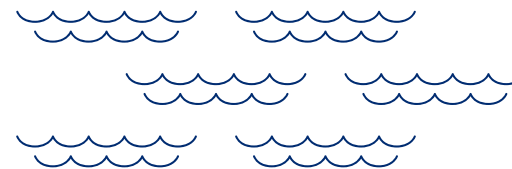
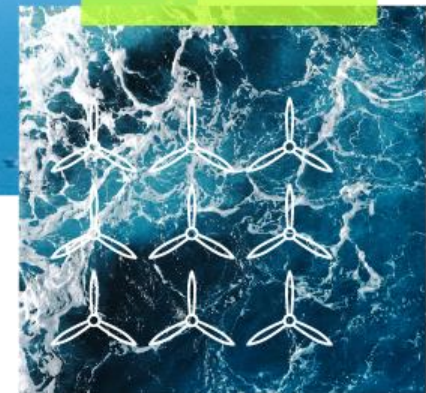


May 2024

# Energy overview

Your monthly report featuring market updates  
and weather review





# Market Update: Power

## Review

In contrast to April, overall May was characterised by low wind and solar output. This was borne out in the clean spark spread outturn at c.-£3/MWh compared with -£16/MWh in the previous month. However, as the UK price was at a premium to continental markets, steady power imports were maintained through the interconnectors, which helped to mute any further increase in the spark level. Even on days where low wind and low imports combined, the clean spark spread didn't exceed £3/MWh.

Interconnector imports were bolstered by French nuclear output which met nearly 95% of French demand during the month.

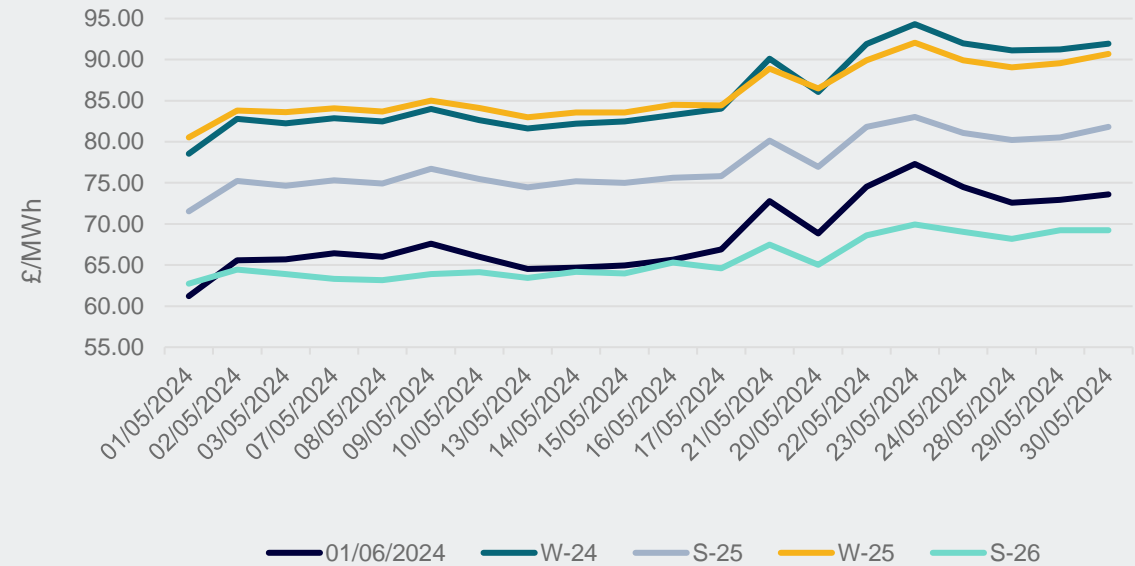
UK power prices are at a premium to both France and Germany for Q3 whilst at parity for Winter 24.

## Outlook

The UK is set to continue net import from the continent. In the near term we're set to see wind, solar and temperatures near to slightly above normal.

\*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-May-24	31-May-24	Change	% Change	High	Low	Average
Jun-24	61.19	73.61	↑ 12.4	↑ 17%	77.28	61.19	68.61
Winter 24	78.54	91.92	↑ 13.4	↑ 15%	94.32	78.54	85.89
Summer 25	71.53	81.81	↑ 10.3	↑ 13%	83.00	71.53	77.27
Winter 25	80.53	90.69	↑ 10.2	↑ 11%	92.05	80.53	86.02
Summer 26	62.74	69.22	↑ 6.5	↑ 9%	69.91	62.74	65.69



# Market Update: Gas

## Review

May was a volatile month for gas prices both on the prompt and curve. The month began with above average temperatures and renewables output, which saw gas prices rise across Europe as systems struggled to balance low renewable output, injecting gas into storage and lower LNG arrivals.

As temperatures rose mid-month, coupled with a drop in demand, prices briefly eased. The drop in prompt prices led to an increase in storage injections, with EU inventories sitting 2.1bcm ahead of the corresponding point last year.

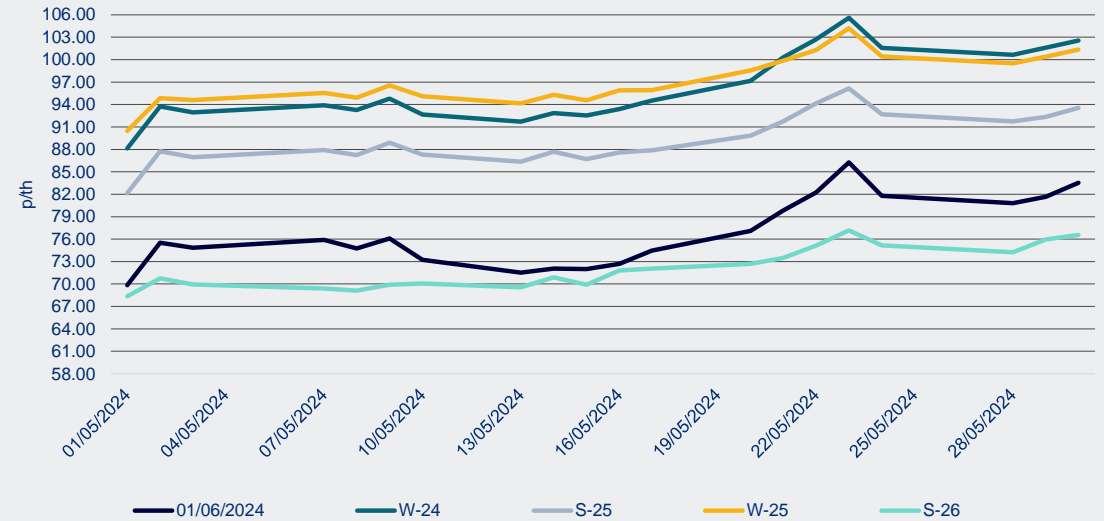
The end of the month saw a return to the tight market conditions across Europe, prompted by low renewables output, especially in Germany, driving demand for gas for CCGT power plants.

Curve prices also lifted, with Winter 24 trading above 100p/th for the first time since late last year.

## Outlook

At the start of June an announcement of a pipeline crack at the Nyhamna gas processing plant in Norway saw prices lift to their highest level since last December. Prices quickly retraced on confirmation that the issue was likely be resolved by 7 June, but this again demonstrates further evidence of Europe’s sensitivity to price shocks.

## NBP Gas



Gas NBP (p/th)	1-May-24	31-May-24	Change	% Change	High	Low	Average
Jun-24	69.85	83.52	↑ 13.67	↑ 16%	86.25	69.85	76.81
Winter 24	88.14	102.55	↑ 14.41	↑ 14%	105.60	88.14	96.33
Summer 25	82.14	93.55	↑ 11.41	↑ 12%	96.15	82.14	89.33
Winter 25	90.49	101.35	↑ 10.86	↑ 11%	104.20	90.49	97.17
Summer 26	68.34	76.55	↑ 8.21	↑ 11%	77.15	68.34	72.11



# Market Update: Oil

## Review

A slighter calmer geopolitical situation saw oil on a bearish track lower, with crude prices reaching their lowest point since February. Despite no imminent sign of a ceasefire between Hamas and Israel, the threat of wider conflict in the Middle East has receded for the time being. Talks brokered by Egypt broke down as Hamas declared any ceasefire deal without the withdrawal of Israeli forces from Gaza was non-negotiable.

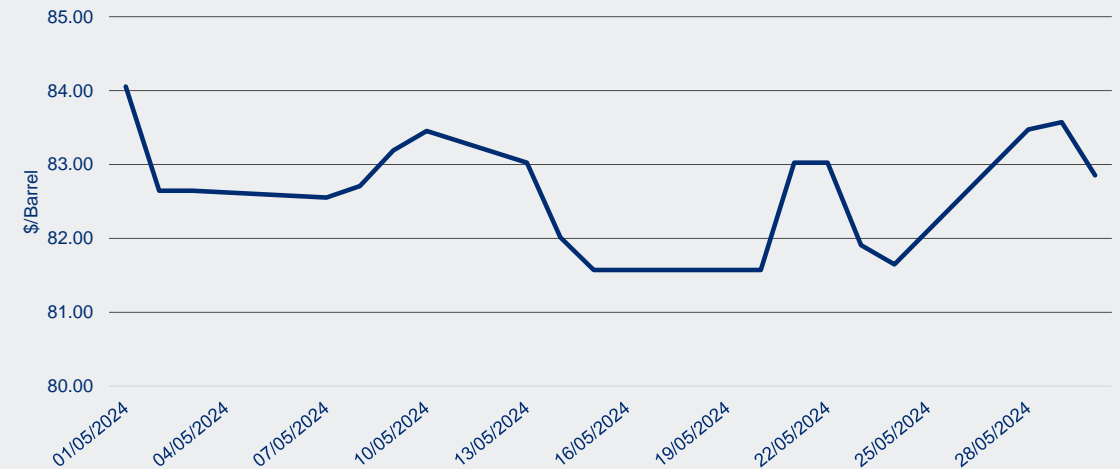
The fundamentals also supported the bearish trend, as demand has continued to be weak in the face of steady stock levels in US inventories. Over the month crude production remained consistent at c.13.1mmb/d.

OPEC+ were due to meet on 1 June where it was anticipated that the current 2mmb/d production would continue into the second half of the year. **Stop press:** the organisation agreed to extend the cuts but left room for voluntary cuts later in the year.

## Outlook

Focus now turns to the start of “driving season” in the US, with Memorial Day the traditional start of the summer period where demand for gasoline increases as Americans increasingly take to the road. In anticipation of this, Joe Biden is set to release 1 million barrels from the strategic reserve in an effort to keep prices lower ahead of November’s presidential election.

### Front Month Brent



Brent (\$/Barrel)	1-May-24	31-May-24	Change	% Change	High	Low	Average
Front Month	84.06	82.86	↓ -1.20	↓ -1%	84.06	81.58	82.61



# Market Update: Carbon

## Review

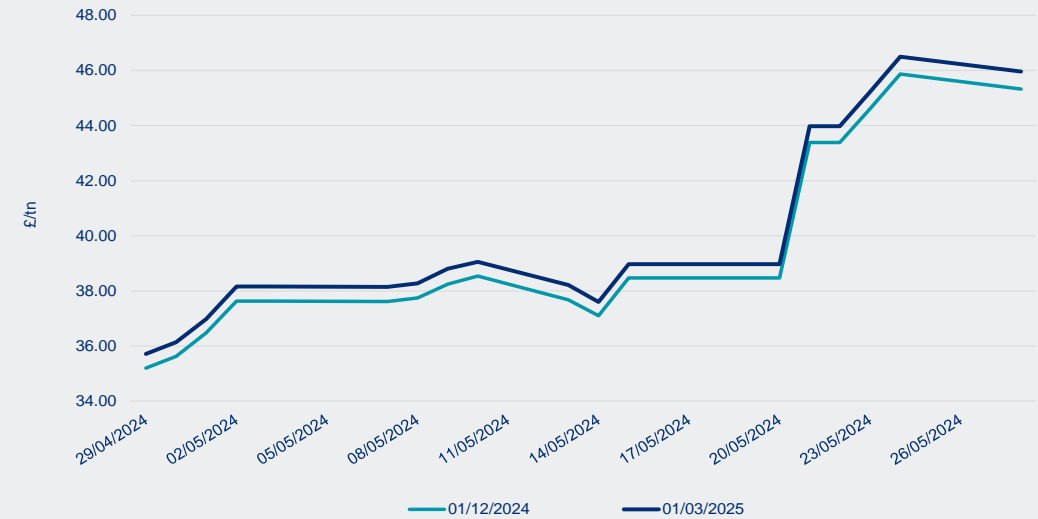
May was a bullish month for carbon markets in both the UK and EU, as fossil fuel demand for power generation amid lower renewables output drove an increased requirement for credits.

Announcement of a UK general election raised the risk that the auction of unallocated allowances might extend into 2025 meaning the UKA inventory could peak this year before tightening next year. With the Conservatives trailing Labour in the polls, the latter are expected to be more ambitious in their environmental policy, potentially seeking a shift to a more EU-style supply adjustment mechanism.

## Outlook

The UK ETS Authority has announced a package of consultations closing in July and August covering an expansion of the UK Emissions Trading Scheme to include energy from waste and waste incineration sectors. There will also be a consultation covering how engineered greenhouse gas removals, such as direct carbon capture, could be incorporated into the scheme.

## Carbon UKA



Carbon (£/ton)	1-May-24	31-May-24	Change	% Change	High	Low	Average
Dec-24	36.48	46.23	↑ 9.75	↑ 21%	46.23	36.48	40.32
Mar-25	36.98	46.87	↑ 9.89	↑ 21%	46.87	36.98	40.87



## Weather review

### Review

The UK had its warmest May and spring (March to May) on record, according to provisional Met Office figures, in what was also a wet and dull season for many. May 2024's average mean temperature of 13.1°C for the UK beat 2008's previous record figure of 12.1°C, in a series dating back to 1884.

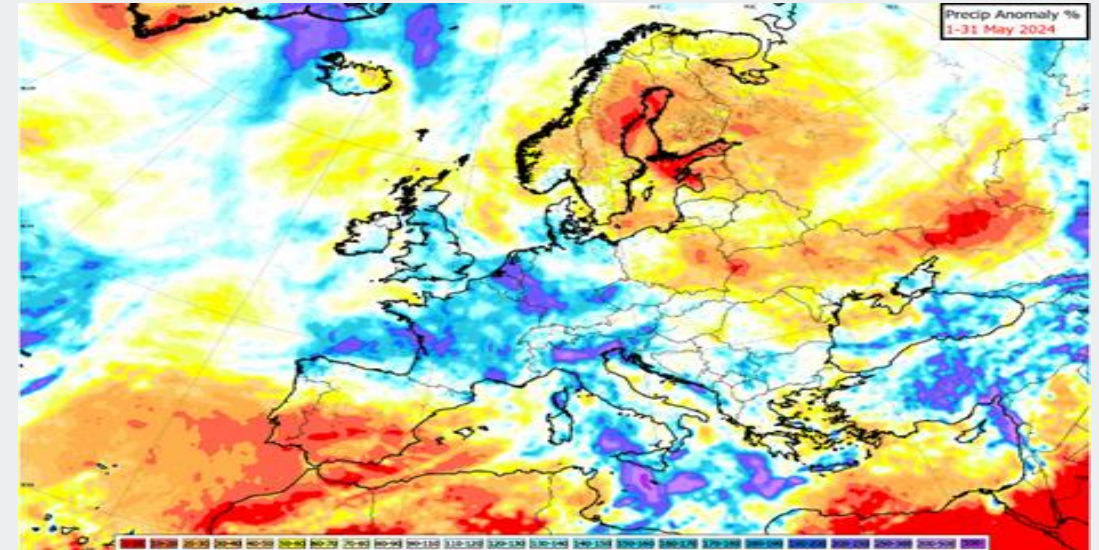
The warm anomaly was largely driven by above-normal overnight temperatures, which has a larger impact on driving the mean temperature up.

The average weather pattern tended to be high pressure sitting in Scandinavia and low pressure centred between France and the Bay of Biscay. This led to above normal rainfall for France, the low countries, and Southern Germany.

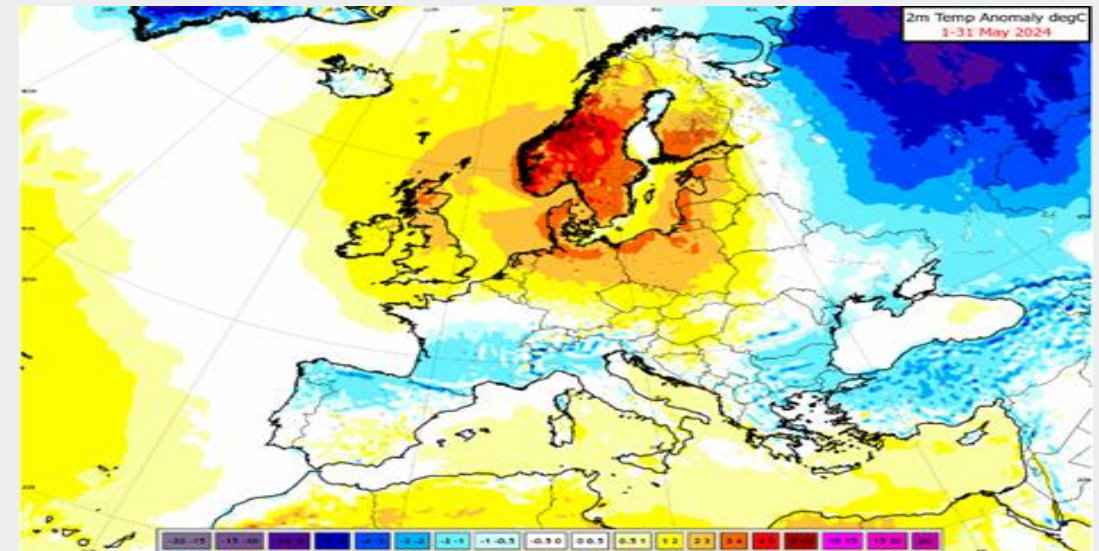
### Outlook

The month of June has begun with a cold front pushing in from the North-West and a low-pressure system centred near Iceland driving a wet, cool and wind weather pattern for West/North Europe, and particularly the North Sea region, for the first week or two. Meanwhile, low pressure signals in the Mediterranean are driving warmer anomalies for East/South-East Europe.

Latest model indication is for more influential high pressure to build over the British Isles mid-to-late June, gradually driving more settled and dry weather, with temperatures near-to-above normal. However, the background signal for June remains anomalous low pressure over the British Isles, so there's more risk of trending wetter, cloudier and windier when it comes to real time.



Temperature anomalies



Precipitation anomalies



Monthly Report – May 2024

## Market Theme: Winter Outlook 24/25 Early View

As we enter the summer, thoughts are already turning to winter, with the system operator National Grid ESO publishing its early view of the Winter Outlook.

The UK's power grid is forecasting a larger buffer to guard against potential shortages this winter, reducing the need for backup supplies.

Supply margins are set to increase from a forecast of 7.4% last year to 9.4%, due to an increase in interconnectors that import power from border countries.

The average demand during peak cold spells is expected to reach 59.8 gigawatts, compared with 60.3 gigawatts in last year's outlook. The grid operator still warned of global uncertainties around wholesale prices, especially those linked to the price of natural gas.

“Global energy markets show signs of finding a new equilibrium, but uncertainties remain,” it said in a statement.

[nationalgrideso.com/document/319456/download](https://nationalgrideso.com/document/319456/download)

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Supply margin expected to increase to 9.4%

Average peak demand 59.8GW

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