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ENERGY

Energy Market Review

May 2024



4th May 2024



Market Context

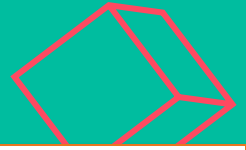
May witnessed a slow increase in prices which gathered momentum as the month progressed. Near-term supply tightness due to maintenance and outages combined with longer-term announcements impacting US LNG and Russian supply to Austria were the main drivers. The backdrop of the wider geopolitical unrest has also kept markets on edge. Front season gas prices have now risen to levels not seen since the end of December 23.

- The geopolitical landscape, with ongoing conflicts in Ukraine and Gaza as well as persisting unrest with attacks on ships off the coast of Lebanon continue to keep an underlying level of nervousness in the markets.
- A message has come out of Austria relating to Russian gas which the market has interpreted as posing a risk to Austrian supply and therefore has implications for wider Europe.
- Norwegian maintenance and unexpected outages combined reducing capacity weighing on nearer term prices but also impacted the curve as the timely return of assets always creates nervousness
- Maintenance at LNG plants in Canada and the US combined with issues with building at a new plant in Texas created risk in future availability of LNG.
- Storage across Europe is currently at 69% vs a 5-year average of 57%.

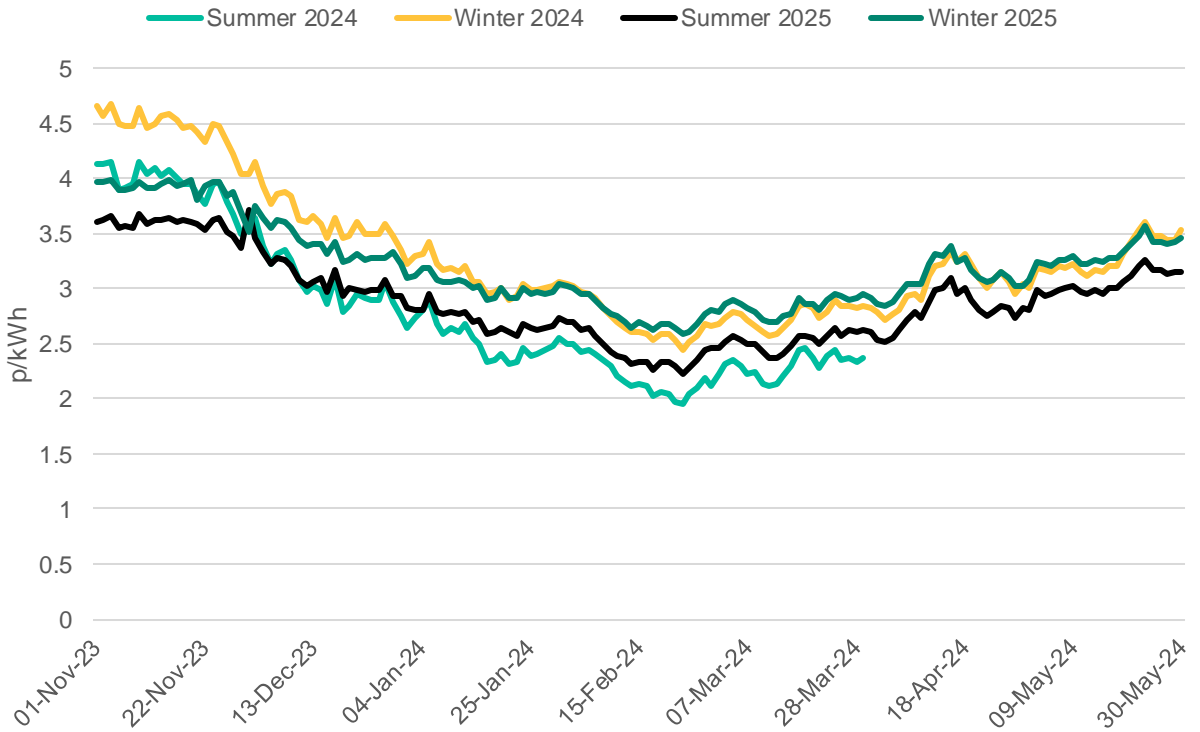
In other news

- The UK Prime Minister announced a general election to be held on 4th July, the timing came as somewhat of a surprise to large numbers of people. With the two main parties having different approaches to energy policy, the outcome may have long-term implications for the sector.
- The July domestic price cap was announced, and bills are due to fall by around 7% on average. The price cap is lower than it has been for two years but remains about £400 higher than three years ago.

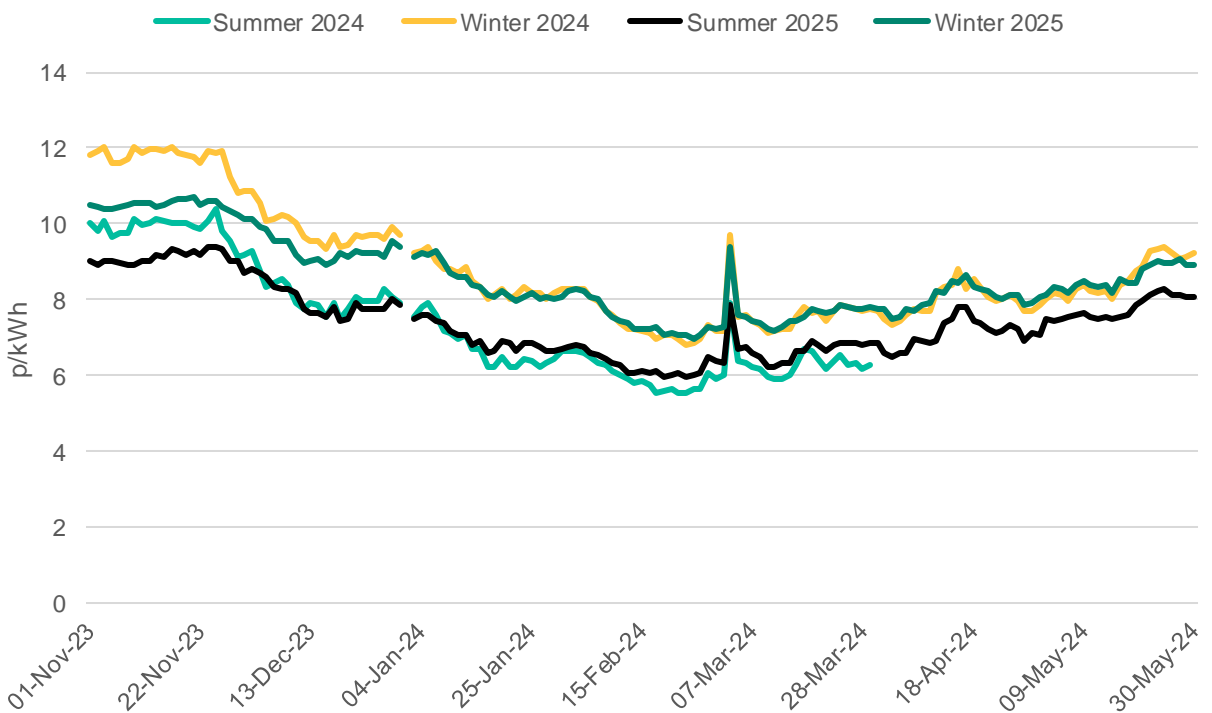
Seasonal Prices



Daily Seasonal UK Gas Price

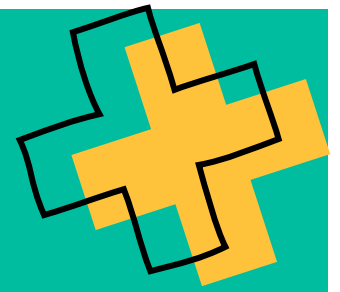


Daily Seasonal UK Baseload Electricity Price



Price Table

Prices rose across the curve with gas front month prices seeing the biggest increases due to Norwegian and UK maintenance and outages creating a near term supply risk.

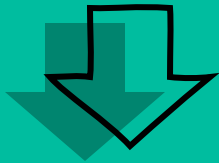


		Month End Prices			
		Fuel	May-24 (p/kWh)	Apr-24 (p/kWh)	Month-on- Month Difference
Spot Prices	Gas (NBP)		2.81	2.5	12%
	Power (UK Baseload)		5.70	6.92	-18%
Front Month	Gas (NBP)		2.80	2.46	34%
	Power (UK Baseload)		7.56	6.14	23%
Front Season	Gas (NBP)		3.47	3.05	14%
	Power (UK Baseload)		9.27	7.69	21%
Annual Price (Oct-23)	Gas (NBP)		3.36	3.07	13%
	Power (UK Baseload)		8.76	7.42	18%
Historical Comparison	2019 Average Front Season Price (p/kWh)		% Increase to Apr-24		
	Gas (NBP)	1.64	112%		
	Power (UK Baseload)	5.10	82%		



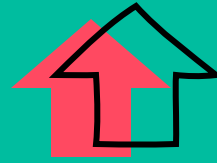
Outlook

Despite the upward momentum witnessed over recent months continued strong storage levels are expected to keep a lid on the potential for further price rises. Unexpected outages and geopolitical drivers remain the key risk factors, but the underlying fundamental outlook remains a bearish driver.



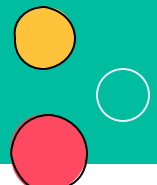
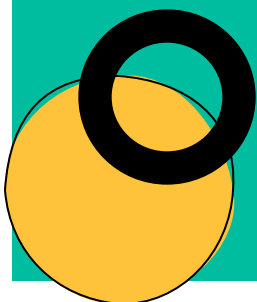
Bearish signals

- Storage close to record levels.
- Weak demand with soft consumption and healthy renewable output.
- Increased production following a heavy Norwegian maintenance period.



Bullish signals

- Continuing geopolitical risk of escalation in Middle East or further attacks to energy infrastructure in Ukraine.
- Extensions or unplanned events that impact LNG production or gas flows from Norway.






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