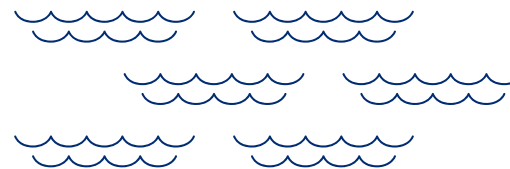
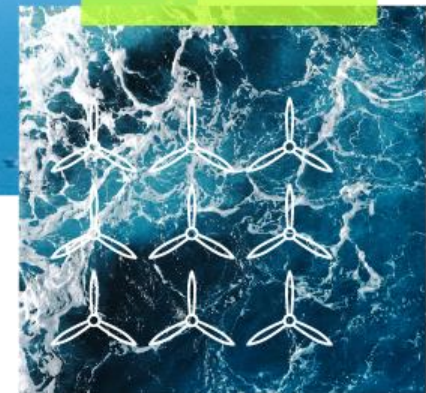


March 2024

Energy overview

Your monthly report featuring market updates and weather review





Market Update: Power

Review

The month began with below average wind and temperatures, increasing the demand for gas-fired generation. A return to windier and milder conditions for most of the month saw the March clean spark spread* outturn at -£6.80. In a continuation of the recent trend, low weekend demand coupled with high renewables saw a low of -£58 recorded on 23 March.

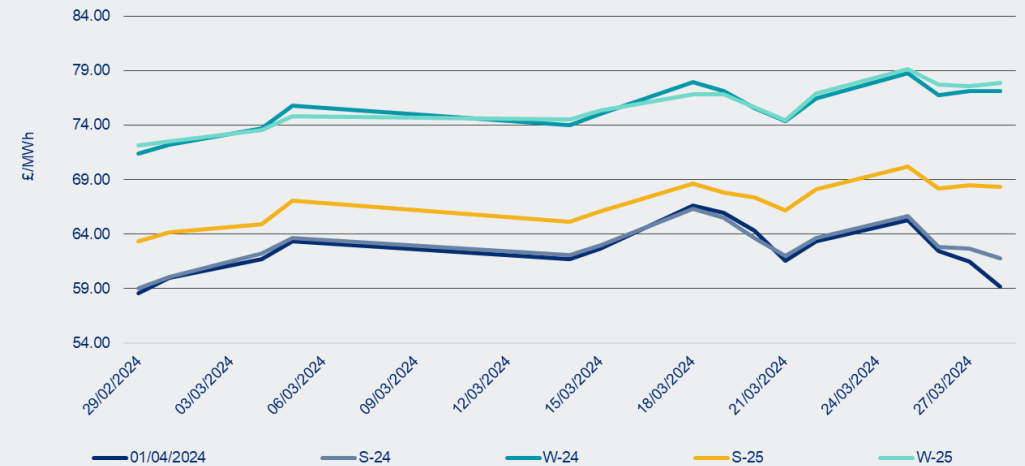
On the curve, there was a clear split between April and summer, with the front month price down 1.3% over the course of the month; conversely the season contract increased by nearly 3%. The bearishness for April was attributed to anticipation of increased wind output combined with falling French prices. For the balance of the summer, uncertainty around weather and continental hydro levels below normal added a risk premium.

Outlook

The market is anticipating an increase in renewable plant coming online in the UK and on the continent this summer, notably solar. French nuclear availability is higher than at this point last year.

*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 Bid (£/MWh)	1-Mar-24	28-Mar-24	Change	% Change	High	Low	Average
Apr-24	59.98	59.18	↓ -0.8	↓ -1.3%	66.59	58.58	62.54
Summer 24	60.07	61.76	↑ 1.7	↑ 2.7%	66.29	58.98	62.93
Winter 24	72.21	77.14	↑ 4.9	↑ 6.4%	78.77	71.42	75.56
Summer 25	64.17	68.35	↑ 4.2	↑ 6.1%	70.20	63.31	66.93
Winter 25	72.51	77.89	↑ 5.4	↑ 6.9%	79.13	72.12	75.73



Market Update: Gas

Review

A volatile month for both prompt and curve markets.

Early in the month, with global prices sitting at their lowest level for three years, LNG cargoes were heading east with increased spot buying interest from Asia, as gas became more attractive than both coal and oil for power burn.

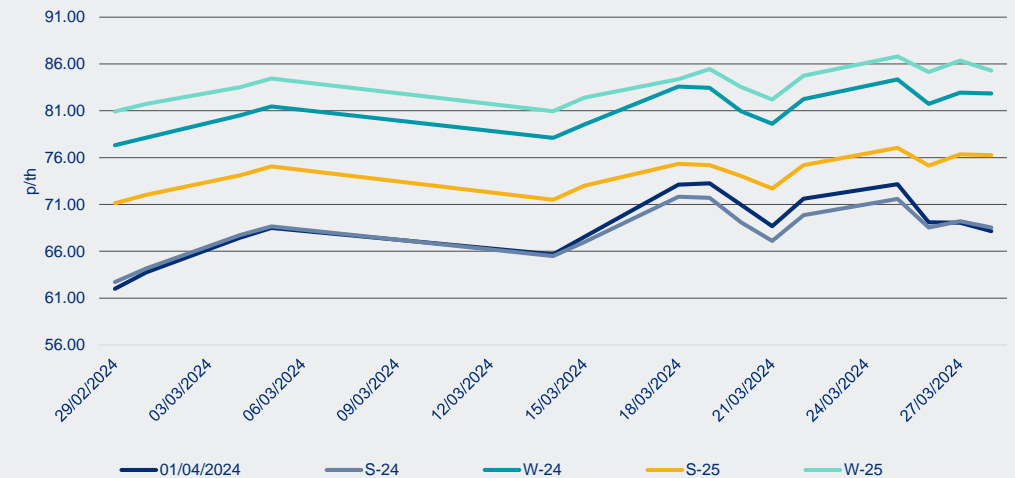
By mid-month, European prices lifted, as winds dropped and demand for CCGT generation increased. This attracted additional LNG cargoes into the UK and northwest Europe at the expense of Asia.

Towards the end of the month, increased wind output and higher temperatures began to curb UK prompt demand.

Outlook

Lower gas demand is forecast, with above average wind output forecast across northwest Europe in early April.

NBP Gas



Gas NBP (p/th)	1-Mar-24	28-Mar-24	Change	% Change	High	Low	Average
Apr-24	63.76	68.16	↑ 4.4	↑ 6.5%	73.25	62.00	68.80
Summer 24	64.18	68.55	↑ 4.4	↑ 6.4%	71.83	62.72	68.22
Winter 24	78.13	82.85	↑ 4.7	↑ 5.7%	84.35	77.32	81.12
Summer 25	72.03	76.25	↑ 4.2	↑ 5.5%	77.05	71.12	74.27
Winter 25	81.73	85.30	↑ 3.6	↑ 4.2%	86.80	80.92	83.86



Market Update: Oil

Review

An escalation of Houthi attacks on shipping in the Red Sea set a bullish tone, with Brent Crude breaking out of the \$77-82/bbl trading range during March.

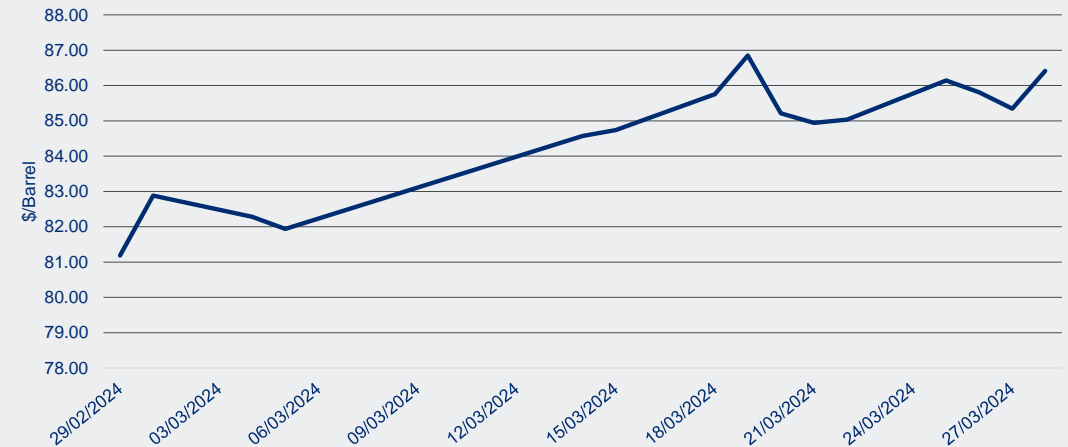
An International Energy Agency (IEA) report that updated their forecast to a supply deficit for the remainder of 2024, reversing their early forecast of a surplus, added to the bullishness. Potential for stronger US economic output, coupled with increased fuel demand owing to vessels taking longer routes to avoid the Red Sea, were cited as the main reasons for the U-turn.

The forecast also assumes that the 2.2m/bbl of voluntary OPEC+ supply cuts will carry forward into the second half of the year. However, this will not be determined until OPEC+ meet on 1 June.

Outlook

Ongoing Middle East tensions and increasing demand are likely to continue to influence the market.

Front Month Brent



Brent (\$/Barrel)	1-Mar-24	28-Mar-24	Change	% Change	High	Low	Average
Front Month	82.88	86.41	↑ 3.5	↑ 4.1%	86.85	81.18	84.61



Market Update: Carbon

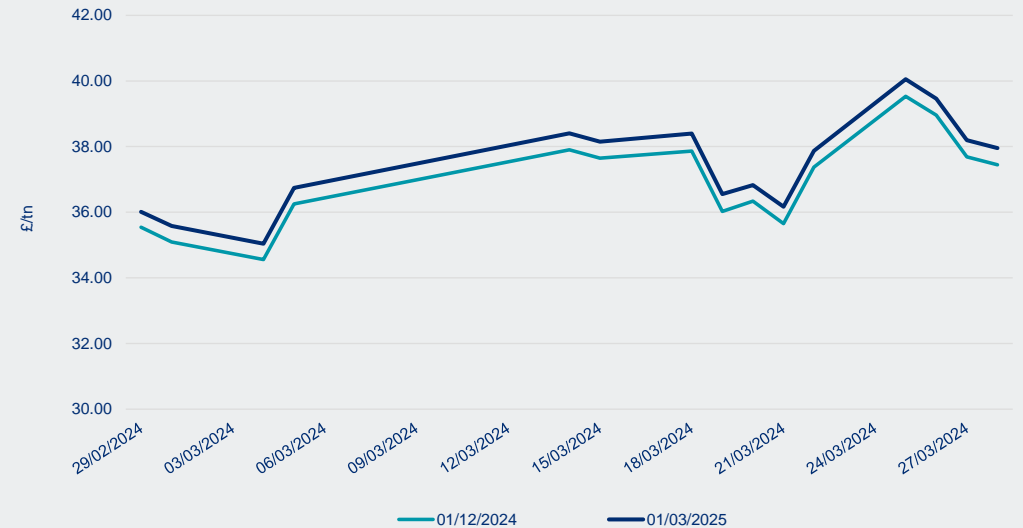
Review

A strong gas market helped to lift carbon prices, with the main UKA contract prices increasing by over 6% during the month. In addition, the 30 April compliance deadline is looming, which led to increase buying activity.

Outlook

Volatility is expected to continue into the second half of 2024, as the market awaits policy developments by the UK Government in response to a closed consultation. This is likely to be influenced by the timing of the general election.

Carbon UKA



Carbon (£/ton)	1-Mar-24	28-Mar-24	Change	% Change	High	Low	Average
Dec-24	35.09	37.45	↑ 2.4	↑ 6.3%	39.53	34.56	36.92
Mar-25	35.58	37.96	↑ 2.4	↑ 6.3%	40.05	35.04	37.43



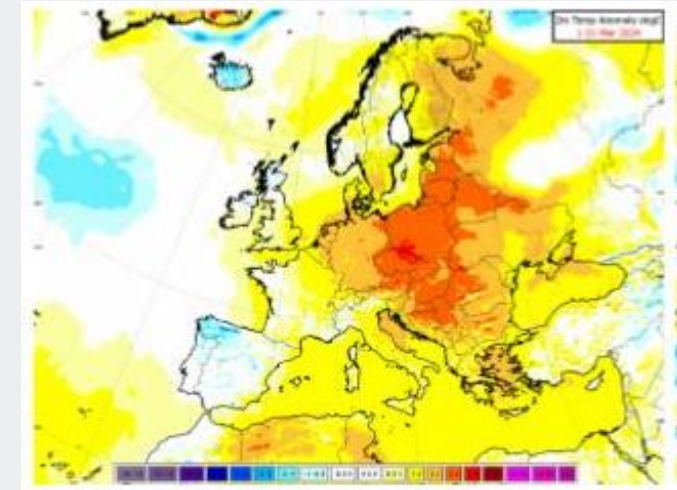
Weather review

Review

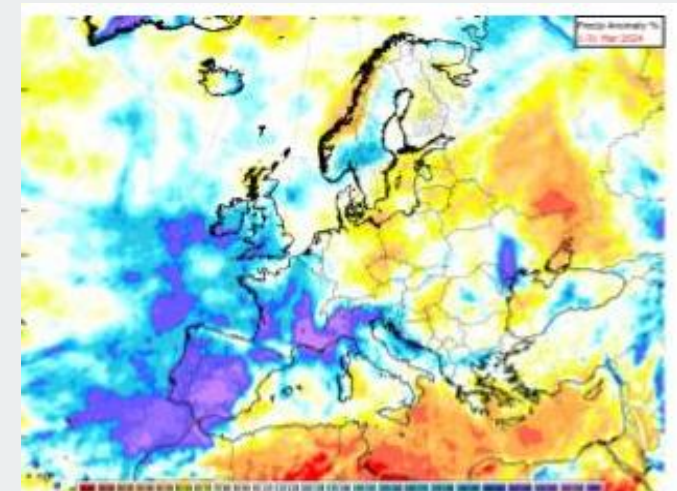
March was another mild and wet month for much of western Europe, including the UK. Low pressure was often nearby to the west of the continent, and this kept south-westerly winds and plenty of rain pumping in from the Atlantic. Early in the month, it was drier for Scotland, as low pressure systems and rain were deflected to the south. This changed around the middle of the month, as high pressure north of Europe weakened and retreated over the Arctic, allowing the jet stream to wobble northward and send rain bands into Scotland as well. Aside from the odd cold spell, 27 out of the 31 days of March saw daily temperatures above normal for the UK, while in Scotland it was 23 out of 31 days – this is likely to be a theme for spring 2024.

Outlook

April's outlook has seen the long-range models beginning to converge on a pattern that broadly agrees with some historical analogues, so confidence is improving from low up to medium probability. Early April is looking unsettled, with roughly a 10-day period of low pressure systems and above average rain and winds. An unusually intense cyclone for spring is likely the first weekend of the month, which is comparable to something we'd typically only see in wintertime. From mid-month onward, high pressure looks to creep back in from the Arctic, after retreating there in mid-March. As April goes on, the weather should turn increasingly settled, drier and calmer, making for a month of two halves. One consistent signal throughout the entire month though is warmth. Another warmer-than-normal month is on the cards, with most days likely to come in above the seasonal average for daily temperatures, similar to what we saw in March.



Temperature anomalies



Precipitation anomalies



Market Theme: EU Gas Storage

Winter is over, in energy terms at least!

The heating season has ended with gas in storage across the EU at a record 58% full.

For reference, the EU has approximately 102 billion cubic metres (bcm) of operational storage capacity. At the start of the winter (1 November) storage was at 99%. Currently there is approximately 57bcm in store, some 3.1bcm more than the corresponding point last year.

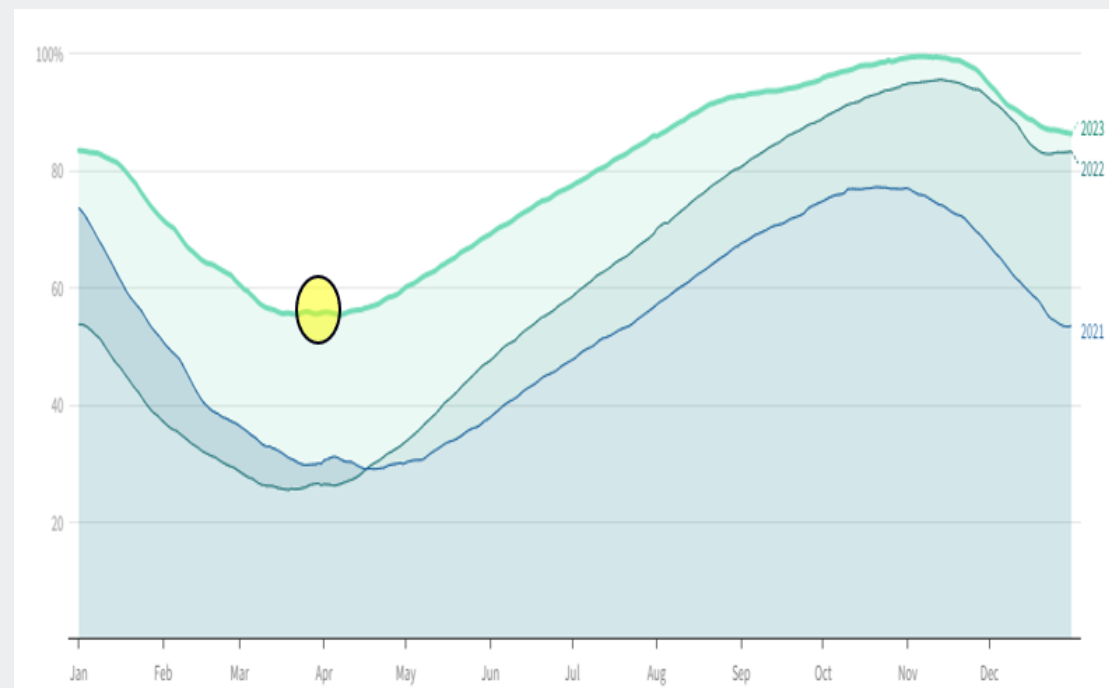
There are two main reasons why storage is at record levels for the end of this winter.

Firstly, the season was benign across Europe with an absence of any significant cold spell, with low demand for domestic heating and high renewables output curtailing the demand for gas for power stations.

Secondly, as part of the EU's response to the Russia – Ukraine conflict in 2022, a regulation was adopted to increase security of supply that required all underground gas storage across member states to be at least 80% full prior to the start of winter in that year. This was raised to 90% in subsequent years.

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EU Gas Storage % Level



58% – EU gas in store level 31 March

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