Late November 2024

Energy Market Insights

Twice Monthly Independent Market Analysis

ELECTRICITY

Tight Supply and Gas Fears Stir Rally

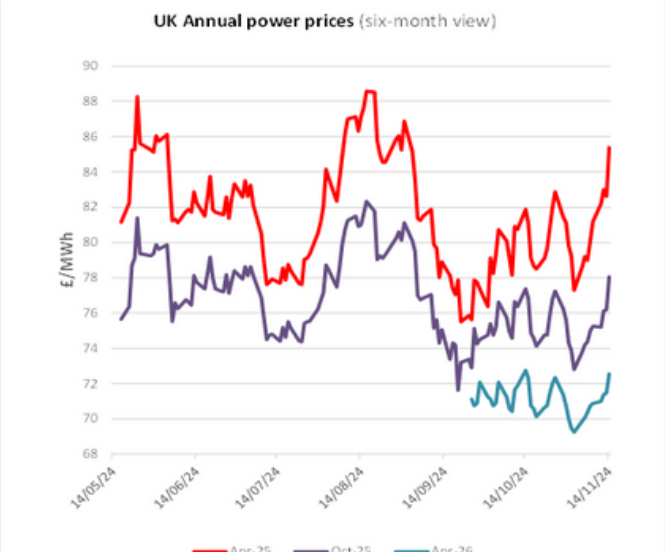
UK power prices have been marching higher through November to date with low temperatures, weak winds and multiple outages all contributing to the uptrend. A recent court ruling in an arbitration dispute between Russian gas producer Gazprom and Austrian supplier OMV has led to speculation that a further cut in pipeline exports from Russia could be imminent, adding more fuel to the upward swing. April '25 Annual Baseload has been pushed to the highest level since early September and is currently around £84/MWh, a 7% gain since the end of October. October '25 and April '26 Annuals have increased by 3 to 4%, to £77/MWh and £72/MWh respectively, at the time of writing.

The opening half of November has seen settled conditions descend over the UK leading wind farm generation to collapse by nearly 50% compared to the previous two weeks – although stronger winds are forecast for the latter half of the month – while multiple outages have continued to restrict imports. This has pushed up the use of gas for power generation and driven strength into short-term markets – as has the Gazprom arbitration ruling – with Day-ahead peaking at £115/MWh before slipping back to £103/MWh, an increase of 13% in the last two weeks. There has also been a strong rally on near-term periods with front month (December '24) up 11% to £95/MWh, and front quarter (Q1 '25) bouncing 10% higher to £98/MWh.

Low winds have also been straining the supply balance on the Continent – Germany has resorted to oil-fired generation at times to plug gaps after wind generation dived 45% – which has led short-term prices to balloon on Europe's biggest and most influential power market. German hourly values have reached highs of EUR 800/MWh and the country's Day-ahead index has averaged EUR 136/MWh these past two weeks, an increase of 36% compared to the second half of October. Longer-term periods have been lifted by strength at the front, with year-ahead German power – a key benchmark – up 8% during November to over EUR 94/MWh now.

Coal-fired power plants have also been used to offset low renewables on mainland Europe – German coal production has increased by 15% – which has been one factor helping to keep coal prices elevated. Strong demand for coal in Asia has also been propping up values with the price of the fuel for delivery into northwest Europe next month currently just over $124/tonne, up 2% in the past fortnight.

Despite a high degree of volatility in gas and power markets, UK carbon has been moving in a fairly tight range with lows close to £37/TCO2e and peaks of just over £39/TCO2e. The (relatively) fresh Labour government has been pushing a green agenda and has increased the carbon emissions reduction pledge at the latest COP summit – the aim is now for an 81% cut by 2035 – but this has had little impact on emissions values so far. UKAs are currently changing hands at £38/TCO2e, an increase of less than 1% since the end of October. There have been greater movements on EU carbon with a EUR 6/TCO2e swing between highs and lows. Overall EUAs have moved 4% higher to EUR 67/TCO2e currently.



ELECTRICITY: OUTLOOK

Planned maintenance at three UK nuclear reactors will take 1.8 GW of capacity offline from November 23rd until mid-December.

UK Power Prices

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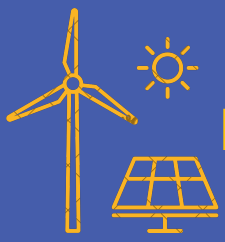

Europe Power

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UK energy regulator Ofgem has approved five new electricity interconnectors including a 1.8 GW connection to Germany, which will be the first cable linking the countries. Other projects include two new connections to Ireland with a combined capacity of 1.5 GW, as well as the 1.8 GW LionLink to the Netherlands and the 1.4 GW Nautilus with Belgium, both of which will also connect to North Sea offshore wind farms. All projects are set to be completed by 2032.

From next week the 1 GW Eleclink between the UK and France will resume operations after outages – both planned and unplanned – took the cable offline in late September. The UK was importing 800 MW a day through link before its closure.

National Grid is set to connect 4.5 GW of new capacity to the electricity network during the next fiscal year – which will start in April 2024 – up from the 3.4 GW expected in the current 12-month period.

Prime Minister Kier Starmer has announced new incentives for offshore wind through a scheme called the Clean Energy Bonus, which comes with a provisional £27 million per gigawatt for offshore wind projects, although it's not clear at this stage how this funding will be delivered.

Market Tension

A recent court ruling in an arbitration dispute between Russian gas producer Gazprom and Austrian supplier OMV has led to speculation that a further cut in pipeline exports from Russia could be imminent, adding more fuel to the upward swing.

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
85.38	6.13	78.05	4.18	94.25	5.25	102.17	10.82	95.50	8.28	78.55	7.70

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
125.8	2.20	72.86	-0.32	38.20	0.49	68.39	4.48	70.46	4.48	72.58	4.49

All changes (chg) are compared to last report

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Gas

Storage, Court ruling, Spark Surge

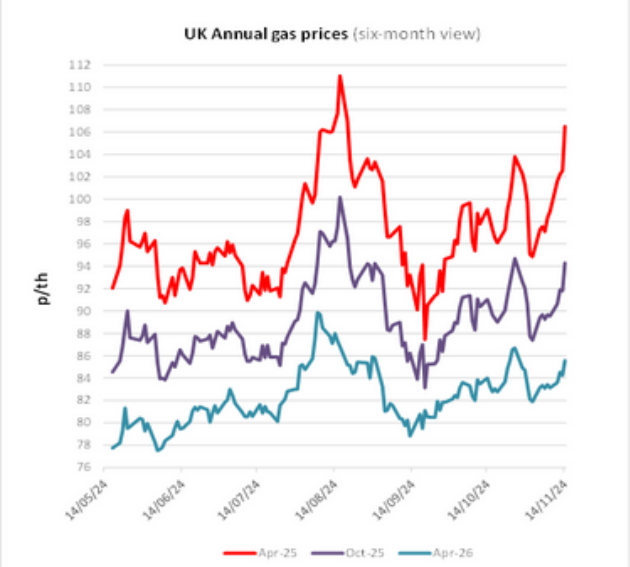
Rising demand, low LNG inflows and the latest panic over Russian supply have been propelling UK gas prices to highs last seen in August. April '25 Annual has risen by 11% since the end of October to 106 p/th at the time of writing, October '25 Annual has gained 6% to 93 p/th, while April '26 Annual has moved 3% higher to 85 p/th.

Russia's Gazprom has been ordered to pay Austrian supplier OMV EUR 230 million in damages following an arbitration dispute. The sum will be offset against future payments to Gazprom, the next of which is due on November 20th for volumes delivered in October. If OMV does not pay, some suspect Gazprom could cut flows from November 21st. The news has been most bullish for near-term prices with month- and quarter-ahead – December '24 and Q1 '25 – surging more than 15%, with both periods currently around 116 p/th.

There have also been market jitters as net withdrawals kicked in at UK storage sites with falling temperatures boosting domestic demand by 28% and windless conditions lifting gas use for power generation by more than 50%. This has fuelled strength on the short-term market with Day-ahead currently changing hands at 115 p/th, up 16% in November so far. It has been a similar story on the Continent with EU storage fullness dropping from 95% at the start of the month to less than 93% now – a year ago sites were almost completely full – with stronger power sector demand and limited LNG supply increasing the reliance on stocks this year. Since the start of October, the volume of gas supplied from EU LNG terminals has been 14% lower than the same period last year.

In the US the re-election of Donald Trump has been perceived as a boon for fossil fuel producers – although it is worth noting gas production has been 16% higher under Biden than during Trump's first term while oil output has been up 10% – but could increase trade frictions if new tariffs are imposed. What this means for European imports of US LNG is unclear, although European Commission president Ursula von der Leyen has suggested that one way to prevent the introduction of new tariffs on the EU would be to promise to buy more US LNG. In reality there is little politicians can do to facilitate this – the terms of LNG contracts are negotiated by private companies and not governments – but previous Commission president Jean-Claude Juncker managed to avoid a trade war with Washington by making similar promises on LNG purchases.

Trump's victory could also be bad news for Chinese manufacturing – a key bellwether for oil values – if promises to apply new tariffs on goods from China are kept.



GAS: OUTLOOK

Germany's economic ministry has reportedly told LNG terminal operators not to receive any tanker carrying volumes from Russia. A cargo set to deliver into the Brunsbuttel facility has been told it cannot dock at the site in northern Germany. Russian LNG accounts for about 20% of EU imports.

US-based oil firm Apache has said it will stop activity in the UK North Sea from 2030 due to the Energy Profits Levy – a windfall tax on producers introduced in 2022 and extended in the recent budget – saying the charge makes operating in the area uneconomic.

Gas Prices

Rising demand, low LNG inflows and the latest panic over Russian supply have been propelling UK gas prices to highs last seen in August.

UK Gas Storage

There have also been market jitters as net withdrawals kicked in at UK storage sites with falling temperatures boosting domestic demand by 28% and windless conditions lifting gas use for power generation by more than 50%.

The European Commission has said the EU is well-equipped to ensure gas supply security this winter even in the most severe and unlikely demand scenarios, after completing its latest preparedness test.

UK gas prices for delivery through the remainder of the winter have moved above Asian LNG values seen on the Japan-Korea marker, which should trigger an increase in imports provided the UK premium remains in place.

Gas Replacement

World leaders have been gathering in Azerbaijan for the latest COP summit with murmurs that a deal could be in the works to replace Russian gas currently transiting Ukraine – about 8% of EU supply last winter

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
106.50	8.34	94.29	3.29	115.62	15.97	115.05	16.05	43.95	4.29	72.86	-0.32

All changes (chg) are compared to last report

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