Energy Market Insights

Twice Monthly Independent Market Analysis

ELECTRICITY

Front Annual Jumps to 3-Month High

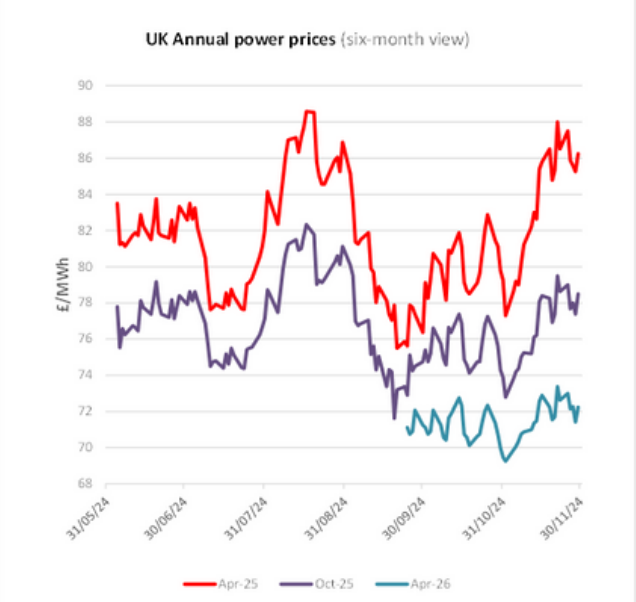
UK power prices have rallied, dipped and rallied again since mid-November, with the initial push higher catalysed by Russia's Gazprom threatening gas export cuts after an arbitration court ruled against it in a dispute with Austria's OMV. Strong renewable forecasts then helped to briefly knock values down from their peaks, but the downtrend quickly ran out of stream. April '25 Annual Baseload at the time of writing was marching back up towards £88/MWh, the level it reached in the first surge (and the highest value since August) – having slipped down to nearly £85/MWh. It has gained a net 2.5% in the past two weeks. October '25 Annual has meanwhile inched up by 1% to £79/MWh, while April '26 Annual is now flat to levels seen a fortnight ago, at £73/MWh.

The UK nuclear fleet has been severely curtailed – with six of the country's ten reactors now shuttered for maintenance – although the impact has been tempered by a massive boost in renewable output. In the opening half of November nuclear plants accounted for 15% of power supply, but this dipped to 11% during the latter half of the month and has been below 9% the past few days while unsettled conditions – including a battering from Storm Bert – have resulted in UK wind generation more than tripling over the second half of November.

This rise in wind output has pushed down gas-fired generation by 30% and had started to pressure the short-term market. Day-ahead Baseload dived to £66/MWh a day before wind generation averaged 15 GW, but next-day values had risen back to £115/MWh at the time of writing – 11% higher than in mid-November – lifted by fresh outages and the prospect of industrial action from energy workers in France (a major exporter to the UK). On the near-term market, December '24 briefly pushed into triple figures – largely a reflection of gas price movements – but meandered down from that point to end November at £92.5/MWh, a net 4% gain in the past couple of weeks. The new month-ahead – January '25 – has crept barely 1% higher, to £103/MWh currently.

Consultations have been launched on expanding the UK's emissions trading scheme (ETS) – mirroring planned changes in Brussels – to include parts of the economy not currently covered, such as the maritime sector. The proposed expansion has done little to shore up the UK's carbon prices though – EUAs now cost around a third more than UK allowances – which have dropped by 3% since the middle of November to just under £37/TCO2e now (in line with levels last seen in early October). EU allowances have been more resilient after the confirmation of European Commissioners has put climate change back at the top of the policy agenda in Brussels. EUAs have moved up by 2% during the past two weeks, to nearly EUR 70/TCO2e.

Elsewhere, political uncertainty in Germany could delay the country's coal phase-out – the current 2038 deadline is already fairly unambitious – as legislation that would usher in more than 10 GW of new gas capacity remains in limbo. Coal values have been coming down recently despite rising imports from China, which is the world's largest consumer of the fuel. Increasing domestic production in China has reduced import prices even as demand has strengthened, softening seaborne coal values. The cost of coal for delivery into northwest Europe in January has shed 4%, to $126/tonne



ELECTRICITY: OUTLOOK

French energy workers are set for a two-day strike starting on the afternoon of December 3rd – according to a note from EdF – in support of pay negotiations. The last widespread industrial action took place in September.

Thermal power generation capacity in Germany could shrink by 2 GW by 2027 – according to figures from regulator BNA – with 4.7 GW of coal plants set to exit the market against the addition of 2.7 GW of gas-fired capability. Germany has a total installed capacity of 255 GW, more than half of which is wind and solar.

UK Power Prices

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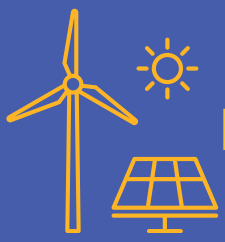
UK energy regulator Ofgem has launched a consultation on creating a new fund – potentially worth £5 to £8 billion – to support transmission infrastructure. The money is intended to be used for the purchase of certain equipment in advance of when it is needed – even before projects are finalised – to reduce delays in developing new grid capacity.



Europe Power

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Strong wind generation averaging 11.5 GW has been forecast to December 16th, according to balancing system operator Elexon.

An unplanned outage on the 1.4 GW North Sea Link between the UK and Norway has now been fixed with all capacity available as of December 1st. Only half of the cable's capacity was available during the final week of November.

Wind Generation

This rise in wind output has pushed down gas-fired generation by 30% and had started to pressure the short-term market.

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
86.25	0.88	78.50	0.45	91.70	-2.55	95.13	-7.04	97.60	2.10	76.80	-1.75

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
122.50	-2.78	73.35	0.49	36.56	-1.64	68.39	0.00	70.47	0.01	72.49	-0.09

All changes (chg) are compared to last report

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Gas

Gazprom Spat Catalyses Surge

UK gas prices have been roaring higher after Russia's Gazprom announced that it would stop delivering to Austria's OMV following a court ruling, leading most periods to erupt to three-month highs. The cut in exports has not materialised – Gazprom is thought to be selling to OMV via intermediaries – but prices have largely held onto the gains and markets across Europe remain on high alert.

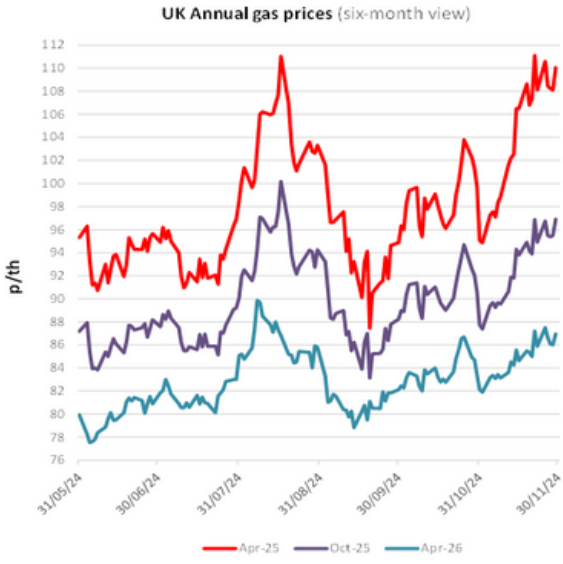
In the immediate aftermath of the Gazprom statement, April '25 Annual gas was pushed above 111 p/th, a level last seen in August. Front Annual gas then meandered down towards 108 p/th before rebounding back to 111 p/th, an increase of 4% since mid-November. October '25 and April '26 Annuals have followed this trajectory and are currently around 98 p/th and 88 p/th, respectively, posting gains of 3-4%.

A deteriorating storage picture has also helped bolster prices. After starting the winter well-stocked, storage levels on the Continent are now below the five-year average, with sites currently 85% full – compared to 95% a year ago – a buffer that does not look particularly reassuring given the current transit agreement for Russian gas via Ukraine (just under 4% of EU supply in Q1 this year) expires at the end of 2024. The UK's (limited) storage capacity is looking even more precarious, with sites less than half full at the time of writing.

Price competition with Asia has also been intensifying after near-term prices at key European markets – including the UK and the Netherlands – briefly moved above the Japan-Korea Marker (JKM), the major reference point for Asian LNG. JKM prices quickly regained their premium – issues with Australian LNG exports have played into the strength – but margins remain tight. Month-ahead (January '25) UK gas is currently just over 121 p/th – rising 4% in the past couple of weeks – which is the equivalent to $15.35/MMbtu (the currency and unit of global LNG trade), while Q1 '25 is at a similar level. January and Q1 '25 delivery prices at the JKM were most recently discussed around $15.2/MMbtu but are likely to bounce in response to upside in European markets.

Ilt is also worth pointing out that not all LNG cargoes have the flexibility to change destination as pricing dynamics shift and that UK imports tend to increase around this time of the year anyway as contractual obligations kick in. Over the latter half of November, the amount of gas supplied from UK LNG terminals has more than doubled compared to the first half. But with demand surging by 18% as temperatures plummeted, the jump in LNG volumes has done little to hold back the upward march on short-term values. Day-ahead gas is currently changing hands just over 120 p/th – close to the late-November peak of 121 p/th – a 3% increase over the past fortnight.

In November Chinese oil imports were reportedly at a three-month high, although – given refinery throughput in China was low and economic indicators were fairly weak – this is likely to have been driven by low crude prices incentivising purchases rather than an uptick in the country's economy. North Sea oil has been trading in a tight range since September with lows around $70/bbl and brief highs



GAS: OUTLOOK

EU gas demand could rise by 10 billion cubic metres (bcm) this winter – a 5% increase year-on-year – due to stronger heating demand as a knock-on effect of a La Niña taking hold in the Pacific, according to a report from the Oxford Institute for Energy Studies. The report forecast UK gas production over the same timeframe at 70-72 mcm per day – a drop of about 12% compared to last winter – with EU output unchanged at 90-92 mcm daily.

Gas Prices

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UK Gas Storage

A deteriorating storage picture has also helped bolster prices. After starting the winter well-stocked, storage levels on the Continent are now below the five-year average, with sites currently 85% full – compared to 95% a year ago.

European Commission president Ursula von der Leyen has said that reducing imports of Russian LNG will be a priority task for newly appointed EU energy commissioner Dan Jorgensen in a speech to the European Parliament. EU imports of Russian LNG reached a record 20 billion cubic metres (bcm) in 2022 and are reportedly on track to match that volume this year, although pipeline imports have declined from 150 bcm in 2021 to below 43 bcm in 2023.

US-based Venture Global LNG has received approval to deliver gas into the first block of liquefaction trains at the Plaquemines plant in Louisiana, paving the way for production to start in the coming weeks. Additional approvals are still required for exports to commence from the site which, if completed as planned, could be the second-largest US export plant with a planned total capacity of 20 million tonnes per year.

Gas Demand

Demand surged by 18% as temperatures plummeted, the jump in LNG volumes has done little to hold back the upward march on short-term values.

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
110.05	3.55	96.90	2.61	116.26	0.64	115.74	0.69	45.43	1.47	73.35	0.49

All changes (chg) are compared to last report

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