



Energy Market Update

1st October 2024

FLAME UK ENERGY MANAGEMENT - WEEKLY MARKET INSIGHT

30 September 2024



Wholesale Market Prices and Trends

Wholesale Gas Element (p/kWh)	Indicative Price	3-Month Variance	6-Month Variance	12 Month Variance
Oct-24 12m	3.22	↓ -2%	↑ 19%	↓ -17%
Oct-24 24m	3.11	↓ -1%	↑ 16%	↓ -15%
Oct-24 36m	2.95	↓ -1%	↑ 12%	↓ -14%
Apr-25 12m	3.23	↓ -1%	↑ 16%	↓ -13%
Apr-25 24m	2.92	↓ -1%	↑ 10%	↓ -12%

Wholesale Power Element (p/kWh)	Indicative Price	3-Month Variance	6-Month Variance	12 Month Variance
Oct-24 12m	7.78	↓ -7%	↑ 9%	↓ -24%
Oct-24 24m	7.62	↓ -6%	↑ 7%	↓ -23%
Oct-24 36m	7.39	↓ -6%	↑ 4%	↓ -22%
Apr-25 12m	7.75	↓ -7%	↑ 7%	↓ -20%
Apr-25 24m	7.45	↓ -5%	↑ 4%	↓ -19%

Wider Energy Complex	Indicative Price	3-Month Variance	6-Month Variance	12 Month Variance
Brent (\$/bbl.)	71.98	↓ -15%	↓ -17%	↓ -21%
Coal (\$/t)	124.25	↑ 4%	↑ 12%	→ 0%
UK Carbon (£/t)	38.81	↓ -20%	↓ -7%	↓ -14%
EU Carbon (€/t)	66.33	↓ -2%	↑ 2%	↓ -24%
€/£	0.83	↓ -1%	↓ -3%	↓ -4%

UK NBP Gas

Wholesale Market Drivers

Bearish (Falling)

Norwegian Winter-24 gas output is expected to stay in line with previous Winter-23 output on the expectation of strong production from the flexible Troll and Oseberg fields.

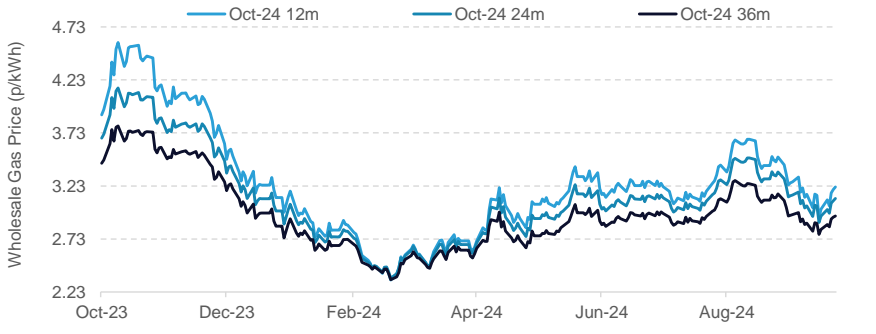
Turkey and Greece has signed long-term LNG deals, with some set to commence next year increasing European energy security on prospects of greater LNG supply for the region.

Bullish (Rising)

Northwest Europe and the UK could see 3bcm less of LNG supply over Winter-24 as stable demand in Asia is increasing competition. This could be exacerbated by the La Niña weather pattern, as it raises the risk of colder conditions further fuelling LNG demand in both regions.

There are mounting concerns of a widening conflict in the Middle East as Israel steps up attacks in Lebanon and Yemen.

Wholesale Price Graphs



UK Baseload Power

Market Drivers

Bearish (Falling)

Wind capacity is expected to increase in Northwest Europe and the UK over Winter-24, reducing reliance on gas-fired generation.

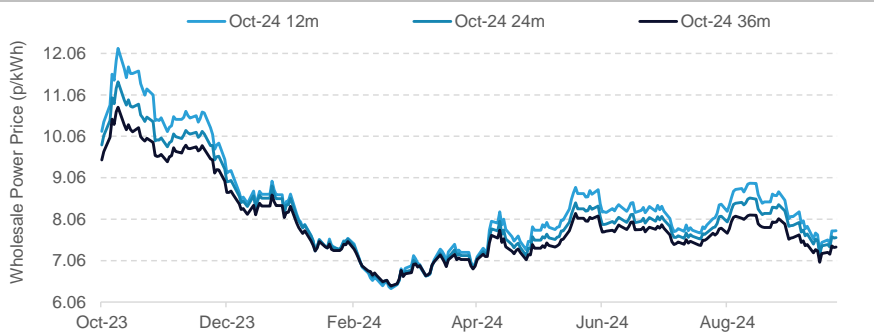
France's EDF's Flamanville III EPR reactor is set to begin generating 400 MW in November 2024, with another 400 MW in March 2025, and full capacity of 1650 MW by October 2025.

Bullish (Rising)

A recovery in gas-for-power demand in Europe is expected over Winter-24, stemming for forecasted colder temperatures, decreasing coal-fired generation, and reduced Belgian nuclear output.

Rising power demand from data centres due to the AI boom could see power overall power demand in Western nations begin to rise again and raise issues for decarbonising.

Wholesale Price Graphs



Energy Market News:

Opposing signals of gas demand in the EU. The Eurogas secretary has stated that the RePowerEU initiative is sending mixed demand signals to the gas market. The RePowerEU policy was agreed in 2022 to end reliance on Russian fossil fuels before 2030 in response to Russia's invasion of Ukraine. The RePowerEU policy also accelerated some 2040 climate targets to 2030 but remains non-binding, complicating the creation of clear decarbonisation pathways. This is in juxtaposition to Fit 55 policy brought in in 2021 which focuses on decarbonisation by cutting EU greenhouse gas emissions by 55% by 2030. These two policies are causing conflicting signals with the EU being over-contracted with LNG by 2030 if RePowerEU succeeds, but under-contracted if Fit for 55 demand projections prevail. Eurogas is advocating for clear certification and definitions for renewable and low-carbon gases to create a tradable market in the EU and globally.



Market Prices and Trends

Gas (p/therm)	Close	Indicative Price*	% Change	3-Month Variance
Day-Ahead	91.50	93.25	↑ 1.9%	↑ 16%
Oct-24	91.66	94.20	↑ 2.8%	↑ 6%
Nov-24	96.40	97.34	↑ 1.0%	↓ -2%
Dec-24	98.59	99.36	↑ 0.8%	↓ -3%
Jan-25	100.37	101.27	↑ 0.9%	↓ -3%
Q4-24	95.54	95.54	→ 0.0%	→ 0%
Q1-25	100.02	100.74	↑ 0.7%	↓ -2%
Winter-24	97.75	100.00	↑ 2.3%	↓ -1%
Summer-25	91.04	91.85	↑ 0.9%	→ 0%
Winter-25	98.22	99.30	↑ 1.1%	→ 0%
Summer-26	77.64	78.00	↑ 0.5%	↑ 2%
Winter-26	86.36	86.99	↑ 0.7%	↑ 1%
Summer-27	67.20	67.20	→ 0.0%	↓ -2%

Baseload (£/MWh)	Close	Indicative Price*	% Change	3-Month Variance
Day-Ahead	71.00	81.50	↑ 14.8%	↓ -8%
Oct-24	76.15	78.00	↑ 2.4%	→ 0%
Nov-24	83.50	84.75	↑ 1.5%	↓ -5%
Dec-24	83.20	86.00	↑ 3.4%	↓ -8%
Jan-25	89.40	92.00	↑ 2.9%	↓ -4%
Q4-24	80.92	85.00	↑ 5.0%	↓ -5%
Q1-25	86.26	87.25	↑ 1.1%	↓ -5%
Winter-24	83.56	86.50	↑ 3.5%	↓ -5%
Summer-25	72.09	75.00	↑ 4.0%	↓ -7%
Winter-25	83.00	85.00	↑ 2.4%	↓ -5%
Summer-26	66.03	67.00	↑ 1.5%	↓ -3%
Winter-26	75.59	76.00	↑ 0.5%	↓ -4%
Summer-27	62.99	62.99	→ 0.0%	↓ -9%

Wider Energy Complex	Close	Current Offer	% Change	3-Month Variance
Brent (\$/bbl)	71.98	71.86	→ -0.2%	↓ -17%
Coal (\$/t)	124.25	124.25	→ 0.0%	↑ 10%
UK Carbon (£/t)	39.06	38.95	→ -0.3%	↓ -20%
EU Carbon (€/t)	66.58	66.06	→ -0.8%	↓ -3%
€/£	0.834	0.836	→ 0.1%	↓ -2%
€/€	1.116	1.119	→ 0.2%	↑ 4%

Get in Touch



Current Market Drivers

The UK gas system opened undersupplied this morning on a reduction in Norwegian exports, while further extended outages to Norwegian facilities are exerting bullish pressure to prompt gas on tighter supply. Weather fundamentals are offering support to prompt baseload contracts, with a decline in wind generation into tomorrow exacerbating tightness in gas supplies. UK energy contracts have edged higher this morning amid mounting concerns of a widening conflict in the Middle East as Israel steps up attacks in Lebanon and Yemen. High storage levels are limiting further upside. EU LNG prices have hit a one-month high driven by robust demand in Northeast Asia and Egypt, weighing on near curve UK energy contracts. The EU carbon benchmark is trading neutral-bearish this morning, with 5 auctions this week and the completion of the September deadline limiting any upside from gas markets.

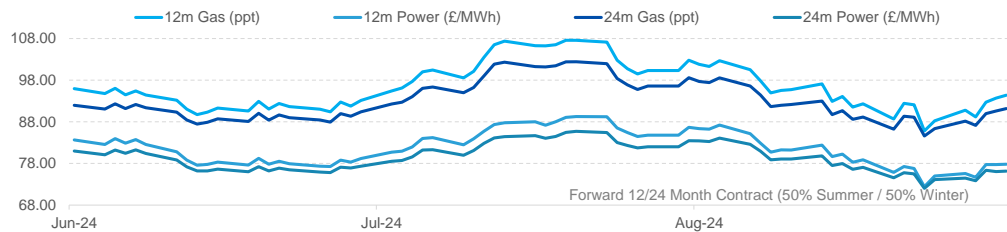
Market Focus

Israel steps up attacks in Lebanon and Yemen. Over the weekend, Israeli strikes in Lebanon have killed the leader of Hezbollah, Hassan Nasrallah. The killings marked the latest escalation in a two-week wave of intensified Israeli attacks on military targets in Lebanon. Attacks haven't been limited to Hezbollah, with Houthi, Hamas, and Iranian Revolutionary Guard leaders and facilities also being targeted. The latest attacks suggest that Israel has no plans to slow down its offensive on multiple fronts. This has now forced Iran's Supreme Leader Ayatollah Ali Khamenei, a key ally of Hamas, Hezbollah, and the Houthis, to move into hiding. This escalation could potentially provoke a larger regional conflict, particularly if Iran becomes more directly involved. The US has called for a diplomatic resolution to the conflict in Lebanon while also authorising its military to strengthen its presence in the region.

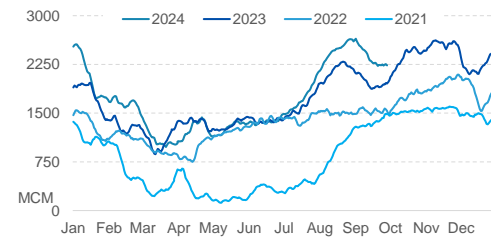
Opposing signals of gas demand in the EU. The Eurogas secretary has stated that the RePowerEU initiative is sending mixed demand signals to the gas market. The RePowerEU policy was agreed in 2022 to end reliance on Russian fossil fuels before 2030 in response to Russia's invasion of Ukraine. The RePowerEU policy also accelerated some 2040 climate targets to 2030 but remains non-binding, complicating the creation of clear decarbonisation pathways. This is in juxtaposition to Fit 55 policy brought in in 2021 which focuses on decarbonisation by cutting EU greenhouse gas emissions by 55% by 2030. These two policies are causing conflicting signals with the EU being over-contracted with LNG by 2030 if RePowerEU succeeds, but under-contracted if Fit for 55 demand projections prevail. Eurogas is advocating for clear certification and definitions for renewable and low-carbon gases to create a tradable market in the EU and globally.

Austria's energy ministry asserts that it can manage without Russian gas, thanks to high storage levels and strong import links with Germany and Italy. The EU's goal to phase out Russian fossil fuels by 2027, spurred by the Ukraine conflict, has been met with challenges as many Central European nations remain strongly reliant on pipeline flows from Russia. Austria, while once reducing Russian gas reliance to 21% in 2022, saw this rise to 83% by mid-2023. Austria's gas storage is over 90% full, with nearly half available for national use. With import capacity exceeding its demand, Austria could secure gas supplies even with a potential Russian disruption. However, increased gas flows to Austria from Germany and Italy are likely to have come into those nations via LNG and support the European market, particularly against the backdrop of rising LNG prices in Asia as demand rises in key importing nations like Japan.

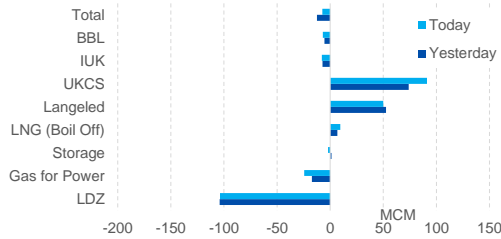
Forward Curve Price Action



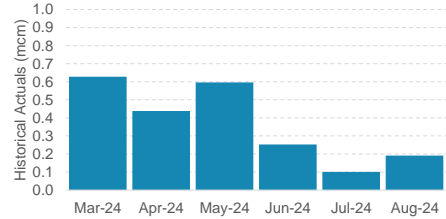
UK Gas Storage Level



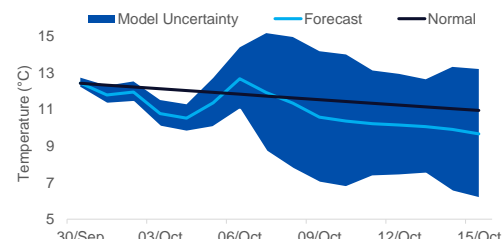
UK Gas Supply/Demand Sources



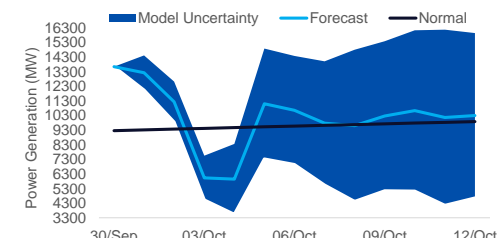
Historical Monthly LNG Supply



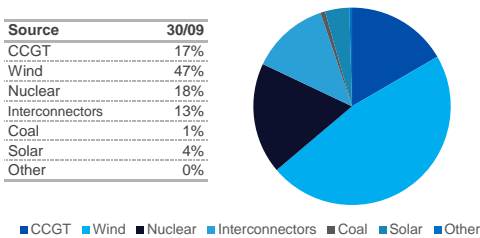
Temperature Forecast



Wind Power Generation Forecast



Power Generation Mix (Last 24 Hours)

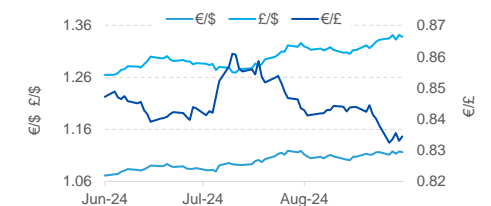


Nuclear Outages

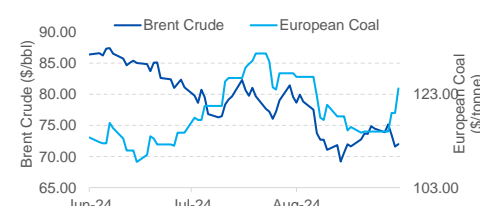
Facility	Capacity (MW)	Start Date	End Date
Hartlepool 2	595	17/08/24	09/10/24
Heysham 2-7	615	21/09/24	06/10/24

Current online capacity: 5290 MW, 81%

UK, EU and US Currencies



Brent Crude vs European Coal



Emissions Trading Scheme Carbon

