Energy Market Insights

Twice Monthly Independent Market Analysis

ELECTRICITY

Annuals Slip 5-6% After Rally Ends

UK power prices have been slumping for the past week – after a strong rally inspired by tensions in the Middle East and multiple outages fizzled out – bringing most periods back into line or below levels seen a fortnight ago. Volatility has been much more intense as the colder months approach, with front (April '25) Annual Baseload touching a nine-week high of almost £83/MWh before sliding back 6% to around £78/MWh at the time of writing. October '25 and April '26 Annuals have meanwhile both shed 5% over the last fortnight, to £73/MWh and £69/MWh, respectively – their lowest level in several weeks.

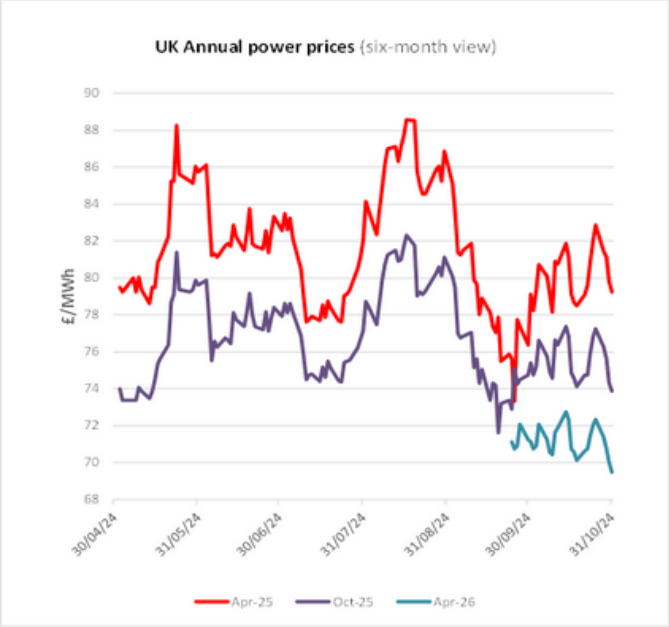
Concerns over the intensity of Israel's response to Iranian strikes had pushed a large risk premium into energy commodities, but a fairly muted retaliation from Israel helped to alleviate general market tension and push values lower. The upside had also been inspired by power supply strains, with UK imports dropping by 24% compared to the opening half of October, wind generation falling by 9% and nuclear production slipping by 7%, meaning gas-fired plants had to step in to close the deficit.

During the upward swing the bullishness had been most intense on near term periods and November '24 climbed all the way up to £97/MWh – the highest level a front month has reached this year – before retreating swiftly to end October at £88.5/MWh. The new month-ahead (December '24) was changing hands at £83.5/MWh at the time of writing – after exceeding £111/MWh at its peak – a 2% net dip overall since mid-October.

On the Continent German wind generation has been more than 20% lower than during the first half of October, with relatively expensive thermal plants having to ramp up to offset the fall in renewables. In France there have been yet more headaches for the nuclear sector as EdF warned that – based on repair work that took place in 2023 – one in three outages at 23 reactors planned for next year could be extended by a month on average. Despite the notice, year-ahead French electricity has shed 7% over the past fortnight to EUR 70/MWh currently, while the same period in Germany has slipped down by 3% to EUR 86/MWh.

Hedge funds have trimmed net short positions in EU carbon to the lowest level since early September in a sign that sentiment – at least from speculative traders – is starting to shift into more positive territory. Hedge funds have meanwhile remained optimistic on UK carbon and have continued to build long positions. Movements on both sets of allowances have been almost identical though – and in line with the direction of electricity and gas – with upward momentum quickly running out of steam. Overall UKAs and EUAs have shed 3% in the last couple of weeks – to £38/TCO2e and EUR 64/TCO2e respectively.

Elsewhere, coal has remained elevated with the price of the fuel for delivery into northwest Europe in December oscillating around $120/tonne for the past few weeks – low winds on mainland Europe and strikes at Russian mines kept the fuel at this level – although values have started to tail off in line with other energy commodities.



ELECTRICITY: OUTLOOK

The 1.2 GW Dogger Bank A offshore wind farm is now expected to come online in the second half of 2025 — UK-based energy company SSE has said — the start-up pushed back from the first half of the year.

UK Power Prices

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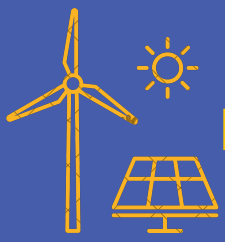

Europe Power

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TThe UK has increased the net zero transition budget by 35% with almost £22 billion allocated to carbon capture and storage over the next 25 years, £2.3 billion for large-scale hydrogen production, and another £3.2 billion to continue development on the 3.2 GW Sizewell C nuclear project.

The European Commission has allocated EUR 4.8 billion — funds secured through the sale of carbon credits — to 85 clean technology manufacturing projects across 18 countries. Selected projects will contribute to 3 GW of EU solar photovoltaic manufacturing capacity and 9.3 GW of hydrogen electrolyser production capability. All projects aim to be running by 2030.

German energy demand could reach the lowest level since 1990 this year — according to research group Energiebilanzen — with consumption set to drop by 1.7% in 2024, mainly due to lower industrial activity.

Market Tension

Concerns over the intensity of Israel's response to Iranian strikes had pushed a large risk premium into energy commodities, but a fairly muted retaliation from Israel helped to alleviate general market tension and push values lower.

KEY POWER INDICATORS:

Long-term UK (£/MWh)				Short-term UK (£/MWh)				European power (£/MWh)			
Oct '24 Annual	chg	Apr '25 Annual	chg	Month-ahead	chg	Day-ahead index:	chg	Germany Cal '24	chg	France Cal '24	chg
79.25	-2.63	73.88	-3.50	89.00	1.76	91.35	4.02	87.23	-2.83	70.85	-6.15

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
122.08	-4.27	73.18	-4.65	37.71	-1.17	63.91	-1.96	65.98	-2.06	68.09	-2.09

All changes (chg) are compared to last report

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Gas

Sharp Pullback Follows Surge

The gas market has pulled back strongly after a firm rally – which pushed front Annual gas into triple figures for the first time since early September – with most periods now in line with levels seen a month ago as milder forecasts, full storage and fairly steady supply helped to weigh on the market. April '25 Annual gas is now just under 96 p/th, down 2% over the past two weeks. October '25 Annual has also shed 2% – to 88 p/th – while April '26 Annual has dipped 1% since mid-October, to 82 p/th now.

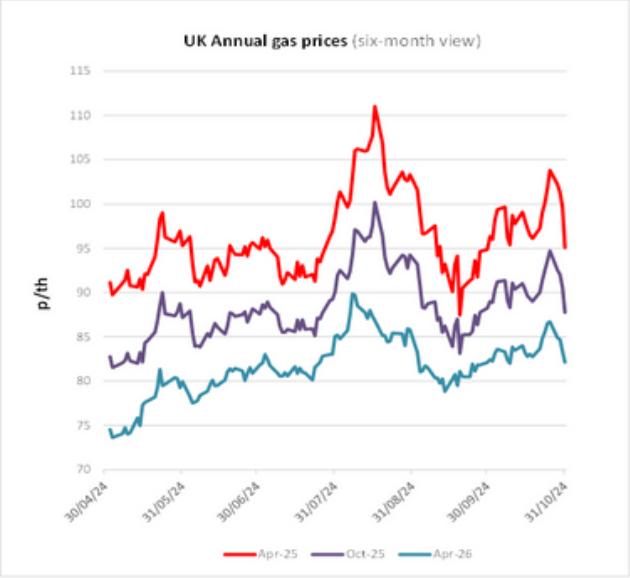
Gas demand has declined compared to the opening half of October, driven by falling household consumption and lower exports. Gas use for power generation did pick up to compensate for falling electricity imports and lower winds, but total gas demand has still slipped by 2% to an average of 180 million cubic metres (mcm), which is 9% below the seasonal average.

It was nerves on the supply side, however, that inspired the initial strong upward run, with jitters particularly high on short- and near-term periods. A series of unplanned outages striking Norwegian gas facilities was the major trigger for the surge as the market started to fret over reliability issues from Europe's largest pipeline supplier. Despite this, UK imports from Norway have actually risen by more than 20% over the last fortnight compared to the previous one, puncturing the premium built into forward periods.

November-delivery gas had spiked above 110 p/th at one stage but then sunk to end October at 97 p/th, a net 2% drop over the past fortnight. The new front month – December '24 – had retreated from a peak of 111 p/th to below 100 p/th at the time of writing. Day-ahead gas has followed a similar trajectory – nearing 109 p/th at one stage – and remains about 2% higher than mid-October levels, at 98 p/th.

Gas stocks have continued to build ahead of the high demand months and EU storage is now above the 90% November 1st target agreed between member states – while the UK's diminished reserve capacity is close to 80%. A potential area of concern is Ukraine, which has a massive capacity to store gas and is sometimes used as a repository for EU volumes. Ukrainian sites are only 27% full currently – compared to nearly 40% a year ago – meaning the country could be more reliant on gas from the west this winter.

Elsewhere, Chinese economic sentiment has started to turn after the government unveiled its most aggressive stimulus measures since the pandemic, but the upcoming US election has acted to restrain optimism. Republican candidate Donald Trump has signalled his intention to increase the use of tariffs – particularly against China – a move likely to dampen global economic growth. This prospect has helped to restrain oil values – China is the second-largest consumer of crude – with perceptions that the prospect of a wider Middle Eastern war has now dimmed also capping any gains. January-delivery North Sea oil has crept up fractionally (less than 1%) in the last two weeks to just over $74/bbl.



GAS: OUTLOOK

The UK has increased the windfall tax on North Sea oil and gas producers to 38% (from 35% currently) and has extended the charge by one year to March 2030 through the latest budget. This brings the overall tax burden on producers to 78%. Changes also include removing the 29% investment allowance that permits companies to offset tax from capital that has been re-invested.

Gas Prices

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UK Gas Storage

UK's diminished reserve capacity is close to 80%. A potential area of concern is Ukraine, which has a massive capacity to store gas and is sometimes used as a repository for EU volumes.

US gas production from shale and tight formations, which account for 79% of the country's gas output, declined by 1% over the first nine months of the year – potentially marking the first decrease since 2002 – according to the Energy Information Association (EIA). This has been triggered by falling wholesale market prices, which have averaged just over $2 per million British thermal units (MMbtu).

The UK will implement its carbon border adjustment mechanism (CBAM) from 2027 – initially covering the aluminium, cement, fertiliser, hydrogen, iron, and steel sectors – a year later than corresponding EU legislation. The CBAM – which originated with policymakers in Brussels – is aimed at preventing manufacturers from moving production to states with less stringent climate rules.

LNG cargoes are due to deliver into the UK's South Hook terminal on November 4th and the 6th – according to port information – in a sign that imports are starting to pick up.

Gas Usage

Gas use for power generation did pick up to compensate for falling electricity imports and lower winds, but total gas demand has still slipped by 2% to an average of 180 million cubic metres (mcm), which is 9% below the seasonal average.

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
98.16	-0.93	91.03	0.00	99.65	-0.14	98.99	1.74	39.67	-0.23	73.18	-4.65

All changes (chg) are compared to last report

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