Monthly Energy Market Report

June 2023

3rd July 2023

Market Context

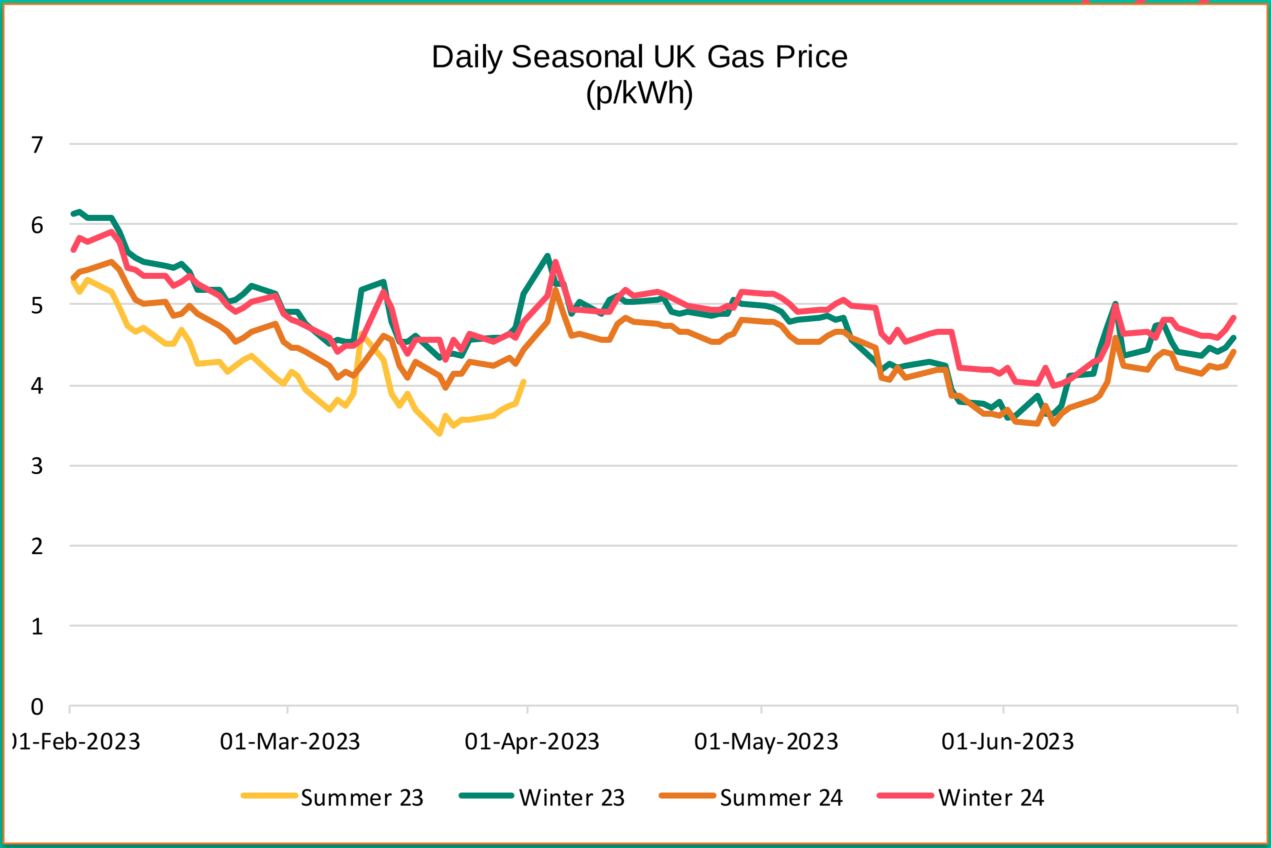
June witnessed an end to the downward trend the market had been experiencing in recent months. Norwegian flow issues caused markets to rebound strongly. Winter '23 prices rose around 30% over the first two weeks of June as the near-term balance tightened significantly causing day-ahead and further dated prices to react bullishly.

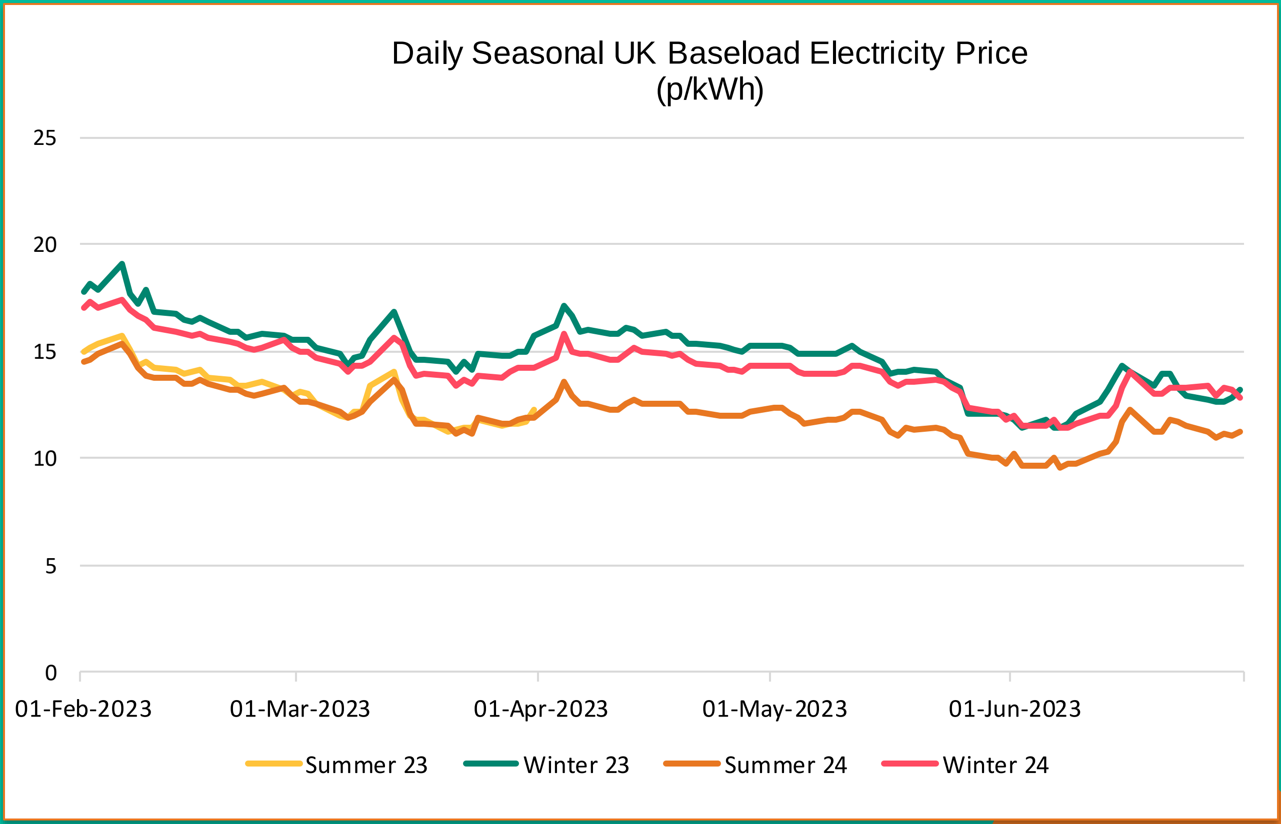
- June witnessed a drop in LNG supply to Northwest Europe as Asian demand increased.
- The UK supply and demand balance tightened significantly due to heavily reduced Norwegian supply and low LNG arrivals.
- Day-ahead prices almost doubled from the start to the middle of the month pushing up contract prices further down the curve.
- Total EU storage increased through the month to over 75% compared to last year's levels of just over 56%.
- Political and military instability in Russia created nervousness with markets trying to assess whether there is risk of supply disruption since Russia is a major LNG exporter and continues to send a small amount of pipeline gas to Europe through Ukraine.

In other news

Drax and EDF announced that there would be no coal units available this winter. Neither of these announcements were a surprise to the market. The coal contingency contracts were in part a response to the Russian invasion of Ukraine and offered a degree of insurance against gas shortages over winter. Since then, energy security policy and gas supply chains have responded well, turning to LNG to cover a significant proportion of the shortfall. Unavailability of French nuclear power is also less of a concern. However, the removal of the available capacity in a long, cold winter scenario does add risk to the supply picture which creates volatility in prices.

Seasonal Prices





Price Table

Seasonal prices increased through June rising around 30% by the middle of the month before closing the month around 10-20% higher. The power spot price goes against the grain as spot prices are extremely volatile and driven by supply and demand dynamics on the day. Currently front season prices are around 2.7x higher than 2019 levels.

	Month End Prices			
	Fuel	June-23 (p/kWh)	May-23 (p/kWh)	Month-on-Month Difference
Spot Prices	Gas (NBP)	3.16	2.16	46%
	Power (UK Baseload)	6.55	6.77	-3%
Front Month	Gas (NBP)	2.94	2.10	40%
	Power (UK Baseload)	9.00	6.97	29%
Front Season	Gas (NBP)	4.59	3.79	21%
	Power (UK Baseload)	13.24	12.01	10%
Annual Price (Oct-23)	Gas (NBP)	4.33	3.64	19%
	Power (UK Baseload)	11.93	10.72	11%

Historical Comparison	2019 Average Front Season Price (p/kWh)	% Increase to June-23
Gas (NBP)	1.64	181%
Power (UK Baseload)	5.10	160%

Outlook

Overall, despite the volatility witnessed this month, the outlook remains bearish as gas stocks are predicted to be over 84% full by the end of July and Norwegian maintenance is notably lighter next month.

Bearish signals

- NWE gas storage forecast to be 84% full by end of July.
- Lighter Norwegian maintenance.
- July forecast to be warmer than seasonal normal which will reduce demand.

Bullish signals

- Further delays to Norwegian maintenance.
- Small increase in gas for power driven by cooling demand.
- Cooling demand in Asia and several planned supply maintenances could limit LNG supply in NWE and UK.

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