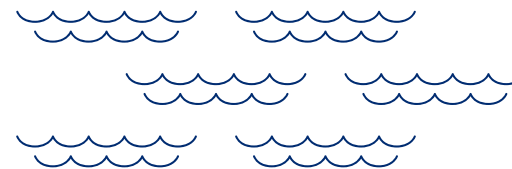
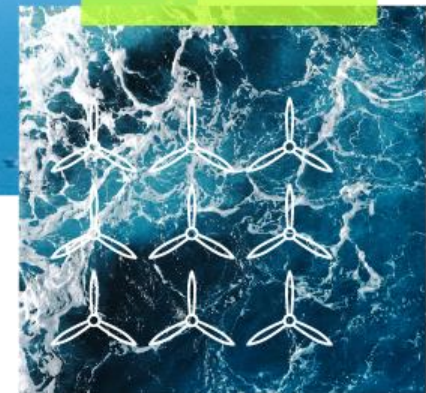


January 2024

# Energy overview

Your monthly report featuring market updates  
and weather review



# Monthly Report – January 2024

## Market Update – Power

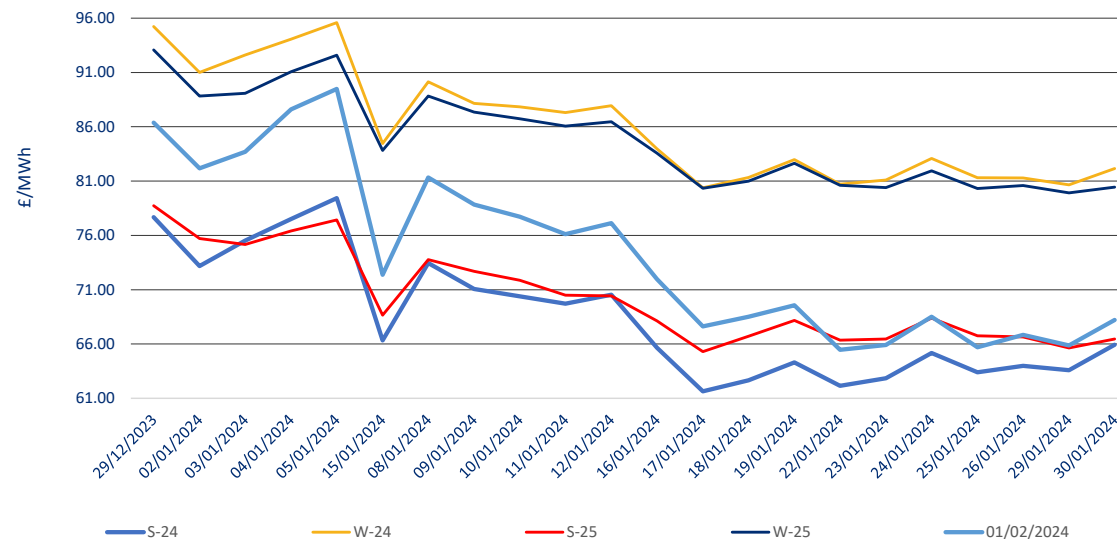
**Review:** Despite a short-lived cold spell early in the new year, the fundamentals grew more bearish as the month progressed, driven by a return to milder, wetter and windier conditions, as a series of Atlantic storms arrived.

This was reflected in the January clean spark spread\* in the first half with an out-turn c.£1.50/MWh. By the end of the month as renewables output increased the out-turn dropped to c. -£0.80/MWh for January as a whole.

On the curve, summer and winter 24 baseload have fallen to a 13-month low. Fears that the outlook for economic recovery remains sluggish coupled with increasing renewables capacity in future years have been bearish drivers.

**Outlook:** Potential for below average renewables output as high pressure brings cold and calm conditions.

**Baseload Power**



Power Bld (£/MWh)	Dec-23	Jan-24	Change	% Change	High	Low	Average
Feb-24	86.39	68.22	↓ -18.17	↓ -27%	89.49	65.47	74.41
Summer 24	77.68	65.94	↓ -11.74	↓ -18%	79.42	61.65	68.46
Winter 24	95.24	82.15	↓ -13.09	↓ -16%	95.59	80.38	86.06
Summer 25	78.73	66.46	↓ -12.27	↓ -18%	78.73	65.30	70.29
Winter 25	93.07	80.44	↓ -12.63	↓ -16%	93.07	79.92	84.81

\* Clean Spark Spread: the margin for gas fired power plants accounting for the difference between the power price, the cost of generation and the necessary emissions allowances required to produce it

# Monthly Report – January 2024

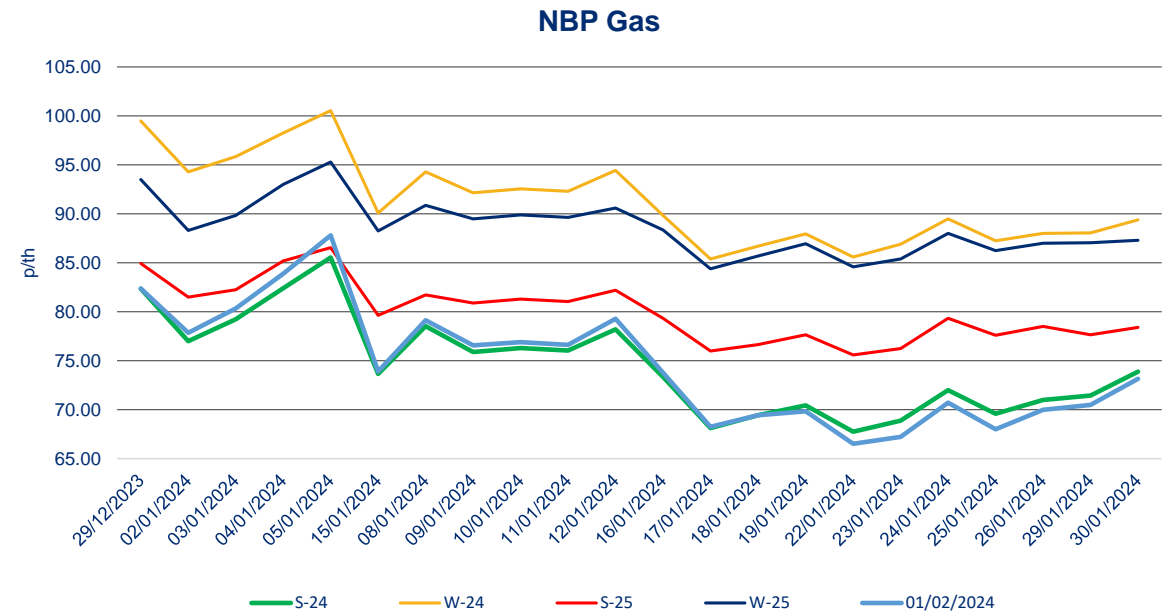
## Market Update – Gas

**Review:** Despite the ongoing tensions in the Middle East, the gas market remained benign, with prompt and curve gas prices falling in value month on month. US and UK led drone strikes on Houthi rebels in Yemen, in response to ongoing attacks on shipping in the Red Sea, have not prompted any major market reaction. LNG for the US continues to flow into Europe and Norwegian flows are at near maximum capacity.

Demand remains muted, for both industrial and domestic consumers. Heating demand has been suppressed, except for a short cold spell early in the new year, and despite prices falling to their lowest level in two years there is no evidence of a significant return of industrial demand.

Gas storage inventories are now 1.1bcm below the levels seen at this point last winter, but remain nearly 13bcm above the five-year average.

**Outlook:** Signs of a fall in temperature and a drop in wind in the next 7-10 days could signal a boost for gas demand.



Gas NBP (p/th)	Dec-23	Jan-24	Change	% Change	High	Low	Average
Feb-24	82.39	73.15	↓ -9.24	↓ -13%	87.80	66.52	74.65
Summer 24	82.35	73.90	↓ -8.45	↓ -11%	85.55	67.75	74.60
Winter 24	99.50	89.40	↓ -10.10	↓ -11%	100.55	85.39	91.31
Summer 25	84.95	78.40	↓ -6.55	↓ -8%	86.55	75.60	80.01
Winter 25	93.50	87.30	↓ -6.20	↓ -7%	95.30	84.39	88.62

# Monthly Report – January 2024

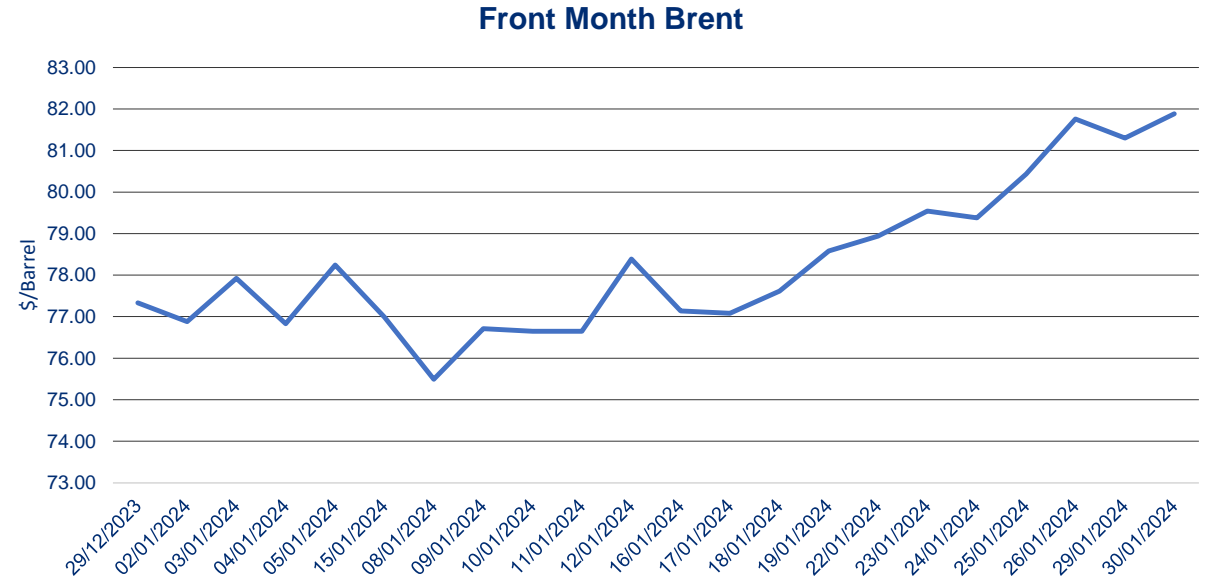
## Market Update – Oil

**Review:** Oil markets bucked the trend elsewhere in the energy complex with prices lifting month on month.

US and UK retaliatory strikes on Houthi rebels, and other armed groups with suspected links to Iran, following a sustained period of attacks on shipping in the Red Sea, saw a ratcheting up of tension in the Middle East. Whilst this hasn't immediately stoked fears of a wider conflict, it nonetheless saw Brent prices lift above \$80/bbl.

As OPEC attempts to reduce the global surplus, production fell by 0.5m bbl/d in January, with Iraq, Kuwait and unplanned outages in Libya responsible.

**Outlook:** Focus will continue to centre on the Middle East and any sign of US stocks building after the recent cold spell in the States.



Brent (\$/Barrel)	Dec-23	Jan-24	Change	% Change	High	Low	Average
Front Month	77.335	81.88	↑ 4.55	↑ 6%	81.885	75.495	78.26

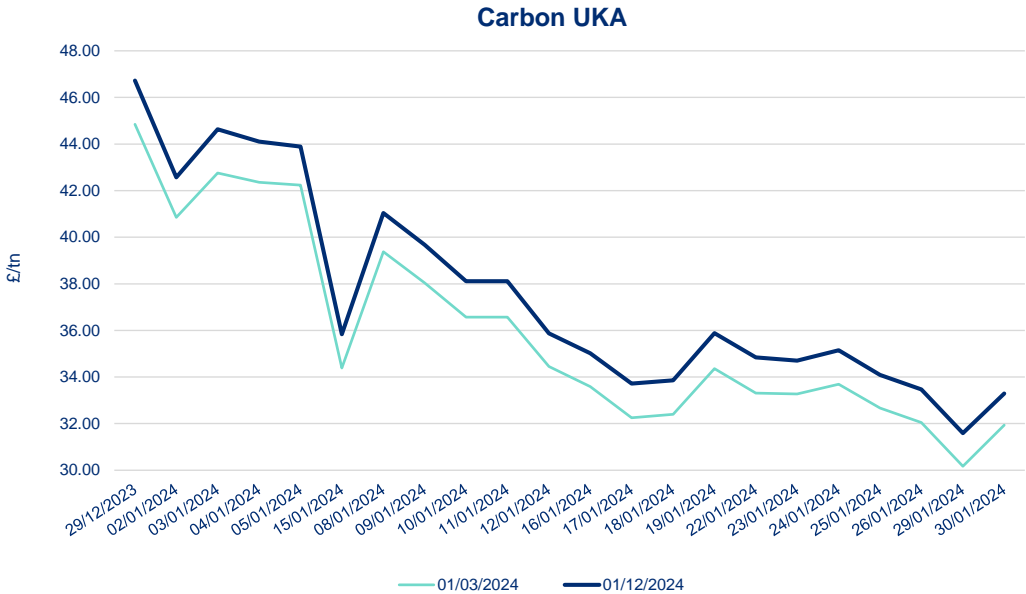
# Monthly Report – January 2024



## Market Update – Carbon

**Review:** January saw weakness in UKAs and EUAs alike, the former at their lowest ever level, the latter at a near two-year low. Mild temperatures, ongoing policy uncertainty and a pessimistic view of the economic outlook that has seen an increase in speculative short positions in the market, have all played their part in painting a bearish picture.

**Outlook:** The prospect of colder weather may see increased demand for allowances if gas-fired generation offsets lost renewables output.



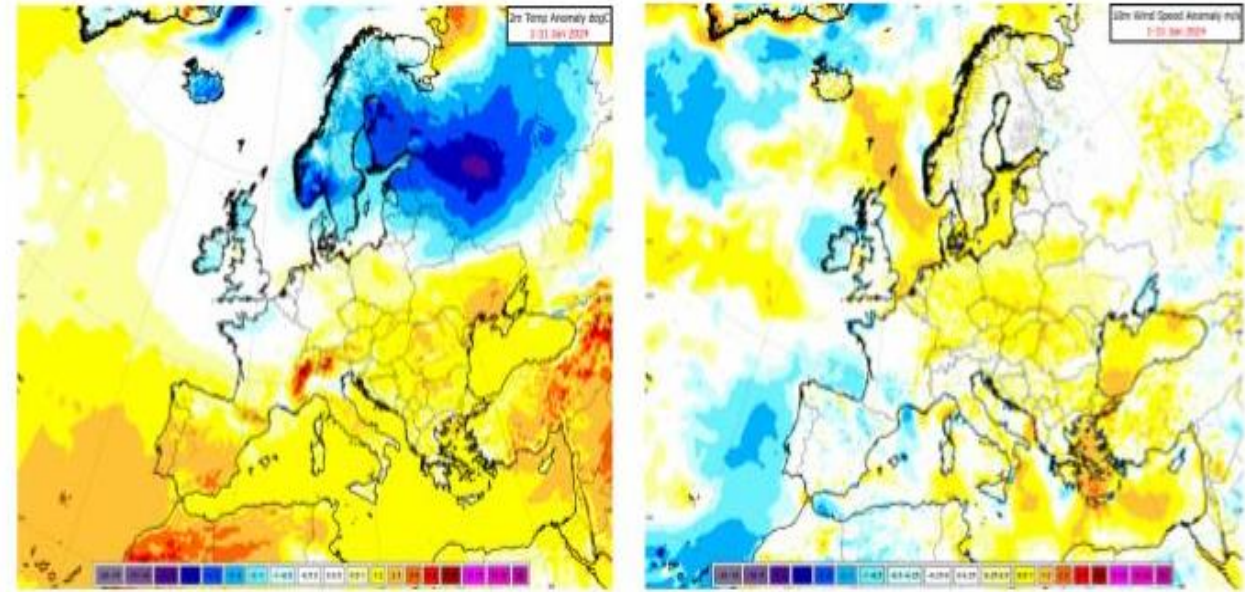
Carbon (£/ton)	Dec-23	Jan-24	Change	% Change	High	Low	Average
Mar-24	44.85	31.93	↓ -12.92	↓ -40%	44.85	30.17	36.01
Dec-24	46.72	33.29	↓ -13.43	↓ -40%	46.72	31.59	37.55

# Monthly Report – January 2024

## Weather Review

**Review:** January was an unusually stormy month broken up by a settled but cold fortnight in the middle, and this has had an impact on the monthly averages. The Christmas and new year holiday period was accompanied by some significant storms coming in from the Atlantic. From 5-18 January a sharp cold snap across northwest Europe along with some dry weather with lower winds, especially in the North Sea and Germany, changed the pattern. Scotland saw a minimum of -14C in Dalwhinnie during this cold snap. Things turned stormy again from the 19th onward thanks to back-to-back Storms Isha and Jocelyn. Thanks to a Foehn effect, Scotland also broke the record maximum temperature for the UK in January, when Achfary hit a staggering 19.9C on the 28th.

**Outlook:** After a wet, mild start, February’s outlook will see a large-scale pattern shift early in the month that will linger until March. This will see more high pressure around northern parts of Europe or the Norwegian Sea and Iceland with low pressure displaced south into Spain and the Mediterranean. In general, this type of pattern causes below average winds, rain and temperatures for much of Europe. We could see some more consistent easterly winds in northern Europe for the back half of the month that would bring Russian air into Germany and potentially as far west as the UK and France, which could bring some extreme cold, but this is a risk scenario that carries a 25% chance. Although the first week of the month will be mild, wet, and windy, the rest of the month’s drier, colder, calmer pattern should dominate the averages, causing February’s temperatures and renewables to come in below normal.



Temperature (left) and Wind Speed (right) anomalies for January

# Monthly Report – January 2024

## Market Theme – European Gas In Storage

EU storage inventory has fallen from the record levels seen at the turn of the year as a short-lived cold spell saw an increase in withdrawals.

Withdrawals have now decreased as milder weather has returned, curbing heating demand.

European gas storage inventory (storage + reservoir, excluding Ukraine) now sits at 66.5bcm, 0.3bcm behind this point last year.

If no further cold spells materialise before the end of the winter, storage looks on track to end the season near levels at the end of last winter.

