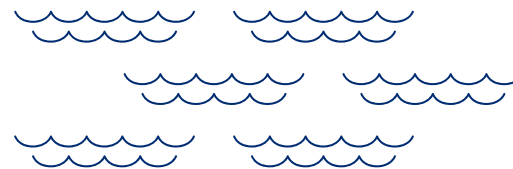
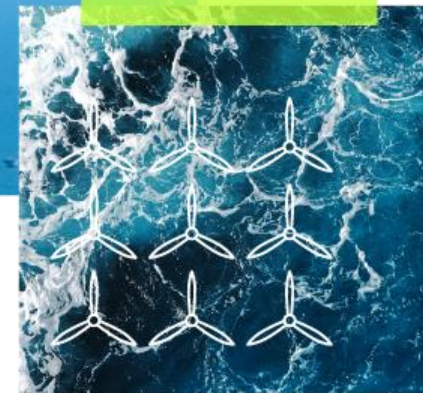


April 2024

Energy overview

Your monthly report featuring market updates
and weather review





Market Update: Power

Review

April began with a period of high wind combined with above average solar output, leading to clean spark levels falling to -£17/MWh. This was magnified over the weekend of 6/7 April with an outturn of -£57/MWh, prompted by an abundance of renewables output and low demand.

A change in weather pattern mid-month saw winds and temperatures drop and solar output below normal. This saw clean spark spreads return to near positive territory.

Across Europe, a similar pattern has repeated, with periods where high renewables output corresponds with low demand, especially at weekends. Fluctuations in power price have been exhibited across all the main markets, as increasing levels of solar generation add to the rising wind capacity. In Germany, extreme volatility has seen prices as low as -€65 and as high as €200 on the same day.

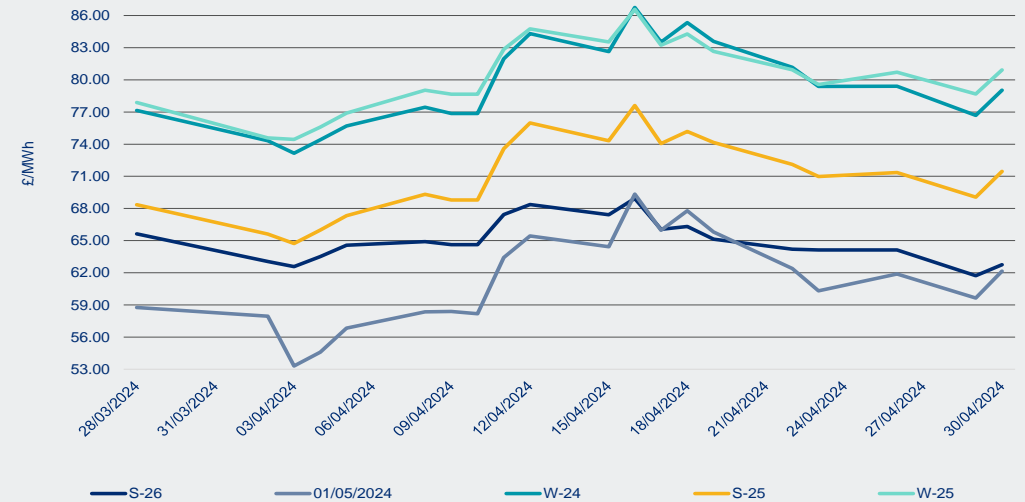
This situation is set to continue in May and June, as record solar output levels are forecast as capacity increases, highlighting the need for complementary storage technology to provide balance.

Outlook

Below seasonal normal renewables output is anticipated into the second week of May, with both wind and solar forecasts marked down.

*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-Apr-24	30-Apr-24	Change	% Change	High	Low	Average
May-24	58.77	62.16	↑ 3.4	↑ 5%	69.34	53.31	61.29
Winter 24	77.14	79.03	↑ 1.9	↑ 2%	86.75	73.16	79.66
Summer 25	68.35	71.46	↑ 3.1	↑ 4%	77.61	64.74	71.02
Winter 25	77.89	80.92	↑ 3.0	↑ 4%	86.57	74.44	80.27
Summer 26	65.63	62.76	↓ -2.9	↓ -5%	68.92	62.58	65.31



Market Update: Gas

Review

The fundamentals at the start of the month were benign, with mild temperatures, high renewables output, weak industrial demand and record high storage inventories leading to a continuation of the price slide for both prompt and curve that persisted through Q1.

However, an escalation in the situation in the Middle East, with Iran and Israel exchanging missile strikes, became the dominant feature of the market, which led to a swift retracement of prices back to levels seen at the start of the year. Fears were heightened that a wider conflict would close the Straits of Hormuz and block Qatari LNG flows.

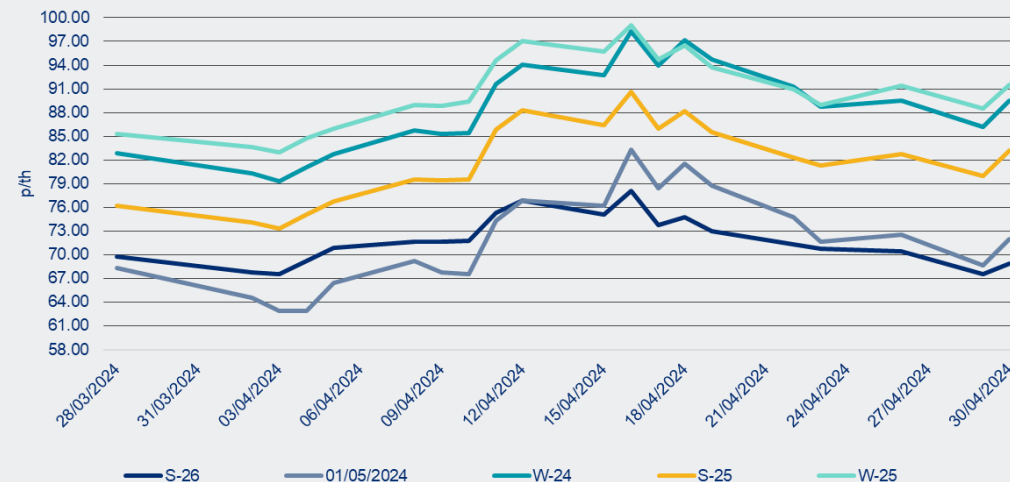
As both sides began to de-escalate, those fears subsided, and the market saw prices ease back slightly.

A spell of colder, less windy conditions across Northwest Europe saw fundamental factors return to influence the market. This led to short-lived storage withdrawals as gas was required for power generation, and output was lost from Norwegian pipeline outages.

Outlook

Prices are set to remain fairly volatile, with a tighter supply/demand picture. Ongoing lower global LNG supply and Norwegian pipeline flows owing to maintenance, coupled with a forecast of below average renewables output in Northwest Europe, looks set to increase demand for gas.

NBP Gas



Gas NBP (p/th)	1-Apr-24	30-Apr-24	Change	% Change	High	Low	Average
May-24	68.36	72.00	↑ 3.64	↑ 5%	83.30	62.86	71.93
Winter 24	82.85	89.53	↑ 6.68	↑ 7%	98.30	79.35	88.53
Summer 25	76.25	83.23	↑ 6.98	↑ 8%	90.60	73.35	81.71
Winter 25	85.30	91.53	↑ 6.23	↑ 7%	99.05	83.00	90.64
Summer 26	69.80	68.83	↓ -0.97	↓ -1%	78.10	67.50	71.80



Market Update: Oil

Review

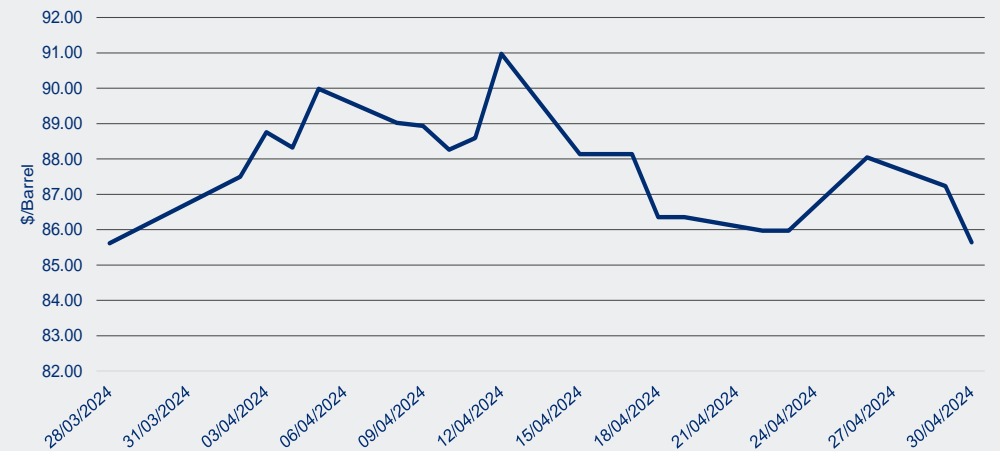
Fears of an escalation of Middle East tensions into a wider conflict dominated a bullish April, following a suspected Israeli attack on the Iranian embassy in Damascus. In the days following the attack, Brent Crude lifted above \$90/bbl, as Iran raised fears of a retaliatory strike against Israel. This materialised with an unprecedented rocket attack on Israeli territory, albeit with limited effect as Israel’s “Iron Dome” system repelled most of the incoming missiles. Israel’s response was more muted than expected, with a counterstrike of a significantly smaller magnitude than feared. Following this, both sides demonstrated a willingness to de-escalate as tensions, for now at least, eased.

Whilst the geopolitical situation was bullish, the reverse was true for the fundamentals, as US crude inventories increased early in the month to their highest level since June last year. Crude production is currently up at around 13 million barrels per day.

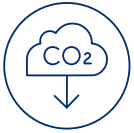
Outlook

The risk premium associated with the Israel/Iran tensions is now easing, with the prospect of any further conflict in the short term largely diminished. This is borne out by data released by the Commodity Futures Trading Commission, the US agency responsible for futures and swaps markets, which showed investors sold oil at the fastest rate for over six months.

Front Month Brent



Brent (\$/Barrel)	1-Apr-24	30-Apr-24	Change	% Change	High	Low	Average
Front Month	85.61	85.64	↑ 0.02	↑ 0%	90.98	85.61	87.80



Market Update: Carbon

Review

UKA fundamentals continue to look weak, as demand remains subdued, and emissions from power production are expected to show a year-on-year reduction.

The UKA market continues to await policy reform, which will be pushed back to 2025, given the looming summer parliamentary recess and a likely autumn general election.

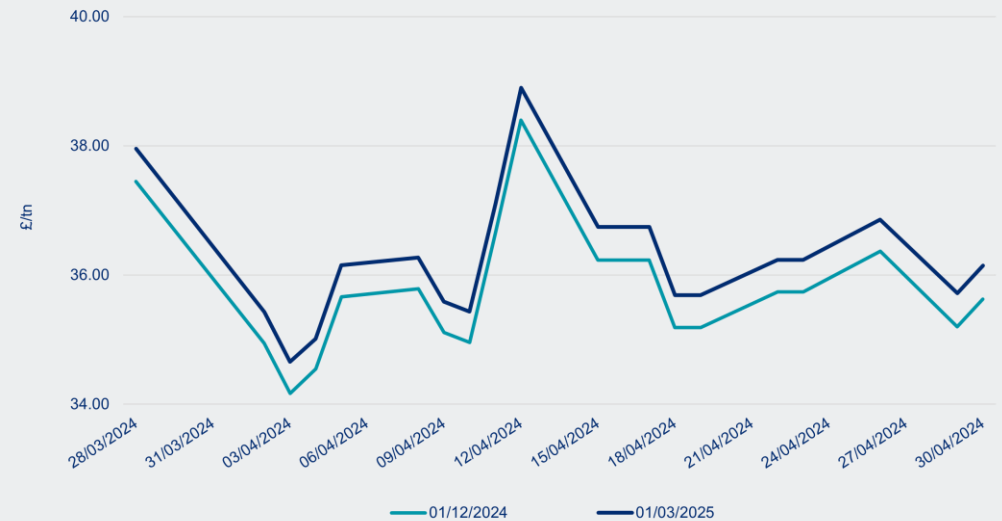
In Europe, the EU is considering an amendment to the ETS, with the addition of carbon removal credits, either incorporated within the existing scheme, or through a separate market. These credits would represent schemes that would remove carbon emissions, examples of which include planting new CO₂-absorbing forests or the building of technologies that extract CO₂ from the atmosphere. Any change would need to be ratified by 2026.

Outlook

No imminent change to the underlying fundamentals is expected.

Industrial output has slipped back into decline. Latest figures from S&P’s Purchasing Managers’ Index (PMI) for the manufacturing sector indicate the sector slipped back into contraction, after briefly showing signs of growth last month, following nearly two years in decline.

Carbon UKA



Carbon (£/ton)	1-Apr-24	30-Apr-24	Change	% Change	High	Low	Average
Dec-24	37.45	35.62	↓ -1.82	↓ -5%	38.39	34.17	35.77
Mar-25	37.96	36.14	↓ -1.81	↓ -5%	38.90	34.66	36.26



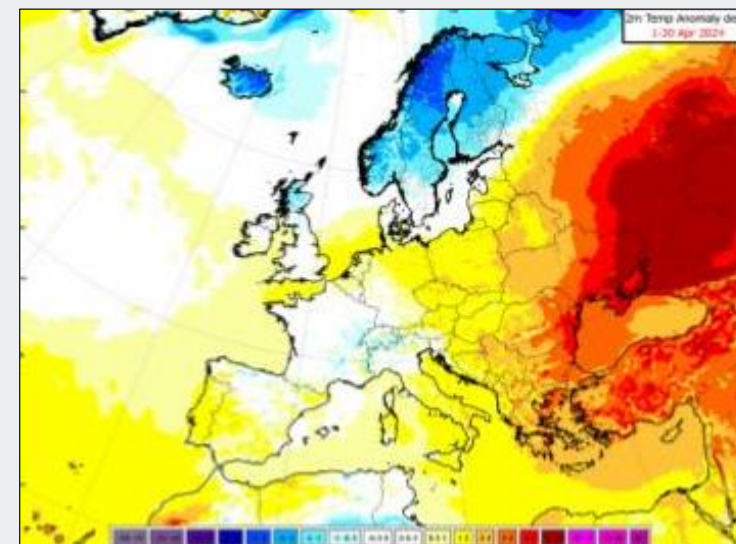
Weather review

Review

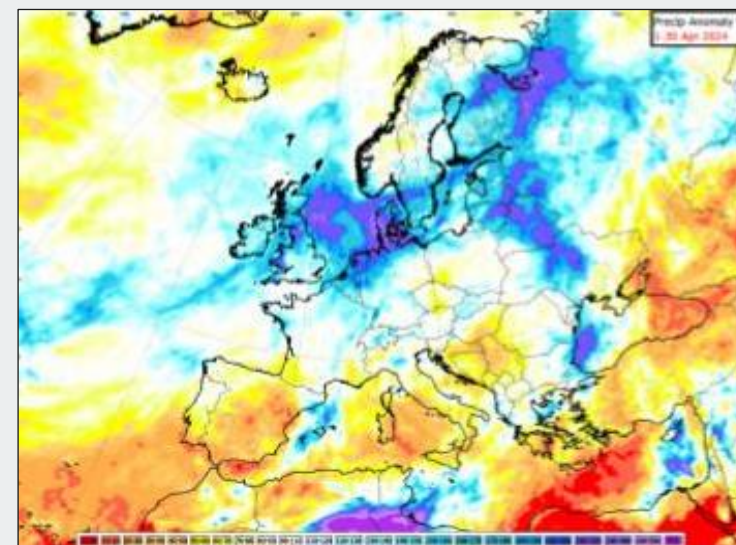
If you're up in Scotland, you'd be forgiven for scratching your head at the recent Met Office announcement that April's UK averaged temperature was above normal. The anomaly map from MetDesk (top right) shows that Scotland was a little below average for the month, while England, Wales, and Northern Ireland were all warmer. April was a month of two halves, with the first two weeks seeing a lot of Atlantic cyclones moving through, bringing high winds, heavy rain, and very warm temperatures. Around mid-month, the large-scale pattern shifted, and things got much drier but also colder. High pressure brought in a cold Arctic air mass around the 16th, and this lingered in northern Europe until the 28th. So, although April overall was slightly mild, wet, and windy, the last 10-12 days have been decidedly calmer, colder, and drier.

Outlook

May's outlook is shaping up to be different, but we're anticipating a lot of high pressure for the first half of the month around northern Europe. This means the drier and lower wind conditions should continue for a couple of weeks, but we're much less likely to see a colder Arctic air mass as winds should not be from the north-east. Instead, sunnier, much more spring-like weather is expected, so we should see good solar production with temperatures a few degrees above average. The back half of May (continuing into June) is looking a bit wetter and windier, with more low pressure systems and fronts moving in from the Atlantic. Confidence is medium for this, and there's a decent risk that high pressure remains in charge for most of the month, which would mean well below average winds and rain, but above average temperatures and sunshine.



Temperature anomalies



Precipitation anomalies



Market Theme: Panama Canal

The Straits of Hormuz and the Panama Canal, two bodies of water crucial to global trade in all kinds of commodities, including LNG and oil, continue to experience curtailment in the normal flow of shipping, but for very different reasons.

Whilst the former has been the subject of much recent media attention since the Israel/Palestine conflict began in October last year, prompting ongoing attacks on shipping from Iranian-backed Houthi militants, the latter has not, but is equally important in terms of global energy trade.

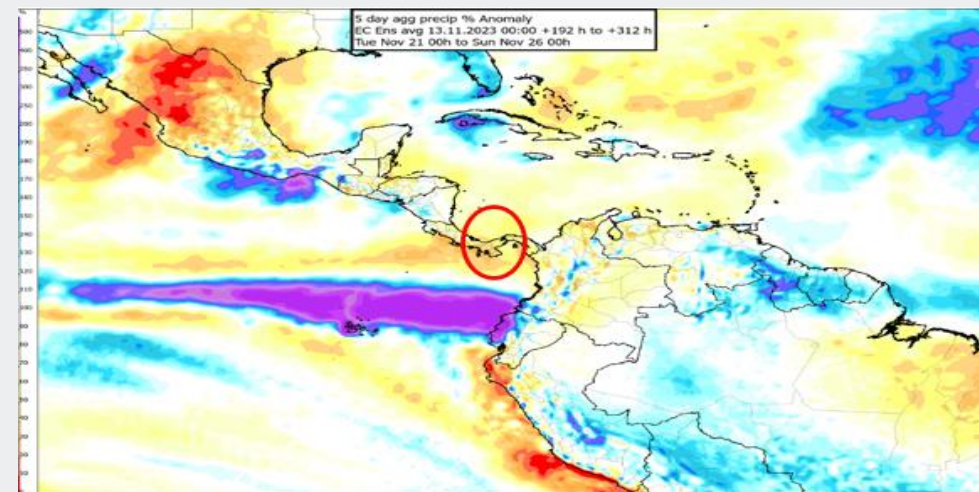
The combined disruption has increased the cost of shipping as vessels traverse longer routes to avoid the bottlenecks seen in both locations.

Drought in the Panama region last year, the third driest period on record in the fifth wettest country on Earth, saw the normal daily flow of shipping through the canal cut by half from the normal 36 vessels. This situation has continued into 2024 as draft restrictions have persisted.

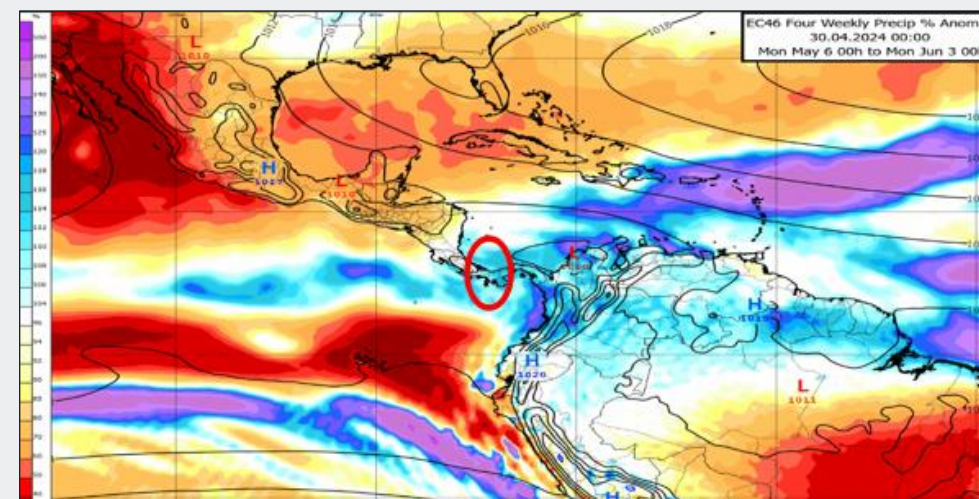
A new study by the World Weather Attribution service did not find there was a long-term drying trend in the region. However, the study did highlight that since 1900, four of the five driest years in the region have occurred in El Niño years, which was the case in 2023.

Forecasts now indicate that rainfall levels in the region (opposite, below right) are starting to return to normal, with hopes that vessel flow will return to normal by the end of the year.

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November 2023 precipitation anomalies



May 2024 forecast precipitation anomalies

5% of global maritime trade passes through the Panama Canal each year

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