Early February 2025

Energy Market Insights

Twice Monthly Independent Market Analysis

ELECTRICITY

Front Annual Leaps to 14-Month High

A shift in weather forecasts, buoyant carbon, rising gas values and infrastructure outages have been helping to propel the UK power market upwards over the past fortnight, with front Annual Baseload moving above £100/MWh for the first time since October 2023. Since mid-January April '25 Annual has gained 12%, while October '25 and April '26 Annuals have been even stronger, rising by 13-14%, to £90/MWh and £82/MWh, respectively.

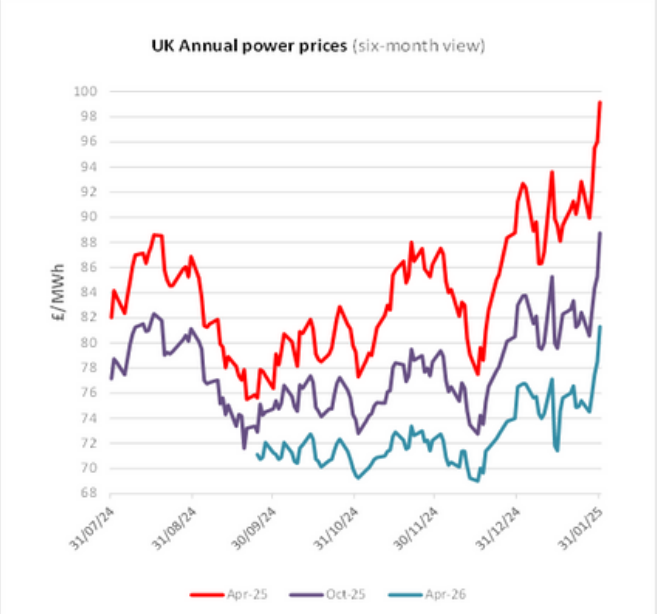
UK carbon values roared higher following indications that the government will seek to link the country's emissions trading scheme with the EU system. The move has been called for ahead of the introduction of the EU carbon border adjustment mechanism (CBAM) – alongside similar legislation in the UK – which will add a levy on exports from countries where emissions prices are lower than in the EU. Aligning UK carbon values with EUAs would avoid this charge for those looking to sell goods in the EU.

After UK Prime Minister Keir Starmer said alignment was on the table as part of wider talks to improve the EU-UK trading relationship, the UKA benchmark jumped 14% in a single day. UK carbon is now up at £46/TCO2e for the first time since July last year – ballooning almost 40% in the past couple of weeks – compared to EUA values around EUR 83/TCO2e (£69/TCO2e). This marked a fairly seismic turnaround as UK allowances had dropped to an all-time low about a week before the alignment news, driven by three consecutive months of falling industrial production.

The bullish carbon market also fed gains in wholesale power, which were compounded by changing forecasts in late January suddenly suggesting lower wind speeds and chillier temperatures in early February than originally anticipated. UK February '25 Baseload ended January at £122/MWh – a jump of 24% over the second half of the month – with most of the gains accrued over a three-day stretch. The upside has been even more intense on the Continent – where the outlook for wind was even worse than in the UK – with German and French February '25 electricity increasing by 30% and 26%, respectively, to EUR 126/MWh and EUR 133/MWh over the last fortnight. It was a rare case of power leading the charge, with upside on the gas months far less pronounced. March '25 Baseload – the new front month – is currently around £108/MWh, up 16% since the middle of January.

The short-term market has been extremely volatile with the price direction changing almost as quickly as the winds. At one stage the Day-ahead power index swelled to £280/MWh – a two-year high – ahead of a day when average wind generation was below 1 GW for the first time since September 2023. It was then trading below £90/MWh just four days later, but has since crept back to £112/MWh, which is in line with levels seen in the middle of January.

Elsewhere coal prices have risen, slumped, and then risen again over the past couple of weeks, largely tracking movements on the wholesale gas market. The value of the fuel for delivery into northwest Europe next month is now $111/tonne, up 7% over the latter part of January.



ELECTRICITY: OUTLOOK

ADenmark is reportedly looking to postpone a 3 GW offshore wind project due to rising costs and the coming election in Germany, which had been in talks to help finance the development. A few days earlier the Danish government signalled it will delay a decision on a 1.4 GW offshore wind farm and accompanying interconnector with the UK. The UK is a net importer of power through its existing cable with Denmark and has received just over 600 MW a day on average this year.

UK Power Prices

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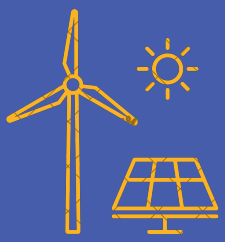
At the end of January the application process to connect generation projects to the UK electricity grid was paused – demand and network modifications proposals have not been affected – until reforms (expected this year) are enacted. The was done to ensure the queue for new connections is not cluttered by projects that have no realistic prospect of being built.

The UK government will invest £410 million over 2025 and 2026 to support the development of nuclear fusion technology with the aim of having a prototype plant operating by 2040.



Europe Power

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On February 9th operations are finally expected to restart on the 1 GW Eleclink cable between the UK and France, which has been offline since October for maintenance. From January until the end of September last year, the UK imported a net 800 MW each day through the interconnector.

The 500 MW Heckington Fen Solar Park project in Lincolnshire – which will be operated by Ecotricity and will include energy storage – has received planning consent. If built, the facility will be the largest of its kind in the UK by some margin. The biggest in the UK is currently the 72 MW Shotwick Solar Park in Wales.

Wind Generation

The bullish carbon market also fed gains in wholesale power, which were compounded by changing forecasts in late January suddenly suggesting lower wind speeds and chillier temperatures in early February than originally anticipated.

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
99.15	9.29	88.75	8.77	122.25	23.36	118.64	-14.69	97.88	5.18	70.00	0.70

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
118.00	7.25	76.97	-3.55	45.65	11.27	83.76	6.58	86.18	6.70	89.41	7.23

All changes (chg) are compared to last report

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Gas

Summer Surges 12% on Storage Woes

Colder forecasts, (yet more) storage concerns and stronger Asian LNG values have been driving strength into the UK gas market. April '25 Annual gas has moved over 125 p /th – up 8% since the middle of January – which is the highest level the period has reached since May 2023. October '25 and April '26 Annuals have been more restrained, posting gains of 5% and 3%, respectively, to 110 p/th and 99 p/th.

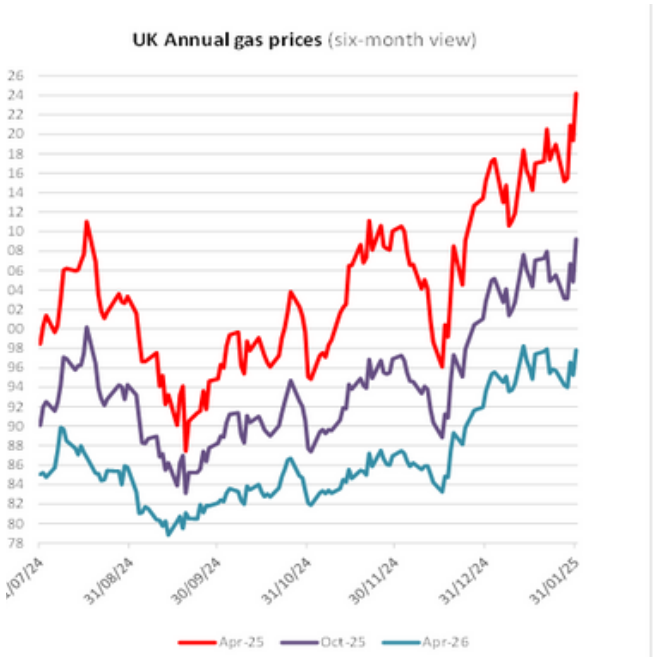
Upside on the front Annual has largely been driven the arc of Summer '25, which has surged 12% in the past two weeks, compared to a 5% rise on Winter '25 (the other component period of the April '25 Annual). The difference is partly due to the planned growth in LNG capacity – the first two trains at the US Golden Pass export plant are scheduled to start operations in 2025, while full production at the Plaquemines 1 and Corpus Christi 3 LNG export facilities, also in the US, is expected by the year end – weighing on winter-delivery prices. Conversely EU rules mandating gas storage is 90% full by November 1st have been helping to lift Summer '25 as the stipulations – introduced to ensure supply security following Russia's invasion of Ukraine – act to inflate storage injection demand through Q2 and Q3.

With the premium of Summer '25 over Winter '25 growing – not just in the UK but also in EU markets where the gap is even wider – there is no incentive to inject. The German system operator has made moves to counteract this by creating a subsidy mechanism to make the economics of summer injections and winter withdrawals palatable again. It said those rules will only come into effect if a tender for storage volumes is required – i.e. if market players fail to inject sufficient quantities to meet the EU target – but with the current seasonal pricing dynamics interventions seem inevitable.

Back in the UK, February '25 rallied sharply in the final few days of January – driven by cooler forecasts and contagion from the same power period – and ended the month just shy of 135 p/th, a rise of 13%. The new front month – March '24 – is currently around 132 p/th, also up 13% since mid-January. The other factor helping to lift monthly values has been rising LNG prices on the Japan-Korea Marker (JKM), where March '25 has bounced 9% to just over $15/MMbtu (the same period in the UK is about $1/MMbtu higher).

UK gas prices covering the next couple of months are above the JKM – a shift that has helped UK supply from LNG terminals to increase by nearly 20% this year compared to December 2024 – but will need to remain at a premium to incentivise strong LNG imports. Meanwhile chilly weather has helped to lift the short-term market – gas demand has been 22% above the seasonal average at times – with Day-ahead jumping 12% to 134 p/th now.

North Sea oil has been trending lower – after hitting a five-month high above $80/bbl in mid-January – partly on the perception that the change of regime in the White House will catalyse an uptick in US crude production. US oil output did reach a new zenith under the previous administration and global prices are ultimately the arbiter of investments into new extraction, but, on the other hand, a loosening of environmental legislation – particularly protections in Alaska – could help to move the needle on US production.



GAS: OUTLOOK

A court has ruled that development consents provided for the Rosebank and Jackdaw oil and gas fields in the UK North Sea were unlawful. The ruling came through a case brought by activists Uplift and Greenpeace to the Court of Session in Edinburgh. The judge ruled that a more detailed assessment of the environmental impact of the fields – including emissions derived from the burning of fuels extracted at the sites – should have been conducted. New environmental impact assessments will be required for the projects to go ahead.

Gas Prices

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Global Production

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US President Donald Trump signed several executive orders related to energy on his first day in office, including declaring a national emergency to expand resource production, scrapping the pause on permits for new LNG export plants, and lifting restrictions on fossil fuel production in Alaska. Ultimately market prices will determine investment into untapped fields and any new production could take years to come onstream.

Global LNG supply is projected to grow by 5% this year – according to the International Energy Agency (IEA) – up from a 2.5% increase in 2024.

Just after mid-January operations at Norway's Hammerfest LNG export plant restarted following an unplanned outage that forced the facility to close at the start of the year.

North Sea Oil

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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
124.20	7.94	109.23	3,17	133.2	12.24	134.84	-14.15	40.78	1.28	76.87	-3.55

All changes (chg) are compared to last report

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