July 2024

Energy overview

Your monthly report featuring market updates and weather review

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Monthly Report – July 2024

Market Update: Power

Review

The clean spark spread for July outturned at c.-£7/MWh, reflecting a month where wind output was predominantly below seasonal normal levels.

Outright day ahead power prices reflected the lack of wind for most of the month, with the average N2EX auction outturn price at £69.50/MWh. The highest price of the month was £81/MWh on 8 July when wind output was 1.2GW. The low at £10.70/MWh was achieved on 4 July when unrestricted wind output averaged 15.6GW.

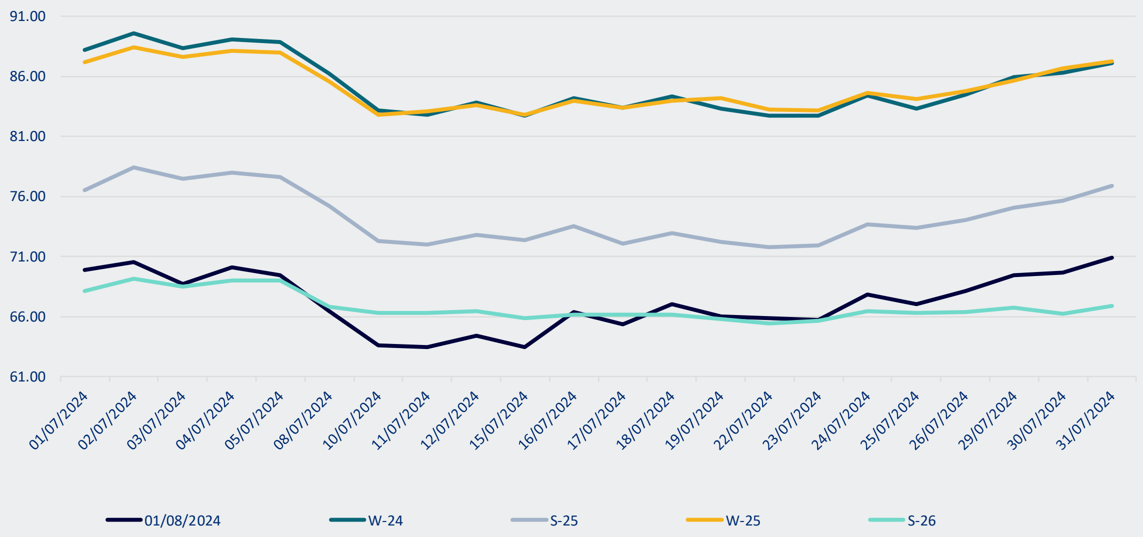
The UK was a net importer from the continent for most of the month averaging 4.7GW, with France supplying an average of 3GW as nuclear output proved stronger than in recent years.

Outlook

There's potential for short-lived heatwaves across North West Europe, but high soil moisture looks set to limit duration, curbing any high air conditioning demand.

*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-Jul-24	31-Jul-24	Change	% Change	High	Low	Average
Aug-24	69.87	70.90	1.03	1%	70.90	63.45	67.25
Winter 24	88.20	87.15	-1.05	-1%	89.62	82.74	85.24
Summer 25	76.51	76.87	0.36	0%	78.39	71.75	74.35
Winter 25	87.15	87.22	0.07	0%	88.43	82.78	85.10
Summer 26	68.12	66.87	-1.25	-2%	69.17	65.41	66.81

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Market Update: Gas

Review

Hurricane Beryl looming in the Gulf of Mexico saw a bullish start to the month with fears that the storm would force the closure of LNG facilities along the Texas coast. A heatwave in Japan, which increased gas demand, added to the bullishness. However, a lack of summer heatwaves in Europe and muted demand, combined with storage levels at 80% of capacity, has seen an easing in competition between the continents for the fuel.

Beryl made landfall as a Category 1 storm and despite a precautionary shutdown at the Freeport LNG facility, the Gulf was largely unscathed.

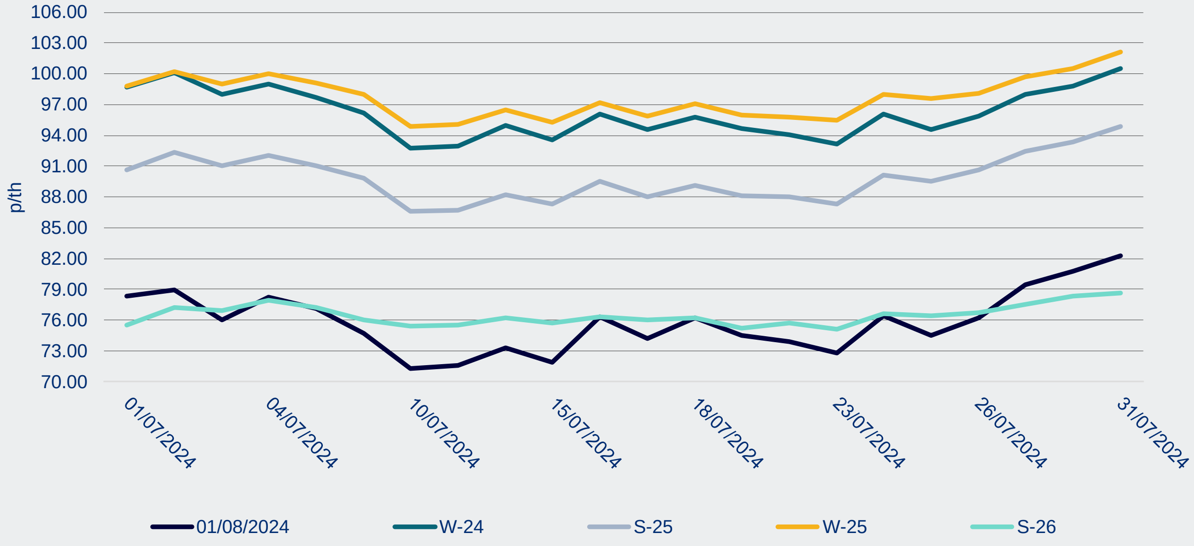
From mid-month onwards there was a change in weather pattern, with lower wind boosting demand for gas for power generation.

The forward hub price spread between EU and Asia continues to trade marginally around the level required to send spot US LNG to either region and is likely to remain so across summer. EU LNG send outs remain low at c.190mcm/d, although EU gas systems remain comfortable with healthy Norwegian pipeline flows at c.320mcm/d and low demand.

Outlook

At current injection rates European storage is set to be completely full by the end of September, well ahead of the mandated target of November.

NBP Gas



Gas NBP (p/th)	1-Jul-24	31-Jul-24	Change	% Change
Aug-24	78.34	82.25	3.91	5%
Winter 24	98.68	100.55	1.87	2%
Summer 25	90.68	94.82	4.14	4%
Winter 25	98.83	102.17	3.34	3%
Summer 26	75.53	78.62	3.09	4%

High	Low	Average
82.25	71.25	75.86
100.55	92.75	96.19
94.82	86.65	89.88
102.17	94.85	97.74
78.62	75.13	76.50

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Market Update: Oil

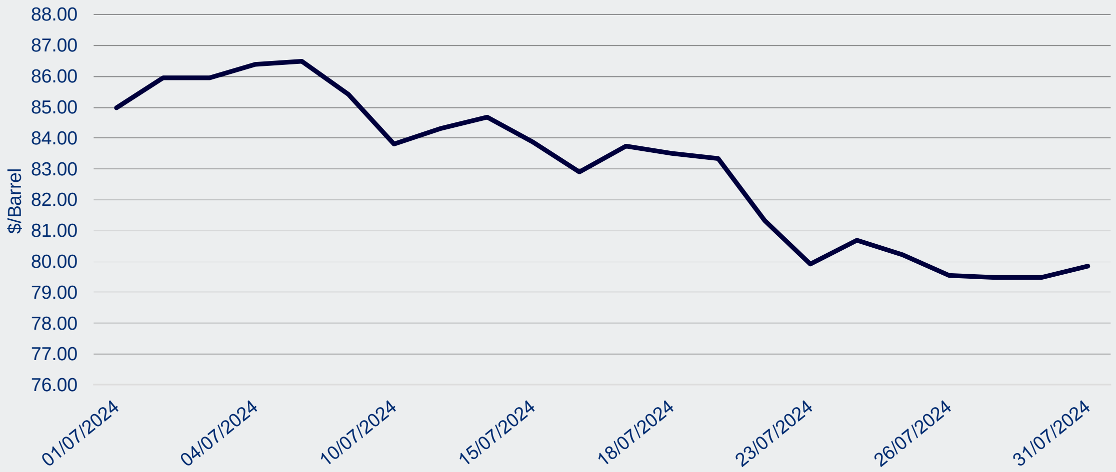
Review

Three consecutive weeks of price losses characterised a bearish month for the oil markets, with Brent crude slipping below $80/bbl. Mounting concerns over weakening global demand, driven by weaker Chinese demand, seemed to outweigh any geopolitical concerns. Year to date crude imports into China are down over 8%, and year on year June oil demand was down over 8%.

Outlook

Prices briefly rose following the Israeli strike on Iran that killed the Hamas leader, Ismail Haniyeh, but have since retreated.

Front Month Brent



Brent ($/Barrel)	1-Jul-24	31-Jul-24	Change	% Change
Front Month	84.98	79.84	-5.14	-6%

High	Low	Average
86.49	79.47	83.00

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Market Update: Carbon

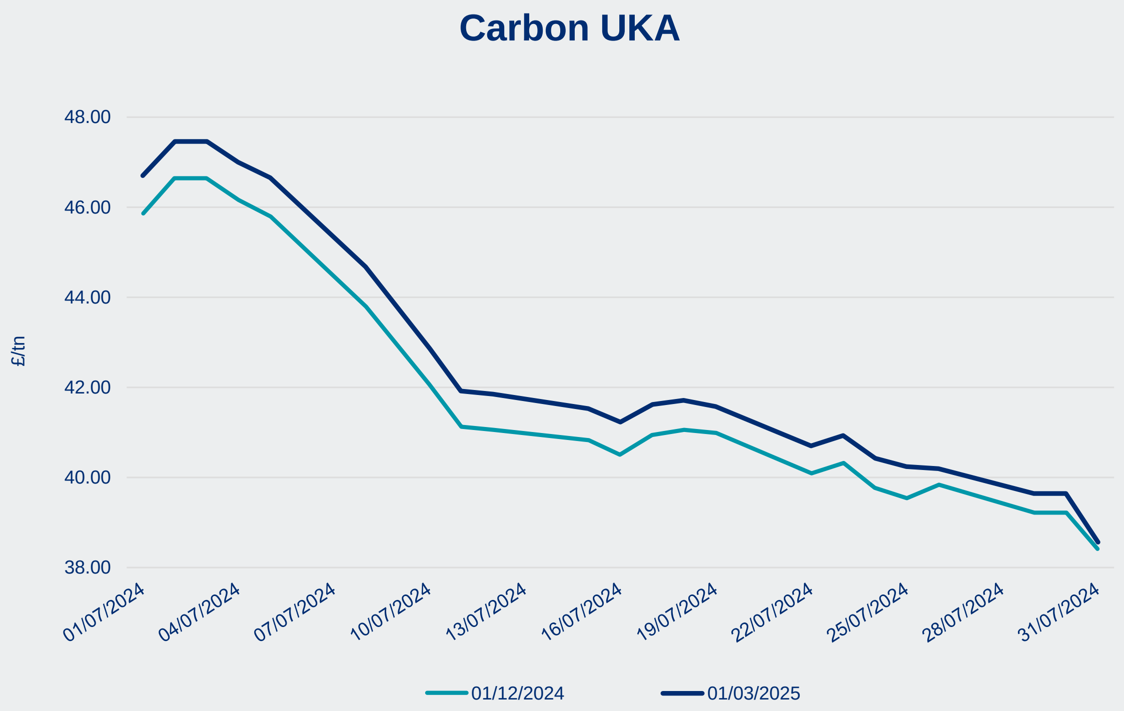
Review

Aggressive speculative selling marked the start of the month on the news of Labour returning to government in the UK. Profit taking from some of the 7.4Mt of net longs held during election week.

While UK ETS linkage with EU ETS was not explicitly in Labour's manifesto, it remains a strong possibility, but not before 2027 due to the need for bilateral agreements on climate ambitions and the carbon border adjustment mechanism.

Outlook

Ursula von der Leyen's confirmation of another term as Commission President is an about turn for Europe in the context of recent political turmoil, and points to ambitious 2040 climate target setting and continuation of Green Deal policies.



Carbon (£/ton)	1-Jul-24	31-Jul-24	Change	% Change
Dec-24	45.88	38.41	-7.47	-19%
Mar-25	46.71	38.54	-8.16	-21%

High	Low	Average
46.64	38.41	41.81
47.47	38.54	42.48

Monthly Report – July 2024

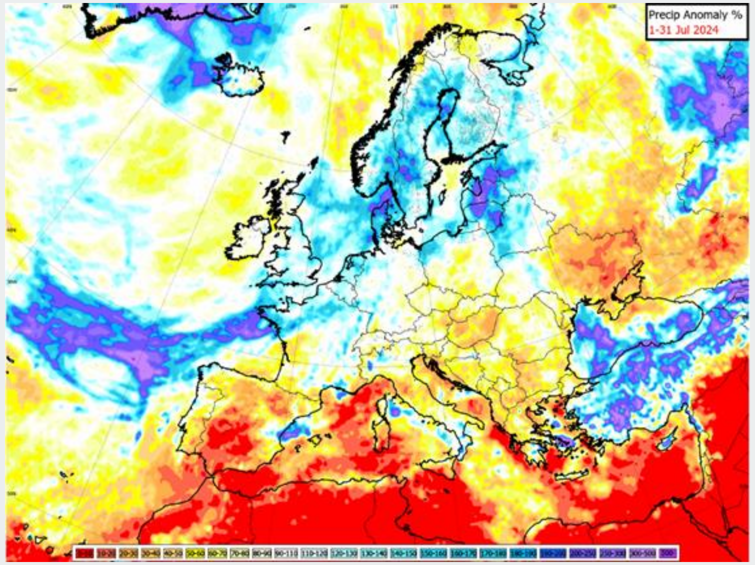
Weather review

Review

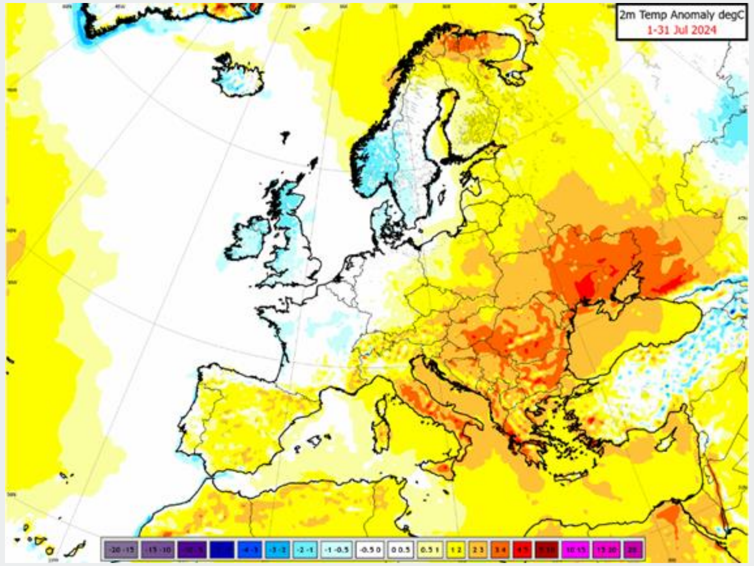
July was truly a month of two halves in terms of the weather patterns. Initially, July carried on much as June did with wet, windy, and cool weather across the British Isles. This lasted for about two weeks, and just before the midway point in the month, the large-scale weather pattern shifted. High pressure become more prevalent in the continent, and this was strong enough to nudge low pressure from being overhead to being off to our north-west, leading to a drier, less windy back half of the month. As a result, July came in a bit below average for both wind generation and precipitation. A few brief hot spells in the second half of the month also brought the temperature anomaly up (although much of the month was cooler than average, as the temperature map shows).

Outlook

August is looking wet through much of the month, but there is a greater risk to the weather pattern compared with June or July. Temporary high-pressure systems moving overhead may bring some spells of drier, calmer, and warmer weather. A Spanish Plume event, in part aided by Hurricane Debby in the United States, is expected to bring temperatures soaring into the mid-30s for a few days around mid-month. Further into August, hurricane activity in the Atlantic is expected to significantly increase, and these can disrupt the jet stream and have consequences for European weather, even when the storm itself is thousands of miles away. Confidence is a bit lower for August due to this factor, but the “background state” of the atmosphere looks set to favour a lot of wet, windy weather – this may just get temporarily disrupted a few times as we go through the month.



Temperature anomaly



Precipitation anomaly

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