

Energy Market Update

28th October 2024

FLAME UK ENERGY MANAGEMENT - WEEKLY MARKET INSIGHT

28 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	3.54	↑ 10%	↑ 15%	↓ -7%
Apr-25 24m	3.25	↑ 8%	↑ 16%	↓ -9%
Apr-25 36m	3.03	↑ 6%	↑ 14%	↓ -8%
Oct-25 12m	3.23	↑ 8%	↑ 16%	↓ -9%
Oct-25 24m	2.91	↑ 5%	↑ 13%	↓ -8%

Wholesale Power Element (p/kWh)	Indicative Price	3-Month Variance	6-Month Variance	12 Month Variance
Apr-25 12m	8.28	↑ 4%	↑ 5%	↓ -15%
Apr-25 24m	7.75	↑ 2%	↑ 5%	↓ -18%
Apr-25 36m	7.50	↔ 1%	↑ 3%	↓ -18%
Oct-25 12m	7.71	↑ 2%	↑ 5%	↓ -19%
Oct-25 24m	7.49	↔ 1%	↑ 5%	↓ -15%

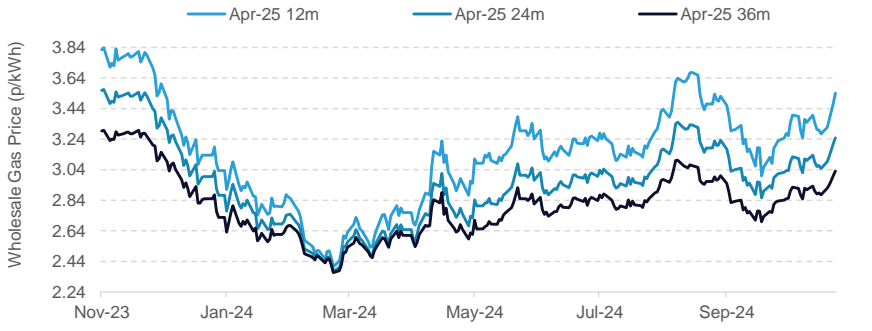
Wider Energy Complex	Indicative Price	3-Month Variance	6-Month Variance	12 Month Variance
Brent (\$/bbl.)	76.05	↓ -10%	↓ -13%	↓ -13%
Coal (\$/t)	123.88	↑ 13%	↑ 2%	↑ 6%
UK Carbon (£/t)	41.17	↓ -2%	↑ 8%	↓ -4%
EU Carbon (€/t)	66.97	↔ -1%	↔ 1%	↓ -20%
€/£	0.83	↔ -1%	↓ -3%	↓ -4%

UK NBP Gas

Wholesale Market Drivers

Bearish (Falling)	<p>The temperature forecasts for November-December have been revised up, reducing gas demand for heating. This could limit significant storage withdrawals ahead of the colder winter months, and by extension limit demand for injections in 2025.</p> <p>Israel's response to Iranian missile strikes was limited to military related targets, eroding some of the concerns around a strong response from Iran if oil and nuclear facilities were targeted.</p>
Bullish (Rising)	<p>Total Energies have announced delays to several LNG facilities which were due to come online in 2025. The next wave of LNG supply will not be expected until 2027.</p> <p>Middle East continues to be a supportive element. Israel's response is limiting risk in the near term but the ongoing conflict with Hezbollah and Iranian promises of a response remain a concern.</p>

Wholesale Price Graphs

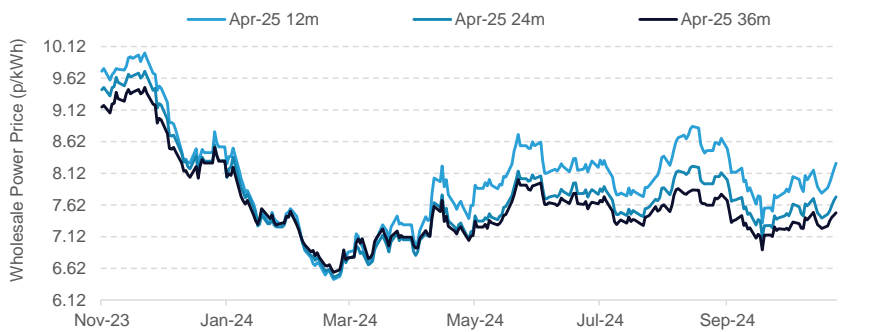


UK Baseload Power

Market Drivers

Bearish (Falling)	<p>Limited Interconnector outages over winter and the 500MW Britain-Ireland interconnector is set to launch in December. The Viking Link is also set to expand from 800MW to 1.2.GW in H1-25.</p> <p>The UK continues to show positive developments in the renewable space, with £24 billion pledged to new generation and grid upgrades by private investors.</p>
Bullish (Rising)	<p>UK's waste incinerators have been found to be as polluting as coal-fired generation. They currently make up around 3% of UK generation and the UK ETS may be expanded to cover them, providing bullish signals to UK carbon and by extension fossil-fuelled generation.</p> <p>The trend of negative intraday power prices continues to be seen across Europe. This could affect the build-out of renewables if developers cannot be certain of a consistent income.</p>

Wholesale Price Graphs



Energy Market News:

Israel have launched a series of attacks on Iran. On Friday, Israel launched a series of precision air and drone strikes on Iran, targeting defences and missile production. The operation was aimed at degrading Iran's ability to attack Israel, as well as making the country more vulnerable to future airstrikes. This confrontation between the regional enemies' risks bringing the Middle East another step closer to a full-scale conflict. Iran has stated that it will 'use all available tools' to respond to Israel's attack. Last week, energy prices rose across Europe on concerns around the conflict, but Israel's decision to not target oil infrastructure appears to have eased worries that Israel's response would lead to all-out war in the region. Conflict in the region continues to be a supportive element to the market, but some of last week's risk premium appears to have eroded in morning trading on this more measured attack by Israel.

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Market Prices and Trends

Gas (p/therm)	Close	Indicative Price*	% Change	3-Month Variance
Day-Ahead	108.50	107.00	-1.4%	39%
Nov-24	110.13	105.17	-4.5%	14%
Dec-24	111.24	106.49	-4.3%	10%
Jan-25	111.93	107.67	-3.8%	9%
Feb-25	112.28	108.04	-3.8%	9%
Q1-25	111.35	107.13	-3.8%	10%
Q2-25	102.24	99.05	-3.1%	9%
Summer-25	101.08	97.88	-3.2%	9%
Winter-25	106.47	103.43	-2.9%	6%
Summer-26	82.80	81.40	-1.7%	6%
Winter-26	90.50	90.90	0.4%	3%
Summer-27	71.08	72.00	1.3%	3%
Winter-27	81.16	83.00	2.3%	1%

Baseload (£/MWh)	Close	Indicative Price*	% Change	3-Month Variance
Day-Ahead	97.00	109.50	12.9%	27%
Nov-24	96.20	92.95	-3.4%	10%
Dec-24	91.55	90.00	-1.7%	3%
Jan-25	98.25	98.25	0.0%	8%
Feb-25	98.35	98.35	0.0%	8%
Q1-25	95.49	93.00	-2.6%	7%
Q2-25	79.26	79.26	0.0%	4%
Summer-25	78.39	78.00	-0.5%	4%
Winter-25	87.16	86.50	-0.8%	1%
Summer-26	67.04	67.00	-0.1%	0%
Winter-26	77.36	77.00	-0.5%	-4%
Summer-27	64.36	64.50	0.2%	-6%
Winter-27	75.40	75.40	0.0%	-4%

Wider Energy Complex	Close	Current Offer	% Change	3-Month Variance
Brent (\$/bbl)	76.05	71.74	-5.7%	-5%
Coal (\$/t)	123.88	123.88	0.0%	5%
UK Carbon (£/t)	41.42	40.41	-2.4%	-2%
EU Carbon (€/t)	67.22	65.40	-2.7%	-3%
€/£	0.833	0.833	0.0%	-1%
€/€	1.079	1.082	0.2%	0%

Get in Touch



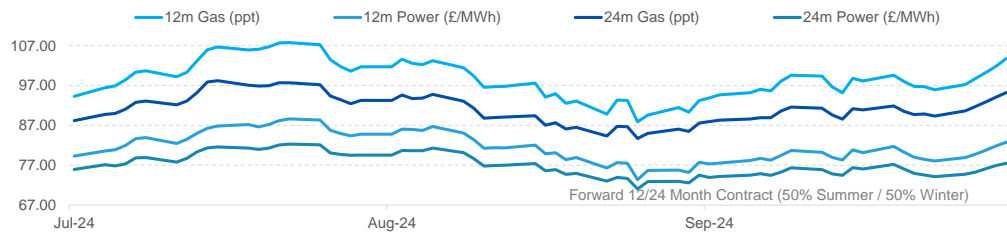
Current Market Drivers

Israeli attacks on Iranian missile and defence facilities have mitigated some concerns around a widening conflict in the Middle East and are eroding some of the risk premium to energy futures. The UK have secured another cargo for Oct-24, now up to 5 cargoes, and 2 for the month of Nov-24. This offers some bearish pressure to near-curve contracts on signs of improving LNG supply. The Brent crude benchmark is pointing sharply down this morning after Israel's retaliatory strike on Iran over the weekend bypassed Tehran's oil and nuclear facilities, not disrupting energy supplies. Temperatures in the UK and Northwest Europe have been revised up, from the last forecast, for November. This is easing concerns of an early start to storage withdrawals, offering downside to the near curve. A sharp drop in wind generation into tomorrow is offering support to day-ahead energy prices, particularly power. This is somewhat mitigated by increasing temperatures and continued strong imports.

Market Focus

Israel has launched a series of attacks on Iran. On Friday, Israel launched a series of precision air and drone strikes on Iran, targeting defences and missile production. The operation was aimed at degrading Iran's ability to attack Israel, as well as making the country more vulnerable to future airstrikes. This confrontation between the regional enemies risks bringing the Middle East another step closer to a full-scale conflict. Iran has stated that it will 'use all available tools' to respond to Israel's attack. Last week, energy prices rose across Europe on concerns around the conflict, but Israel's decision to not target oil infrastructure appears to have eased worries that Israel's response would lead to all-out war in the region. Conflict in the region continues to be a supportive element to the market, but some of last week's risk premium appears to have eroded in morning trading on this more measured attack by Israel.

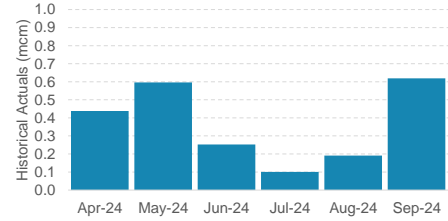
Forward Curve Price Action



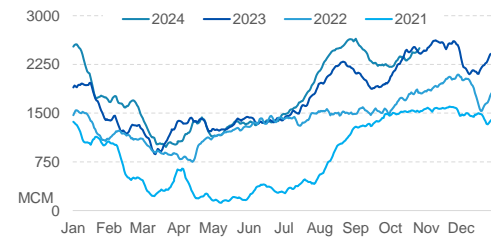
European gas-fired power output is projected to increase by 11% by 2027. European gas-fired output is due to increase by 11% by 2027 due to higher overall power demand and the phase-out of coal plants, according to ICIS. Gas plants are anticipated to set European power prices 57% of the time, with gas remaining 17-18% of the power mix. Despite the rise in renewable energy sources like solar and wind, which are expected to make up 43% of the power mix by 2027, gas will continue to play a significant role, setting prices 57% of the time in 2026-2027. This shift is driven by stronger clean spreads favouring gas over coal due to rising carbon prices and falling gas costs. The UK energy market has already phased out its coal-fired generation, but an increase in demand on the Continent could still support gas prices and by extension gas-fired premiums in the UK.

Europe's data centre power consumption is projected to nearly triple by 2030. Europe's datacentre power consumption is due to triple by 2030, necessitating substantial investments in low-carbon electricity sources and grid infrastructure. According to a McKinsey report, the region's data centre demand will increase from 10 GW to 35 GW, driven by digitalisation and artificial intelligence growth. The electricity consumption of these centres could rise to represent around 5% of Europe's total energy usage by 2030. In the UK, this trend could have a significant impact on energy planning, requiring \$250-300 billion in infrastructure investments. The shift places pressure on the UK to accelerate low-carbon energy generation, contributing to the broader European goal of decarbonising the power sector amidst stagnant electricity demand since 2007. It also highlights the need for a resilient grid to handle increased intermittent renewable generation.

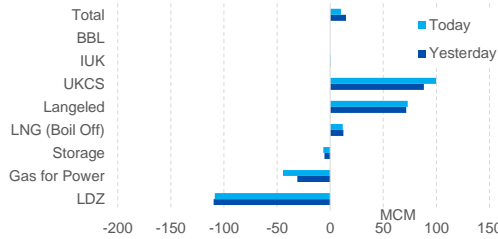
Historical Monthly LNG Supply



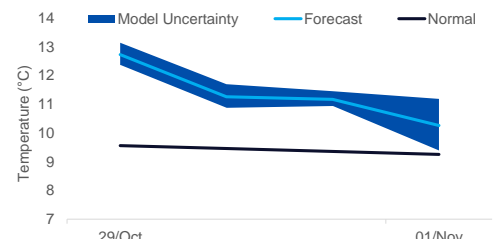
UK Gas Storage Level



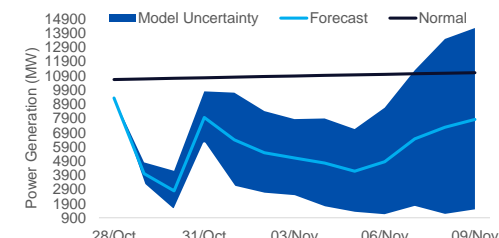
UK Gas Supply/Demand Sources



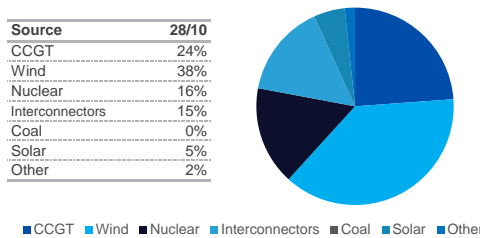
Temperature Forecast



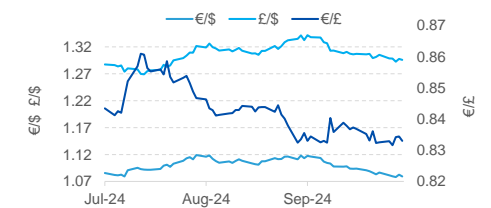
Wind Power Generation Forecast



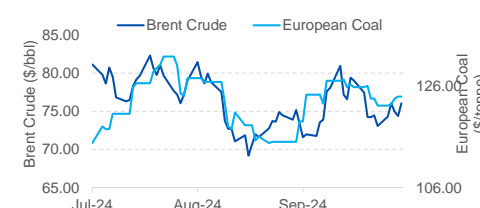
Power Generation Mix (Last 24 Hours)



UK, EU and US Currencies



Brent Crude vs European Coal



Nuclear Outages

Facility	Capacity (MW)	Start Date	End Date
Sizewell B-1	630	06/10/24	05/12/24
Sizewell B-2	630	11/10/24	27/11/24
Torness-1	595	18/10/24	03/11/24

Current online capacity: 4645 MW, 71%

Emissions Trading Scheme Carbon

