Energy Market Insights

Twice Monthly Independent Market Analysis

ELECTRICITY

Front Annual Sheds 13%

UK power prices have been sliding lower over the past fortnight – continuing the downtrend that took hold late last month – as a feared gas shortage proved to be overblown, pushing most energy commodities into a downwards trajectory. Much of the strength driven into periods in August was related to gas supply fears ahead of the next round of Norwegian maintenance and Ukraine's counter-invasion into Russia, but limited gas demand over September to date and an improved French nuclear supply outlook has stripped out a lot of the risk premium, leading UK and EU power markets to track lower accordingly.

October '24 Annual Baseload has crumbled 13% through the opening half of September and is currently just under £76/MWh, bringing the period back into line with levels last seen in April. April '25 Annual is also around the £76/MWh mark – dropping by a similar proportion to the front Annual – while October '25 Annual has shed 11% to just over £72/MWh.

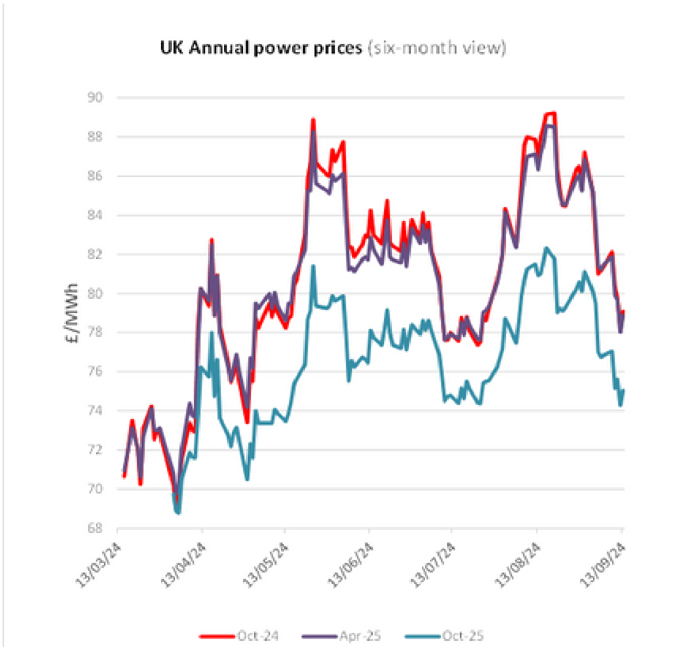
Physical power use has been creeping upwards as daylight hours have decreased with UK electricity consumption rising about 10% compared to the latter half of August. On the supply front wind and nuclear generation have fallen compared to the previous two weeks, but this has been more than offset by elevated imports – despite some maintenance on cables with France – as well as a 50% bump up in gas-fired generation. Replacing lost renewable output with fossil-fuel based plants can often add strength to wholesale power prices due to higher input costs, but with gas on a downward path so far this month the lower wind speeds have not had much of an impact.

Day-ahead Baseload started the month at elevated levels of more than £90/MWh and then fell to lows of £36/MWh during a stretch of particularly blustery weather but has since pushed back up to £81/MWh (still down 9% compared to levels seen at the end of August). The front month and quarter have been on a more consistent path, dropping 11-13% in the past fortnight, to £70/MWh and £78/MWh respectively at the time of writing.

On the Continent EDF has revised its expectation for French nuclear production this year upwards, providing some assurance on the supply side ahead of the winter months. Front year French electricity has dived 18% since the end of August to EUR 68/MWh now. The same period in Germany has moved 13% lower to EUR 84/MWh.

EU carbon has also been falling – in contrast to sideways movement on the UK market – with plentiful supply helping to pressure the market. Short positions have been mounting on EUAs – particularly from speculative players – suggesting the sentiment is towards more downside. EU carbon is currently around EUR 64/TCO2e – slumping 9% since the end of August and reaching the lowest value since April. UK carbon – which speculative players have built long positions in – has posted a more modest decrease of 4% to £41/TCO2e.

Meanwhile coal has followed gas and power prices downwards with the cost of the fuel for delivery into northwest Europe next month now under $110/tonne after dropping 4%.



UK Power Prices

UK power prices have been sliding lower over the past fortnight – continuing the downtrend that took hold late last month – as a feared gas shortage proved to be overblown.

EDF has pushed back the start-up of France's 1.6 GW Flamanville nuclear plant – which uses the same pressurised reactor technology that is planned for two UK facilities – until the end of the autumn. The company had previously said that Flamanville – already 12 years behind schedule – would start production this summer.

National Grid has agreed to sell the Electricity System Operator (ESO) to the UK government for £630 million.

Europe Power

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UK The UK has allocated a record 9.6 GW of clean energy projects through the latest Contracts-for-Difference (CfD) auction, the majority of which – around 5 GW – was for offshore wind. Around 3.2 GW of solar developments were awarded CfDs, and another 900 MW of onshore wind projects were successful. Under a CfD auction companies bid to secure a guaranteed return – known as a strike price – for electricity produced by a specific project.

Meanwhile Ireland has secured just over 1 GW of new clean energy capacity through its latest Renewable Electricity Support Scheme (RESS) auction. Through the tender 27 projects – 960 MW of solar and 374 MW of onshore wind – were awarded contracts. Average strike prices – the guaranteed return for electricity produced – were EUR 90.47/MWh for onshore wind and EUR 104.76/MWh for solar.

WIND GENERATION

On the supply front wind generation has fallen compared to the previous two weeks, but this has been more than offset by elevated imports.

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
79.10	-8.13	78.90	--7.97	72.95	-8.20	85.75	-3.25	86.45	-9.75	70.60	--12.58

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
116.50	-9.75	72.47	-6.42	43.09	-0.41	65.10	-5.11	67.23	--5.36	69.23	--5.90

All changes (chg) are compared to last report

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Gas

Market Shrugs Off Norwegian Cuts

Weak demand and full storage have helped to offset the impact of strained supply and geopolitical woes to pull the gas market down from the 2024 peaks reached late last month. October '24 Annual gas dropped into double figures in early September and has now fallen below 90 p/th for the first time since May, after shedding 13% over the September so far. April '25 Annual gas has also dipped 13% over the fortnight, to just over 90 p/th currently – also the lowest value since April – while October '25 Annual has slipped 11% lower to 84 p/th.

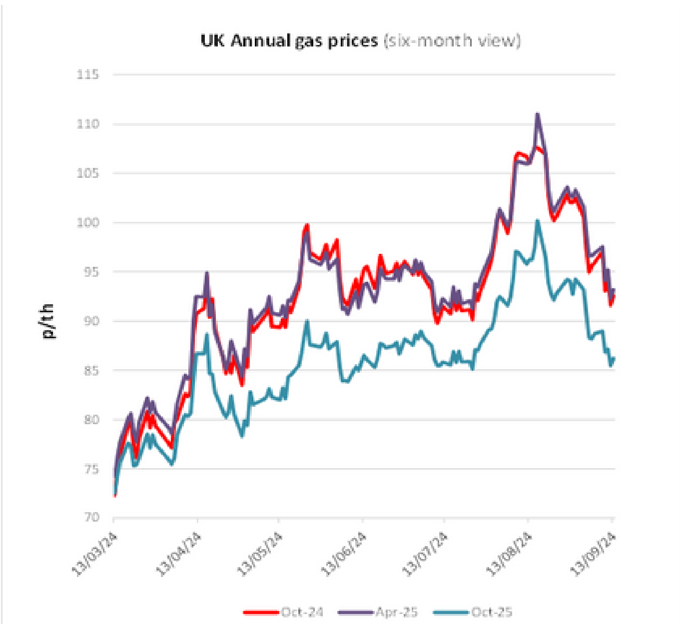
Demand has been crushed by maintenance on the Interconnector pipeline linking the UK to Belgium. In August UK exports to mainland Europe through the Interconnector accounted for about 25% of demand and all exports – including to Ireland and the Netherlands – made up 42% of UK gas use. But the closure of the link to Belgium in early September – it is due back online in a few days – has led to overall outflows diving by nearly 60% compared to last month.

As a result, UK gas consumption has been more than 40% below the seasonal average – despite a higher pull from the power sector as renewable generation tailed off – which has been helping to offset an almost 80% decline in imports from Norway due to North Sea maintenance and has contributed to Day-ahead sliding 14% lower to 81 p/th. October '24 – the front month – has traced a similar trajectory, dropping 15% to move below 82 p/th currently.

With the market coping fairly easily with the supply gap left by Norway and with storage levels continuing to rise – EU sites are now more than 90% full and the UK's diminished capacity is just over 70% – there has been downward pressure on winter periods. Front quarter UK gas has slumped 14% over the past fortnight to about 88 p/th currently. The last time Q4 '24 was valued this low was during the second quarter

It has been a similar story on mainland Europe with Q1 '25 Dutch gas – covering the highest demand section of the year – sinking 11% from levels seen at the end of August to just over EUR 37/MWh at the time of writing. Further afield Asian LNG prices have been heading towards £13/MMbtu – after peaking above $15/MMBtu late last month in response to rallying European markets – although this remains the premium market despite recent losses, and this is likely to continue to limit the number of cargoes being delivered into European and UK terminals.

Elsewhere North Sea oil moved below $70/bbl for the first time since July last year following downward revisions to growth forecasts from OPEC and the International Energy Agency. Sluggish economic conditions and a switch to alternative fuels in China have been cited as the crucial factors leading to the forecast amendments and a slowing of production increases from OPEC members has done little to offset the pessimistic economic conditions. At the time of writing North Sea crude was at $73/bbl, down 5% since the end of August.



GAS: OUTLOOK

The UK government has said that it will not legally defend decisions to allow the development of the Rosebank oil field in 2023 and the Jackdaw gas field a year earlier. This follows a supreme court ruling in July that stated regulators must consider the impact of burning fossil fuels when carrying out environmental impact assessments (EIAs). The decision does not mean development licences have been withdrawn but if a judicial review – currently underway – were to back environmental groups then the field developers would be forced to resubmit their EIAs.

Gas Prices

Weak demand and full storage have helped to offset the impact of strained supply and geopolitical woes to pull the gas market down from the 2024 peaks reached late last month.

UK Gas Storage

With the market coping fairly easily with the supply gap left by Norway and with storage levels continuing to rise – EU sites are now more than 90% full and the UK's diminished capacity is just over 70%.

UK-based oil and gas producers reduced emissions by 4% last year – according to the North Sea Transition Authority – bringing total reductions from 2018 to 2023 to 28%.

Flows have resumed on the Langeled gas pipeline – the largest connection between the UK and Norway – after planned maintenance that has closed the link for most of September. Overall restrictions on Norwegian gas capacity will range from 160 mcm to 210 mcm until September 19th – according to the Gassco schedule – before falling to 90 mcm from September 20th and below 60 mcm three days later.

North American LNG export capacity will more than double by 2028 – according to the US Energy Information Association (EIA) – if projects currently under construction are completed on time. In the US five projects are being built that are expected to be commissioned by 2028; another three are located in Canada and two in Mexico.

NORTH SEA OIL

North Sea oil moved below $70/bbl for the first time since July last year following downward revisions to growth forecasts from OPEC and the International Energy Agency.

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
92.59	-9.94	93.23	-10.10	85.77	-8.07	85.60	-8.71	37.20	-4.47	72.47	-6.42

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