Early September 2024

Energy Market Insights

Twice Monthly Independent Market Analysis

ELECTRICITY

Strong Winds Blow Market Off Highs

Rising renewable generation, falling demand and weakness in the gas market have helped to pull long-term UK power prices downwards for the past fortnight, although key periods remain higher than at the start of August as the gains posted earlier in the month have not yet been completely erased. October '24 Annual Baseload has edged down to £85/MWh, dipping 4% since mid-August. April '25 and October '25 Annuals have shed 3% to £86/MWh and £80/MWh respectively.

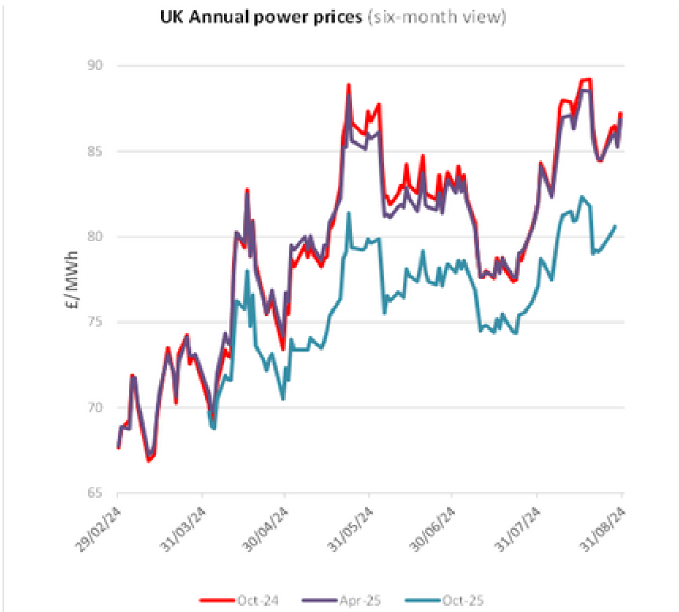
Blustery conditions have led to wind generation surging by 15% during the latter half of August to an average of 7.5 GW – about a third of UK power supply during those weeks – which has helped to mitigate the impact of falling imports. Day-ahead electricity reached a low of £30/MWh amid a three-day stretch where wind production averaged at least 11 GW, but next-day values have since climbed back above £90/MWh – taking their cue from a buoyant short-term gas market and forecasts pointing towards weaker wind speeds in early September – a bounce of almost 40% in the last two weeks.

The latest gains have been confined to very near-term periods, as September '24 ended August at £81/MWh – in line with levels seen two weeks ago – while the new month-ahead (October '24) was changing hands at £80/MWh at the time of writing, a 4% drop over the last fortnight.

On the Continent French nuclear output has slipped by 5% as several reactors have been taken offline for maintenance and curtailments extended at other plants. French hydro production has also dropped, although the impact has been tempered by weaker demand as well as a 50% hike in wind generation. Year-ahead French power is currently hovering around EUR 83/MWh – consistent with values seen two weeks ago – while the same period on the German market has crept down by 4% to EUR 96/MWh.

Elsewhere UK carbon has been on an upwards trajectory and has pushed above £43/TCO2e – a 7% rise – for the first time since early July. Speculative traders have been going increasingly long on UKAs – according to exchange reports – and auctions have been clearing at higher levels, suggesting positive sentiment for UK emissions. EUAs on the other hand have been moving in the opposite direction, shedding 2% to move under EUR 71/TCO2e. But sentiment for EU carbon – damaged by election results earlier this year that saw climate-sceptic politicians gaining seats in the European Parliament – may be shifting with hedge funds trimming short positions to the lowest volume in a year. From 2026 free EU allowances for airlines and the maritime sector will end – bringing both industries into the emission trading scheme (ETS) – which some analysts have suggested could push EUAs up towards the EUR 100/TCO2e mark as demand for carbon rises.

Meanwhile coal values have been on a downtrend after riding the gas-related wave that took hold around mid-August. The cost of the fuel for delivery into northwest Europe next month is now at $121/tonne, a 3% dip. Germany has announced plans to reduce hard coal capacity by almost 30% in the next few years, which will continue to depress the (already low) European demand for the fuel



UK Power Prices

Rising renewable generation, falling demand and weakness in the gas market have helped to pull long-term UK power prices downwards for the past fortnight.

Wind generation across the opening half of September is forecast to average 3.5 GW – according to balancing mechanism operator Elexon – less than half the output seen during August.

Europe Power

French hydro production has also dropped, although the impact has been tempered by weaker demand as well as a 50% hike in wind generation.

EEDF has confirmed the 1.6 GW Flamanville nuclear reactor – which uses the same pressurised reactor technology that will be deployed at the UK's Hinkley Point C and Sizewell C plants – should start generating by the end of the summer. Flamanville is more than a decade behind schedule and four times over budget.

UK energy regulator Ofgem has raised the energy price cap – which sets a maximum price per unit of gas and electricity sold to households – by 10% for the final quarter of the year.

The UK government has approved a £5.5 billion subsidy package to support the 3.2 GW Sizewell C nuclear plant. The funds will be used to cover development costs ahead of a final investment decision later this year, although the support will be subject to the Labour government's forthcoming spending review.

WIND GENERATION

Blustery conditions have led to wind generation surging by 15% during the latter half of August to an average of 7.5 GW – about a third of UK power supply during those weeks.

UK wind capacity has surpassed 30 GW following the start-up of the 443 MW Viking project on the Shetland Islands. The national target is for 50 GW of wind capacity by the end of the decade.

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
87.23	-0.78	86.88	-0.25	81.15	10.45	89.00	-38.05	96.20	-2.50	83.18	-0.20
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
126.25	-2.50	78.89	-1.45	43.50	4.63	70.21	-1.58	72.59	-1.68	75.13	-1.61

All changes (chg) are compared to last report

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Gas

Front Annual Slips 6% as Risk Eases

Long-term UK gas prices have been sliding lower with a lot of the risk injected into the market following Ukraine's incursion into Russia – which had hiked values to 2024 highs – now starting to wane. Although Ukrainian forces retain control over some Russian territory, gas has continued to flow from Russia to Europe via Ukraine and the prospect of a cessation of flows through this route – which accounts for about 4% of EU supply – has dissipated for now. October '24 Annual UK gas has fallen under 101 p/th – bringing the period into line with levels last seen a month ago – after dipping 6% over the past fortnight. April '25 and October '25 Annuals have dropped by 5% to 102 p/th and 93 p/th respectively.

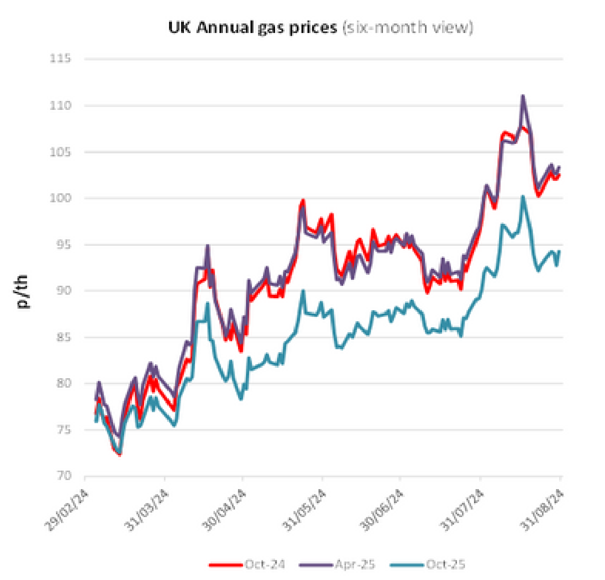
Perhaps a more pressing concern on the supply side (than Russian pipeline gas) is a tight LNG market. Scorching temperatures in Asia have been stoking demand for the fuel and opening a wide gap between LNG prices on the Japan-Korea Marker (JKM) and European markets. The latest indications show winter delivery at the JKM is approaching $15/MMbtu – the currency and unit of global LNG trade – while the same periods at the UK and on the Dutch markets (an EU benchmark) are below $14/MMbtu.

Short-term UK gas prices have been lifted by Norway's maintenance schedule, shrugging off the fact that demand has been very low (23% below the seasonal average). A round of major works on the Norwegian Continental Shelf kicked in at the start of September and, at the time of writing, export nominations from Norway into the UK had plummeted below 15 million cubic metres (mcm), compared to 67 mcm per day in the last week of August. During the build-up to the outages UK Day-ahead was pushed all the way to 94 p/th – the highest price since November last year – but has since eased back fractionally to 93 p/th, a gain of almost 20% over the last fortnight. In the coming days the impact of lower Norwegian imports should be mitigated by the closure of the Interconnector pipeline linking the UK to Belgium for 15 days, which will curb outflows to the EU.

The strength seen at the front end of the market has not been mirrored on the near curve and Day-ahead has shifted from being almost 20 p/th below the front month to being practically at parity now. September '24 ended August at 95 p/th – virtually unchanged since mid-August – while the new month-ahead (October '24) has slid by 7% to under 94 p/th.

On the Continent storage injections have continued at pace and EU sites are now more than 92% full – according to Gas Infrastructure Europe (GIE) – in line with last year and above the five-year average of 85%. This provides a healthy buffer for the start of the winter at least, helping nudge Dutch Q4 '24 gas down to EUR 40/MWh, a 4% drop over the last two weeks.

Elsewhere the oil market has been rattled by news that Libya has closed most of its crude production following a dispute between local government and the central bank, although engineers at three fields have reportedly received instructions to resume activity in recent days. Pessimistic economic sentiment remains the main driver of oil values, contributing to a 4% slip in North Sea crude for October delivery during the past fortnight – it is at just under $77/bbl currently.



GAS: OUTLOOK

SBy 2030 there could be a global gas supply shortfall of 917-1,300 billion cubic metres (bcm) – a report from the International Gas Union (IGU) has estimated – based on current trends and projections. Global gas demand has been forecast to rise by 2.1% or 87 bcm this year, while supply has been projected to increase by 2.4% (96 bcm).

Gas Prices

Long-term UK gas prices have been sliding lower with a lot of the risk injected into the market following Ukraine's incursion into Russia – which had hiked values to 2024 highs.

UK Gas Storage

On the Continent storage injections have continued at pace and EU sites are now more than 92% full – according to Gas Infrastructure Europe (GIE).

The UK oil and gas industry has reduced upstream carbon dioxide emissions by 28% since 2018 – beating the 25% target by four years – according to Offshore Energies UK. The industry body also said that producers have halved methane emissions already, which is a goal set for 2030 under the North Sea Transition Deal (NSTD).

The US has launched sanctions targeting companies involved with Russia's Arctic LNG 2 project, including US tankers that have been used to transport volumes from the plant. The sanctions have cited examples of US LNG carriers that have been using practices such as turning off location transmissions and providing false locations to avoid falling foul of existing prohibitions.

From September 3rd the Interconnector gas pipeline linking the UK to Belgium will close for maintenance until September 18th. In August the UK delivered 41 mcm per day to mainland Europe through this route, accounting for 25% of demand.

UK-based EnergyPathways has submitted a gas storage licence application for a project in the Irish Sea with a potential capacity of 1.4 bcm – total UK capacity in operation now is around 3.6 bcm – as part of its development of the Marram field.

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
102.53	-4.31	103.32	-3.59	93.84	-1.94	94.31	-15.75	41.67	0.00	78.89	-1.45

All changes (chg) are compared to last report

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