

Energy Market Update

8th October 2024

FLAME UK ENERGY MANAGEMENT - WEEKLY MARKET INSIGHT

07 October 2024



Wholesale Market Prices and Trends

Wholesale Gas Element (p/kWh)	Indicative Price	3-Month Variance	6-Month Variance	12 Month Variance
Apr-25 12m	3.40	↑ 5%	↑ 7%	↓ -16%
Apr-25 24m	3.13	↑ 3%	↑ 6%	↓ -16%
Apr-25 36m	2.93	↑ 2%	↑ 3%	↓ -14%
Oct-25 12m	3.12	↑ 3%	↑ 5%	↓ -16%
Oct-25 24m	2.82	↑ 1%	↑ 1%	↓ -14%

Wholesale Power Element (p/kWh)	Indicative Price	3-Month Variance	6-Month Variance	12 Month Variance
Apr-25 12m	8.07	↓ -2%	↔ 0%	↓ -27%
Apr-25 24m	7.63	↓ -3%	↔ 0%	↓ -27%
Apr-25 36m	7.35	↓ -4%	↓ -3%	↓ -27%
Oct-25 12m	7.65	↓ -2%	↔ 0%	↓ -27%
Oct-25 24m	7.39	↓ -4%	↓ -3%	↓ -23%

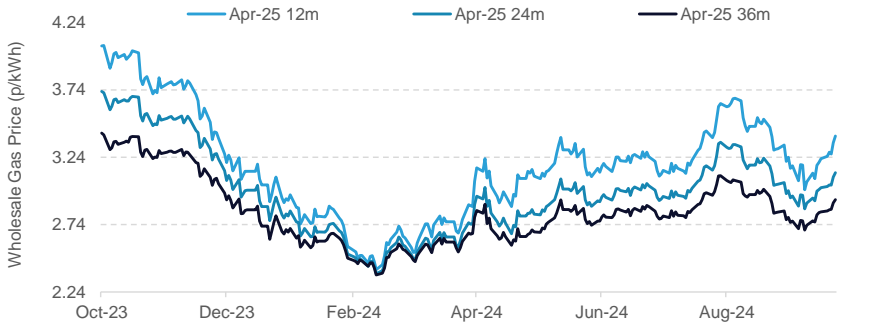
Wider Energy Complex	Indicative Price	3-Month Variance	6-Month Variance	12 Month Variance
Brent (\$/bbl.)	78.05	↓ -9%	↓ -11%	↓ -11%
Coal (\$/t)	127.00	↑ 6%	↑ 9%	↓ -2%
UK Carbon (£/t)	37.83	↓ -18%	↓ -4%	↓ -24%
EU Carbon (€/t)	62.05	↓ -8%	↔ 0%	↓ -27%
€/£	0.84	↓ -1%	↓ -2%	↓ -3%

UK NBP Gas

Wholesale Market Drivers

Bearish (Falling)	<p>Azerbaijan have reached an agreement with a BP-led consortium to develop a new gas field in the Caspian Sea, with production expected to begin in 2025, boosting exports to Europe.</p> <p>Greece has a new LNG terminal that has come online, with the capacity to export 5.5bcm of LNG annually to Central and Southeast Europe.</p>
Bullish (Rising)	<p>The IEA is forecasting increased gas demand in W-24 and into 2025, driven by rising demand from datacentres and economic recovery in Southeast Asia.</p> <p>Israel are considering attacks on Iranian oil infrastructure following Iran's attacks last week; this has raised concerns of the possibility of the Strait of Hormuz being shut.</p>

Wholesale Price Graphs



UK Baseload Power

Market Drivers

Bearish (Falling)	<p>The Labour government has extended the free allocation period for the UK ETS until 2026, providing bearish signals for UK carbon and in turn fossil-fuelled premiums.</p> <p>European and UK renewable environments continue to show positive signs, with Europe on track to hit their solar target and the UK securing further offshore wind turbines.</p>
Bullish (Rising)	<p>The delay in starting Dogger Bank A into the second half of next year have raised concerns about similar delays to the commencement of Dogger bank B and C.</p> <p>France's ageing nuclear fleet could be at higher risk of outages due to "modulation", where the output of the facility is ramped up and down. This raises concerns about imports into 2025+.</p>

Wholesale Price Graphs



Energy Market News:

UK Power market reforms threatens industry and investment. The proposed UK power market reforms, which would introduce regional electricity pricing, are facing criticism from major trade groups, such as UK Steel, Make UK, and RenewableUK. These organisations argue that the split market could increase costs for energy-intensive industries like steel, glass, and ceramics, potentially leading to “deindustrialisation” and deterring investment. Proponents believe that regional pricing could encourage industry to build facilities in areas of high renewables, enhancing market efficiency and supporting renewable energy expansion. However, critics warn that it risks penalising industries unable to relocate and threatens renewable developers. The Labour government is seeking to attract international investment as it pushes for a net-zero energy grid by 2030, but uncertainties around the structure of the UK market have the potential to discourage new investments.

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Market Prices and Trends

Gas (p/therm)	Close	Indicative Price*	% Change	3-Month Variance
Day-Ahead	97.80	98.20	0.4%	31%
Nov-24	102.60	101.07	-1.5%	8%
Dec-24	104.71	103.39	-1.3%	5%
Jan-25	106.47	105.25	-1.1%	5%
Feb-25	106.92	105.86	-1.0%	6%
Q1-25	105.94	104.66	-1.2%	6%
Q2-25	97.35	96.29	-1.1%	7%
Summer-25	96.26	95.32	-1.0%	7%
Winter-25	102.90	102.29	-0.6%	5%
Summer-26	79.70	79.68	0.0%	4%
Winter-26	87.49	88.00	0.6%	1%
Summer-27	68.65	68.65	0.0%	0%
Winter-27	79.39	79.39	0.0%	0%

Baseload (£/MWh)	Close	Indicative Price*	% Change	3-Month Variance
Day-Ahead	86.00	89.00	3.5%	15%
Nov-24	86.95	86.50	-0.5%	-1%
Dec-24	86.60	86.75	0.2%	-4%
Jan-25	92.65	92.65	0.0%	2%
Feb-25	92.45	92.45	0.0%	2%
Q1-25	89.85	90.25	0.4%	1%
Q2-25	76.90	77.00	0.1%	1%
Summer-25	75.93	76.00	0.1%	1%
Winter-25	85.45	87.00	1.8%	-1%
Summer-26	67.48	67.48	0.0%	-1%
Winter-26	76.50	77.50	1.3%	-3%
Summer-27	63.33	65.00	2.6%	-5%
Winter-27	72.42	72.42	0.0%	-5%

Wider Energy Complex	Close	Current Offer	% Change	3-Month Variance
Brent (\$/bbl)	78.05	78.89	1.1%	-9%
Coal (\$/t)	127.00	127.00	0.0%	12%
UK Carbon (£/t)	38.08	37.77	-0.8%	-18%
EU Carbon (€/t)	62.30	60.99	-2.1%	-10%
€/£	0.836	0.837	0.2%	-1%
€/\$	1.098	1.098	0.0%	1%

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Current Market Drivers

The UK has secured 4 LNG cargoes for the month of October and 1 LNG cargo for the month of November. This boost in supply is offering some bearish pressure to near-curve energy contracts. The UK gas system opened 30 mcm undersupplied this morning, with an outage at Norway's Troll gas field and injection demand. Troll's return tomorrow could offer relief to day-ahead, though injection demand persists. The Sizewell B-1 (630MW) nuclear facility went offline yesterday, providing bullish pressure to prompt contracts this week. Offsetting some of this upside will be the return of Hartlepool 2 (595MW) on Wednesday. The Brent Crude benchmark is continuing last week's bullish rally in morning trading, with Israeli threats to hit Iranian oil fields remaining a supportive element. China is currently chief amongst the buyers of Iranian oil. UK gas futures are easing somewhat in morning trading after rallying towards the end of last week on geopolitical concerns. Fundamentally, Europe has strong storage, ample supply, and suppressed demand.

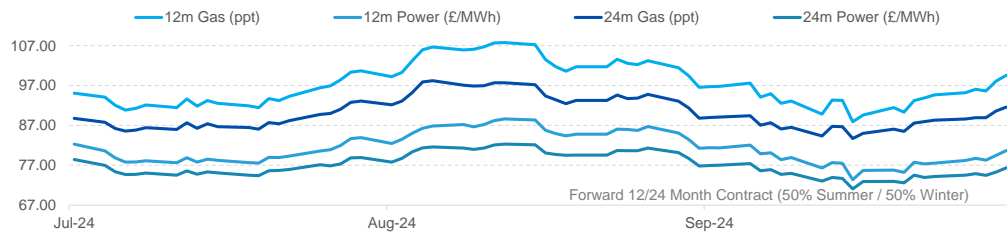
Market Focus

UK Power market reforms threatens industry and investment. The proposed UK power market reforms, which would introduce regional electricity pricing, are facing criticism from major trade groups, such as UK Steel, Make UK, and RenewableUK. These organisations argue that the split market could increase costs for energy-intensive industries like steel, glass, and ceramics, potentially leading to "deindustrialisation" and deterring investment. Proponents believe that regional pricing could encourage industry to build facilities in areas of high renewables, enhancing market efficiency and supporting renewable energy expansion. However, critics warn that it risks penalising industries unable to relocate and threatens renewable developers. The Labour government is seeking to attract international investment as it pushes for a net-zero energy grid by 2030, but uncertainties around the structure of the UK market have the potential to discourage new

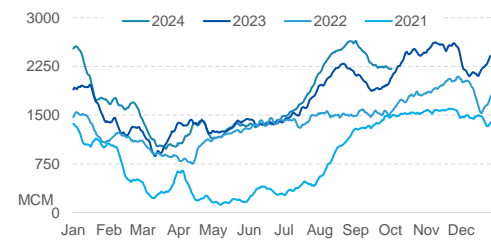
Israel considering attacks on Iranian oil facilities. News broke yesterday afternoon from the White House that US President Joe Biden was in talks with Israel on possible attacks to Iran's oil industry. This comes after Iran launched missile attacks on Israel on Tuesday, with Israel's Prime Minister warning of a swift retaliation within days that could target Iranian oil production facilities. This caused a rally in gas prices yesterday afternoon, with concerns of the conflict widening in the region and causing damage to any gas and oil facilities. So far, escalating tensions have not yet impacted the Persian Gulf's gas and oil supply, as the gas infrastructure remains undamaged, and the shipment of physical oil barrels continues without interruption. However, with this news there are concerns around whether Iran would shut the Strait of Hormuz, where over 20% of the world's LNG supply passes through. The market remains poised to react to any news.

EU CBAM could raise the price of wind turbines to 1M EUR. A report by a UK consultancy has examined the impact of the EU CBAM on the European wind energy sector. This recent report has concluded that in the worst-case scenario, the cost inflation for individual wind turbines could be just shy of 1 million Euros. The phase-out of free allowances under the EU ETS and the introduction of CBAM would influence "nearly every aspect" of the European wind energy value chain, the report concludes. This could impact the EU's transition to net-zero and delay essential buildings of wind farms and increase overall reliance on gas-fired generation. CBAM is also expected to reduce the efficiency of power trading across interconnectors due to energy traders' "inability" to demonstrate the carbon price paid for a volume that has been traded multiple times before final delivery.

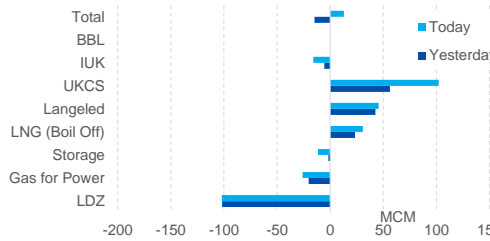
Forward Curve Price Action



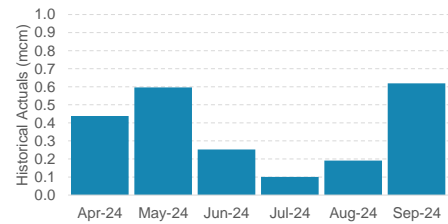
UK Gas Storage Level



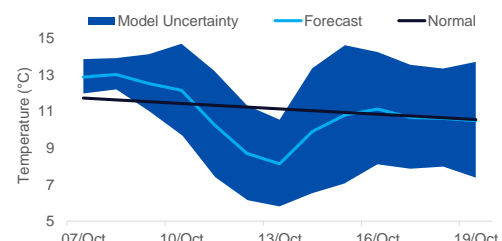
UK Gas Supply/Demand Sources



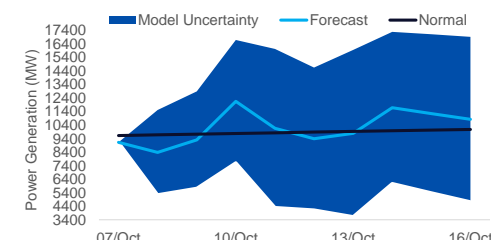
Historical Monthly LNG Supply



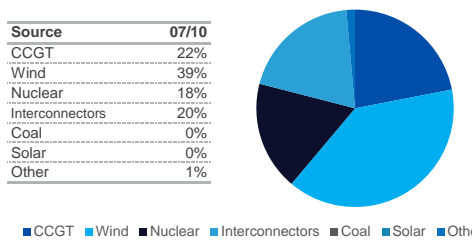
Temperature Forecast



Wind Power Generation Forecast



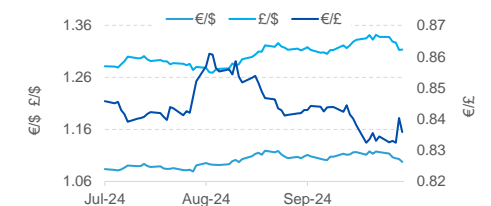
Power Generation Mix (Last 24 Hours)



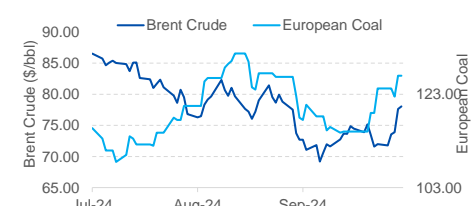
Nuclear Outages

Facility	Capacity (MW)	Start Date	End Date
Hartlepool 2	595	17/08/24	09/10/24
Sizewell B-1	630	06/10/24	05/12/24

UK, EU and US Currencies



Brent Crude vs European Coal



Emissions Trading Scheme Carbon

