flameUK
Energy Management

Energy Market Update

28th January 2025

FLAME UK ENERGY MANAGEMENT - WEEKLY MARKET INSIGHT

27 January 2025

Wholesale Market Prices and Trends

Wholesale Gas Element (p/kWh)	Indicative Price		3-Month Variance		6-Month Variance		12 Month Variance
Apr-25 12m	4.05	↑	14%	↑	18%	↑	41%
Apr-25 24m	3.66	↑	13%	↑	15%	↑	33%
Apr-25 36m	3.35	↑	10%	↑	13%	↑	25%
Oct-25 12m	3.60	↑	11%	↑	14%	↑	31%
Oct-25 24m	3.16	↑	9%	↑	10%	↑	20%

Wholesale Power Element (p/kWh)	Indicative Price		3-Month Variance		6-Month Variance		12 Month Variance
Apr-25 12m	9.25	↑	12%	↑	10%	↑	23%
Apr-25 24m	8.39	↑	8%	↑	6%	↑	13%
Apr-25 36m	7.83	↑	5%	↑	3%	↑	5%
Oct-25 12m	8.23	↑	7%	↑	5%	↑	10%
Oct-25 24m	7.73	↑	3%	↑	2%	↑	4%

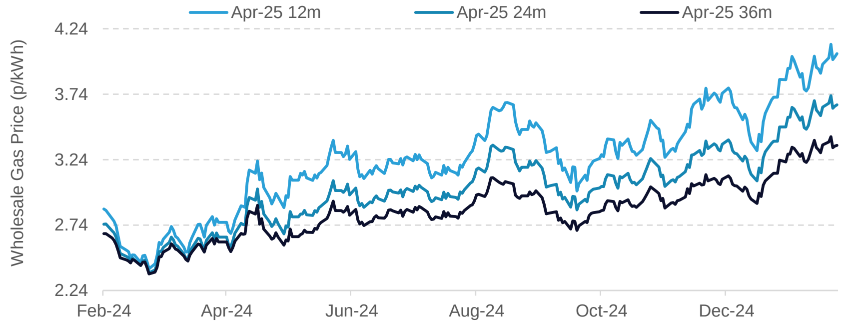
Wider Energy Complex	Indicative Price		3-Month Variance		6-Month Variance		12 Month Variance
Brent ($/bbl.)	78.50	↑	1%	↓	-5%	↓	-5%
Coal ($/t)	118.90	↓	-5%	↑	6%	↑	24%
UK Carbon (£/t)	35.12	↓	-13%	↓	-17%	↑	5%
EU Carbon (€/t)	81.67	↑	20%	↑	21%	↑	25%
€/£	0.84	↗	1%	↘	0%	↓	-2%

UK NBP Gas

Wholesale Market Drivers

Bearish (Falling)	Reports indicate that Ukraine is ready to facilitate the transit of Azerbaijani natural gas to Europe, with a contract ready to be finalised quickly if an agreement is reached, offering prospects of improving European supply security. Freeport LNG has returned from an unplanned outage amid a rare winter storm, with feedgas flows rebounding, providing bearish signals on easing supply concerns.
Bullish (Rising)	The IEA has warned that gas markets are expected to remain tight throughout 2025. Additional reports suggest that Europe may need to secure over 100 LNG cargoes this summer to replenish rapidly declining storage levels. Geopolitics remain supportive with signs of a faltering ceasefire between Israel and Hamas and little evidence of a quick end to the Russia-Ukraine war.

Wholesale Price Graphs

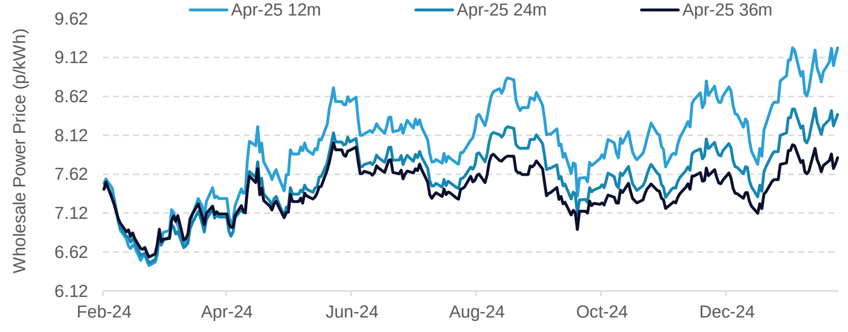


UK Baseload Power

Market Drivers

Bearish (Falling)	Two major solar farm projects have been approved by the UK government, totalling 1GW, contributing to the governments target of tripling solar power in order to meet their 2030 clean power ambitions. Wind generation overtook gas to be the UK's biggest power source in 2024, accounting for 31% of the power mix, signalling ongoing reduced reliance on gas-fired generation.
Bullish (Rising)	The US exit from the Paris Climate accords could see US financial institutions pull back from European net-zero investments, impacting renewable buildout. 10% of total potential wind output went unused in 2024, showing ongoing limitations in the ability of the transmission system to transmit available wind generation.

Wholesale Price Graphs



Energy Market News:

Europe may need 100+ extra LNG cargoes to refill depleting stocks. In order to replenish European gas stocks after plunging storage levels this winter due to the halt of Russian flows and colder weather, Europe may need over 100 additional LNG cargoes this summer. European storage levels are currently 59% and have emptied faster this year than in previous winters, with levels at 75% this time last year. There are concerns that by the end of March, levels could drop as low as 30-35%, forcing European buyers to find an extra 12bcm of gas over summer, or around 120 LNG cargoes, and Europe would need to maintain a premium over Asia to continue to attract spot LNG cargoes over Asia. Summer-25 is currently trading at a premium over Winter-25 as it reflects Europe's higher demand for refilling storage ahead of winter when Asian demand for the same typically rises. Higher prices could continue to dampen European consumer demand, offsetting some of the need for LNG to refill storage, however the balance is expected to remain tight.

Get In Touch

FLAME UK ENERGY MANAGEMENT - DAILY MARKET INSIGHT

27 January 2025

Market Prices and Trends

Gas (p/therm)	Close	Indicative Price*	% Change	3-Month Variance
Day-Ahead	126.40	123.25	↓ -2.5%	↑ 18%
Feb-25	124.73	121.99	↓ -2.2%	↑ 14%
Mar-25	123.12	120.52	↓ -2.1%	↑ 15%
Apr-25	122.44	120.10	↓ -1.9%	↑ 19%
May-25	122.11	119.93	↓ -1.8%	↑ 23%
Q2-25	122.11	119.94	↓ -1.8%	↑ 21%
Q3-25	121.42	119.32	↓ -1.7%	↑ 23%
Summer-25	121.76	119.63	↓ -1.7%	↑ 22%
Winter-25	115.62	114.02	↓ -1.4%	↑ 10%
Summer-26	95.25	94.89	↘ -0.4%	↑ 17%
Winter-26	96.34	96.50	→ 0.2%	↑ 8%
Summer-27	76.98	78.50	↑ 2.0%	↑ 9%
Winter-27	82.89	84.50	↑ 1.9%	↑ 3%

Baseload (£/MWh)	Close	Indicative Price*	% Change	3-Month Variance
Day-Ahead	88.00	103.00	↑ 17.0%	↓ -20%
Feb-25	106.20	103.00	↓ -3.0%	↑ 10%
Mar-25	98.25	97.50	↘ -0.8%	↑ 11%
Apr-25	92.95	95.00	↑ 2.2%	↑ 17%
May-25	92.75	92.75	→ 0.0%	↑ 20%
Q2-25	92.73	92.73	→ 0.0%	↑ 19%
Q3-25	90.80	90.80	→ 0.0%	↑ 19%
Summer-25	91.76	90.50	↓ -1.4%	↑ 19%
Winter-25	93.16	91.50	↓ -1.8%	↑ 8%
Summer-26	71.42	71.75	↗ 0.5%	↑ 8%
Winter-26	79.20	79.40	↗ 0.3%	↑ 4%
Summer-27	61.66	62.50	↑ 1.4%	↓ -3%
Winter-27	72.78	80.00	↑ 9.9%	↓ -4%

Wider Energy Complex	Close	Current Offer	% Change	3-Month Variance
Brent ($/bbl)	78.50	78.67	↗ 0.2%	↑ 10%
Coal ($/t)	118.90	118.90	→ 0.0%	↓ -4%
UK Carbon (£/t)	35.37	35.34	→ -0.1%	↓ -13%
EU Carbon (€/t)	81.92	80.24	↓ -2.1%	↑ 19%
€/£	0.840	0.841	→ 0.1%	↗ 1%
€/$	1.049	1.051	→ 0.2%	↓ -3%

Get in Touch

Current Market Drivers

UK gas futures are pointing down in morning trading on news that Ukraine is prepared to transit Azeri natural gas to Europe. However, there remains questions about Azerbaijan's ability to increase exports, limiting downside.
The UK has secured 3 additional LNG cargoes for February 2025, bringing the total to 6. January imports have hit a one-year high, as the UK remains an attractive destination for cargoes, and a continuation of this may limit upside.
JERA, Japan's leading LNG buyer, aims to increase its LNG purchases from the US to diversify its supply and address rising demand. This could increased supply competition as Europe increasingly looks to the US for supplies.
Norwegian flows to the UK are up 7mcm/d and a number of facility outages are due to end tomorrow, offering downside to day-ahead gas contracts on signs of sufficient pipeline supply and offsetting bullish signals from lower wind.
UK near-curve and front season contracts have begun to retrace from last weeks highs, however weather fundamentals into February and geopolitics surrounding Israel-Hamas and Russia-Ukraine are limiting further downside.

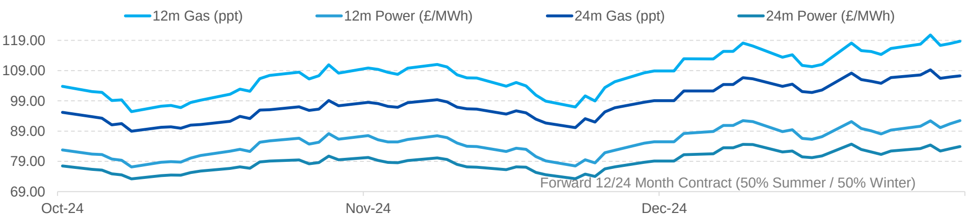
Market Focus

Any agreement to end the Ukraine war could involve EU gas transit. A Kyiv based senior analyst at LSEG has suggested that any negotiations to end Russia's war in Ukraine could potentially involve resuming Russian gas flows via Ukraine. However, the volumes may no longer be needed by the time they resume. During his campaign, US President Trump pledged to end the Russia-Ukraine war if elected and since his inauguration last week, he has threatened Russia with taxes, tariffs and sanctions unless hostilities cease "soon". Ukraine has taken President Trump's intentions seriously, though the outcome and terms of any negotiations remain uncertain. Energy expert Sergiy Makogon suggested that resuming gas transit via Ukraine could be tied to a peace deal. However, he stressed that both Ukraine and Europe are prioritising diversifying away from and reducing reliance on Russia. Analyst suggest that the gas transit might resume by 2026, though peace talks may take years. Any lasting market relief would require a long-term peace deal, not just a ceasefire.

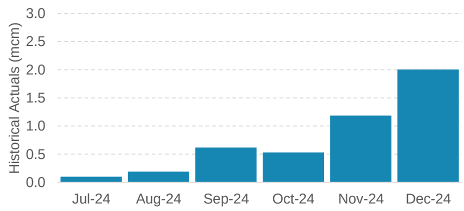
The EU plans to prolong gas storage targets. The European Union's gas storage targets were due to expire in December 2025, however the EU now plan to extend these targets for at least another year. Following the 2022 energy crisis, when Russia, a former major gas supplier to Europe, reduced gas deliveries, Brussels introduced binding storage filling targets for EU member states. The EU's main goal is to build a reserve of gas in preparation for any future supply disruptions. The target is to have storage 90% full by November, with intermediate targets for February (50%), May, July and September. A number of EU countries want to change the targets before agreeing to the extension as concerns have been raised that fixed deadlines for filling storage could drive up prices by signalling increased demand. There is also apprehension of how countries can recover the high cost of filling storage before winter. Summer gas prices are currently higher than those next winter, discouraging storage refills.

Europe may need 100+ extra LNG cargoes to refill depleting stocks. In order to replenish European gas stocks after plunging storage levels this winter due to the halt of Russian flows and colder weather, Europe may need over 100 additional LNG cargoes this summer. European storage levels are currently 59% and have emptied faster this year than in previous winters, with levels at 75% this time last year. There are concerns that by the end of March, levels could drop as low as 30-35%, forcing European buyers to find an extra 12bcm of gas over summer, or around 120 LNG cargoes, and Europe would need to maintain a premium over Asia to continue to attract spot LNG cargoes over Asia. Summer-25 is currently trading at a premium over Winter-25 as it reflects Europe's higher demand for refilling storage ahead of winter when Asian demand for the same typically rises. Higher prices could continue to dampen European consumer demand, offsetting some of the need for LNG to refill storage, however the balance is expected to remain tight.

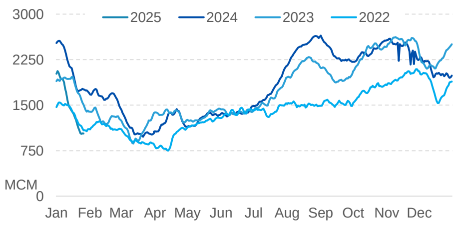
Forward Curve Price Action



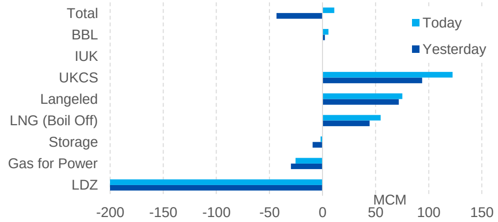
Historical Monthly LNG Supply



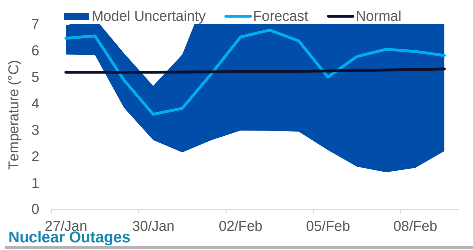
UK Gas Storage Level



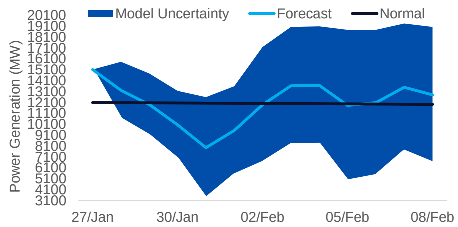
UK Gas Supply/Demand Sources



Temperature Forecast

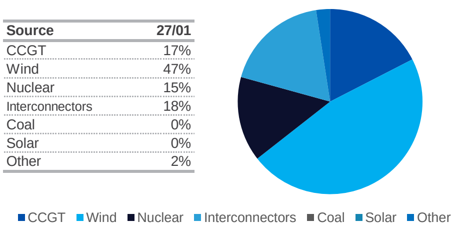


Wind Power Generation Forecast



Power Generation Mix (Last 24 Hours)

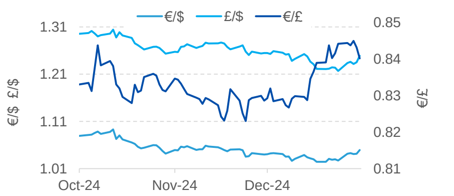
Source	27/01
CCGT	17%
Wind	47%
Nuclear	15%
Interconnectors	18%
Coal	0%
Solar	0%
Other	2%



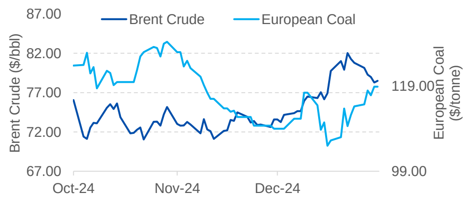
Nuclear Outages

Facility	Capacity (MW)	Start Date	End Date
Hartlepool 1	595	09/01/25	09/02/25
Heysham 2-7	615	13/01/25	08/04/25
Current online capacity	5290 MW		81%

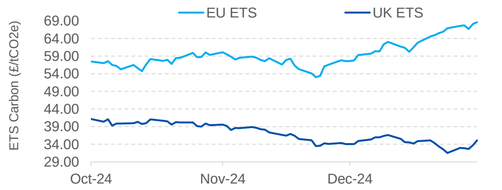
UK, EU and US Currencies



Brent Crude vs European Coal



Emissions Trading Scheme Carbon



*Indicative prices represent the market's view of the contract offer price at time of writing. This price may not be achieved in trading at any time after report publication.