

# Energy Market Update

3rd February 2025

# FLAME UK ENERGY MANAGEMENT - WEEKLY MARKET INSIGHT

03 February 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	4.23	↑ 30%	↑ 16%	↑ 59%
Apr-25 24m	3.78	↑ 25%	↑ 13%	↑ 46%
Apr-25 36m	3.42	↑ 19%	↑ 10%	↑ 35%
Oct-25 12m	3.72	↑ 23%	↑ 12%	↑ 44%
Oct-25 24m	3.21	↑ 16%	↑ 9%	↑ 27%

Wholesale Power Element (p/kWh)	Indicative Price	3-Month Variance	6-Month Variance	12 Month Variance
Apr-25 12m	9.93	↑ 29%	↑ 14%	↑ 41%
Apr-25 24m	9.01	↑ 23%	↑ 11%	↑ 29%
Apr-25 36m	8.35	↑ 16%	↑ 6%	↑ 19%
Oct-25 12m	8.85	↑ 22%	↑ 9%	↑ 27%
Oct-25 24m	8.11	↑ 13%	↑ 5%	↑ 15%

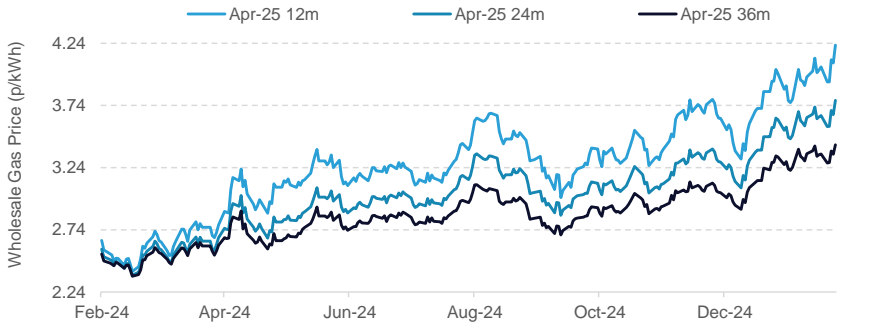
Wider Energy Complex	Indicative Price	3-Month Variance	6-Month Variance	12 Month Variance
Brent (\$/bbl.)	76.76	↑ 3%	↓ -4%	↓ -2%
Coal (\$/t)	115.00	↓ -6%	↓ -3%	↑ 23%
UK Carbon (£/t)	45.81	↑ 15%	↑ 10%	↑ 14%
EU Carbon (€/t)	83.93	↑ 32%	↑ 18%	↑ 30%
€/£	0.84	↔ 0%	↓ -1%	↓ -2%

## UK NBP Gas

### Wholesale Market Drivers

<b>Bearish (Falling)</b>	<p>The UK continues to attract LNG cargoes amid weak Asian demand and a lack of major facility outages, which are keeping global production levels elevated. As a result, UK imports are scheduled for 15% year-on-year increase in February so far.</p> <p>The EU has decided not to include Russian LNG in their renewed sanction package, to help maintain supply security. Additionally the EU have also removed the energy crisis price cap, indicating that the worst of Europe's energy crisis is over.</p>
<b>Bullish (Rising)</b>	<p>Trump has imposed tariffs on Mexico, China and Canada, with suggestions that the EU will also face similar measure's causing some market uncertainty on prospects of supply chain disruptions, increase costs for businesses and consumers and a trigger of retaliatory measures.</p> <p>Ongoing storage concerns emanating from the EU, UK and Ukraine, which are being exacerbated by the La Nina weather phenomenon (low temperatures and weak wind) are continuing to provide support.</p>

### Wholesale Price Graphs

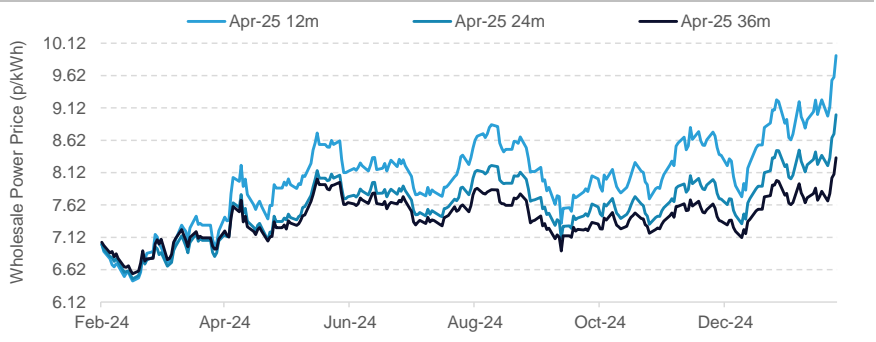


## UK Baseload Power

### Market Drivers

<b>Bearish (Falling)</b>	<p>High Norwegian hydro, with surplus expected to double in February, could help suppress prices throughout summer on improved power export prospects.</p> <p>Linking the UK and EU ETS schemes could help mitigate the impact of the EU CBAM while also enabling UK energy producers to access EU markets more freely. This, in turn, could offset some of the bullish pressure on baseload futures by incentivising further renewable development.</p>
<b>Bullish (Rising)</b>	<p>UK government plans to align the UK ETS with the more expensive EU ETS scheme, which is expected to keep power prices elevated on increased carbon costs.</p> <p>The Norwegian governments new fixed price power policy is expected to come into effect in October and could cause wholesale market volatility as it reduces incentives to save power when prices are high, and could lead to higher consumption.</p>

### Wholesale Price Graphs



**Energy Market News:** **UK government considering linking the UK and EU schemes to mitigate potential issues with CBAM.** The UK government is in discussions with the EU about linking the two emissions trading schemes (ETS), something the Labour government had shown their intentions to do in the early days of their government. The primary reason for linking the two schemes is to mitigate any issues related to the UK and EU's Carbon Border Adjustment Mechanism's (CBAM's), with an equivalent carbon price allowing UK energy and goods producers to sell in European markets without submitting carbon permits. As such, the scheme's linkage has wide support from industry groups. Linking the two schemes would be bullish for UK carbon and bearish for EU, with the EU trading at a £20-35 premium in recent weeks. However, the much smaller size of the UK scheme leaves it more susceptible to being pulled up than the EU scheme to moving down, which can already been seen in UK carbon rising 20% since the start of this week.



03 February 2025

## Market Prices and Trends

Gas (p/therm)	Close	Indicative Price*	% Change	3-Month Variance
Day-Ahead	133.00	134.50	↑ 1.1%	↑ 31%
Mar-25	130.54	132.08	↑ 1.2%	↑ 27%
Apr-25	128.91	130.42	↑ 1.2%	↑ 30%
May-25	128.29	129.64	↑ 1.1%	↑ 33%
Jun-25	128.28	129.67	↑ 1.1%	↑ 36%
Q2-25	128.49	129.91	↑ 1.1%	↑ 33%
Q3-25	127.48	128.65	↑ 0.9%	↑ 35%
Summer-25	127.98	129.28	↑ 1.0%	↑ 34%
Winter-25	119.67	120.90	↑ 1.0%	↑ 21%
Summer-26	98.40	99.75	↑ 1.4%	↑ 23%
Winter-26	97.15	98.90	↑ 1.8%	↑ 12%
Summer-27	76.48	79.50	↑ 3.9%	↑ 9%
Winter-27	82.32	83.90	↑ 1.9%	↑ 3%

Baseload (£/MWh)	Close	Indicative Price*	% Change	3-Month Variance
Day-Ahead	118.85	112.00	↓ -5.8%	↑ 7%
Mar-25	107.15	109.25	↑ 2.0%	↑ 26%
Apr-25	100.05	100.05	→ 0.0%	↑ 27%
May-25	99.60	99.60	→ 0.0%	↑ 34%
Jun-25	99.60	99.60	→ 0.0%	↑ 35%
Q2-25	99.75	100.00	↑ 0.3%	↑ 32%
Q3-25	98.80	100.50	↑ 1.7%	↑ 34%
Summer-25	99.27	101.00	↑ 1.7%	↑ 33%
Winter-25	99.31	100.50	↑ 1.2%	↑ 20%
Summer-26	77.71	79.00	↑ 1.7%	↑ 20%
Winter-26	84.27	85.50	↑ 1.5%	↑ 13%
Summer-27	65.21	68.00	↑ 4.3%	↑ 3%
Winter-27	75.22	77.00	↑ 2.4%	↑ 1%

Wider Energy Complex	Close	Current Offer	% Change	3-Month Variance
Brent (\$/bbl)	75.67	76.44	↑ 1.0%	↑ 1%
Coal (\$/t)	115.00	115.00	→ 0.0%	↓ -6%
UK Carbon (£/t)	46.06	46.47	↑ 0.9%	↑ 15%
EU Carbon (€/t)	84.18	83.20	↓ -1.2%	↑ 25%
€/£	0.835	0.832	↓ -0.4%	→ 0%
€/€	1.036	1.024	↓ -1.1%	↓ -5%

## Current Market Drivers

Norway's proposed fixed retail power price and potential export limits are providing bullish signals for baseload front seasonal contracts, driven by concerns over reduced UK power import prospects and wholesale market volatility. The UK has secured an additional 5 LNG cargoes for Feb-25, bringing the total to 15 and up 15% compared to Feb-24. This is limiting upside to near-current gas contracts on easing supply concerns. The European Commission have decided to let the energy crisis price cap expire. Though challenges remain as markets adjust to the new normal, this signals the European Commission think the worst of the energy crisis has passed. An uptick in wind generation and temperatures to above seasonal levels into tomorrow is providing bearish signals to day-ahead energy contracts on reduced gas-for-power and heating demand. Wind and temperature forecasts for Feb-25 have been forecast down again, lending support to UK gas futures on concerns of further storage depletion and greater tightness as we head into the summer.

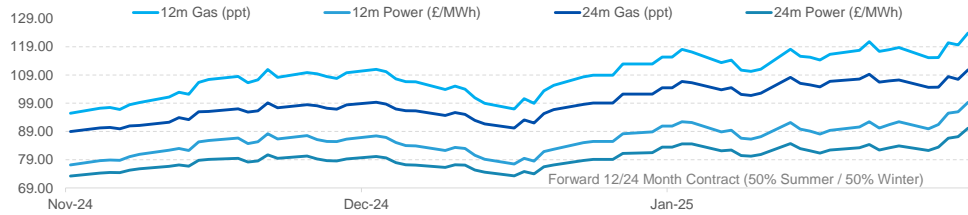
## Market Focus

**Weak EU industrial energy use recovery expected in 2025.** ICIS analyst suggest that Europe's 2025 outlook for industrial energy demand recovery remains subdued, as macroeconomic improvements are offset by high energy costs. Growth is expected to be driven by looser monetary policy and rising consumer demand. However, despite easing inflation and GDP growth, industrial confidence remains weak, with the sector facing prospects of higher energy costs than in 2024. Bullish signals from the EU ETS and stable gas prices are expected to keep power prices elevated particularly in the later half of the year, but more so in EU countries with higher fossil fuel dependency. ICIS expect a 3% increase in overall European gas demand in part driven by a 13% rebound in residential consumption and tepid industrial demand. Meanwhile gas use in the power sector is set to drop 14% this year due to weak margins, with a modest forecast of a 2% rise in European power demand in 2025, driven largely by electrification sectors, including heat pumps, data centres, electric vehicles, and rail.

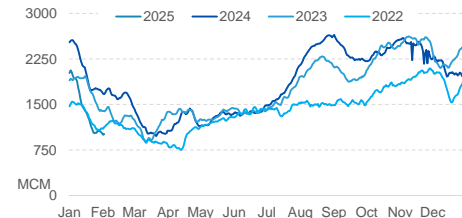
**China's DeepSeek model could boost power use despite energy efficiency claims.** A Chinese company recently released an alternative to large language model's like Open AI's ChatGPT and Google's Gemini, with on par performance but a much lower cost to train. This was achieved by the model being much more energy efficient, not relying on the more advanced microchips created by Nvidia and requiring significantly less computing power to train. At first sign, this looks like a dynamic that could act to suppress the demand coming out of the AI sector, but the exact opposite could be the case according to some AI experts. The large costs associated with training new AI models has slowed the adoption, but the potential for cheaper training due to DeepSeek could accelerate adoption and drive the overall sector demand. However, others are more sceptical, suggesting that the energy efficiency measures achieved by wider adoption of AI could suppress demand, highlighting the uncertainty in demand growth from the AI sector.

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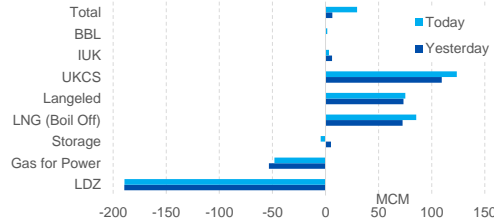
## Forward Curve Price Action



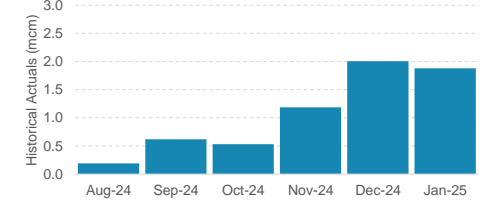
## UK Gas Storage Level



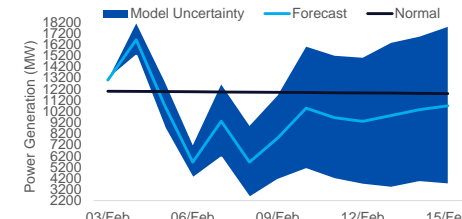
## UK Gas Supply/Demand Sources



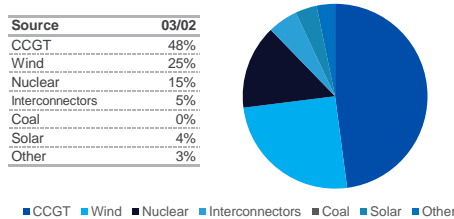
## Historical Monthly LNG Supply



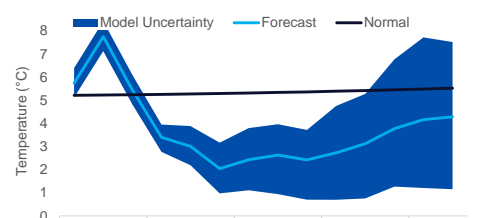
## Wind Power Generation Forecast



## Power Generation Mix (Last 24 Hours)



## Temperature Forecast

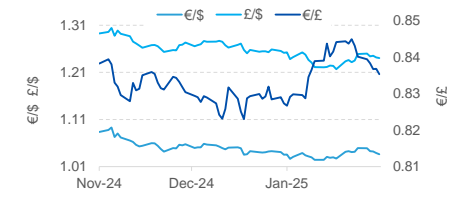


## Nuclear Outages

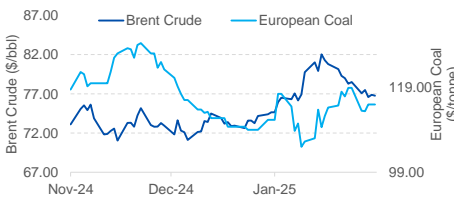
Facility	Capacity (MW)	Start Date	End Date
Hartlepool 1	595	09/01/25	09/02/25
Heysham 2-7	615	13/01/25	08/04/25
Heysham 1-1	580	30/01/25	17/03/25

Current online capacity: 4710 MW (72%)

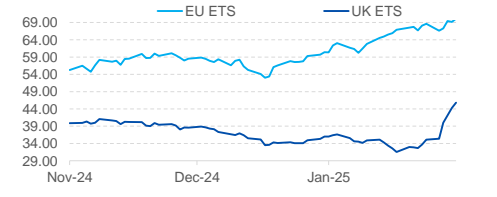
## UK, EU and US Currencies



## Brent Crude vs European Coal



## Emissions Trading Scheme Carbon



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