November 2024

Energy overview

Your monthly report featuring market updates and weather review

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Monthly Report – November 2024

Market Update: Power

Review

A dull, cool and still start to November pushed UK clean spark* levels above an average of £8/MWh, with the peak day at nearly £34/MWh, as low wind output drove system tightness. The back half of the month saw a reversal as the clean spark was on average -£9/MWh, with wind output lifting and an end to French interconnector constraints.

Tightness on the prompt in European markets continued to proliferate further down the curve; extreme pricing events in Germany saw day-ahead hourly prices spike above €800/MWh, coinciding with German wind generation dropping to historical lows.

The recent cold spell, especially on the continent, has served to highlight the scale of ongoing demand destruction. Even though there have been signs of a recovery in year-to-date, demand only returned to the five-year average during the cold spell.

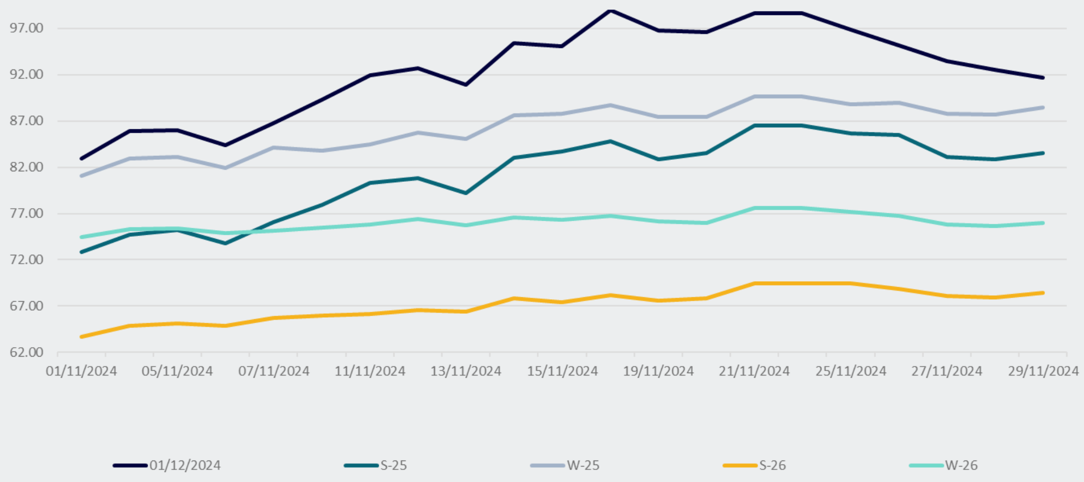
Outlook

There’s potential for an initial change in weather pattern with a return to wet and windy weather set to increase renewables output.

*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.

Check out our glossary of energy trading terms for more handy explanations.

Baseload Power



Power Bld (£/MWh)	1-Nov-24	30-Nov-24	Change	% Change
Dec-24	75.00	91.66	16.66	18%
Summer 25	72.87	83.52	10.65	13%
Winter 25	81.08	88.43	7.35	8%
Summer 26	63.71	68.46	4.75	7%
Winter 26	74.50	76.00	1.51	2%

High	Low	Average
99.02	82.94	92.42
86.49	72.87	81.07
89.65	81.08	86.30
69.49	63.71	67.14
77.59	74.50	76.05

Market Update: Gas

Review

November was a volatile month in gas markets across Europe, as the first winter test of the energy system was prompted by cold temperatures, low wind and cloud cover limiting renewables output. The result was increased gas demand for power generation.

Storage withdrawals ramped up to meet demand, with withdrawals of 2.7bcm over the coldest week. EU storage inventory now sits at 84.9bcm in store, 9.4bcm behind last year and 1.6bcm behind the five-year average.

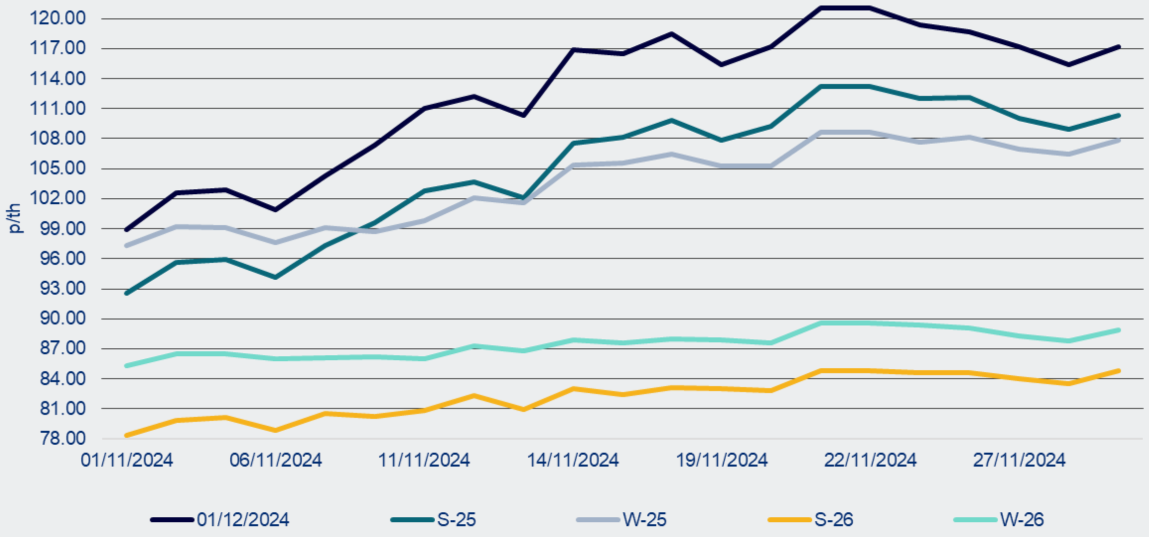
Under the EU mandates attached to European gas storage, this is causing participants to aggressively purchase summer deliveries as gas is withdrawn, to ensure stocks can rebuild ahead of next winter. As a result, this has seen the price of Summer 2025 gas trade at a premium to the Winter 2025 contract.

European prices are now above those in the Far East, and the number of liquid natural gas (LNG) vessels heading to Europe is slowly increasing.

Outlook

Storm Darragh could delay the arrival of several shipments at Milford Haven and South Hook LNG terminals over the weekend.

NBP Gas



Gas NBP (p/th)	1-Nov-24	30-Nov-24	Change	% Change
Dec-24	98.90	117.20	18.30	16%
Summer 25	92.60	110.30	17.70	16%
Winter 25	97.30	107.80	10.50	10%
Summer 26	78.40	84.80	6.40	8%
Winter 26	85.30	88.90	3.60	4%

High	Low	Average
121.05	98.90	112.61
113.20	92.60	105.04
108.65	97.30	103.66
84.80	78.40	82.26
89.55	85.30	87.53

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Market Update: Oil

Review

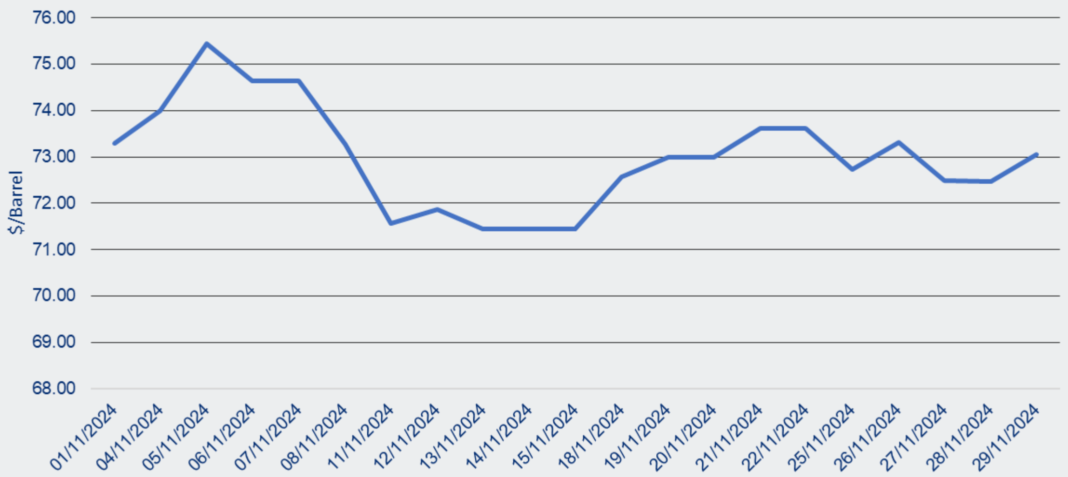
In the run-up to the US presidential election, crude prices lifted over $2, before retreating as it was announced Donald Trump would return for a second term. The potential for higher US domestic production, and the potential imposition of tariffs, could limit global exports, introducing a bearish tone to the market.

The fundamentals continue to be dominated by China. The latest International Energy Agency (IEA) forecast indicates a 2025 surplus of more than 1mmbbl/d, in no small part driven by prolonged Chinese economic woes. This despite recent retail sales data that has indicated some stabilisation following China's latest economic stimulus package. However, Chinese oil demand for October 2024 shows a 5.4% year-on-year decline, above the 4% year-to-date average decline.

Outlook

OPEC+ member nations are set to meet in early December, and are expected to push back plans to decrease production cuts for a third time.

Front Month Brent



Brent ($/Barrel)	1-Nov-24	30-Nov-24	Change	% Change
Front Month	73.29	73.04	-0.25	0%

High	Low	Average
75.45	71.45	72.99

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Market Update: Carbon

Review

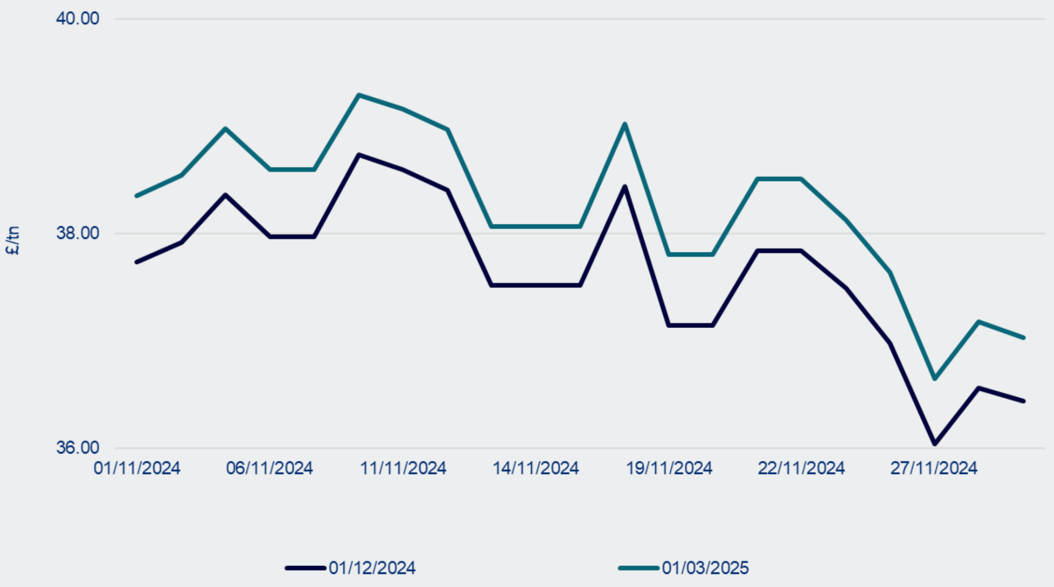
The output from COP29, the United Nations Climate Change Conference in Baku, had little immediate effect on the carbon market.

The Prime Minister, Keir Starmer, outlined the UK's commitment to an 81% reduction in greenhouse gas emissions by 2035 vs 1990 levels, without detailing anything material to UK Emissions Trading System (ETS) balances. The market continues to await clarifications on any linkage to EU ETS.

Outlook

The UK Government has opened consultation until January covering the potential expansion of the UK ETS to include the maritime sector. The proposed intention in expanding the scheme to cover non-pipeline transport of carbon dioxide (CO_2) is to encourage further investment in clean technologies.

Carbon UKA



Carbon (£/ton)	1-Nov-24	30-Nov-24	Change	% Change
Dec-24	37.73	36.44	-1.29	-4%
Mar-25	38.35	37.03	-1.32	-4%

High	Low	Average
38.73	36.03	37.62
39.29	36.65	38.23

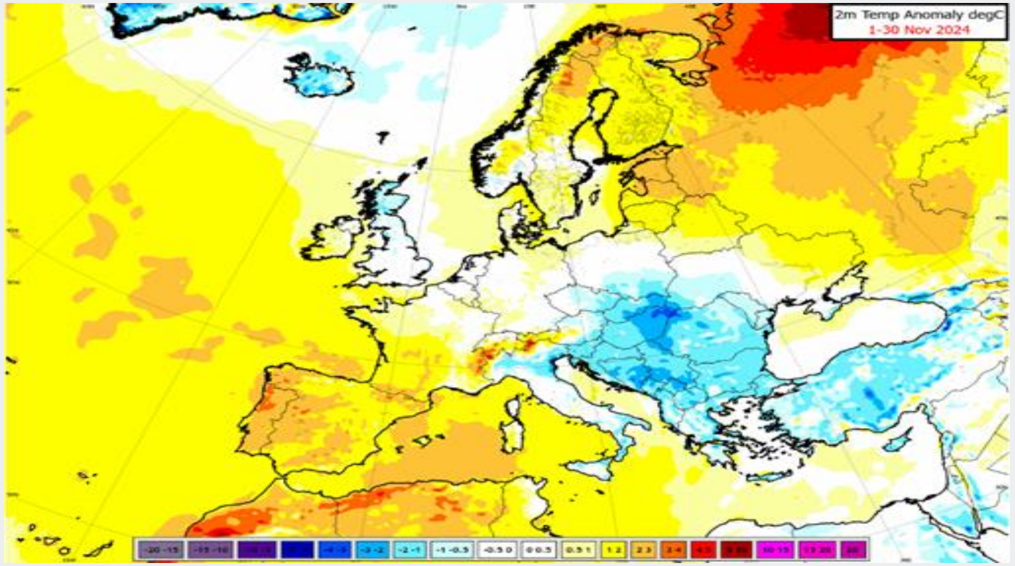
Weather review

Review

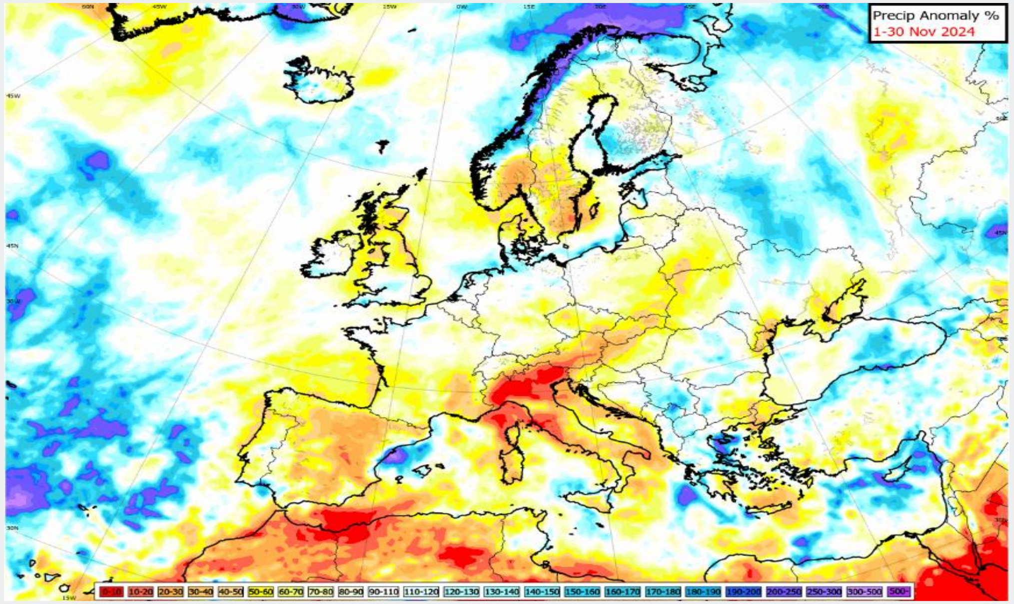
November was very much a month of two halves. The month started off exceptionally dull (meteorologically speaking) with a thick blanket of stratus cloud and high pressure covering much of the UK, keeping temperatures a little colder than normal, but also reducing winds and sunshine significantly. In London, zero sunshine hours were recorded between the 1st and the 17th! This is referred to by the Germans as a “dunkelflaute” or “dark doldrums”, essentially a period of higher demand coupled with very poor renewable generation. Initially we were thinking wetter, windier and milder weather would become the norm quicker, but it held off until after the 20th with the arrival of Storm Bert. As a result, November generally was a month of poor solar, wind and rainfall numbers, with temperatures a touch below normal in Scotland and near-normal elsewhere.

Outlook

December is proving to be a bit more changeable, with some stormy weather (including Storm Darragh) initially getting broken up by a brief period of high pressure with lower wind and dry and cool weather. There is some potential for another dunkelflaute event in early December, but it shouldn’t last for two full weeks like November’s did. We’re expecting some additional wet, stormy weather through mid-month as well, with the Christmas holiday period potentially seeing more high pressure leading to some drier, colder weather across northern Europe. The cold spells don’t look like they will be significantly cold, just a few degrees below normal, so it’s likely the warm spells this week and mid-month will drag up the monthly temperature average to near-normal or slightly above. In short, we expect changeable weather patterns week-to-week, but it’s definitely feeling like winter.



Temperature anomaly



Precipitation anomaly

Monthly Report – November 2024

Market Theme: NESO Winter Outlook

The National Energy System Operator (NESO) has published its Winter Outlook, assessing security of supply for Britain's electricity systems, with margins this winter expected to be adequate.

The de-rated margin* forecast is 5.2GW (representing 8.8% of peak average cold spell demand).

The expected margin for this winter is higher than last year, which saw a forecast of 4.4GW (7.4%).

This represents the highest forecast since 2019/20 and is broadly in line with recent winters. This assessment for Winter 2024/25 assumes a peak average cold spell demand of 59.8 GW, including operating reserve.

The higher year-on-year margin is driven by new interconnection, growth in battery storage capacity, and an increase in generation connected to the distribution networks. This combines to more than offset generation lost following retirements of existing plant, including the recent closure of Ratcliffe-on-Soar, the UK's last coal-fired power station.

*De-rated margin: measures the amount of excess supply above peak demand. De-rating means that the supply is adjusted to take account of the availability of plant, specific to each type of generation technology.

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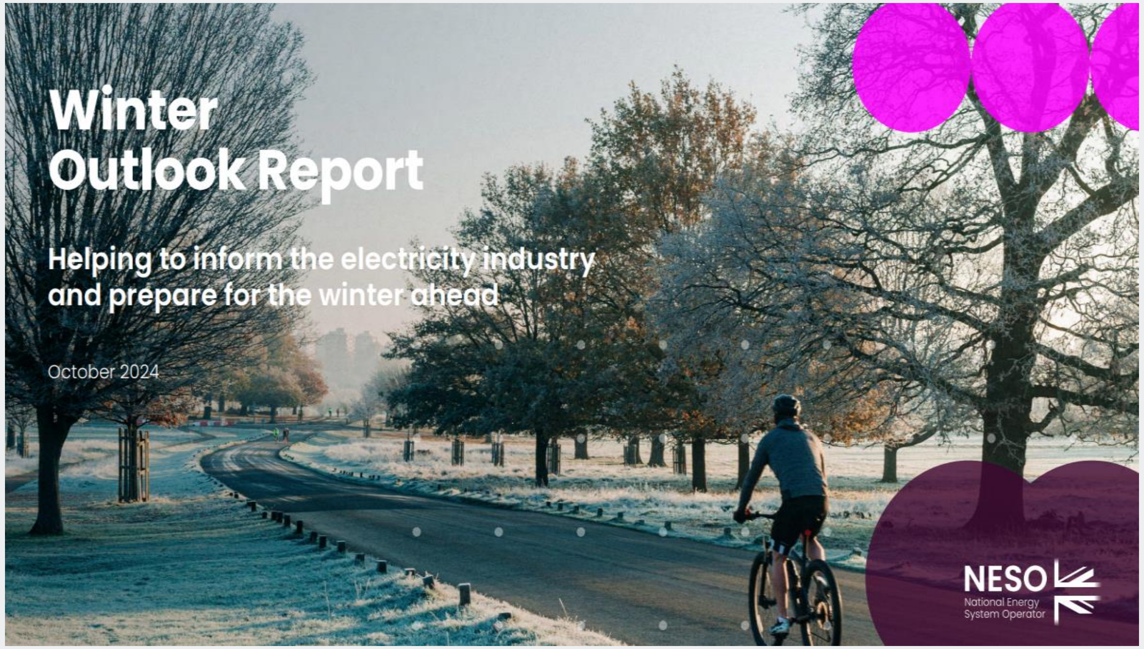

5.2 GW – forecast de-rated margin Winter 24/25

26% increase compared to 2023/24 forecast

Winter Outlook | National Energy System Operator

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