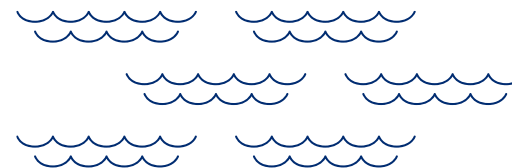
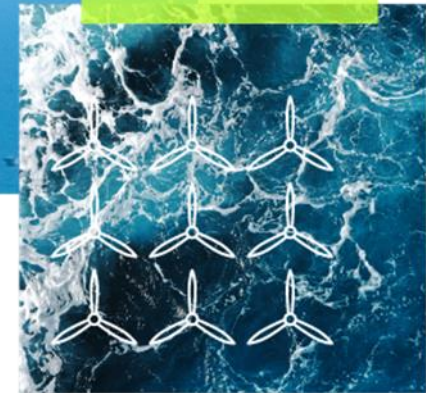


September 2024

Energy overview

Your monthly report featuring market updates and weather review





Market Update: Power

Review

A mixed month, with low renewables output bookending the start and end of September, reflected in clean spark spread* levels straying into positive territory, reaching levels not seen all summer (c.£5/MWh). In between, high wind output saw a return to negative levels, with a low of c.-£50/MWh. Overall, the month outturned at c.-£7/MWh.

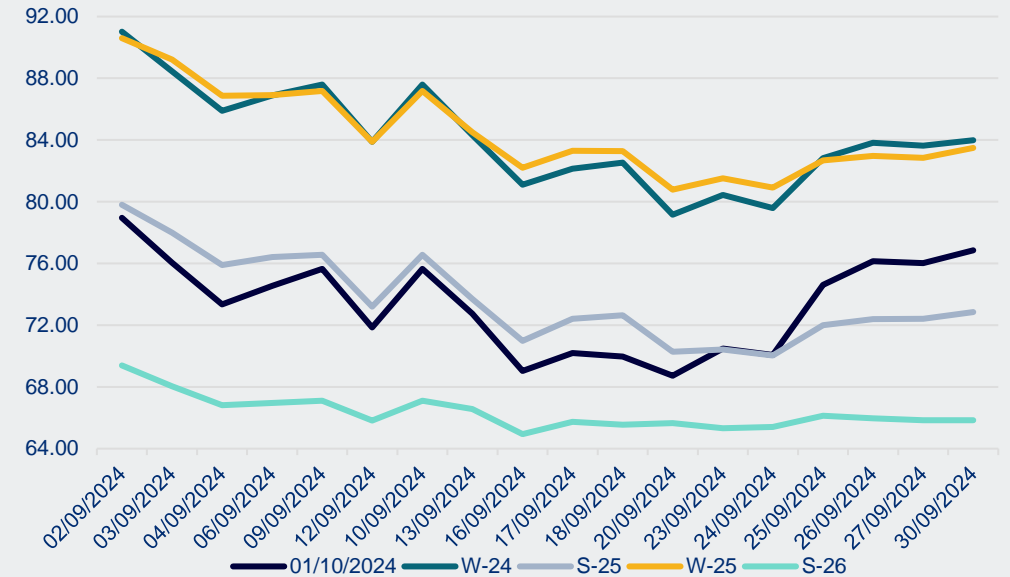
On the curve, wider sparks weakness comes from significant de-risking of European power prices, with French power discounts to the UK widening to c.£15/MWh across winter. Improved nuclear availability, higher renewables output and weak macro-economics are behind continental power weakness.

Outlook

The IFA2 Interconnector between France and the UK is expected back from unplanned maintenance early October.

*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-Sep-24	30-Sep-24	Change	% Change	High	Low	Average
Oct-24	75.00	76.86	↑ 1.86	↑ 2%	78.96	68.73	73.39
Winter 24	91.02	83.99	↓ -7.03	↓ -8%	91.02	79.16	84.16
Summer 25	79.80	72.86	↓ -6.95	↓ -10%	79.80	70.04	73.70
Winter 25	90.60	83.50	↓ -7.10	↓ -9%	90.60	80.79	84.46
Summer 26	69.39	65.84	↓ -3.56	↓ -5%	69.39	64.94	66.35



Market Update: Gas

Review

A strong sell-off in the first week of September saw prices drop by nearly 8p/th across the curve, despite corresponding with the start of Norwegian annual pipeline maintenance. The EU gas system coped better than expected, despite over 200mcm/d reduction in Norwegian supply.

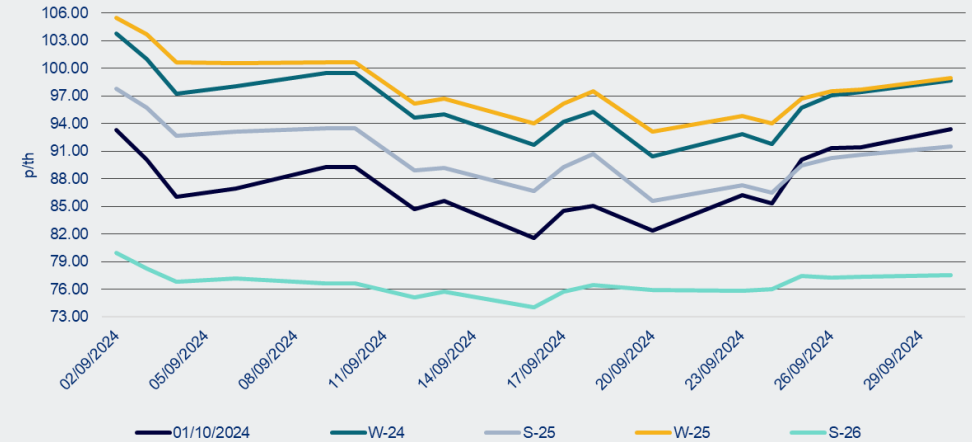
Bullish headlines exerted a strong influence from mid-month as volatility increased following a series of Israeli strikes on Lebanon.

EU gas storage is at 92.5bcm, slightly behind the corresponding level last year, but still above the five-year average, and set to reach full capacity well ahead of the EU-mandated 1 November cut-off.

Outlook

Weather and geopolitical risks look set to dominate through October. Below seasonal average temperatures are forecast for much of the month, possibly extending into November. Ongoing tensions in the Middle East are also set to be a source of anxiety for the market.

NBP Gas



Gas NBP (p/th)	1-Sep-24	30-Sep-24	Change	% Change	High	Low	Average
Oct-24	93.34	93.43	↑ 0.09	↑ 0%	93.43	81.54	87.60
Winter 24	103.80	98.65	↓ -5.15	↓ -5%	103.80	90.45	96.33
Summer 25	97.80	91.55	↓ -6.25	↓ -7%	97.80	85.65	90.70
Winter 25	105.50	98.95	↓ -6.55	↓ -7%	105.50	93.15	98.07
Summer 26	80.00	77.55	↓ -2.45	↓ -3%	80.00	74.06	76.68



Market Update: Oil

Review

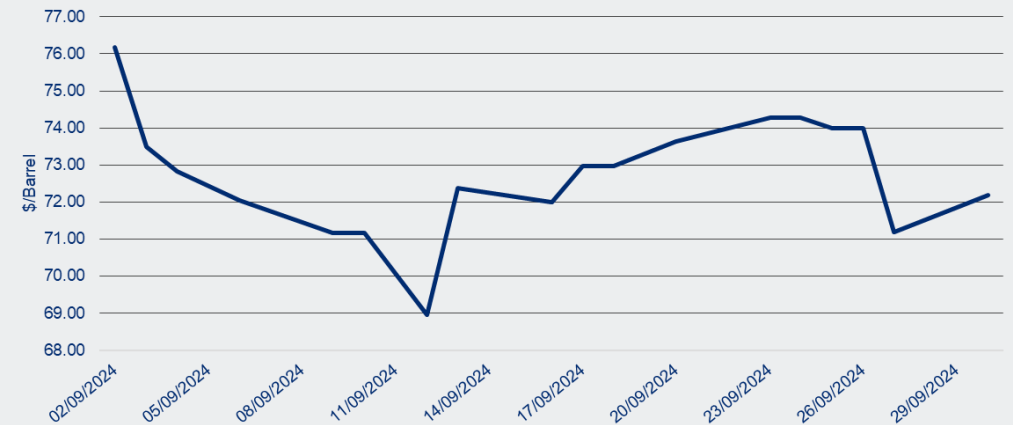
Macro-economic concerns continue to drive the oil market, with some analysts forecasting continued weak demand in the US, with prices potentially in the low \$60/bbl. In China, attempts to stimulate economic growth included a cut to interest rates and an announcement of the first push-back of retirement age since 1978.

On the production side, bearishness was exhibited in fears of oversupply with Libya increasing flows following a recent internal dispute.

Outlook

The prospect of oversupply remains, with Saudi Arabia considering increasing production from December, following a two-month delay in implementing the unwinding of previously announced output cuts.

Front Month Brent



Brent (\$/Barrel)	1-Sep-24	30-Sep-24	Change	% Change	High	Low	Average
Front Month	76.18	72.19	↓ -3.99	↓ -6%	76.18	68.95	72.76



Market Update: Carbon

Review

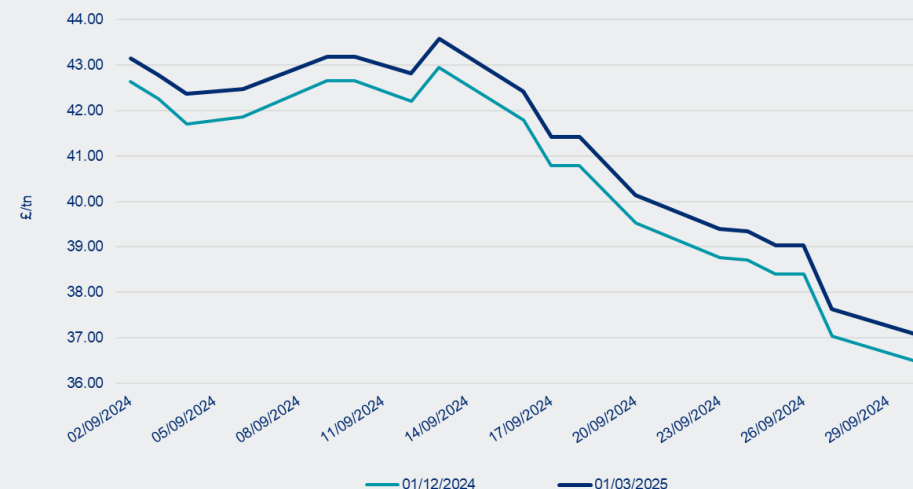
There has been little overall change in fundamentals, as the market continues to await the policy direction of the new Labour government. Despite the initial positive reaction to the Prime Minister’s trip to Brussels to discuss closer ties on carbon abatement policies, this optimism has receded as economic concerns have become the government’s primary focus.

In the market, a sharp erosion of both UK ETS and EUA prices seen during September was primarily influenced by the closing of speculative positions. This, combined with low market liquidity, exacerbated the sharpness of the sell-off.

Outlook

The UK Emissions Trading Scheme (ETS) Authority consultation deadline for a proposed one-year extension to the start of the second free allocation period from 2026 to 2027 is due in early October. The proposal seeks to align the ETS with the start of the UK CBAM (Carbon Border Adjustment Mechanism), designed to address carbon leakage risk, by applying an effective carbon price to products imported into the UK from jurisdictions with less robust carbon rules.

Carbon UKA



Carbon (£/ton)	1-Sep-24	30-Sep-24	Change	% Change	High	Low	Average
Dec-24	42.65	36.48	↓ -6.18	↓ -17%	42.96	36.48	40.54
Mar-25	43.16	37.08	↓ -6.08	↓ -16%	43.58	37.08	41.14



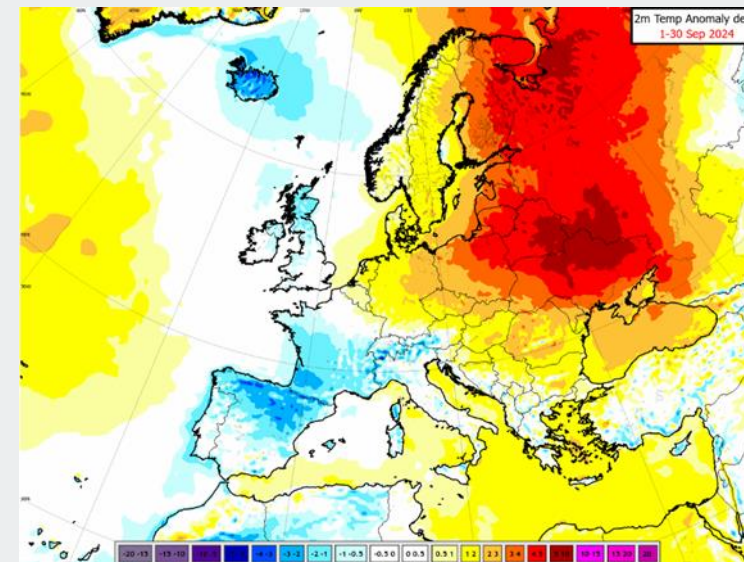
Weather Review

Review

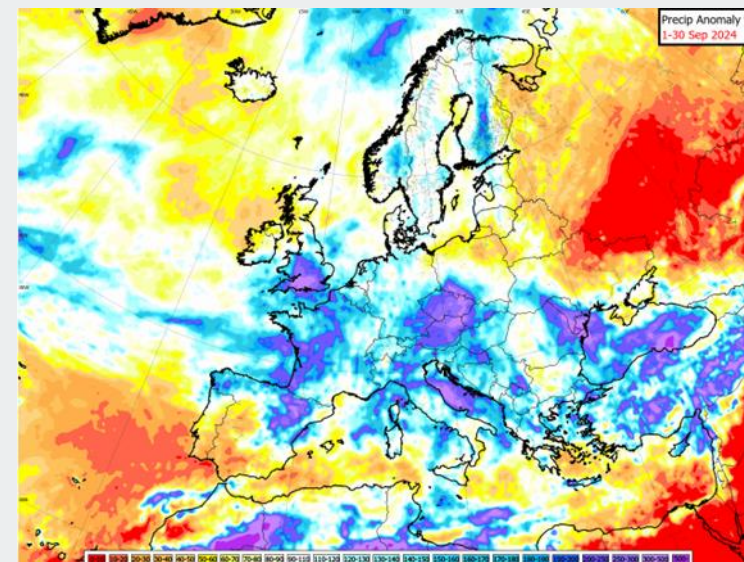
September tended to see a lot of high pressure over Greenland and Iceland throughout the back half of the month after some initial unsettled weather. Scotland saw some heavy rain early in the month, but little rainfall from the 16th onward, causing the SSE hydro catchment areas to come in well below average for the month. In contrast, as high pressure shifted towards Iceland, England and France trended much wetter, with some places in SW England seeing a remarkable 300-400% of normal rainfall for the month. Temperatures started out more consistently warm, but became changeable after around a week, with two sharp cold snaps developing as northerly winds formed. This dragged down the monthly average to below normal for much of western Europe, even down to Spain.

Outlook

For October, the high pressure near Greenland and Iceland doesn't appear to be going anywhere anytime soon, so some similarly drier weather in Scotland but wet weather for England and the continent looks likely. We may see some stormy weather for a time around the 10th-15th as two hurricane remnants move into the British Isles: Hurricane Kirk followed closely by Tropical Storm Leslie. Although these storms won't be hurricanes when they hit us, they could still bring some heavy rain and high winds for a few days. Otherwise, high pressure north of Europe for much of October will mean temperatures tend to be below average, especially in Scotland, and SSE Hydro areas tend to run drier than normal..



Temperature anomaly



Precipitation anomaly



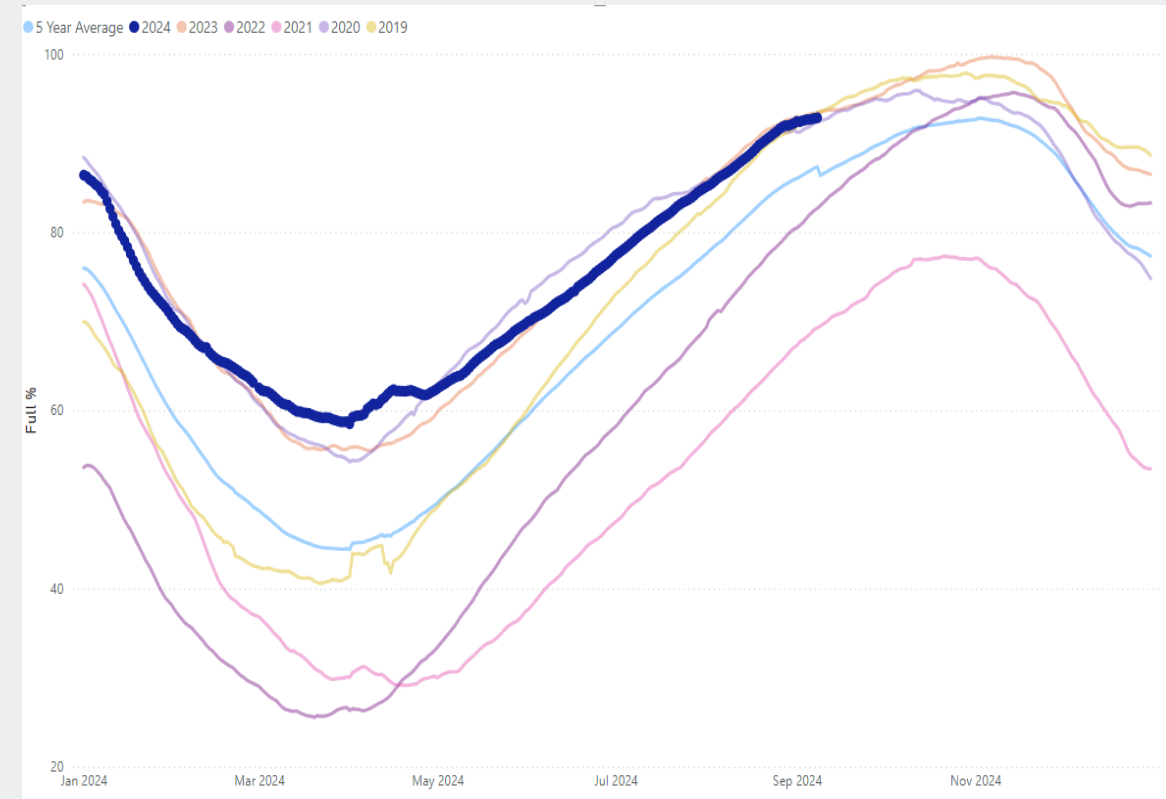
Monthly Report – September 2024

Market Theme: EU Gas Storage

As we head towards winter, focus once again turns to European gas storage. This is instrumental to the security of supply, providing an additional reserve in case of strong demand or supply disruptions.

In the wake of the Russian invasion of Ukraine in 2022, the EU mandated that member states must reach 90% storage capacity by 1 November each year. Despite the UK no longer being an EU member, storage levels in Europe are pivotal to UK supply given our interconnection with the European gas system.

As of 30 September, the storage level was at 94% full, slightly behind the corresponding period last year, but with expectation that full storage should be reached during the first week of October.



Current storage level – 94% – 30 September

Mandated storage level – 90% – 1 November

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