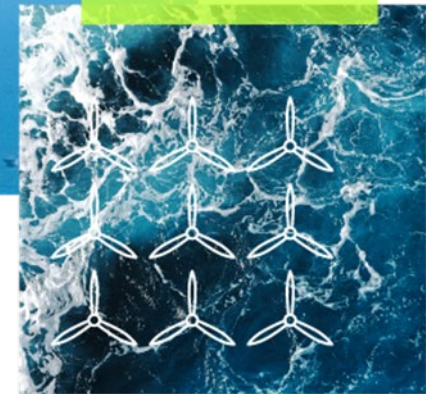
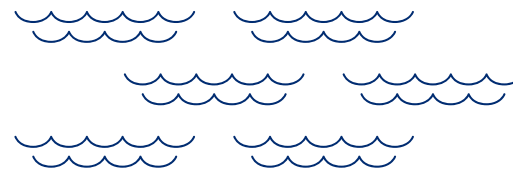


January 2025

# Energy overview

Your monthly report featuring market updates  
and weather review





## Market Update: Power

### Review

A volatile start to 2025, as low wind and low temperatures combined to make 8 January the tightest day the UK electricity market has experienced in over a decade, with day ahead prices near £400/MW and intraday prices hitting £1800/MWh.

The National Energy System Operator (NESO) issued the first Electricity Margin Notice of the winter, triggered when the safety margin within the electricity system falls below a set threshold. The notice is issued to inform the electricity market that there may be a need for additional capacity to balance supply and demand.

With most available UK plant running at capacity, this left a slim margin between available supply and demand. At one stage during the evening, system margin was c.500MW. The Viking interconnector made a timely return, lifting the margin to a more comfortable level.

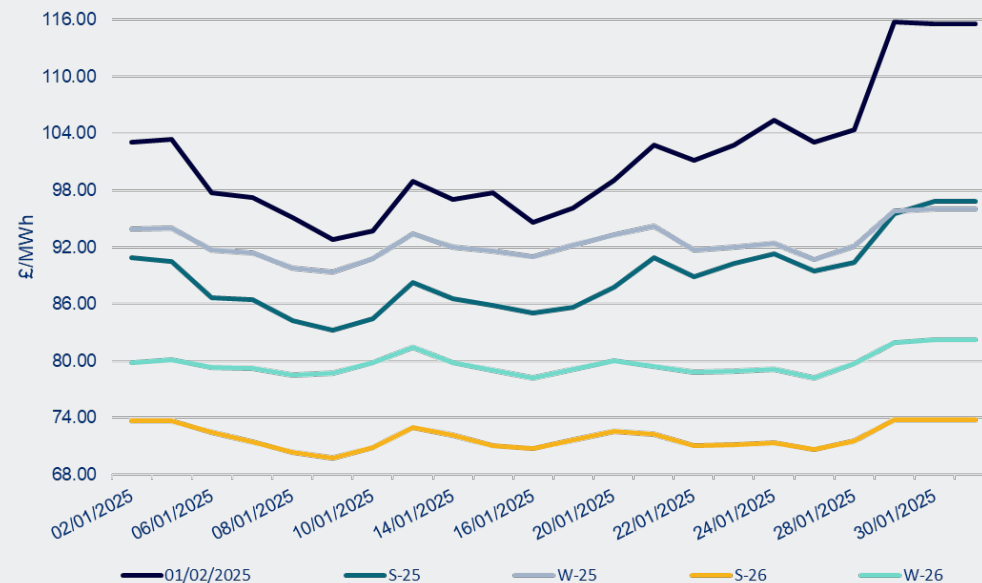
Clean spark spread levels, as exhibited in December, covered an impressive range across January (-£56/MWh – +£151/MWh) with an average day ahead outturn of c.£12/MWh reflecting the below average renewable output across the month.

### Outlook

In the short term, high pressure looks set to deliver a continuation of below average renewables output.

\*Clean spark spread: the margin for gas-fired power plants accounting for the difference between power price, the cost generation and the necessary emissions allowances required to produce it.

### Baseload Power



Power Bld (£/MWh)	1-Jan-25	31-Jan-25	Change	% Change	High	Low	Average
Feb-25	103.06	115.59	↑ 12.53	↑ 11%	115.79	92.83	101.51
Summer 25	90.93	96.80	↑ 5.87	↑ 6%	96.80	83.20	88.91
Winter 25	93.88	95.99	↑ 2.11	↑ 2%	95.99	89.35	92.52
Summer 26	73.67	73.75	↑ 0.08	↑ 0%	73.79	69.70	71.93
Winter 26	79.84	82.23	↑ 2.39	↑ 3%	82.23	78.19	79.71



## Market Update: Gas

### Review

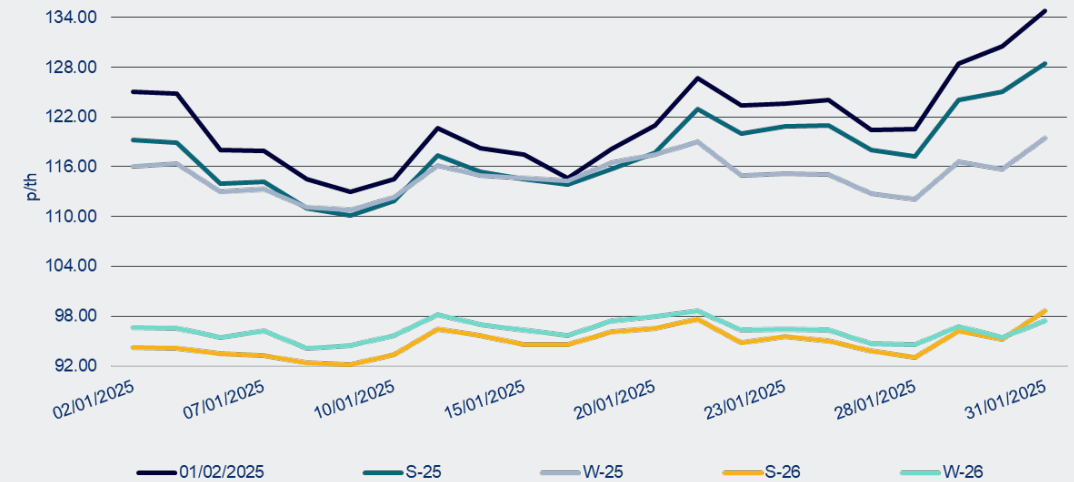
EU gas storage continued to be the focus of the market through January. This winter, unlike the previous two, has seen significant draw downs of gas in store. This not only impacts prices in the near term, as colder weather drives heating and power station demand, but also the knock-on effect for the mandated restocking ahead of next winter has injected bullishness into the summer contract.

The summer price increased further following Germany's announcement of a draft subsidy mechanism to compensate gas storage capacity holders. This was prompted by fears that a premium for S-25 over W-25 is discouraging stockpiling ahead of next winter. The measure, aimed at ensuring security of supply, would incentivise injections regardless of cost. The S-25 price, and the premium over W-25, has continued to increase, leading to concern that such state market intervention will distort prices further.

### Outlook

A volatile period looks set to continue with below average temperatures across Northwest Europe driving demand for heating.

### NBP Gas



Gas NBP (p/th)	2-Jan-25	31-Jan-25	Change	% Change	High	Low	Average
Feb-25	125.00	134.82	↑ 9.82	↑ 7%	134.82	112.93	121.38
Summer 25	119.20	128.40	↑ 9.20	↑ 7%	128.40	110.15	117.80
Winter 25	116.10	119.40	↑ 3.30	↑ 3%	119.40	110.80	114.90
Summer 26	94.20	98.60	↑ 4.40	↑ 4%	98.60	92.15	94.84
Winter 26	96.60	97.40	↑ 0.80	↑ 1%	98.65	94.15	96.28



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## Market Update: Oil

### Review

A bullish start to 2025, with crude prices lifting as Storm Blair hit the US, prompting an increased demand for heating oil and fears that the storm could impact on refinery operations. These fears didn't materialise and inventories subsequently began to build.

Following the ceasefire agreement between Israel and Hamas, Houthi rebels also signalled a pause in attacks on shipping, except for Israel-bound commercial cargoes, in the Red Sea.

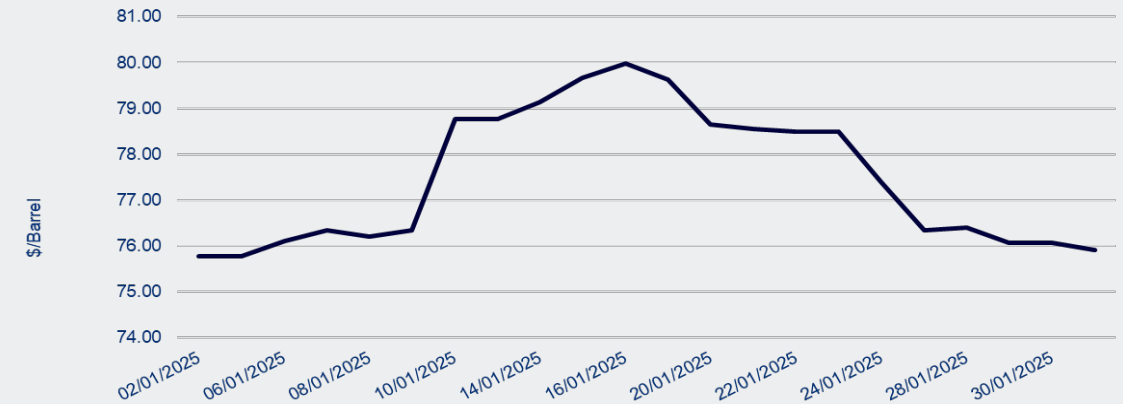
Newly inaugurated US President Trump declared trade tariffs would be levied on Canada, Mexico and China. This stoked concern of a global trade war, with the implication that this may stifle growth in crude oil demand, potentially leading to a supply glut later in the year.

It remains unclear if crude oil imports will be included in the tariffs, but many analysts are suggesting that oil will likely be exempted through a process of negotiation.

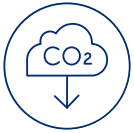
### Outlook

OPEC+ met on 3 February to discuss production levels. There's no change to the production plan.

### Front Month Brent



Brent (\$/Barrel)	1-Jan-25	31-Jan-25	Change	% Change	High	Low	Average
Front Month	75.77	75.91	↑ 0.13	↑ 0.17%	79.97	75.77	77.49



## Market Update: Carbon

### Review

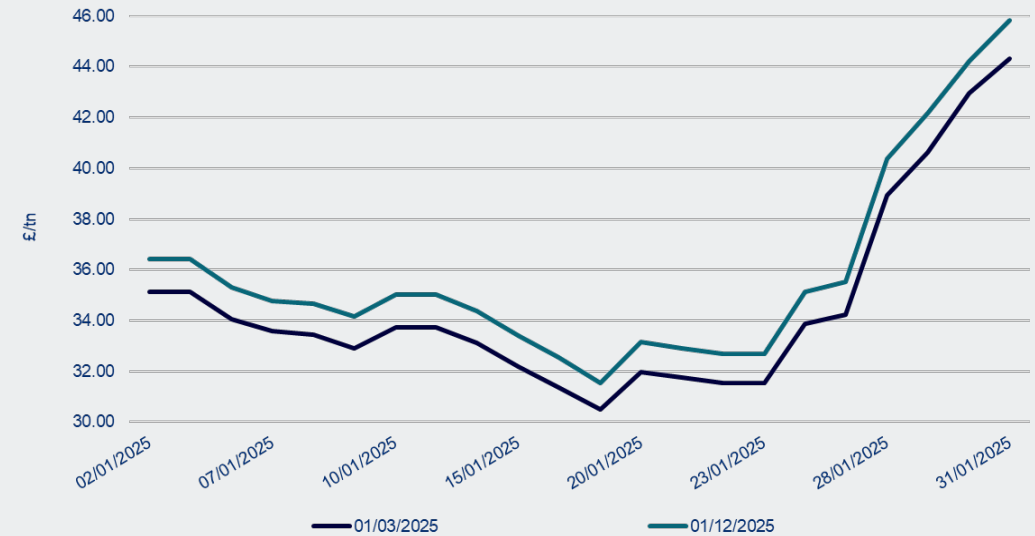
January began with a steady decline in UKA prices, as speculative length held in the market was unwound, driven by headlines casting doubt on the possibility of linkage between the UK and EU Emissions Trading System/Scheme (ETS). The doubts centred on the political implications of any deal that could be viewed as a back door re-entry to Europe, potentially undermining the terms of Brexit.

A £9.50/t lift in UKAs later in the month reversed the bearish trend, prompted by the UK government reaffirming its pledge to put UK-ETS linkage on the agenda at a summit with the EU this spring. Positive overtures also emanated from the EU President regarding closer UK/EU collaboration as she affirmed both parties were “working intensively towards decarbonised and circular economies and the protection of nature”. This led to hopes that a deal could be reached without compromising UK sovereignty.

### Outlook

Policy direction looks set to remain a key market driver.

### Carbon UKA



Carbon (£/ton)	1-Jan-25	31-Jan-25	Change	% Change	High	Low	Average
Mar-25	35.15	44.32	↑ 9.18	↑ 21%	44.32	30.51	34.58
Dec-25	36.40	45.82	↑ 9.42	↑ 21%	45.82	31.55	35.83





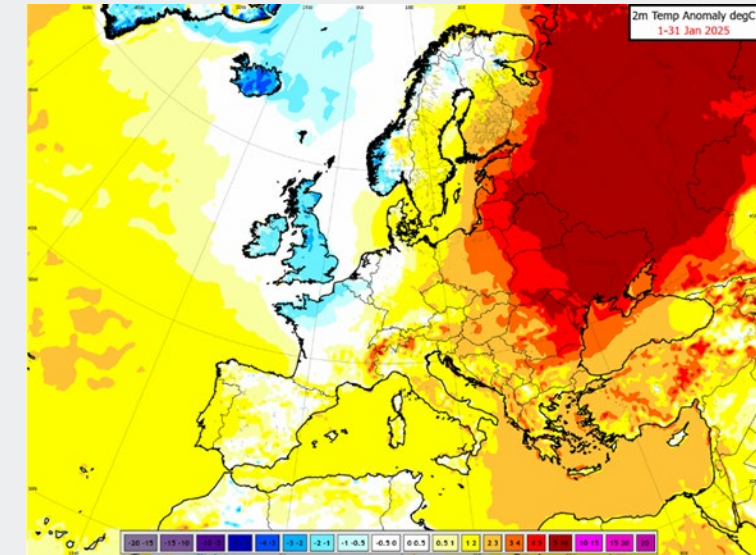
## Weather review

### Review

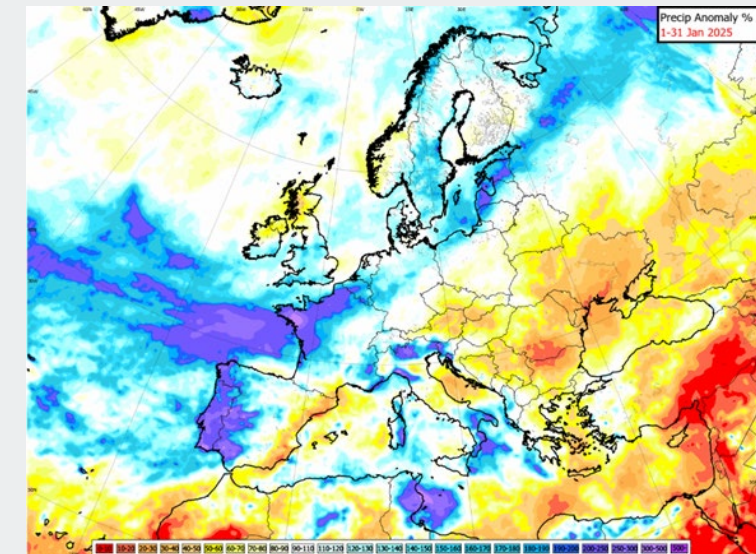
January 2025 was officially the warmest January on record for the global average temperature, and the second warmest on record for Europe. However, as the temperature anomaly map shows (top right), this wasn't the case for everyone, and the UK remains in the middle of the cold zone. Higher pressure in Greenland and Iceland pushed cyclones further south than normal, which caused it to be cold, but also brought in the drier weather for Ireland and Scotland. This high pressure wasn't expected in our forecast, which was for a mild, wet, and windy January similar to what France and Germany experienced. Storm Eowyn blew in on the 24<sup>th</sup> which caused widespread disruption in Ireland and Scotland, but overall, winds were below average for January.

### Outlook

High pressure is set to dominate early February, with more high pressure in Scandinavia in early-to-mid February bringing some dry and cold weather for Northwest Europe. Afterwards, the models are expecting a return of some mild, wet, and windy weather. However, towards the end of the month, there's an increased risk of more high pressure in North Europe, which should dry us out again and lower the winds. The temperatures will be sensitive to where the high pressure ends up: if it's west or north of the UK it will tend to be cold, and if it's south or east, it will be mild. The uncertainty on the temperatures aside, February is shaping up to be another colder and drier than normal month, with perhaps a brief break from this mid-month.



Temperature anomaly



Precipitation anomaly



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## EU gas storage watch

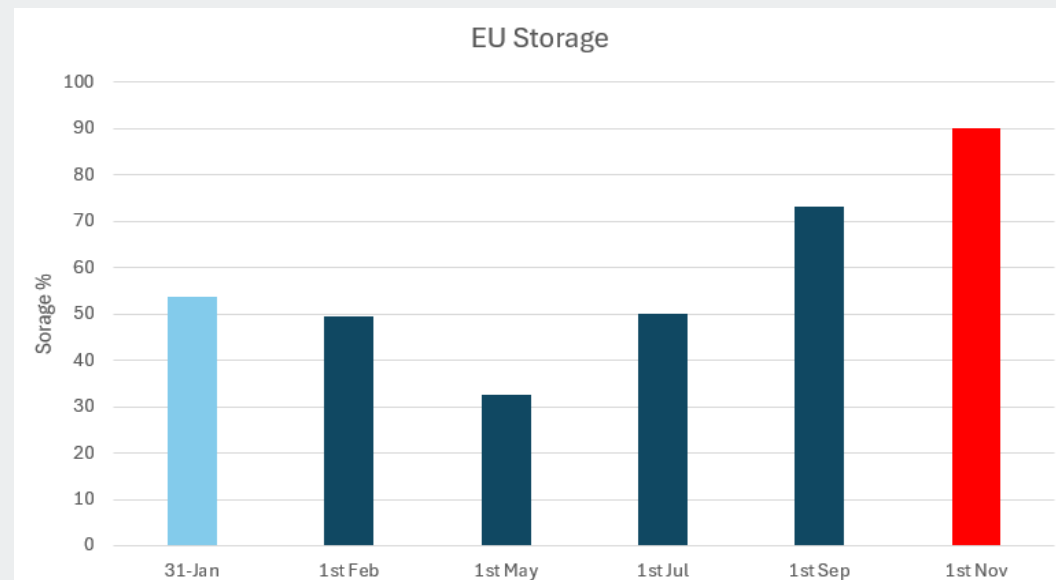
In 2022, in addition to introducing a mandatory gas storage level (currently set at 90% full by 1 November) at the start of each winter, the EU also set intermediate targets on various dates through the year. The aim is to ensure security of supply and maintain market stability.

Based on current storage levels, these sit slightly ahead of the 1 February staging point, at 54% compared with 49%. The next target date is 1 May, by which point the winter will be over and the market will have a clearer picture of the gas injections required to reach the 1 November target.

The current picture for EU storage shows levels tracking well below the five-year average, as Europe has experienced intermittent cold spells since the start of the year, with winter gas withdrawals higher than at any point since the mandated storage levels were introduced two years ago.

We're keeping a close eye on the situation across Europe which affects UK gas and electricity prices as well as security of supply.

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**EU gas storage level – 31 January 2025 – 54%**



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