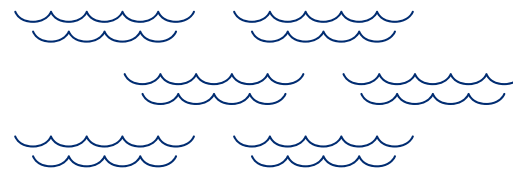
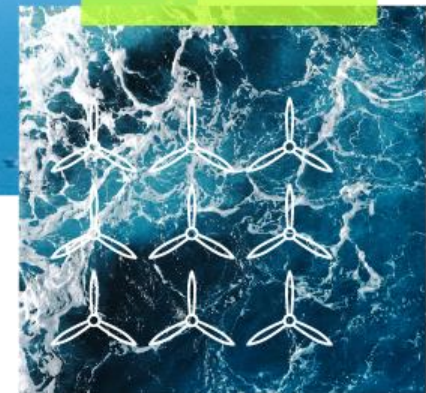


February 2024

Energy overview

Your monthly report featuring market updates
and weather review





Market Update: Power

Review

February was a bearish month for power prices as prompt and curve alike continued the softening trend. Despite UK wind output at only 90% of the seasonal average, clean spark spreads* remained benign (see Market Theme on page 7). Healthy interconnector imports filled the gaps and overall demand continued to be below average.

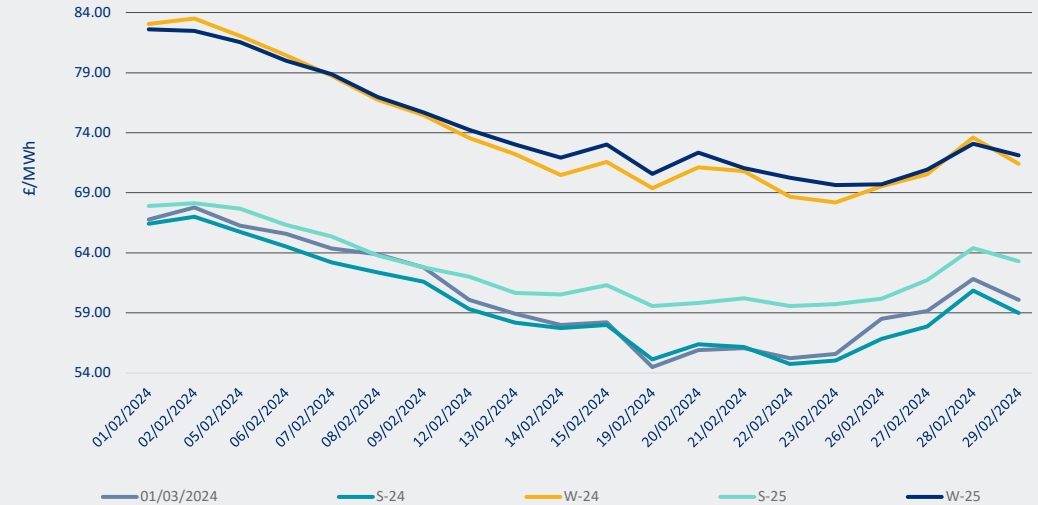
On the continent, European hydro stocks remain buoyant and sit well above the five-year average.

Outlook

As we move into March, there's little sign of any fundamental change, with temperatures continuing to be above seasonal normal and wind near normal. One point to note: March contains five weekends and Good Friday which may weaken demand further.

*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-Feb-24	29-Feb-24	Change	% Change	High	Low	Average
Mar-24	66.77	60.07	↓ -6.7	↓ -11.2%	67.77	54.50	60.47
Summer 24	66.43	58.98	↓ -7.5	↓ -12.6%	66.99	54.75	59.80
Winter 24	83.07	71.42	↓ -11.6	↓ -16.3%	83.49	68.18	74.05
Summer 25	67.89	63.31	↓ -4.6	↓ -7.2%	68.13	59.57	62.75
Winter 25	82.61	72.12	↓ -10.5	↓ -14.5%	82.61	69.64	74.50



Market Update: Gas

Review

For the majority of February, gas prices continued a slide that began when the short-lived cold spell early in the new year ended, with prompt prices down by over 25%. Similar reductions have been seen in the near months and front two seasons. Prices are currently trading at their lowest level in over three years. Q1 has so far out-turned benignly, with above-average temperatures and renewable production curtailing demand for heating and thermal generation.

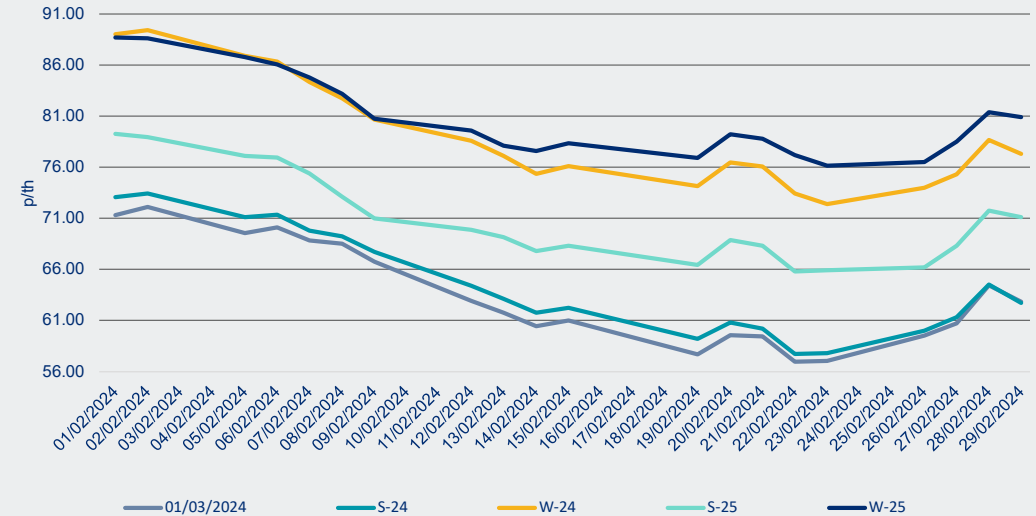
The Chinese New Year signalled a reduction in Asian LNG demand; conversely, more cargoes have flowed into Europe.

Late in the month, in the absence of any major change in the fundamental picture, albeit with a forecast for a short-lived dip in temperatures and below-average wind, prices rebounded slightly from the lows.

Outlook

As winter ends, EU storage levels are set to end the season ahead of last year’s position (currently at around 62% capacity). Focus will then turn to the cycle of building inventories through the summer to hit mandated targets ahead of next winter.

NBP Gas



Gas NBP (p/th)	1-Feb-24	29-Feb-24	Change	% Change	High	Low	Average
Mar-24	71.30	62.85	↓ -8.5	↓ -13.4%	72.10	56.95	63.58
Summer 24	73.05	62.72	↓ -10.3	↓ -16.5%	73.45	57.72	64.57
Winter 24	89.01	77.32	↓ -11.7	↓ -15.1%	89.41	72.40	79.22
Summer 25	79.25	71.12	↓ -8.1	↓ -11.4%	79.25	65.82	70.98
Winter 25	88.71	80.92	↓ -7.8	↓ -9.6%	88.71	76.15	80.91



Market Update: Oil

Review

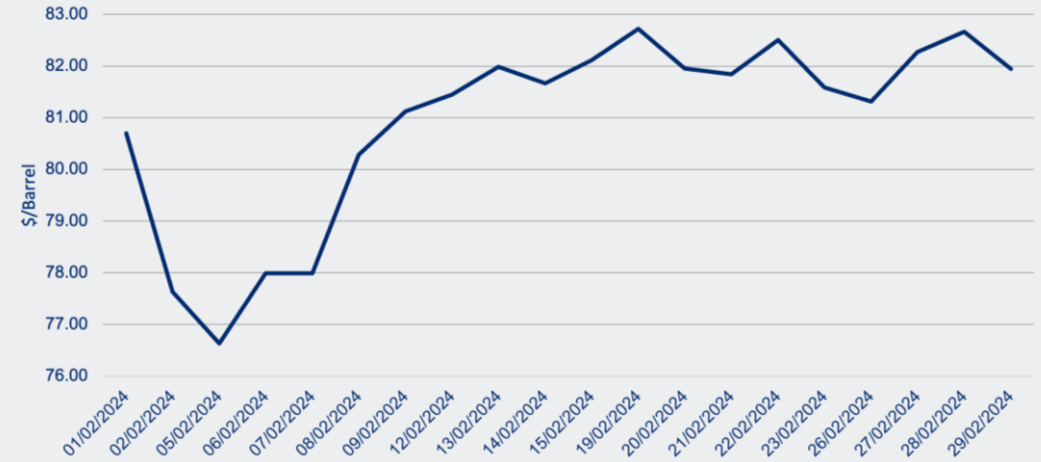
Ongoing shipping disruptions in the Red Sea continue to see a premium in the near dated market, with Brent Crude futures trading above \$80/bbl consistently for much of February.

The fundamental picture remains weak, with the International Energy Agency (IEA) confirming global oil consumption in Q423 was down by 35%, due to economic weakness in China and a recovery in US stock levels that built steadily during the quarter. However, while tension remains in the Middle East, wider conflict risk continues to be factored into the market.

Outlook

OPEC+ are expected to announce in early March whether they will roll current production cuts forward through Q2 and the remainder of the year. In anticipation of the announcement, Brent Crude futures rose by \$2 dollars on the first trading day of the month.

Front Month Brent



Brent (\$/Barrel)	1-Feb-24	29-Feb-24	Change	% Change	High	Low	Average
Front Month	80.7	81.95	↑ 1.2	↑ 1.5%	82.72	76.64	80.92



Market Update: Carbon

Review

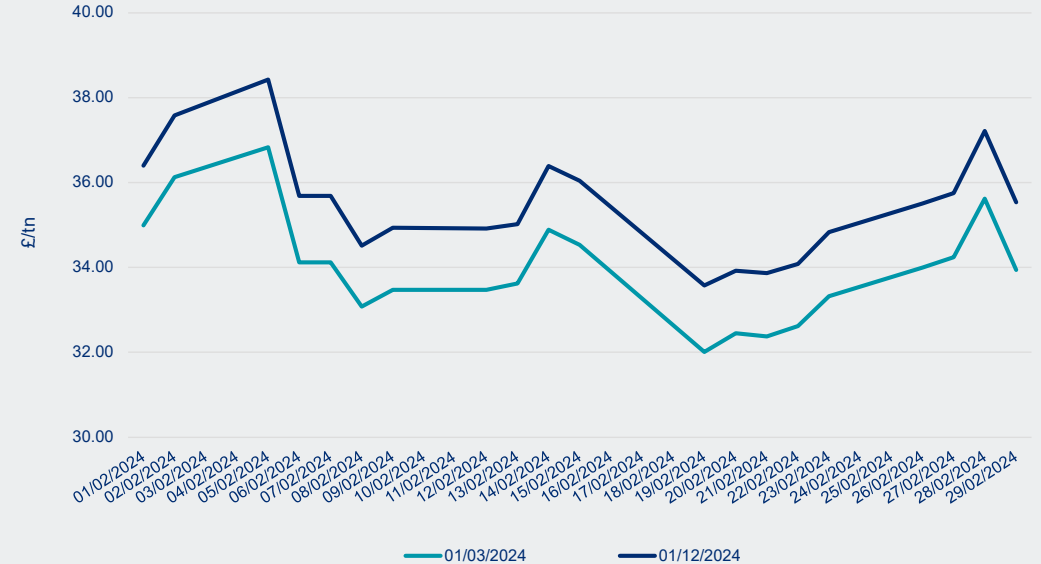
Mild weather during Q1 and high renewables output led to European carbon prices slipping to their lowest level in over two years. A pessimistic economic outlook, coupled with the associated effect of low energy demand, is also weighing on the market.

The UK Government conducted a review of carbon allowances allocated to individual industrial sites. The annual review measures individual plant operations over the past year against previous years to determine a revised allocation for the next financial year. As a result, reflective of lower output, free allocations have been reduced by 1.4% overall.

Outlook

Continued weak fundamentals – low industrial demand and softening energy prices – are set to suppress demand for UKAs.

Carbon UKA



Carbon (£/tn)	1-Feb-24	29-Feb-24	Change	% Change	High	Low	Average
Mar-24	35.00	33.95	↓ -1.0	↓ -3.1%	36.83	32.01	33.99
Dec-24	36.41	35.54	↓ -0.9	↓ -2.4%	38.42	33.58	35.50



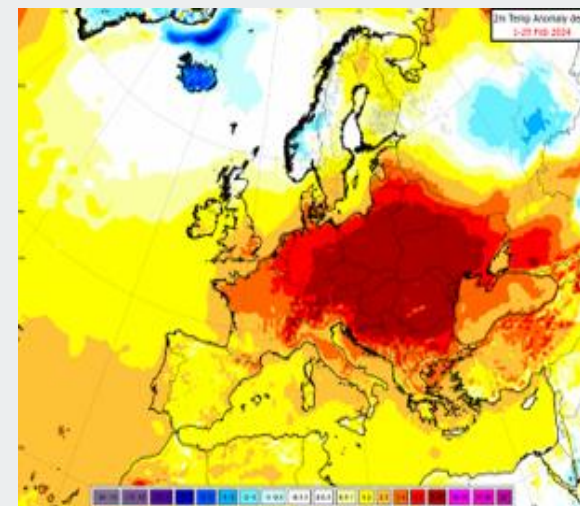
Weather review

Review

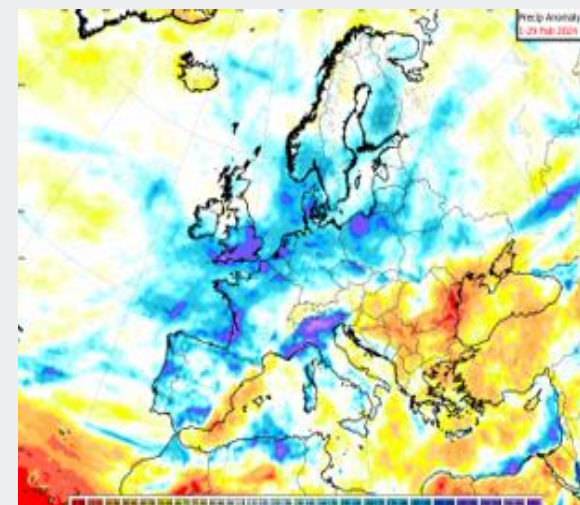
Despite a forecast for some colder, calmer and drier weather for most of February, the monthly averages ended up only slightly below normal. Cold was often threatened by the longer ranged models, but it never did manifest with any longevity. Similarly, more frequent low pressure in Europe caused some very wet weather, especially in southern England and northern Italy. After a very stormy December and January – each month saw three named winter storms – February saw no winter storms, despite low pressure being in charge for most of the month. Winds were near normal or slightly above average for western parts of the British Isles, but the North Sea saw below-average winds.

Outlook

March is showing, at least initially, some similar signals to what we were expecting for February. Namely, high pressure frequently to the north of Europe which displaces the jet stream, and low pressure systems further south than normal. This pattern is typically a low wind, dry and cold one for Scotland and Scandinavia, while France, south-western Europe and Italy are milder, wetter and windier. Temperatures are likely to be a little mild, but confidence is lowest on this for the UK specifically. We're also anticipating some disruption to this pattern in the back half of March, which may provide a period of windier, wetter and milder weather for northern Europe, but this should only last around one week.



Temperature anomalies



Precipitation anomalies



Market Theme: Day Ahead Clean Sparks

Since the start of the year, above-average temperatures, high renewables output and a drop in demand have seen clean spreads outturn at negative levels for numerous days.

The clean spark spread represents 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.

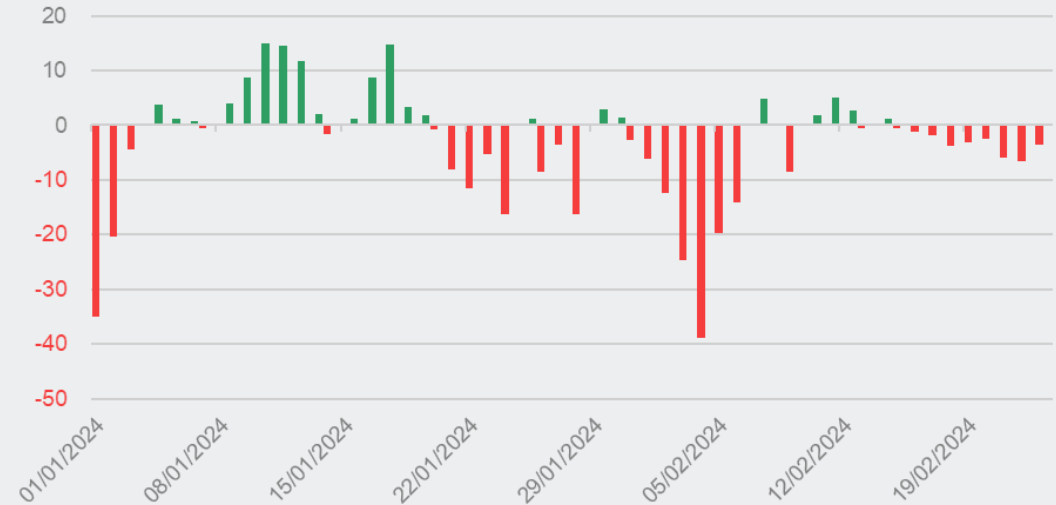
The daily distribution has been characterised by periods of high wind output, interconnector imports and below average demands, especially at weekends when demand is low. In this scenario the clean spark spread has been as low as -£39/MWh.

Conversely, when renewables output drops – typically when we experience a cold, dry spell, as we saw in early January – and thermal generation is required to pick up the slack, the spread value has reached as high as £15/MWh.

As we move into the summer, with new solar generation due to come online, this will add another dynamic impacting clean spark spread levels.

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Day Ahead Clean Spark



Average clean spark -£3.25/MWh Jan-Feb
Lowest -£39.00/MWh, Highest £15.00/MWh

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