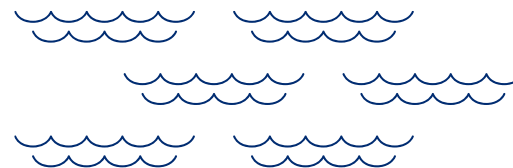
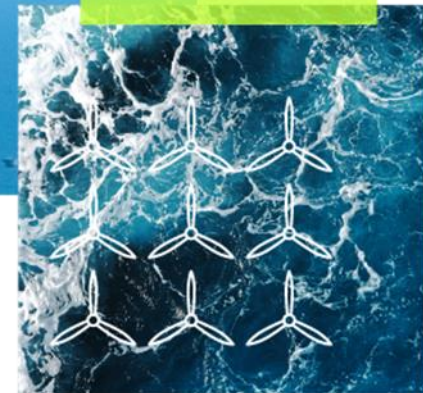
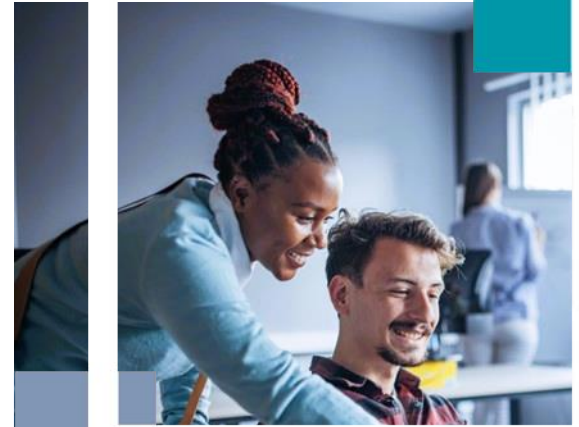


June 2024

# Energy overview

Your monthly report featuring market updates  
and weather review





# Market Update: Power

## Review

The June Clean Spark Spread\* outturned at c.-£12/MWh, reflecting a month which saw winds at or near seasonal normal and strong interconnector imports into the UK.

Over the month the UK received a June record of 4.6GW net import boosted by significant solar output across the peak, driven by the increasing solar capacity in North West Europe and an increase in continental wind generation, most notably in Germany.

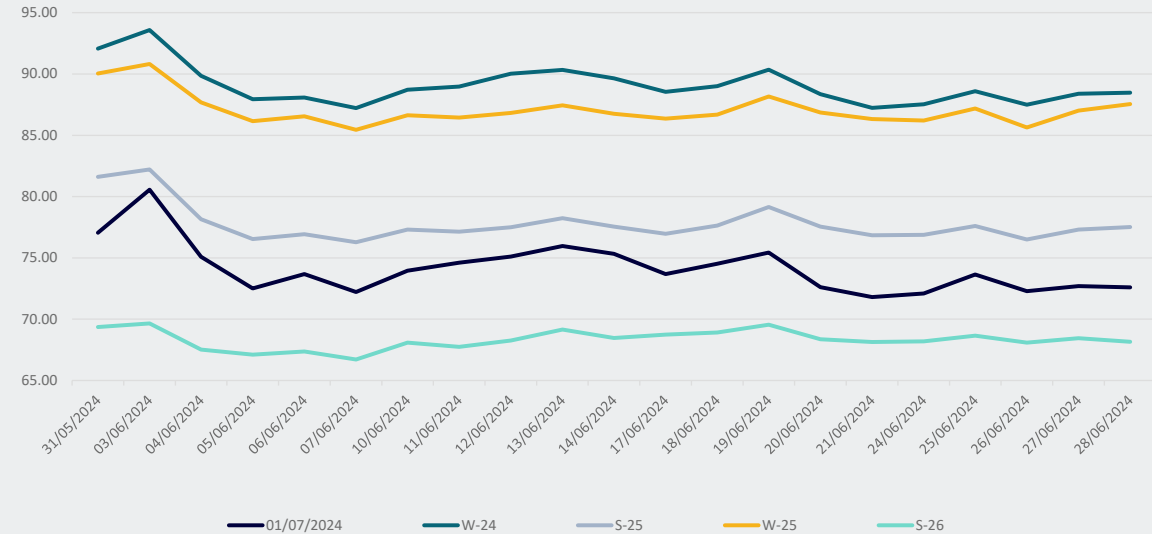
Power demands, adjusted for weather, in GB and across North West Europe remain subdued, reflecting the continued economic weakness across the region.

## Outlook

Warmer temperatures are forecast across North West Europe into July, but no imminent threat of heatwave.

\*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)	31-May-24	26-Jun-24	Change	% Change	High	Low	Average
Jul-24	77.05	72.59	↓ -4.46	↓ -6%	80.56	71.81	74.17
Winter 24	92.08	88.47	↓ -3.61	↓ -4%	93.59	87.23	89.07
Summer 25	81.61	77.53	↓ -4.08	↓ -5%	82.21	76.29	77.78
Winter 25	90.04	87.54	↓ -2.50	↓ -3%	90.82	85.45	87.09
Summer 26	69.35	68.16	↓ -1.19	↓ -2%	69.65	66.71	68.32



# Market Update: Gas

## Review

June began in volatile fashion with tight EU gas systems corresponding with low renewable output, reduced gas storage injections and low LNG sendout.

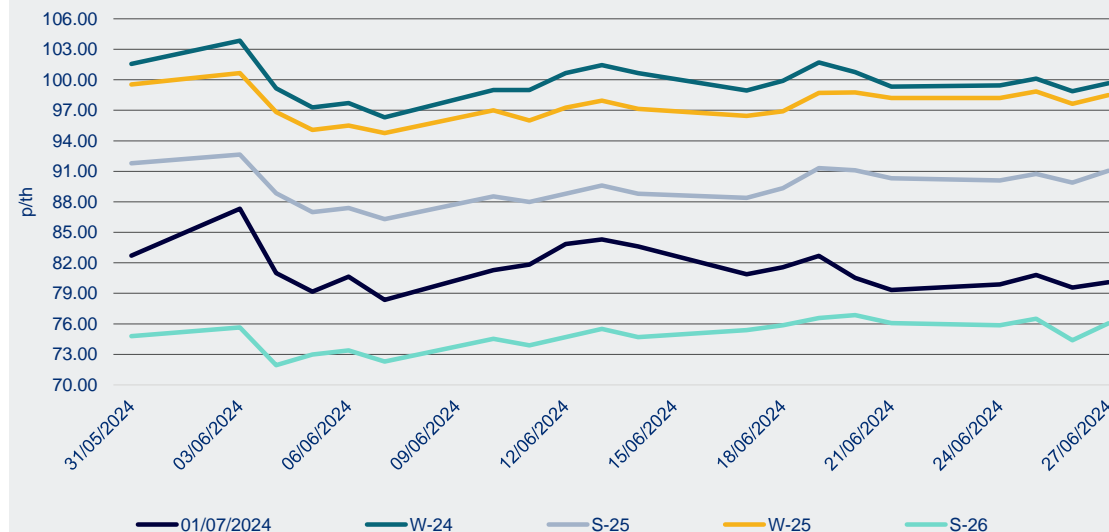
An unplanned outage then halted flows through the Langeled pipeline, following the discovery of a crack in the pipeline serving the Nyhamna gas processing plant. The outage was short-lived, but nonetheless again demonstrated that the gas market remains sensitive to any supply shocks.

This sensitivity is feeding through to the curve, especially the next two winter seasons. Both Winter 24 and 25 are trading at a significant premium to any other period on the curve, representing the risk presented by competition for LNG supply between Asia and Europe, ongoing geopolitical tensions, EU storage mandated levels and weather risk.

## Outlook

Asian LNG demand remains strong owing to a heatwave, which is set to end imminently. 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.

### NBP Gas



Gas NBP (p/th)	31-May-24	26-Jun-24	Change	% Change	High	Low	Average
Jul-24	82.71	79.18	↓ -3.54	↓ -4%	87.32	78.36	81.36
Winter 24	101.55	99.60	↓ -1.95	↓ -2%	103.85	96.30	99.75
Summer 25	91.80	91.25	↓ -0.55	↓ -1%	92.65	86.30	89.58
Winter 25	99.55	99.05	↓ -0.50	↓ -1%	100.65	94.75	97.57
Summer 26	74.80	76.25	↑ 1.45	↑ 2%	76.85	71.95	74.96



# Market Update: Oil

## Review

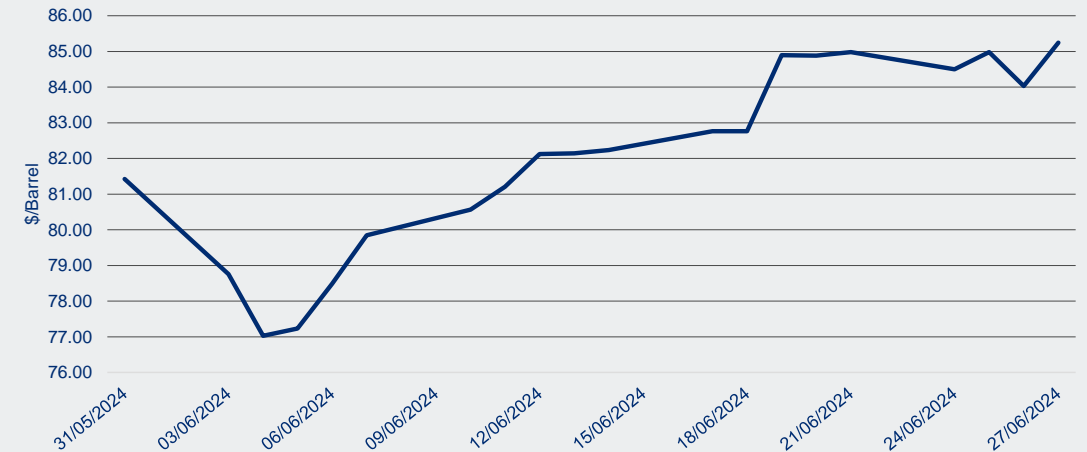
June was a bullish month for the oil markets as front month Brent Crude lifted back above \$80. At current levels (mid \$80s) there is a growing consensus that Saudi Arabia and the wider OPEC+ group are starting to become comfortable at these levels, which may indicate that further supply cuts will be less likely.

The fundamental outlook is supporting the bullishness, despite a build in US crude stocks in recent weeks. This is evidenced by fuel demands lifting above expectations to near record levels. With the start of the holiday season demand for jet fuel has returned to levels last seen in 2019. Demand for motor fuel is also surging as the summer driving season nears its peak.

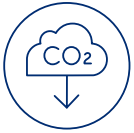
## Outlook

Expectation of an interest rate cut by the US Federal Reserve before the start of Q4 may add further support to prices in the near term.

### Front Month Brent



Brent (\$/Barrel)	31-May-24	26-Jun-24	Change	% Change	High	Low	Average
Front Month	81.425	84.71	↑ 3.29	↑ 4%	85.25	77.03	82.13



# Market Update: Carbon

## Review

The UK General Election has exerted influence over the carbon markets this past month.

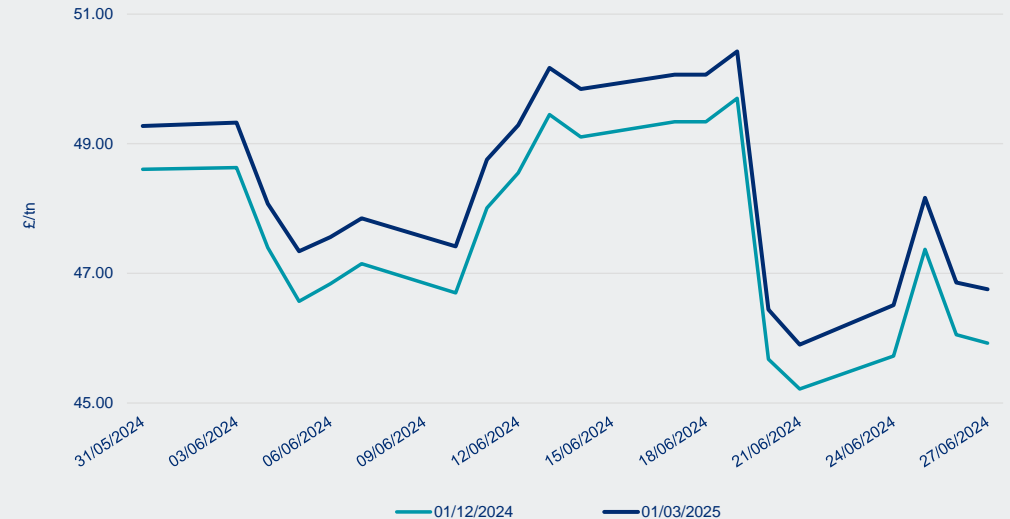
As Labour surged ahead in the polls, attention fell on the pledge to create a new investment vehicle, GB Energy, and the recently released manifesto also pledging the acceleration of solar and wind development ahead of current forecasts to fulfil the aim of a net zero UK grid by 2030. Labour have also stated support for a carbon border adjustment mechanism (CBAM), reaffirming expectations of UK Emissions Trading Scheme (ETS) alignment with the EU.

In contrast, the success of right-leaning parties in recent European Parliament elections has uncertain implications for national governments, with France the latest to go to the polls on 30 June and 7 July. This has prompted selling interest in EU carbon Allowances (EUAs).

## Outlook

Political risk is set to continue to be a key driver of the market, with the outcome of the UK election on 4 July determining the direction of travel for both the UK ETS and UK energy policy more widely.

### Carbon UKA



Carbon (£/ton)	31-May-24	26-Jun-24	Change	% Change	High	Low	Average
Dec-24	48.61	46.11	↓ -2.50	↓ -5%	49.70	45.21	47.50
Mar-25	49.27	46.94	↓ -2.33	↓ -5%	50.43	45.90	48.24



## Weather review

### Review

June's large-scale weather pattern generally fluctuated between low pressure centred directly over the British Isles, or ridges of higher pressure extending out from the East Atlantic into Southern GB.

This led to a dry, cool, and sunny month relative to the UK's long-term average. It was a month of contrasts, with a cool first half offset by a warmer end to the month. Rainfall was also in relatively short supply, especially in the south.

June was drier than average, with the UK recording 29% less rainfall than the long-term meteorological average; it saw 55.1mm recorded across the month.

Higher winds were heavily focused in Scotland, whilst England felt the effects of high pressure ridges much more frequently, resulting in wind power production monthly averages of 132% and 70% of seasonal normal (from Meteologica data), respectively.

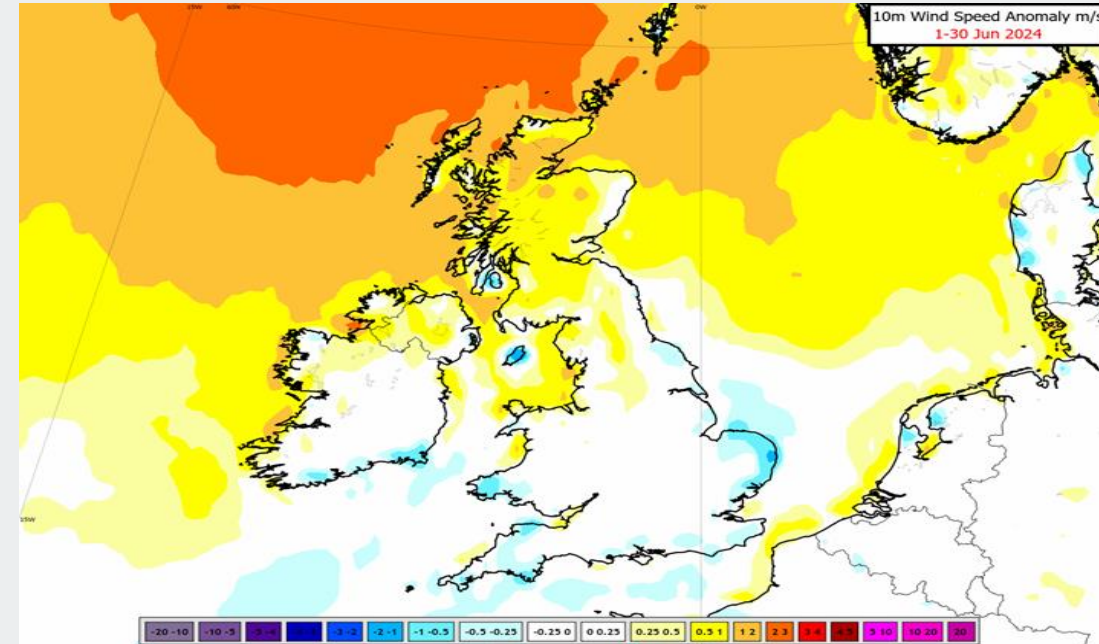
### Outlook

For July, the background signal is for a continuation of June's weather pattern, with near/slightly above average wind, rain, cloud and below normal temperatures.

For the week ahead (week 28), however, a brief spell of drier, warmer, calmer weather is expected in C/W Europe and to a lesser extent the British Isles.

The main risk is for the week 28 weather to become more prolonged or reappear later in the month.

In addition, with the ongoing Category 5 Hurricane Beryl, this represents the increase in Atlantic tropical activity which is always a big factor in reducing confidence for European summer.



Wind speed anomaly

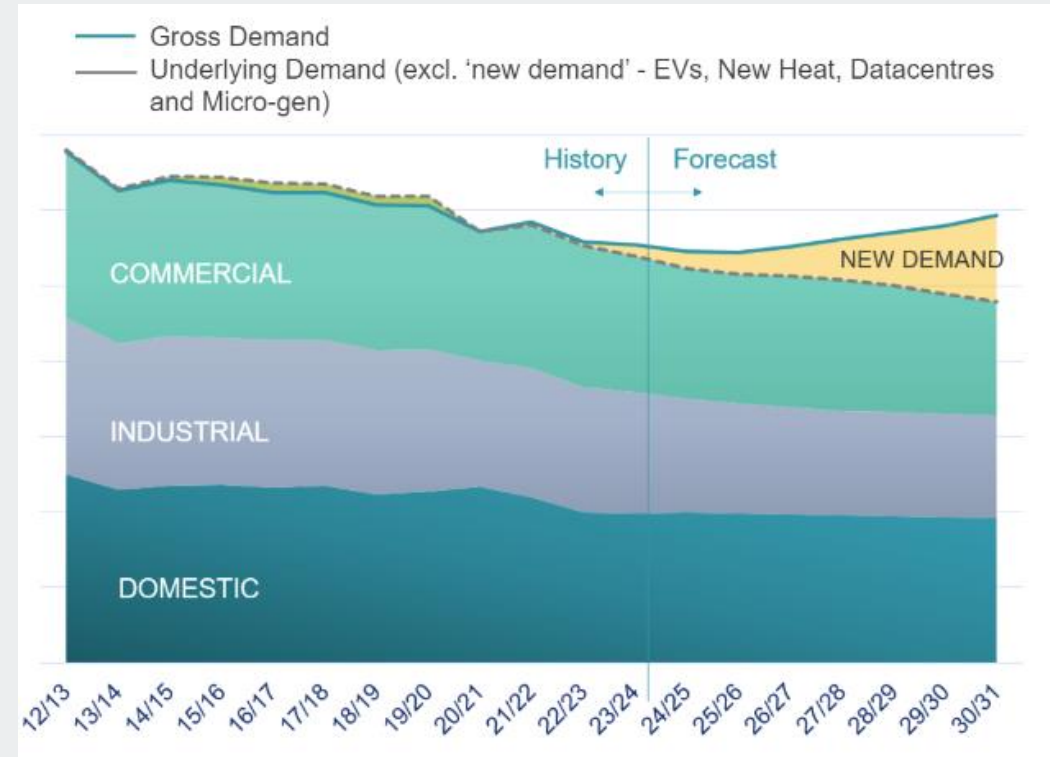


# Market Theme: GB Power Demands – Trend and Outlook

Our Energy Economics team have been undertaking analysis of the potential future power demand trend in GB.

Their analysis shows that despite demand falling from pre-Covid levels, prompted by improved energy efficiency, de-industrialisation and ongoing economic challenges, from financial year 25/26 onwards demand growth may begin to increase.

This can be attributed to the expected “new demand” from an increase in electric vehicles (EV), the move away from gas to electricity for heating, an increasing number of high-power-consuming data centres and the development of micro-generation.



**GB power demand growth expected 25/26 onwards**

**Electrification mitigating underlying demand drop**

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