May 2025

Energy overview

Your monthly report featuring market updates and weather review

sse Energy Solutions

Monthly Report – May 2025

Market Update: Power

Review

Output from solar generation continues to break records across Europe. In May, Germany, Italy, France and Portugal all recorded record high output. Given the volume of solar generation online, this causes periods of oversupply at times, especially weekends. Recently prices in Belgium dropped as low as -€460/MWh during one such period.

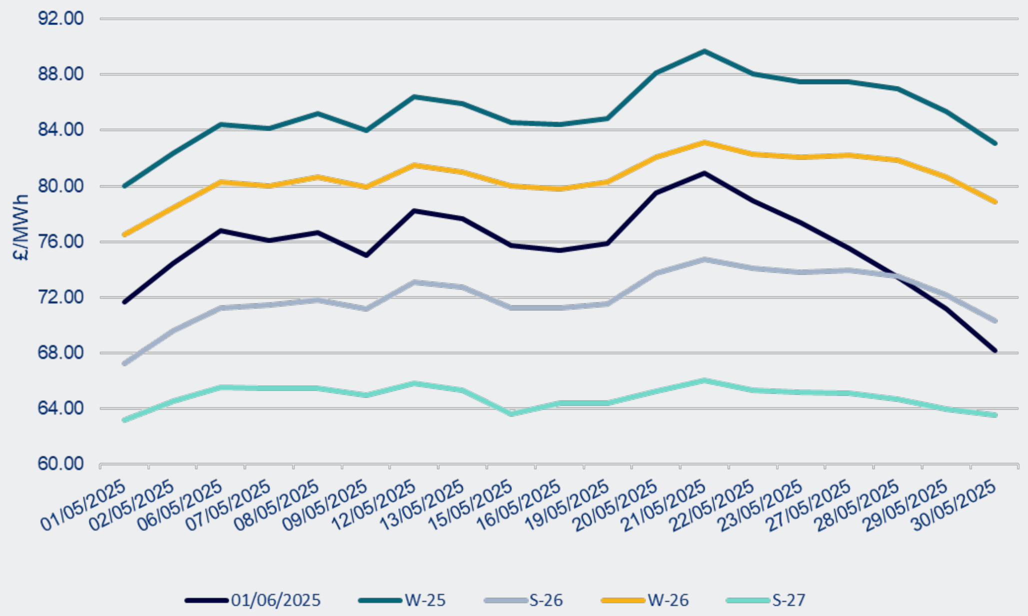
The UK also experienced fluctuating prices, but not to the same degree. During the first three weeks of the month, corresponding with the dry, sunny and still weather conditions, the day ahead clean spark spread outturned at c. -£7/MWh. When the wind and rain returned late in the month the spread averaged c.-£28/MWh.

Outlook

Below average solar output in the near term looks likely to be offset by above average wind generation.

*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-25	31-May-25	Change	% Change
Jun-25	71.71	68.14	-3.57	-5%
Winter 25	80.04	83.03	2.98	4%
Summer 26	67.23	70.28	3.05	4%
Winter 26	76.46	78.86	2.40	3%
Summer 27	63.14	63.47	0.33	1%

High	Low	Average
80.94	68.16	75.70
89.68	80.01	85.40
74.71	67.21	72.01
83.16	76.49	80.61
65.98	63.12	64.80

Market Update: Gas

Review

Another volatile month in the gas market, with front month gas trading in a 13p/th range over the month, and front two seasons in an 11p/th and 10p/th range respectively.

The lack of any substantive progress in peace talks between Russia and Ukraine continues to have a bearing on market direction and sentiment. From an energy perspective, no deal means no relaxation of sanctions, which means no gas from the Arctic 2 LNG project in the near future.

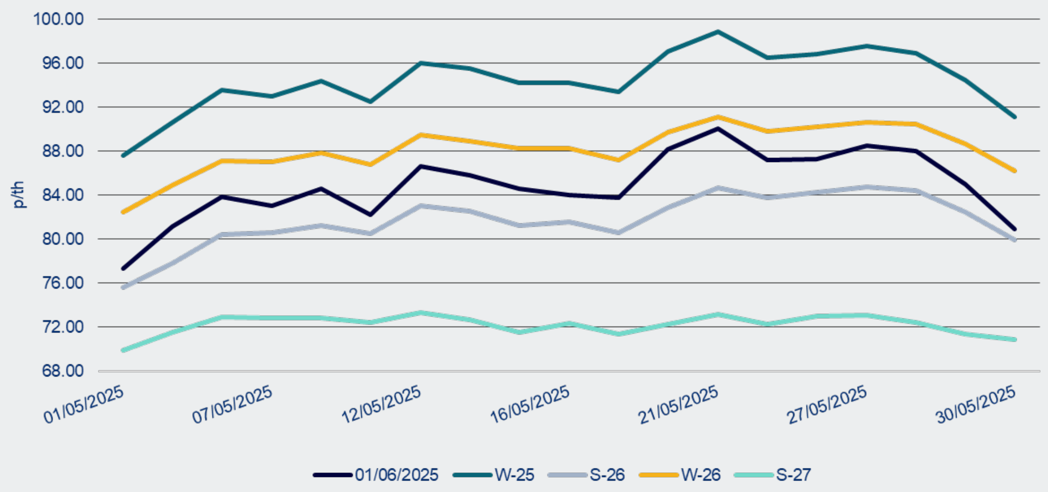
LNG supply into the EU has begun to drop as a period of global maintenance starts to build in. This is corresponding with the commencement of annual planned maintenance in Norway, as flows are set to remain below the 330 mcm/d summer capacity, with daily flows at potentially half that level on some days until early July.

EU storage injection has been variable, with periods of below average continental temperatures and low wind leading to weekly injections falling below the 2 bcm/week level required to hit the 80% mandated EU storage target.

Outlook

Interplay between maintenance, storage injections and weather is set to continue throughout June.

NBP Gas



Gas NBP (p/th)	1-May-25	31-May-25	Change	% Change	High	Low	Average
Jun-25	77.31	80.88	3.57	4%	90.06	77.30	84.85
Winter 25	87.62	91.08	3.46	4%	98.90	87.60	94.45
Summer 26	75.63	79.94	4.31	5%	84.75	75.60	81.71
Winter 26	82.55	86.22	3.67	4%	91.10	82.50	88.17
Summer 27	69.93	70.81	0.88	1%	73.35	69.90	72.22

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Market Update: Oil

Review

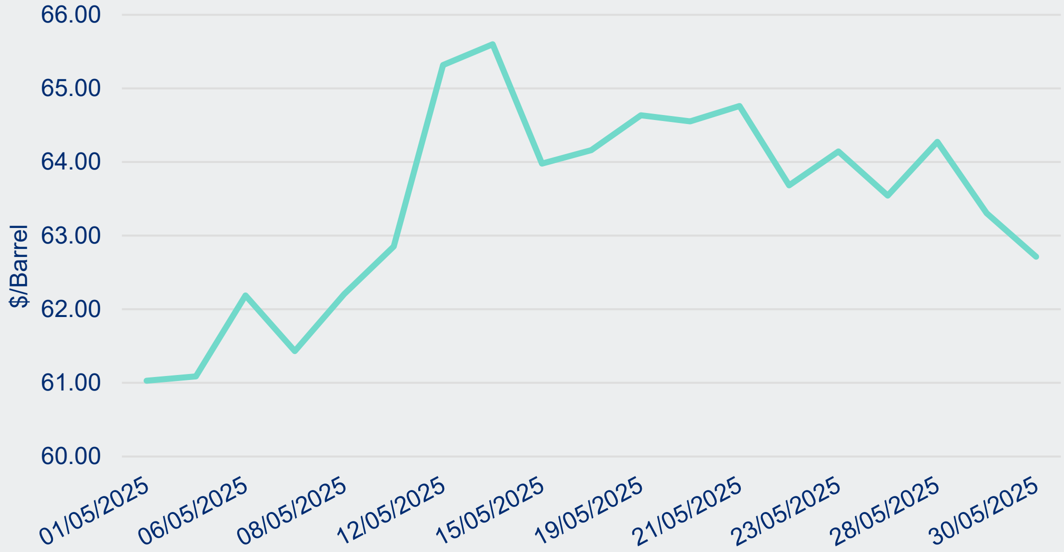
Crude prices lifted early in the month following a breakthrough in trade negotiations between the US and China. Talks in Geneva resulted in a 90-day suspension of the imposition of full tariffs on China by the US, with a reduction in aggregate tariffs cut to 30%. A cut in "reciprocal" tariffs between the two countries also produced a drop from 125% to 10%.

Tempering the short-term bullishness, the International Energy Agency (IEA), in its latest projection, has forecast that new supply will outstrip demand into 2026, predominantly through new OPEC+ supply coming on stream. By contrast, demand is set to slow for the remainder of this year, with record electric vehicle (EV) sales and continued economic headwinds cited as the principal causes.

Outlook

OPEC+ met on 1 June, and as anticipated, agreed a further hike in supply of 400k b/d effective from July, adding more bearishness to the outlook for prices.

Front Month Brent



Brent ($/Barrel)	1-May-25	31-May-25	Change	% Change
Front Month	61.05	62.69	1.64	3%

High	Low	Average
65.60	61.03	63.45

Market Update: Carbon

Review

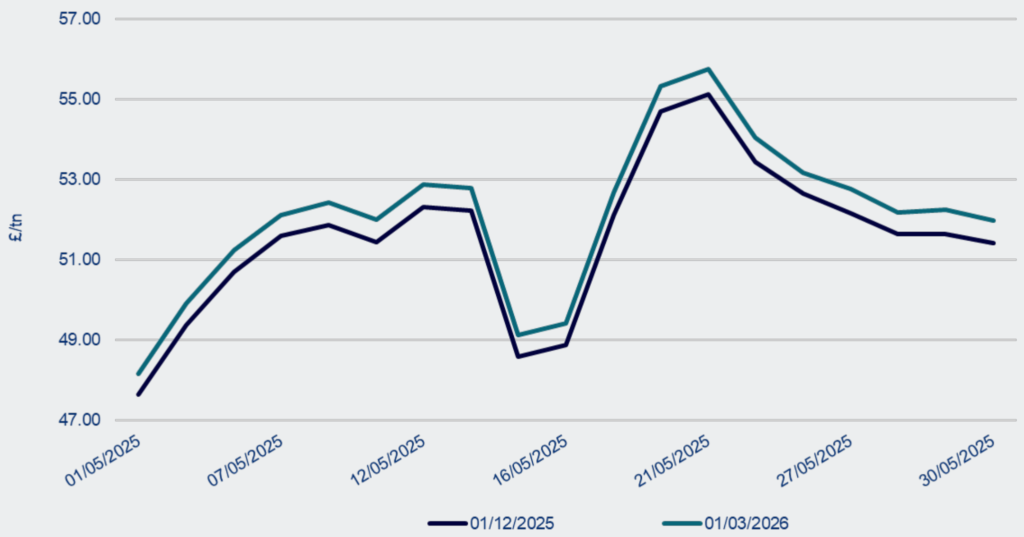
UKA prices lifted over 6% following the announcement of a broad deal struck between the UK and the EU, following talks at a summit billed as a reset in relations following Brexit. This included agreement to work towards linking their respective emissions trading systems (ETS) and exempt each other from carbon border fees. However, little in the way of detail was provided, beyond a timeline for implementing the linkage of the markets.

Prices were also supported by the improving macroeconomic picture following the US and China's softening of their respective stances on tariffs. UKAs breached £55/tn for the first time in over two years.

Outlook

Market participants are awaiting more substantive detail around the deal to link the UK and EU ETS trading schemes.

Carbon UKA



Carbon (£/ton)	1-May-25	31-May-25	Change	% Change
Dec-25	47.71	51.39	3.68	7%
Mar-26	48.26	51.94	3.68	7%

High	Low	Average
55.12	47.66	51.55
55.74	48.16	52.11

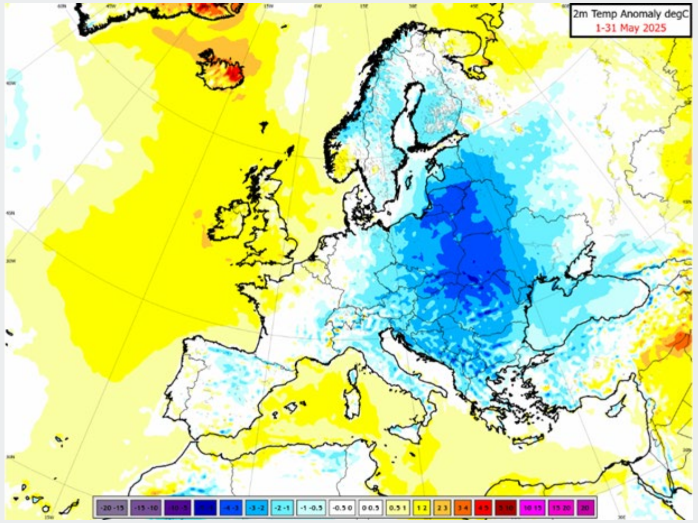
Weather review

May Review

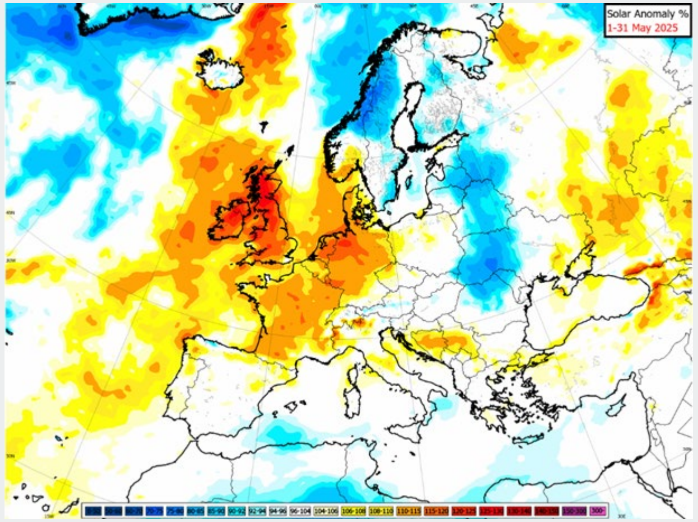
- A warm, very sunny, and mostly quite dry and settled month for our weather patterns in Northwest Europe
- 1-22 May saw near zero rainfall for Scotland, after an exceptionally dry March and April
- It was the sunniest May and spring (March-May) on record, and the extreme dryness triggered drought conditions for most
- A change arrived from 23 May, with low pressure in charge bringing high winds and heavy rainfall across the UK
- This prevented 2025 from being the driest spring on record, but most of Scotland and northern Europe is still in drought

June Outlook

- Unsettled weather bringing winds, cloud, and rain, keeping things cool until mid month
- The back half of the month is set to see some high pressure likely to build
- 7-10 days of more settled weather is on the cards for the latter half of the month which should be mostly dry, sunny and calm
- This also gives us the best chances for a June heatwave in the UK – although for the next fortnight heatwave risks are low
- Heatwave risks are higher in the continent for France and Germany through much of the rest of June (moderate risk)



Temperature anomaly



Sunshine anomaly

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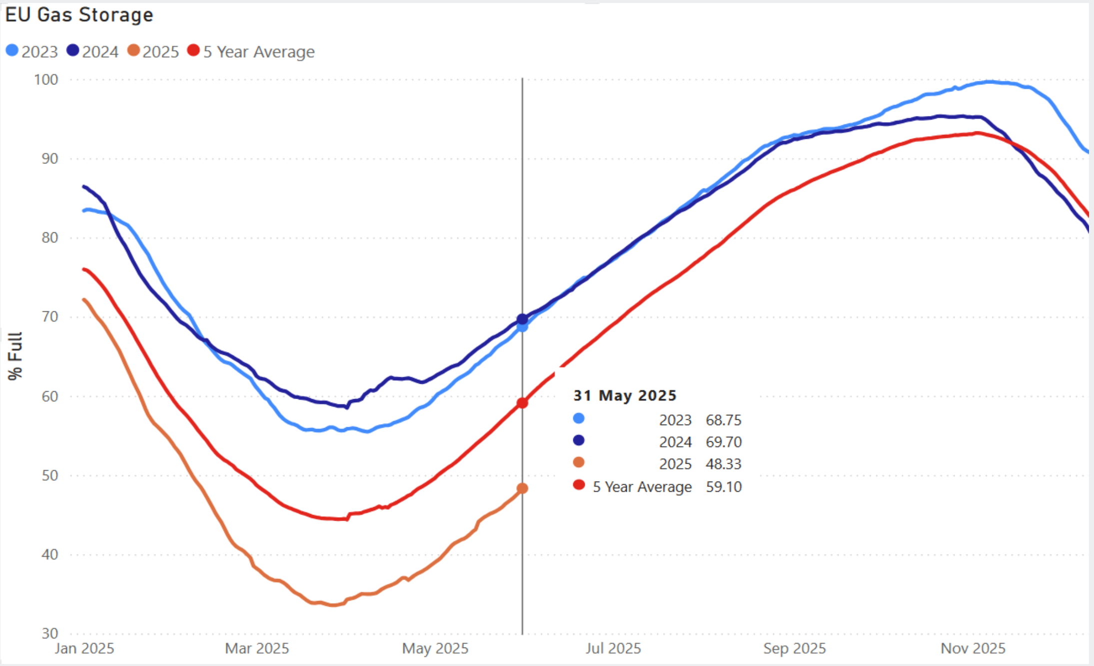
EU gas storage watch

Following concern from EU member states, most notably France and Germany, that mandated gas storage targets were causing excessive price pressure, the European Commission presented a legislative proposal in March to reduce the 1 November storage target from 90 to 83%. The proposal added further flexibility that could enable countries to fill to as low as 75% in certain circumstances.

In May the EU Parliament voted in favour of the proposal, allowing member states to meet the lower target between 1 October and 1 December each year. In addition, it was agreed that countries would "refrain from storing gas of Russian origin". It was also agreed that the current refilling rules be extended until 2027.

EU gas in store currently sits at 48% full. This compares with c.70% at the corresponding period in each of the past two years. Based on the current storage target level, injections will need to total 2 bcm (billion cubic metres) per week for the balance of summer. Meeting this level is likely to be challenging in June as we enter the annual Norwegian maintenance period.



EU gas storage level – 31 May – 48%

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