



Energy Market Update

24th September 2024

FLAME UK ENERGY MANAGEMENT - WEEKLY MARKET INSIGHT

23 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	3.01	↓ -7%	↑ 11%	↓ -27%
Oct-24 24m	2.95	↓ -5%	↑ 10%	↓ -25%
Oct-24 36m	2.82	↓ -5%	↑ 7%	↓ -23%
Apr-25 12m	3.06	↓ -5%	↑ 11%	↓ -22%
Apr-25 24m	2.81	↓ -4%	↑ 6%	↓ -20%

Wholesale Power Element (p/kWh)	Indicative Price	3-Month Variance	6-Month Variance	12 Month Variance
Oct-24 12m	7.50	↓ -9%	↑ 3%	↓ -29%
Oct-24 24m	7.41	↓ -7%	↑ 3%	↓ -27%
Oct-24 36m	7.23	↓ -7%	↑ 2%	↓ -27%
Apr-25 12m	7.57	↓ -7%	↑ 4%	↓ -25%
Apr-25 24m	7.29	↓ -7%	↑ 2%	↓ -25%

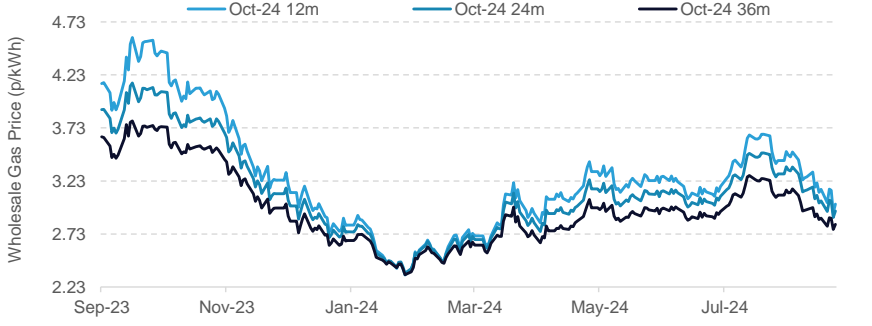
Wider Energy Complex	Indicative Price	3-Month Variance	6-Month Variance	12 Month Variance
Brent (\$/bbl.)	74.49	↓ -9%	↓ -14%	↓ -20%
Coal (\$/t)	115.00	↓ -1%	↑ 6%	↓ -12%
UK Carbon (£/t)	41.43	↓ -15%	↑ 4%	↑ 1%
EU Carbon (€/t)	63.39	↓ -10%	↑ 3%	↓ -28%
€/£	0.84	↓ -1%	↓ -2%	↓ -3%

UK NBP Gas

Wholesale Market Drivers

Bearish (Falling)	<p>The bulk of Norwegian maintenance has eased as majority of the maintenances ends without any further extensions.</p> <p>Robust storage levels in Europe (93%) and the UK (57%) amidst weak demand are helping to provide a limit to the upside.</p>
Bullish (Rising)	<p>The high probability of La Nina weather phenomenon developing this winter is also weighing on 2025 contracts and supporting markets on expectations higher demand for storage injections.</p> <p>Geopolitical concerns emanating from the Middle East are supporting the market on fears that the conflict between Israel and Iran, or Israel and Hezbollah, could escalate further.</p>

Wholesale Price Graphs

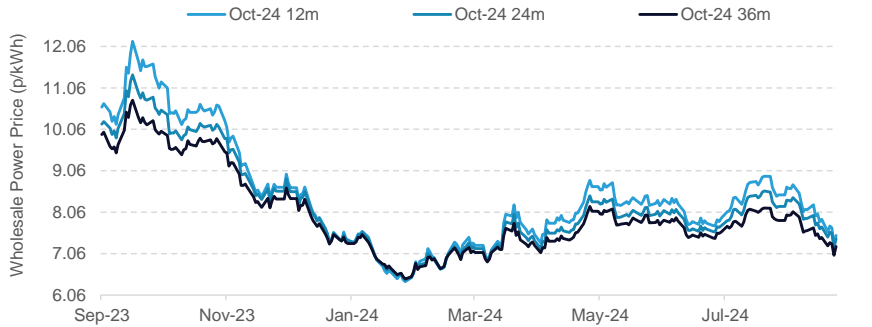


UK Baseload Power

Market Drivers

Bearish (Falling)	<p>The UK carbon benchmark tumbled last week, providing bearish signals to baseload on lower gas-fired premiums.</p> <p>Prospects for strong interconnector flows are sending bearish signals as Europe adds record-breaking solar output in 2024 and renewable generation grows sharply in the Nordic region.</p>
Bullish (Rising)	<p>Gas markets continue to direct baseload pricing and set the market price for UK baseload despite the significant expansion of renewables.</p> <p>Activism against offshore wind generation continues to grow as environmental group question whether damage from offshore wind is understated.</p>

Wholesale Price Graphs



Energy Market News:

Windfall tax cuts UK oil and gas financing, threatening North Sea Industry. Since the 2022 introduction of the UK's windfall tax on fossil fuel companies, loans to oil and gas producers have plummeted by up to 50%, threatening the viability of the North Sea energy sector. As traditional and alternative financial institutions retreat, the industry faces increased tax burdens, reduced investment allowances, and capital uncertainty. The Energy Profits Levy and environmental pressures have further discouraged investment, with major banks pulling back. These changes risk halving oil and gas production by 2030, heightening concerns about the energy transition. The UK's instability contrasts with Norway's stable tax policies, where oil firms continue to perform better. The impact could significantly reduce the UK's domestic energy production, increasing reliance on imports before renewable energy sources are fully available.

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Market Prices and Trends

Gas (p/therm)	Close	Indicative Price*	% Change	3-Month Variance
Day-Ahead	83.25	84.25	↑ 1.2%	↑ 2%
Oct-24	82.50	84.39	↑ 2.3%	↓ -7%
Nov-24	89.07	90.58	↑ 1.7%	↓ -10%
Dec-24	91.78	93.38	↑ 1.7%	↓ -11%
Jan-25	93.82	95.32	↑ 1.6%	↓ -9%
Q4-24	87.77	89.44	↑ 1.9%	↓ -9%
Q1-25	93.60	95.10	↑ 1.6%	↓ -8%
Winter-24	90.65	92.24	↑ 1.8%	↓ -9%
Summer-25	85.83	87.44	↑ 1.9%	↓ -5%
Winter-25	93.33	95.12	↑ 1.9%	↓ -5%
Summer-26	75.62	76.24	↑ 0.8%	↓ -1%
Winter-26	85.11	86.00	↑ 1.0%	↓ -1%
Summer-27	65.35	67.42	↑ 3.2%	↓ -5%

Baseload (£/MWh)	Close	Indicative Price*	% Change	3-Month Variance
Day-Ahead	84.50	82.50	↓ -2.4%	↑ 4%
Oct-24	70.00	70.25	↑ 0.4%	↓ -12%
Nov-24	79.20	80.75	↑ 2.0%	↓ -10%
Dec-24	78.80	78.80	→ 0.0%	↓ -11%
Jan-25	86.05	86.05	→ 0.0%	↓ -7%
Q4-24	75.97	77.50	↑ 2.0%	↓ -11%
Q1-25	83.10	84.75	↑ 2.0%	↓ -9%
Winter-24	79.49	79.49	→ 0.0%	↓ -10%
Summer-25	70.52	71.70	↑ 1.7%	↓ -9%
Winter-25	80.86	83.25	↑ 3.0%	↓ -7%
Summer-26	65.60	67.00	↑ 2.1%	↓ -4%
Winter-26	74.69	75.75	↑ 1.4%	↓ -7%
Summer-27	62.74	62.74	→ 0.0%	↓ -8%

Wider Energy Complex	Close	Current Offer	% Change	3-Month Variance
Brent (\$/bbl)	74.49	74.57	→ 0.1%	↓ -13%
Coal (\$/t)	115.00	115.00	→ 0.0%	↓ -4%
UK Carbon (£/t)	41.68	42.15	↑ 1.1%	↓ -15%
EU Carbon (€/t)	63.64	64.60	↑ 1.5%	↓ -6%
€/£	0.838	0.836	↓ -0.2%	↓ -1%
€/€/\$	1.116	1.111	↓ -0.5%	↑ 4%

Get in Touch



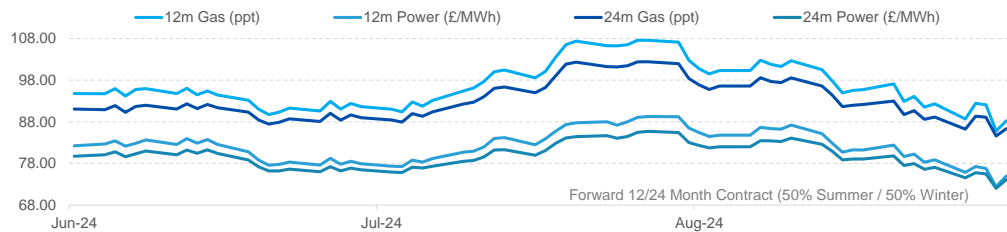
Current Market Drivers

Total Norwegian piped exports to the UK opened 9mcm/d short this morning, providing bullish signals to day-ahead gas contracts on signs of insufficient pipeline supply. The return of the NemoLink interconnector is providing bearish pressure to prompt baseload prices on prospects of greater power imports, whilst rising wind into tomorrow limit downside. Geopolitics in the Middle East are offering some support to the near curve as the increase in Israeli raids in the West Bank raise concerns about attacks from this region, and Lebanon remains volatile. Japanese LNG stocks have fallen sharply, driven by increased selling to Southeastern Asian nations struggling with heatwaves. This is supporting near curve energy futures on higher Asian demand. UK and EU carbon are pointing up this morning, with an improving economic picture amid US interest rate cuts offering support. The reversal in downside to gas is also supporting EU carbon.

Market Focus

Windfall tax cuts UK oil and gas financing, threatening North Sea Industry. Since the 2022 introduction of the UK's windfall tax on fossil fuel companies, loans to oil and gas producers have plummeted by up to 50%, threatening the viability of the North Sea energy sector. As traditional and alternative financial institutions retreat, the industry faces increased tax burdens, reduced investment allowances, and capital uncertainty. The Energy Profits Levy and environmental pressures have further discouraged investment, with major banks pulling back. These changes risk halving oil and gas production by 2030, heightening concerns about the energy transition. The UK's instability contrasts with Norway's stable tax policies, where oil firms continue to perform better. The impact could significantly reduce the UK's domestic energy production, increasing reliance on imports before renewable energy sources are fully available.

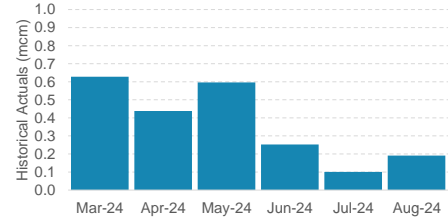
Forward Curve Price Action



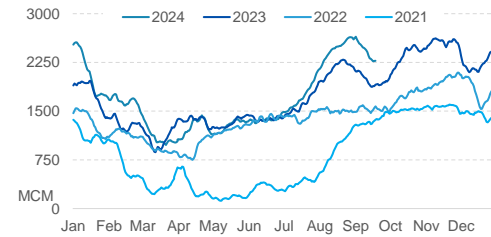
£/MWh remain unconfirmed on gas transit deal between Ukraine and Azerbaijan. News leaked yesterday afternoon from an inside source in the Ukrainian government that Ukraine may agree a transit deal with Azerbaijan. This saw markets drop sharply on the possibility that Ukraine may agree to temporarily transit Azerbaijani gas to Europe after its transit agreement with Russia ends. Since then, several news outlets have backed away from the story, with both Ukrainian and Azerbaijani sources saying the report is incorrect. It has since been clarified that there is currently no signed gas transit agreement between Ukraine and Azerbaijan, nor are there any ongoing negotiations on the matter. An Azerbaijani official stated that the EU and Kyiv requested Baku's help in talks with Russia, proposing Azerbaijan purchase Russian gas to free up its own gas for EU exports. The market remains poised for any clarification on the matter.

Attacks in Lebanon raise fresh concerns in the Middle East, though market reaction minimal. Lebanon has seen a series of bombings over the previous days, with pagans and hand-held radios owned by Hezbollah operatives exploding. The attacks have injured several thousand and killed over 30, with the attacks assumed to have been perpetrated by Mossad, the Israeli security service. Israel have not confirmed this, though they had warned the US on Tuesday that they would be taking some action in Lebanon. The attacks also hit some members of the Iranian Revolutionary Guard which were visiting the country. This has raised fresh concerns around a widening of the conflict in the region, with Iranian stating that they had a right to respond to the attacks. The overall market reaction has been quite weak, with the primary concern being a restriction in Israeli gas exports if they close gas rigs over concerns of Hezbollah.

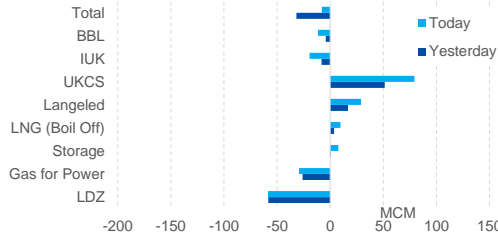
Historical Monthly LNG Supply



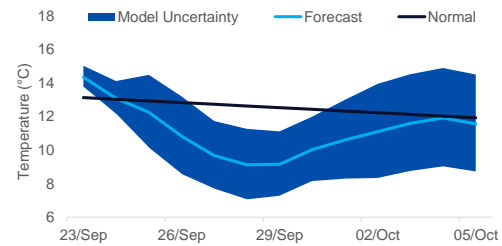
UK Gas Storage Level



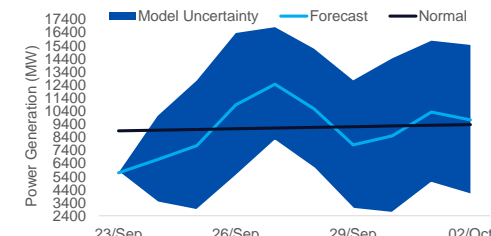
UK Gas Supply/Demand Sources



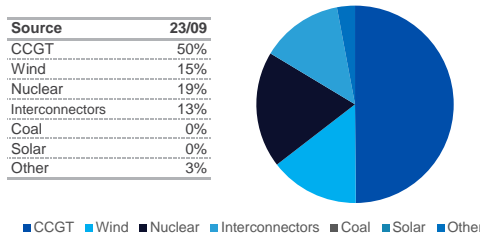
Temperature Forecast



Wind Power Generation Forecast



Power Generation Mix (Last 24 Hours)

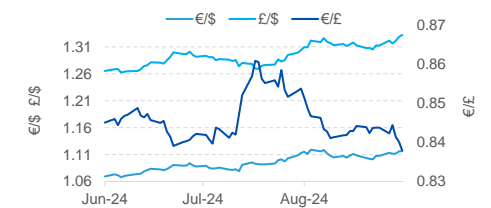


Nuclear Outages

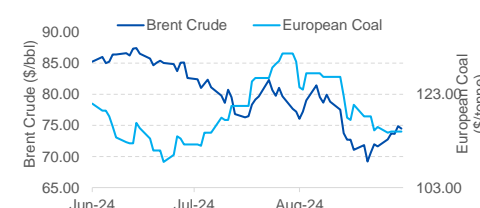
Facility	Capacity (MW)	Start Date	End Date
Hartlepool 2	595	17/08/24	09/10/24
Heysham 1-1	580	01/09/24	25/09/24
Heysham 2-7	615	21/09/24	06/10/24

Current online capacity: 4710 MW (72%)

UK, EU and US Currencies



Brent Crude vs European Coal



Emissions Trading Scheme Carbon

