Late December 2024

Energy Market Insights

Twice Monthly Independent Market Analysis

ELECTRICITY

Annuals Sink to Six-Week Lows

Long-term power prices have been dropping sharply during the first half of December – with the front three Annuals are now at levels last seen in early November – as strong renewable forecasts, the return of a significant chunk of nuclear capacity and falling gas values have all helped to pull the market lower. The risk priced into forward periods during late November – largely driven by Russian gas supply fears – has now been erased with April '25 Annual Baseload shunting 11% lower so far this month, to £76/MWh. October '25 Annual has meanwhile slipped by 10% – to fall below £71/MWh, while April '26 Annual has dropped nearly 8% – to move under £67/MWh.

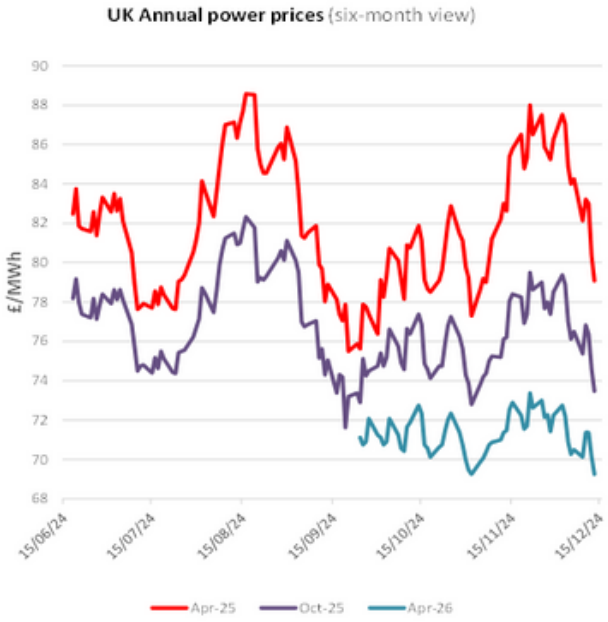
In contrast to the almost unswerving directional downtrend on longer-term electricity values extreme volatility has been seen closer in. The short-term market boomed during a three-day stretch when wind generation was averaging only a little over 2 GW (against 9.5 GW overall on average during December to date). At one stage Day+2 Baseload was changing hands at £200/MWh and the Day-ahead index hit a peak of £192.5/MWh, the highest level since December 2022. Since then, Day-ahead has eased back down towards £84/MWh – about 10% lower than a fortnight ago – due to forecasts of more blustery conditions for the latter half of December, as well as the return of several nuclear reactors following planned maintenance.

The price spikes were even more intense on mainland Europe – German wind generation fell below 5% of the total for two days, compared to an average share of 30% this year – with Day-ahead prices in Germany and France reaching highs of EUR 320/MWh and EUR 174/MWh respectively, before coming back down again. German hourly prices dealt as high as EUR 900/MWh at one stage, but spot prices in Germany have now moved back into double digit territory.

Back in the UK the rally in short-term prices had little impact on near-term periods – quarter- and month-ahead have both slumped by 15% to £86/MWh – driven in part by renewed confidence that gas supplies will be adequate for the coldest portion of the winter. This has also been true of the key EU benchmarks with German and French January '25 prices falling by 17% and 23%, to EUR 97/MWh and EUR 86/MWh respectively.

Elsewhere carbon has been heading lower ahead of the expiration of the current EU and UK benchmark – December '24 – in the coming days. UKAs are currently around £34/TCO2e – a low last touched in April – after slipping 7% since the end of November. EUAs have also moved 7% lower to EUR 63/TCO2e now – a level last seen in October – although some analysts have suggested a rebound could be on the way.

Meanwhile coal has continued to come off peaks reached last month with the price for delivery into northwest Europe in January sliding by 10% to move below $108/tonne – a level last seen in July – mirroring the direction of gas prices. Lacklustre physical demand has also been cited as a major factor driving coal values lower.



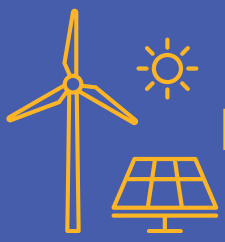
ELECTRICITY: OUTLOOK

An unplanned outage on the 1 GW BritNed cable linking the UK to the Netherlands has been extended to 31st January 2025, with no capacity available until then. The link was previously expected to resume operations this month. The UK had been importing a net 250 MW through BritNed in December before the link's closure.

A 1 GW outage on the UK-France ElecLink – which started in September – has also been extended, with the restart pushed back by five weeks to February next year. ElecLink had been delivering 800 MW to the UK before the issues struck.

UK Power Prices

Long-term power prices have been dropping sharply during the first half of December – with the front three Annuals now at levels last seen in early November.



Europe Power

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Norway's Equinor, Frances' TotalEnergies and BP have reached a final investment decision on a carbon capture and storage (CCS) project at Teesside in northeast England. It involves the construction of a CO_2 gathering network, a 145-kilometre offshore pipeline, as well as subsea injection and monitoring facilities. Work is set to commence next year with operations planned to start in 2028. The project is initially expected to be able to transport and store up to 4 million tonnes of CO_2 annually, with the capability potentially rising to 35 million tonnes by 2035.

The UK government has approved extensions to the lifetime of four UK nuclear plants – Heysham (2.4 GW), Hartlepool (1.2 GW), and Torness (1.2 GW) – will be extended by one to two years. Heysham 1 and Hartlepool will now generate until March 2027, while Heysham 2 and Torness are set to continue producing power until March 2030. Centrica – which operates the plants in partnership with EdF – said there is also scope to extend operations at the 1.2 GW Sizewell B plant for two decades to 2055, although this was not considered in the latest review.

Wind Generation

The short-term market boomed during a three-day stretch when wind generation was averaging only a little over 2 GW (against 9.5 GW overall on average during December to date).

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
79.08	-7.18	73.48	-5.03	92.06	0.36	70.25	-24.88	88.70	-8.90	69.45	-7.35

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
111.60	-10.90	73.97	0.62	33.67	-2.89	64.45	-3.94	66.53	-3.94	68.37	-4.13

All changes (chg) are compared to last report

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Gas

Q1 Plunges 18% as Supply Risk Wanes

Mild forecasts, rising LNG supply and steady Russian gas flows to central Europe – despite previous rhetoric suggesting an imminent cut – have heaped pressure on gas prices through the opening half of December. April '25 Annual gas has crumbled by 14% in the last two weeks to 95 p/th now, a low last reached in the opening days of November. October '25 Annual has moved down by 9% to 88 p/th currently, while April '26 Annual gas has shed 5% to slip under 83 p/th.

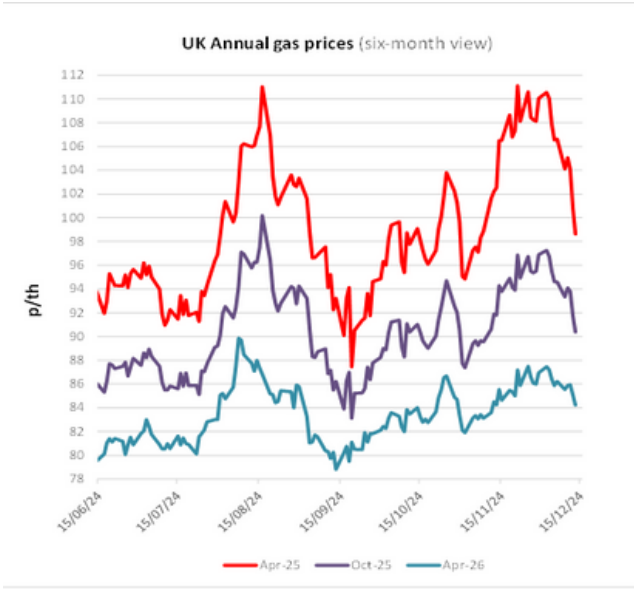
Near-term prices in the UK edged above the Japan-Korea Marker (JKM) – a key benchmark for Asian LNG – in November and have retained their premium since then, although the difference in values between the markets has been slight. This suggests the increase in LNG supply that the UK has enjoyed in recent weeks – the amount of gas delivered from terminals has increased by 20% compared to the latter half of November – should be sustained until at least February. The rise has helped to alleviate some of the risk heading into the period where demand is traditionally highest (January and February). The front month and quarter – January '25 and Q1 '25 – have slumped by 18% since the end of November with both around the 98 p/th mark at the time of writing.

In contrast Dutch gas prices – a key reference point for LNG importers on the Continent – remain fractionally below the JKM. It is worth noting that EU LNG supplies are less sensitive to global pricing dynamics than they are in the UK as, taken in aggregate, there is less flexibility in terms of destination written into supply contracts with mainland European importers. In the opening half of December gas supply from EU LNG terminals has increased by 17% compared to the previous two weeks as imports have risen. Month-ahead Dutch gas has sunk by more than 16% to just over EUR 39/MWh at the time of writing. EU gas storage remains an area of potential concern with sites now about 78% full, compared to nearly 90% a year ago and 86% on average over the previous five years.

Back in the UK the volatility seen in the short-term power market – driven by a paucity of wind generation across a couple of days – has not been seen on the gas side.

Demand has been fairly strong – about 4% above the seasonal average – mostly as a result of frigid conditions pushing up heating-related consumption, but the rise in LNG supply and forecasts of above-average temperatures in late December have offset the impact of this. Day-ahead gas started the month changing hands around 120 p/th but had slid back to 98.5 p/th two weeks later, a drop of 15% compared to the end of November.

A report from the US Energy Information Association (EIA) indicated that global crude production could rise by 1.6 million barrels per day next year, with about 90% of the increase coming from countries that are not members of the OPEC+ cartel. The impact of OPEC+ output decisions on global oil prices has been on the wane in recent years as capacity has grown outside its membership with economic sentiment – particularly in China – and Middle East conflicts exerting much greater influence. North Sea oil is currently just over $74/bbl – up from lows closer to $71/bbl – ticking 3% higher since the end of November as it continues to oscillate in a tight range.



GAS: OUTLOOK

Norway's Gassco has extended a 5 mcm restriction on exports to the UK through the St Fergus route to the end of January, a month and a half later than previous indicated.

Gas Prices

April '25 Annual gas has crumbled by 14% in the last two weeks to 95 p/th now, a low last reached in the opening days of November. October '25 Annual has moved down by 9% to 88 p/th currently, while April '26 Annual gas has shed 5% to slip under 83 p/th.

Global Production

A report from the US Energy Information Association (EIA) indicated that global crude production could rise by 1.6 million barrels per day next year, with about 90% of the increase coming from countries that are not members of the OPEC+ cartel.

Austrian supplier OMV has terminated its gas supply contract with Russia's Gazprom Export with immediate effect – alleging contract violations – according to a statement. Markets rallied in November after Gazprom Export said it would no longer deliver to OMV following a court ruling in an arbitration dispute, but an actual change in physical flows has not materialised.

Above average temperatures have been forecast for the UK from now until at least the middle of January – according to EU weather service Copernicus – which should keep a lid on domestic demand after frigid conditions in late November and early December.

Gas Supply

In the opening half of December gas supply from EU LNG terminals has increased by 17% compared to the previous two weeks as imports have risen.

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
98.63	-11.43	90.38	-6.53	107.05	-9.21	102.16	-13.58	40.40	-5.03	73.97	0.62

All changes (chg) are compared to last report

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