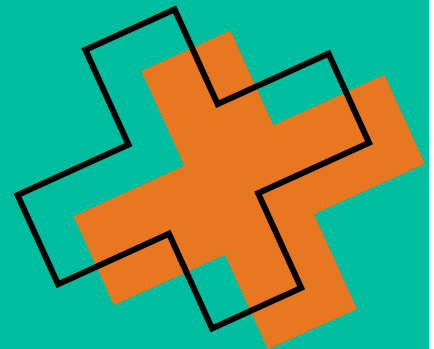




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ENERGY

Energy Market Review

February 2024



4th March 2024

Market Context

Mild weather across the month kept demand subdued which in turn helped push prices to new lows not seen since the energy crisis started. Tensions in the Middle East continue to have little to no impact on the market with the positive fundamental outlook driving price direction as we edge towards the end of winter.

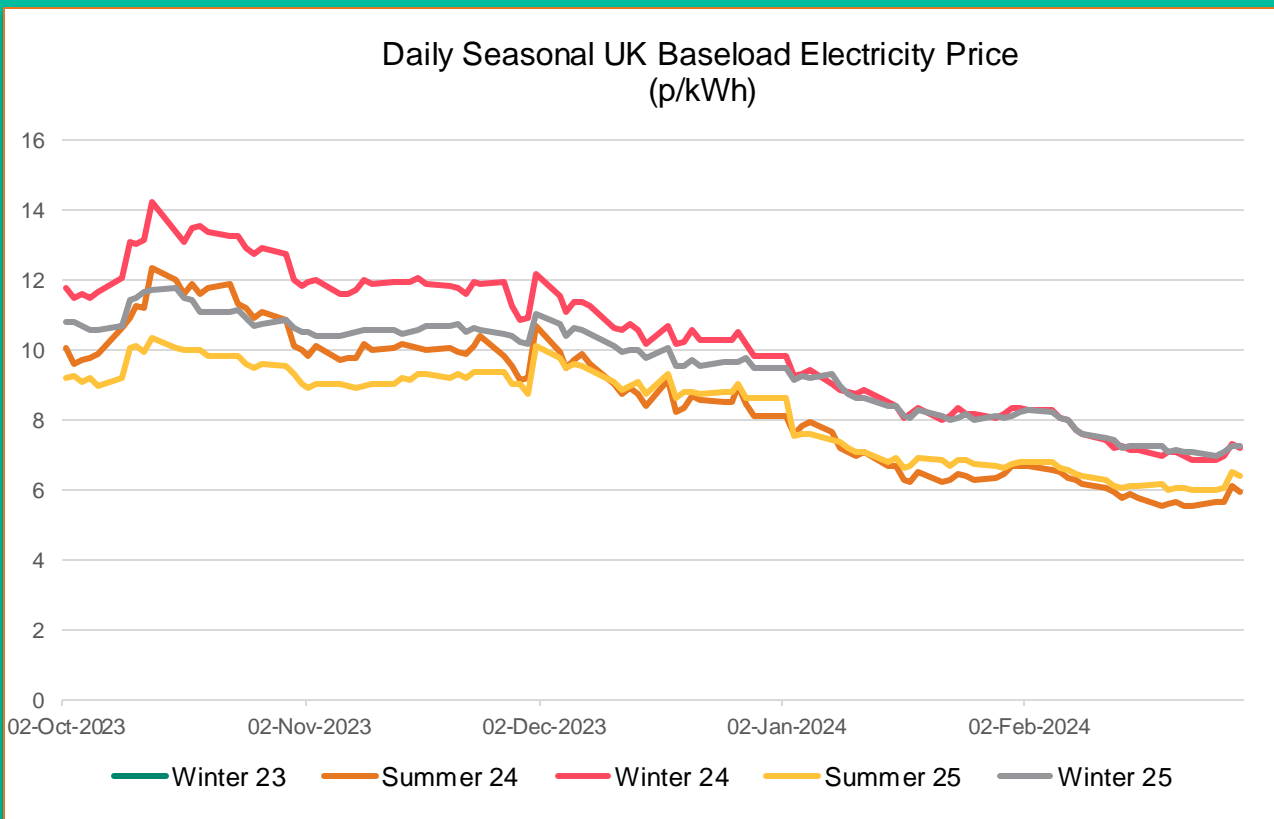
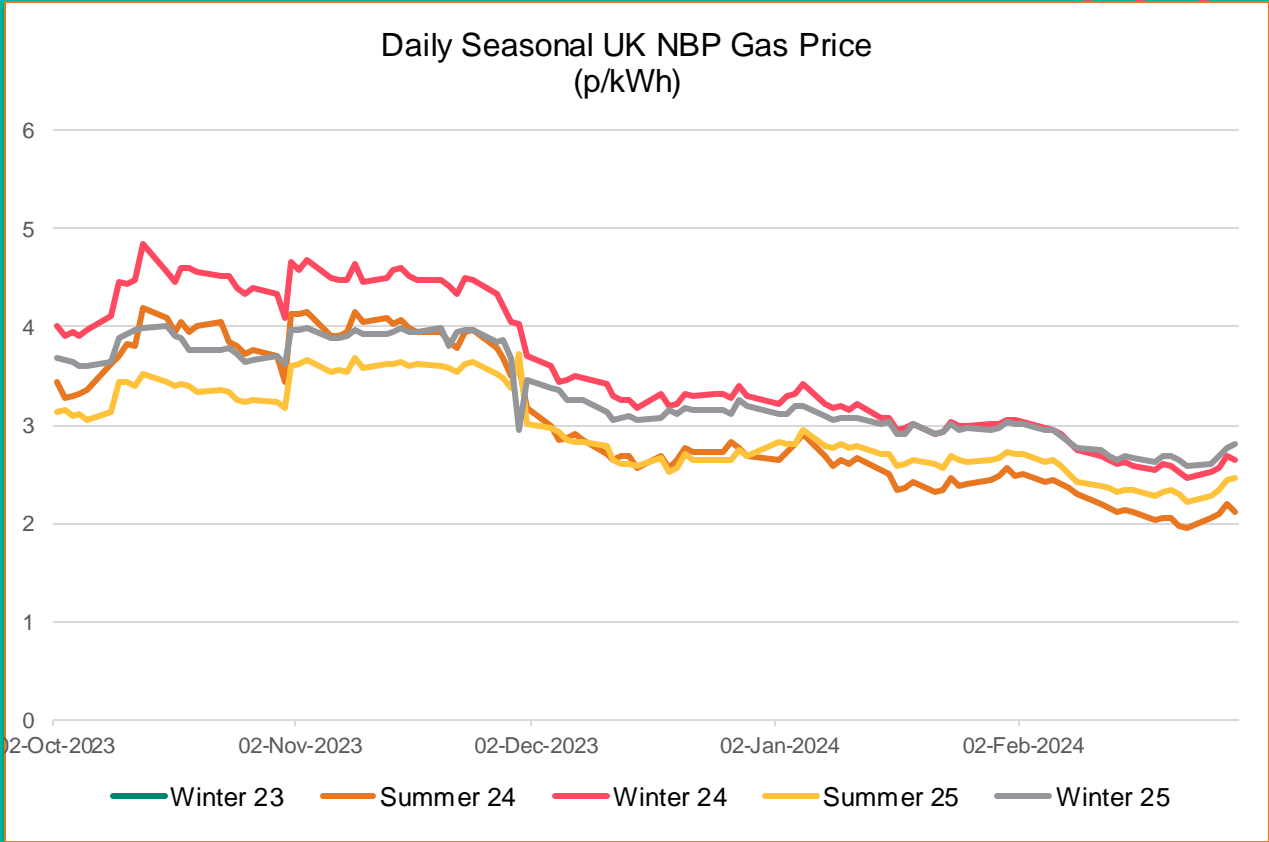
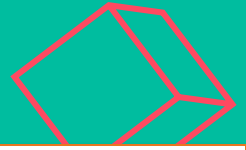
- The warmest February on record for England and Wales meant demand was low across the month.
- EU gas storage ended the month at an impressively high 61%.
- Houthi backed rebels continue to attack ships and retaliatory and preventative air strikes from the UK and US failed to ratchet up geopolitical risk in the market.
- Small supply side disruptions including lower LNG due to maintenance also failed to add any significant bullish pressure.
- The last week of the month witnessed a small upward price correction as markets tested the lows seen earlier in the month.
- Denmark and Sweden both concluded their investigation into the damage of the Nord Stream gas pipelines which run from Russia to Germany. Both determined that it was intentional sabotage but failed to go as far as naming the culprit. Information was handed over to German authorities to conclude the investigations.

In other news

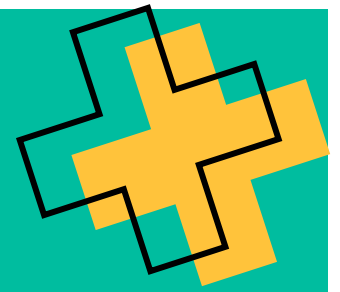
The April '24 price cap was announced with typical unit rates for gas around 6.04p/kWh and 24.5 p/kWh for electricity. Typical standing charges for gas will be 31.43p/day and for electricity 60.10p/day. These changes will result in a drop of around £240 a year for a typical household.

With the market seemingly stabilising many domestic suppliers are now starting to offer fixed tariffs below the price cap once again.

Seasonal Prices



Price Table



February saw prices across the board decrease further. Lows were witnessed around 23rd before a small upward correction. Front season prices continue to edge closer to pre-energy crisis levels demonstrating the overwhelmingly positive fundamental outlook we are current seeing.

		Month End Prices		
		Fuel	Feb-24 (p/kWh)	Jan-24 (p/kWh)
Spot Prices	Gas (NBP)	2.15	2.55	-16%
	Power (UK Baseload)	6.33	6.54	-3%
Front Month	Gas (NBP)	2.13	2.56	-9%
	Power (UK Baseload)	5.95	6.85	-13%
Front Season	Gas (NBP)	2.12	2.56	-17%
	Power (UK Baseload)	5.91	6.67	-11%
Annual Price (Oct-23)	Gas (NBP)	2.49	2.91	-14%
	Power (UK Baseload)	6.61	7.56	-13%
Historical Comparison	2019 Average Front Season Price (p/kWh)	% Increase to Jan-24		
Gas (NBP)	1.64	30%		
Power (UK Baseload)	5.10	16%		



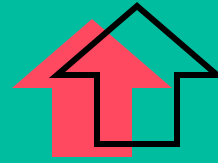
Outlook

Despite the continuing unrest in the Middle East and the underlying potential for further escalation, the positive fundamental outlook is set to continue to drive the market. Barring any widespread unexpected outages and dramatic shifts in weather forecast the end of winter should be navigated with very little cause for bullish price movement.



Bearish signals

- NWE gas storage forecast to be 54% full by the end of March, just below record highs from 2020.
- Strong Norwegian and UK production with solid LNG supply.
- Demand destruction across heating demand and industrial sectors continue.



Bullish signals

- Continuing geopolitical risk of regional escalation in Middle East and Red Sea.
- Risk of unplanned maintenance or outages.
- Potential for temperature forecast to be revised lower for the remainder of Winter.
- Lower price environment could lead to increased demand which would push prices up.



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