Energy Market Review

July 2024

2nd Aug 2024

Market Context

July saw prices drop early in the month but nearly all the losses were retraced by the end. A combination of increased cooling demand creating competition for LNG and tensions in the Middle East rising once more put bullish pressure on seasonal prices resulting in a sharp uptick in the last weeks of the month.

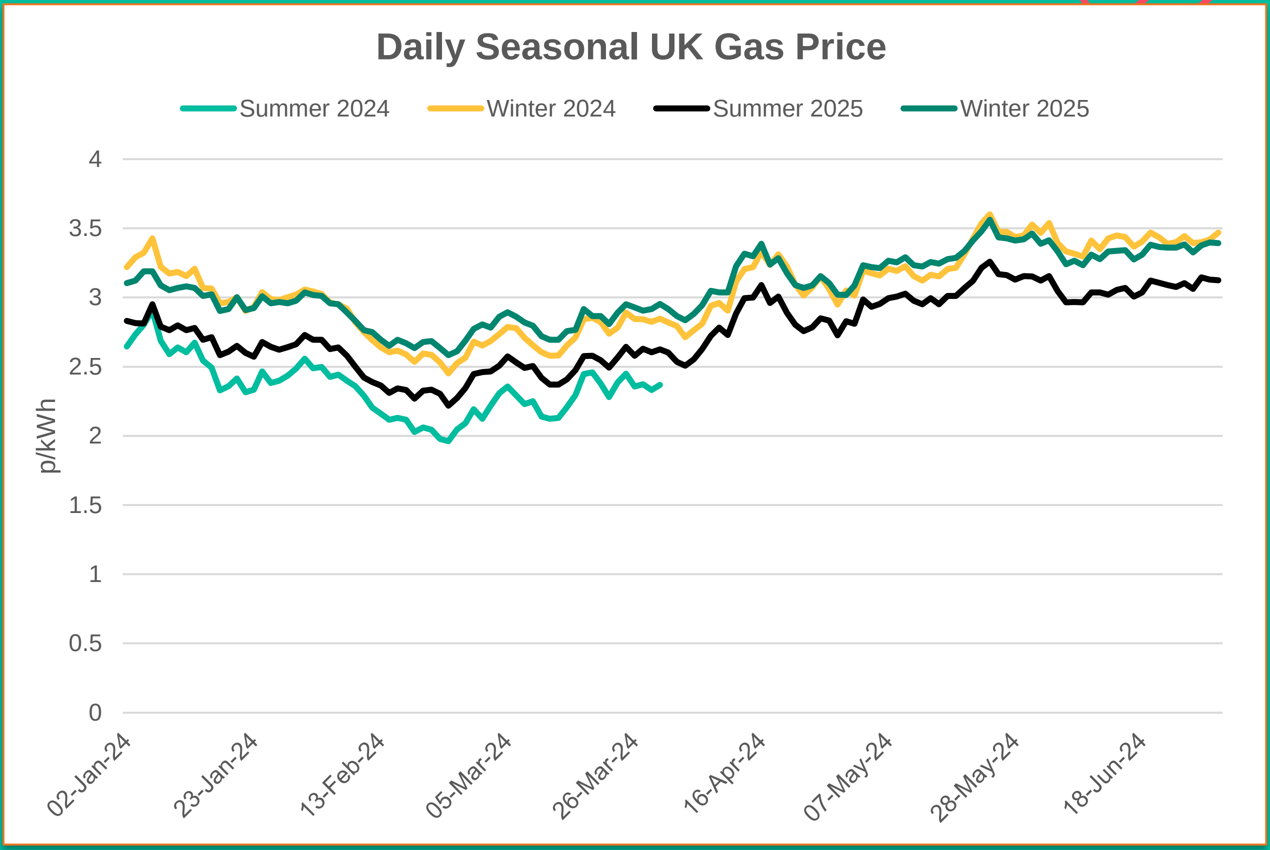
- Hurricane Beryl caused an outage at Freeport LNG in the US, but it did return to near full capacity by the end of the month.
- Heatwaves across Europe and Southern hemisphere created increased cooling demand putting bullish pressure on global LNG prices.
- It was a relatively quiet month for outages and there was less planned maintenance in UK and Norway than we saw in June.
- Geopolitics came back into the picture as tensions in the Middle East ratcheted up after the death of Hamas political leader, Ismail Haniyeh.
- Tensions also rose between Israel and Hezbollah increasing fears of a wider conflict.
- Storage across Europe is currently at just below 85% vs a 5-year average for the time of year of 75%.

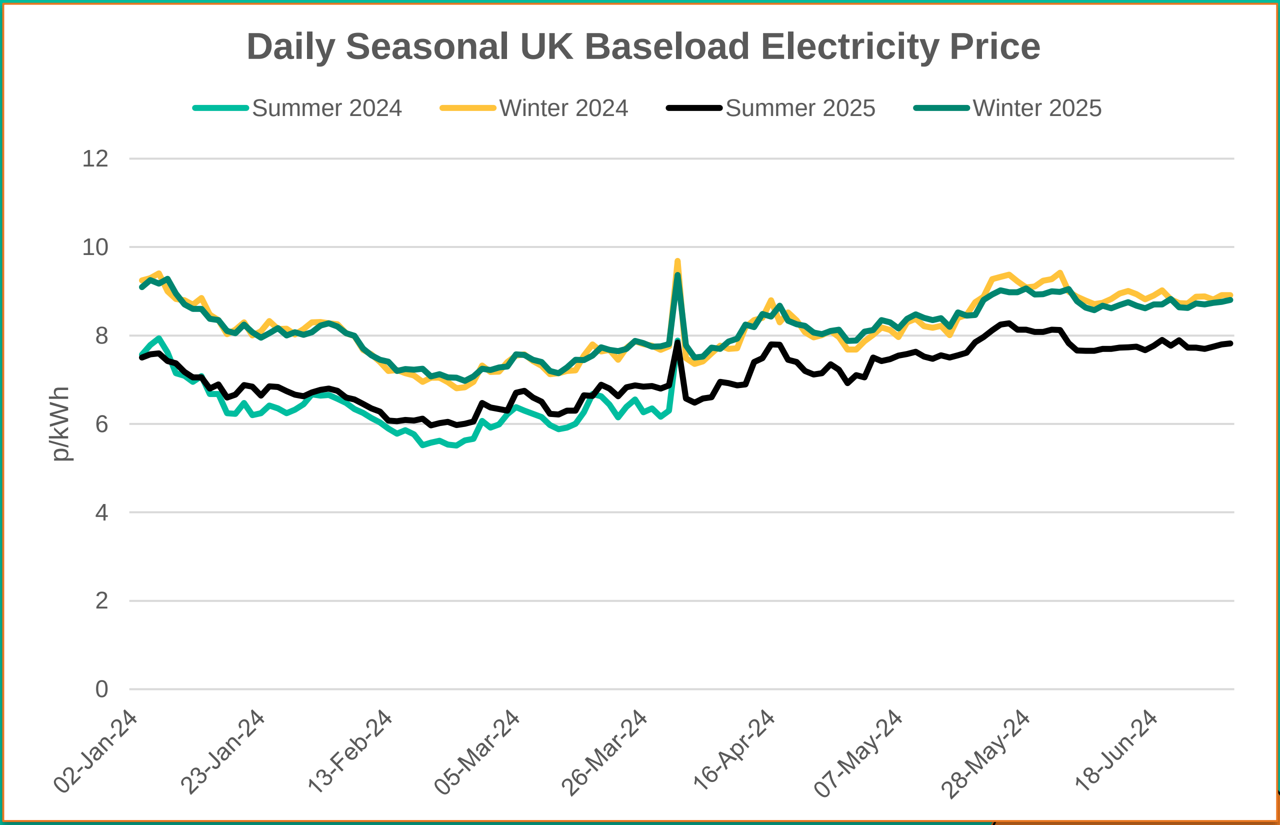
In other news

The new UK Labour government set out their energy and climate policies with the aim of boosting clean energy independence and cutting bills through clean power.

They will create a new publicly owned energy company that will act as an investment vehicle to accelerate the renewable energy transition, Great British Energy. However, this company will not supply or generate energy.

Seasonal Prices





Price Table

Prices dropped nearly 7% in the early part of the month, but the losses were retraced by the end, with front season prices finishing almost level with the end of June. Prices closed the month around the highest levels we have witnessed in 2024.

	Month End Prices			
	Fuel	July-24 (p/kWh)	June-24 (p/kWh)	Month-on-Month Difference
Spot Prices	Gas (NBP)	2.80	2.72	3%
	Power (UK Baseload)	8.19	7.52	9%
Front Month	Gas (NBP)	2.81	2.72	13%
	Power (UK Baseload)	7.00	7.26	-4%
Front Season	Gas (NBP)	3.42	3.42	0%
	Power (UK Baseload)	8.69	8.92	-3%
Annual Price (Oct-24)	Gas (NBP)	3.36	3.33	1%
	Power (UK Baseload)	8.23	8.41	-2%

Historical Comparison	2019 Average Front Season Price (p/kWh)	% Increase to July-24
Gas (NBP)	1.64	109%
Power (UK Baseload)	5.10	70%

Outlook

Overall, the current outlook is mixed. Strong supply including Norwegian flows and renewable output combined with high storage levels continue to provide bearish pressure. Risks around global LNG supply remain in place as high demand from Asia is set to continue. A heavier maintenance schedule through August and geopolitical tensions could offset the positive fundamentals position.

Bearish signals

- Strong storage refilling trajectory.
- Continued soft residential and gas-for-power consumption.
- Continued strong Norwegian output.

Bullish signals

- Unplanned global events impacting LNG supply combined with high demand.
- Norwegian or UK maintenance extensions or unplanned events that impact gas flows from Norway.
- Further escalation of tensions in the Middle East.

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