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ENERGY

# Energy Market Review

August 2024



3<sup>rd</sup> September 2024

# Market Context

August was an extremely volatile month largely driven by the Ukrainian surprise offensive into Russian territory. This forced front seasonal gas prices up over 10% in the first two weeks of the month pushing them to the highest levels witnessed in 2024. Towards the back half of the month some of the initial panic subsided and winter-24 gas prices ended around 6% higher than the end of July.

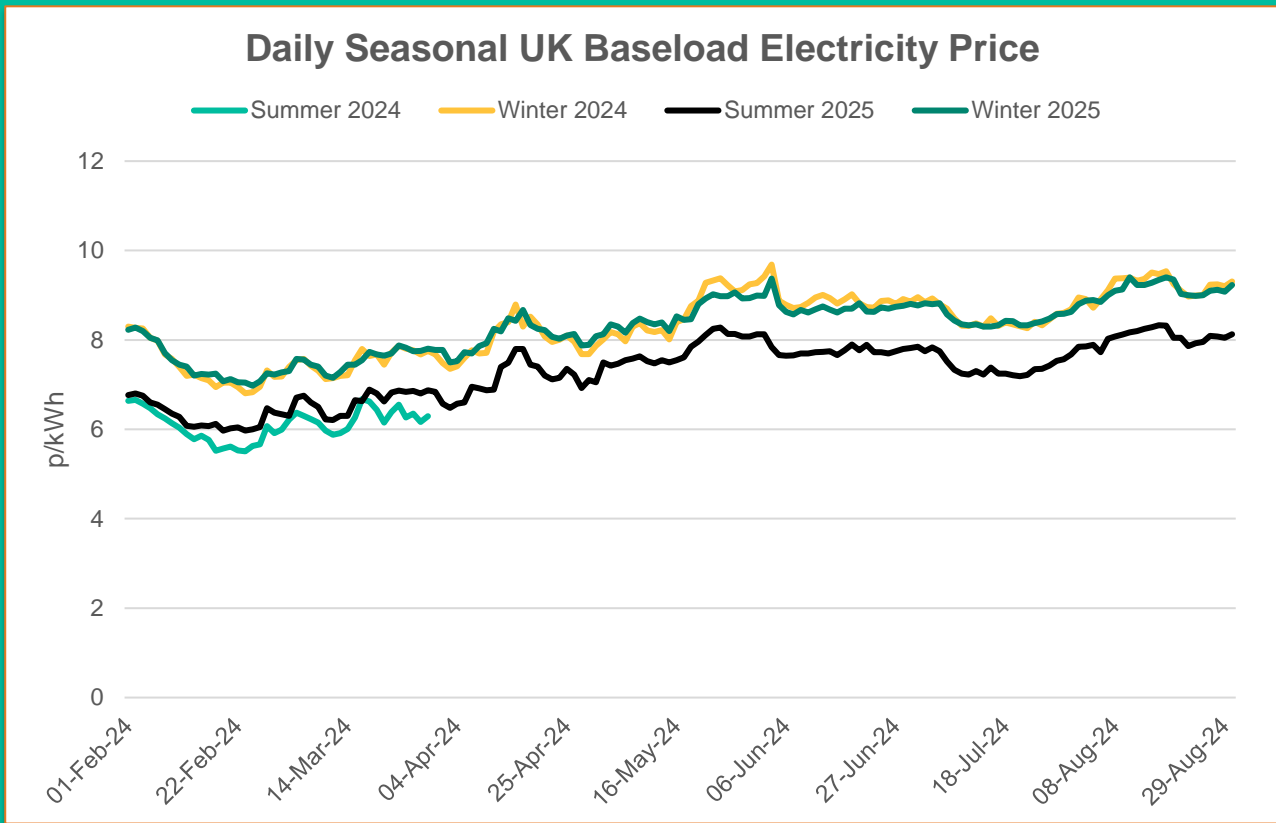
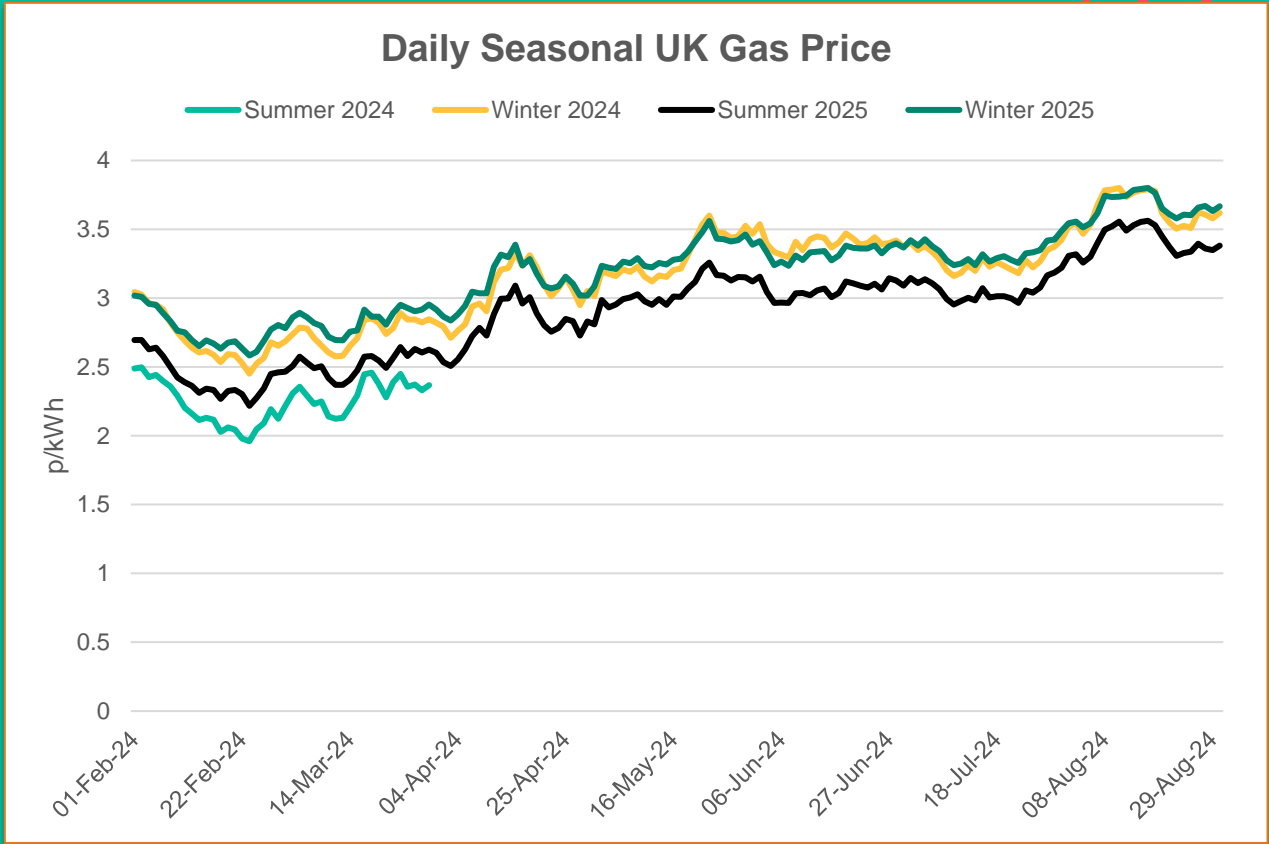
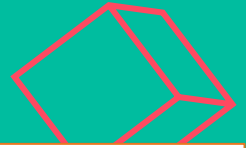
- A surprise Ukrainian attack inside Russian territory caused markets concern over gas infrastructure transporting flows from Russia into Ukraine although both had no intension of stopping gas flowing.
- The transit agreement between Russia and Ukraine is due to cease at the end of the year and it is expected that it will not be renewed therefore any damage to the infrastructure has more recently been assessed to have limited impact.
- Tensions in the Middle East continue to play their part in creating uncertainty in the market.
- Storage across Europe is currently over 90% vs a 5-year average for the time of year of 85%. Levels have now exceeded the 90% mandated target two months ahead of schedule.

## In other news

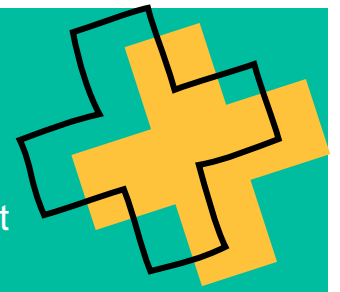
The UK domestic price cap for October '24 will rise around 10% due to the higher energy market price environment witnessed over the assessment period and an increase in non-energy costs.

It is expected that prices are likely to increase again slightly in January as the market has rebounded from its 30-month low witnessed in February '24. Geopolitical events could force prices higher should situations in Russia/Ukraine or in the Middle East escalate further.

# Seasonal Prices



# Price Table



Seasonal prices rose month-on-month ending August about 6-7% up. However, they did subside slightly from the high point of the year which occurred mid-August. Global supply and demand and geopolitical headwinds are stopping prices returning lower levels witnessed prior to the energy crisis.

Month End Prices				
	Fuel	Aug-24 (p/kWh)	Jul-24 (p/kWh)	Month-on- Month Difference
Spot Prices	Gas (NBP)	3.21	2.80	15%
	Power (UK Baseload)	6.63	8.19	-19%
Front Month	Gas (NBP)	3.24	2.81	36%
	Power (UK Baseload)	8.19	7.00	17%
Front Season	Gas (NBP)	3.62	3.42	6%
	Power (UK Baseload)	9.31	8.69	7%
Annual Price (Oct-24)	Gas (NBP)	3.55	3.36	5%
	Power (UK Baseload)	8.78	8.23	7%
Historical Comparison	2019 Average Front Season Price (p/kWh)		% Increase to Aug-24	
Gas (NBP)	1.64		121%	
Power (UK Baseload)	5.10		83%	



# Outlook

Market fundamentals remain fairly level from last month with European storage filling trajectory forecast to continue at a healthy rate. Geopolitical risks remain but due to the forecast healthy supply and demand position for the winter the risk of damage to Russian infrastructure is diminishing. There is a heavy planned maintenance schedule which is normal for September, but extensions or concurrent unexpected outages would create bullish pressure.



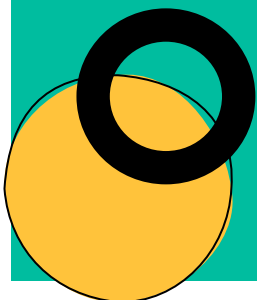
## Bearish signals

- Continued strong storage.
- Continued weak gas-for-power demand.
- Subdued Eurozone manufacturing demand.



## Bullish signals

- Extensions to planned North Continental shelf maintenance works.
- Damage to gas infrastructure transporting gas from Russia to Ukraine.
- Continued Middle East geopolitical uncertainty.





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