

Energy Market Insights

Twice Monthly Independent Market Analysis

ELECTRICITY

Outages Lift Front Annual 4%

Most UK power prices have risen, dipped, then risen again during the opening half of October as supply disruptions, stronger carbon and increasing demand have helped to lift to the market, which remains nervous as the colder months approach. April '25 Annual Baseload is currently just under £81/MWh, down from a recent peak of close to £82/MWh but still almost 4% higher than levels seen at the end of September. It has been a similar trajectory for October '25 Annual, which has gained almost 3% to near £77/MWh. April '26 Annual was edging downwards before reversing to more than £72/MWh, a 1% uptick this month.

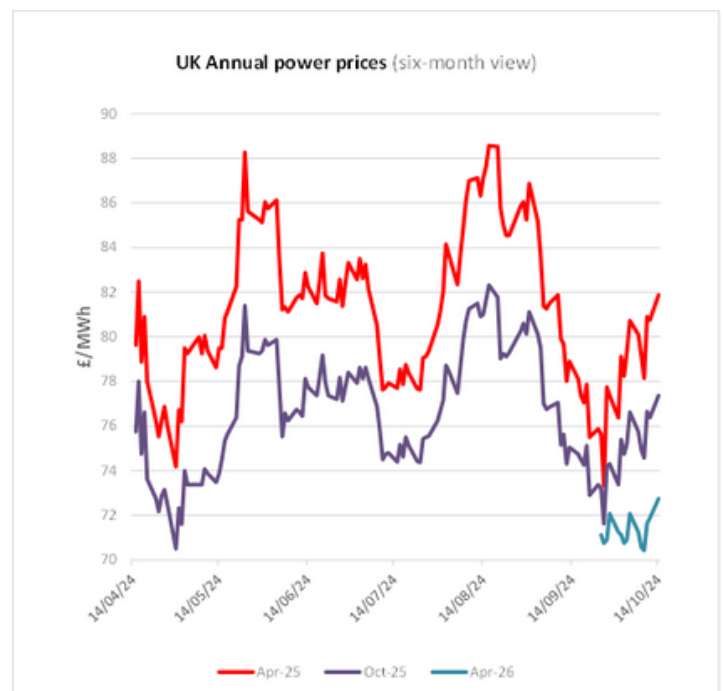
Outages – both planned and unscheduled – have affected the UK nuclear fleet, with output down by 7% compared to the latter half of September. Cross-border infrastructure has also had its share of problems, particularly connections to France which have been operating at about half capacity. Imports from France – already strained in late September – have collapsed by more than 40% to less than 1 GW on average. This has been largely offset by rising inflows from the Netherlands and Belgium – meaning overall net imports are only down a touch compared to the previous fortnight – while a 34% boost to wind generation has also been helping to ease the supply picture.

But with demand rising by 5% as daylight hours dwindle and several outages extended, short-term electricity prices have been elevated – until very recently – as the market remains highly sensitive to any signals of fundamental tightness (perhaps not unreasonably given National Grid has issued its first system tightness warning in two years – although this was cancelled a few hours later). Day-ahead power had peaked above £97/MWh – after starting the month in the low eighties – but has since eased down to £67/MWh on strong wind forecasts for the coming days, dropping 6% in the last two weeks.

Month-ahead power – for November delivery – has been on a fairly consistent upward trajectory and moved above £88/MWh at one stage, before cooling off to £86/MWh now. This represents a gain of almost 3% during October to date. It has been a similar story for quarter-ahead, which topped out above £91/MWh but is now back around £90/MWh (also up by just under 3%).

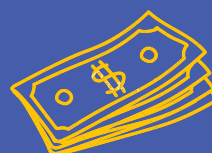
Elsewhere falling German renewable production has forced more expensive gas and coal-fired plants to step up and close the deficit, while French nuclear generation has increased by about 2% as some capacity returned from maintenance. Price moves in both markets have followed a similar direction to the UK with German year-ahead rising above EUR 90/MWh before sinking below EUR 89/MWh, a 2% gain in the last couple of weeks.

Meanwhile UK carbon has been moving upwards – following a dive over the latter half of September – with the benchmark now up to £38/TCO_{2e}, increasing by 7% in a fortnight. Speculative traders have been mounting long positions on UKAs, suggesting these players expect the upside to continue. In contrast speculators have started to rebuild short positions on EUAs, which have dropped by just over 1% this month to under EUR 65/TCO_{2e}.



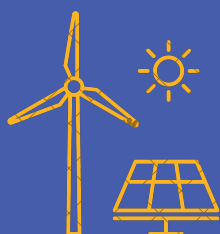


The 1.4 GW North Sea Link between the UK and Norway has been closed for maintenance until October 25th. The cable tends to run close to capacity and accounted for about 5% of UK power supply before its closure.



UK Power Prices

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Europe Power

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The UK will introduce a cap-and-floor support mechanism for long duration energy storage (LDES) from next year, according to the Department for Energy Security and Net Zero. Regulator Ofgem will create two application routes with one to support mature technologies – likely to only include pumped hydro storage – while the other will be for novel technologies such as compressed air and battery storage. Successful applicants will secure a minimum return on investment as well as a limit on revenue, a system used on most UK power interconnectors. The UK currently has an LDES capacity of 2.8 GW across four pumped hydro plants.



The UK should have a 5.2 GW power supply buffer this winter – the highest margin in five years – according to the National Energy System Operator (NESO). This forecast assumes peak demand during a cold spell averaging nearly 60 GW.

Wind farm production is expected to average more than 10 GW until the end of the month, according to a forecast from balancing operator Elexon.



Power Outages

Both planned and unscheduled – have affected the UK nuclear fleet, with output down by 7% compared to the latter half of September.

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
81.88	5.50	77.38	4.00	87.24	9.24	87.33	16.01	90.05	3.00	77.00	5.53

KEY OTHER INDICATORS:											
Coal (\$/MT) '24	chg	Oil (Brent) \$/bbl	chg	UKA '24 (£/TCO ₂)	chg	EUA '23 (€/TCO ₂)	chg	EUA '24 (€/TCO ₂)	chg	EUA '25 (€/TCO ₂)	chg
127.35	2.35	77.83	5.84	38.88	2.42	65.87	0.58	68.04	2.31	70.18	0.51

All changes (chg) are compared to last report



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Gas

Demand Jump Lifts Market

The UK gas market has been on an upward trajectory this month – although there have been some sharp retreats – with rising demand, outages on North Sea infrastructure and geopolitical woes contributing to the uplift. April '25 Annual gas had been approaching triple figures for the first time since early September but fell short of that level – peaking at just over 99 p/th – and has since edged down to 98 p/th, still up 3% in October to date. October '25 Annual has gained 2% during the same timeframe to 90 p/th, while April '26 Annual has inched up by 1% to move above 83 p/th.

Gas demand through October so far has been about 3% above the seasonal average – after being more than 35% below normal during September – although some nuance is required when making this comparison. The seasonal average produced by National Grid is recalculated every September based on the previous five years and also considers factors such as renewable capacity growth alongside the influence of climate change. For the current gas winter – running from October 1st 2024 to 31st March 2025 – seasonal average demand is expected to be 255 million cubic metres (mcm) per day, which is 5% lower than the seasonal average during previous gas winter (Q4 2023 and Q1 2024).

In absolute terms, gas demand has increased by 17% compared to the previous two weeks – driven by an almost 40% bump up in domestic consumption while less gas has been used to produce power – and this has helped to drive some strength into the short-term market. Day-ahead gas spiked above 98 p/th a couple of times – Norwegian outages also played a role here – but has since come back down to 94 p/th on the back of mild and windy forecasts, an increase of 1% in the last fortnight.

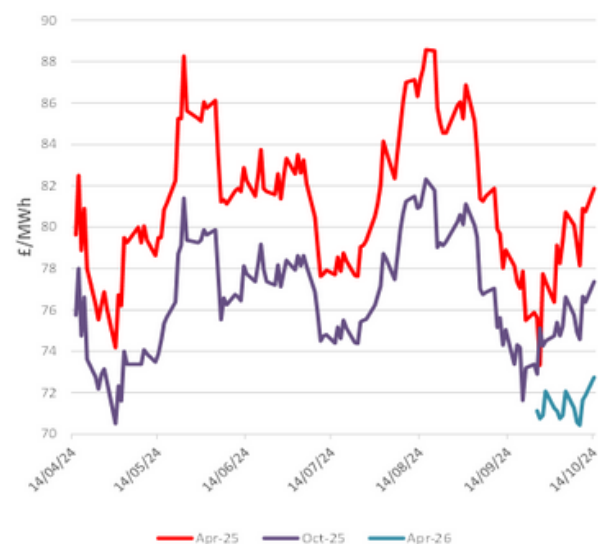
On the Continent storage injections have continued although rising demand has dampened the pace. EU stocks are now above 95% of capacity, slightly higher than the five-year average but below levels seen a year ago.

EU LNG supply has started to pick up – contractual obligations for winter-delivery cargoes will have kicked in for some importers – with sendout from the bloc's terminals into transmission grids rising by almost 20% compared to the previous two weeks. But demand strength and Norwegian outages have offset the impact of this and month-ahead Dutch gas – a key benchmark – has climbed by 2% to just shy of EUR 40/MWh.

Meanwhile North Sea oil had been rallying after the Chinese government announced a raft of stimulus measures to support the economy and the likelihood of a wider war in the Middle East increased. Month-ahead crude moved above \$80/bbl for the first time since August but has since dived back below \$74/bbl – which still represents a gain of 3% in the past fortnight – after Israel said it would not target Iran's energy sector in any retaliatory strikes.

Elsewhere the direction of coal has largely mirrored the gas market with several pushes upwards followed by sharp pullbacks. Coal for delivery into Northwest Europe next month is currently around \$119/tonne, in line with levels seen at the end of September.

UK Annual power prices (six-month view)



GAS: OUTLOOK

 Global gas demand could rise by 2.5% this year to a new all-time high – according to a report from the International Energy Agency (IEA) – with a similar increase expected in 2025. The rise in gas use will be driven by Asia and, to a lesser extent, European industrial users, although demand from this sector is expected to remain below levels seen before Russia’s invasion of Ukraine.



Gas Prices

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UK Gas Storage

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National Grid has indicated UK gas demand this winter should reach 39 billion cubic metres (bcm) – in line with the previous winter – with a rise in domestic consumption offset by lower gas use for power generation. The addition of exports to Ireland and mainland Europe is projected to lift demand to 43.2 bcm, compared to 43.8 bcm during the same period in 2023/24.



Average to above average temperatures have been forecast for the UK until at least the middle of November, according to the Copernicus weather service.



NORTH SEA OIL

North Sea oil had been rallying after the Chinese government announced a raft of stimulus measures to support the economy and the likelihood of a wider war in the Middle East increased.

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	chg	Month-ahead index:	chg	Day-ahead index:	chg	TTF 2024:	chg	Oil (Brent) \$/bbl:	chg
99.09	8.99	91.03	7.13	99.79	6.66	97.25	4.62	39.90	-1.58	77.83	5.84

All changes (chg) are compared to last report

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