been less of a pull from the power sector and gas demand has declined. During the month to date gas use has been about 20% below the seasonal average – compared to a gap of 10% during the previous two weeks – helping Day-ahead to edge down nearly 5% to just under 79 p/th.

Spiralling tensions in the Middle East with reports of Iran planning another offensive against Israel and the risk of a wider conflict intensifying have, perhaps surprisingly, had a much greater impact on European gas prices than on the global oil market. This is partly due to the fact that crude production in the Middle East has not been disrupted by issues in the region – for now at least – and is also because oil resources around the world are more diverse than gas supply options for Europe. Oil values have also been responding to gloomy economic sentiment in the US and China – the largest demand centres – which has capped any upside. At the time of writing North Sea crude was hovering around $80/bbl, in line with levels seen a fortnight ago.



# GAS: OUTLOOK

SRegulatory authorisation for the Rio Grande LNG export plant in Texas – a project with a planned capacity of nearly 37 billion cubic metres (bcm) per year has been cancelled by a US court of appeals – ruling that the Federal Energy Regulatory Commission (FERC) should have included an updated environmental impact assessment and data on carbon capture and storage. This followed appeals from an environmental group and could pave the way for challenges to other projects. Developer NextDecade said it has been continuing work on the first three liquefaction units and would assess the impact of the ruling before it makes an investment decision on a fourth.

## Gas Prices

**The UK October '24 Annual gas has pushed above 107 p/th – the last time it was at this level was in November 2023 – jumping 10% in the past two weeks**

The UK Treasury has said it will maintain the 80% investment allowance on the Energy Profits Levy (EPL) – a windfall tax on North Sea oil and gas producers – in a move aimed at soothing tensions with the industry. Last month the Treasury announced that the EPL – first introduced in 2022 – would run for an additional year to March 2030 and would rise from 35% to 38% (in addition to the 40% headline tax rate). Qualifying projects to decarbonise upstream production can wave up to 80% of the EPL through the investment allowance.

## UK Gas Storage

**UK gas storage – which has a relatively low capacity compared to similar-sized countries on the Continent – is now more than 75% full, up from 65% at the start of the month.**

Morgan Stanley has forecast Dutch gas prices will average $12.5/MMbtu – the currency and unit of global LNG trade – in Q4, about 7% lower than the period is currently trading.

## NORTH SEA OIL

**Elsewhere North Sea oil started off the month ticking upwards due to positive economic sentiment but has since eased back down to $85/bbl**

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 9 | chg | Month-ahead index: | chg | Day-ahead index: | chg | TTF 2024: | chg | Oil (Brent) $/bbl: | chg |
| 106.84 | 9.20 | 106.91 | 8.45 | 95.78 | 13.98 | 78.56 | -3.69 | 41.67 | 2.52 | 80.34 | -0.17 |

All changes (chg) are compared to last report

**weareboxfish.com**