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ENERGY

Energy Market Review

December 2024



7th January 2024

Market Context

Prices lost value through the start of December retreating from recent highs. Warmer weather forecasts eased the concerns created by the strong storage withdrawals through November and, as a result, front season prices dropped around 10%. However, from mid-month the sentiment turned, prices rose sharply as cold weather set-in eradicating the earlier losses to end the month up 5% on the end of November, and the highest level for the year.

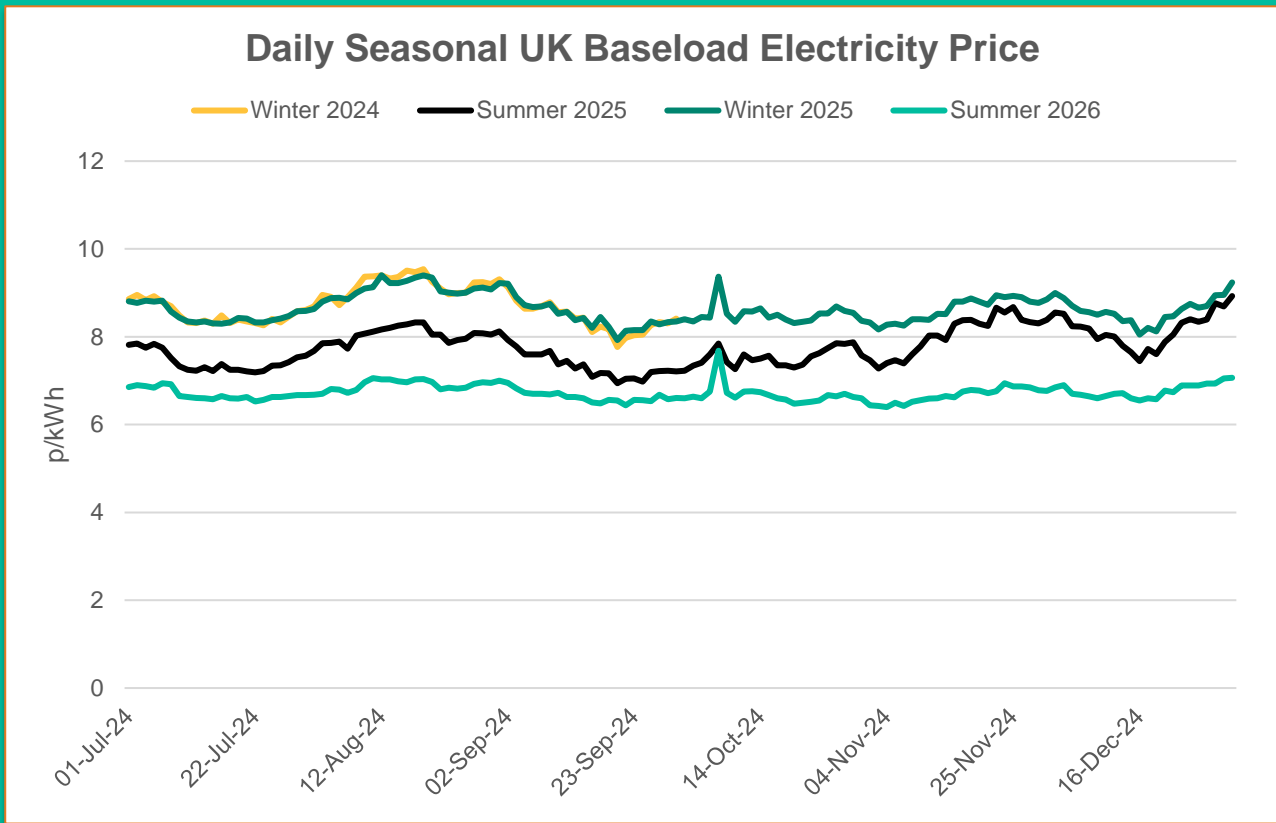
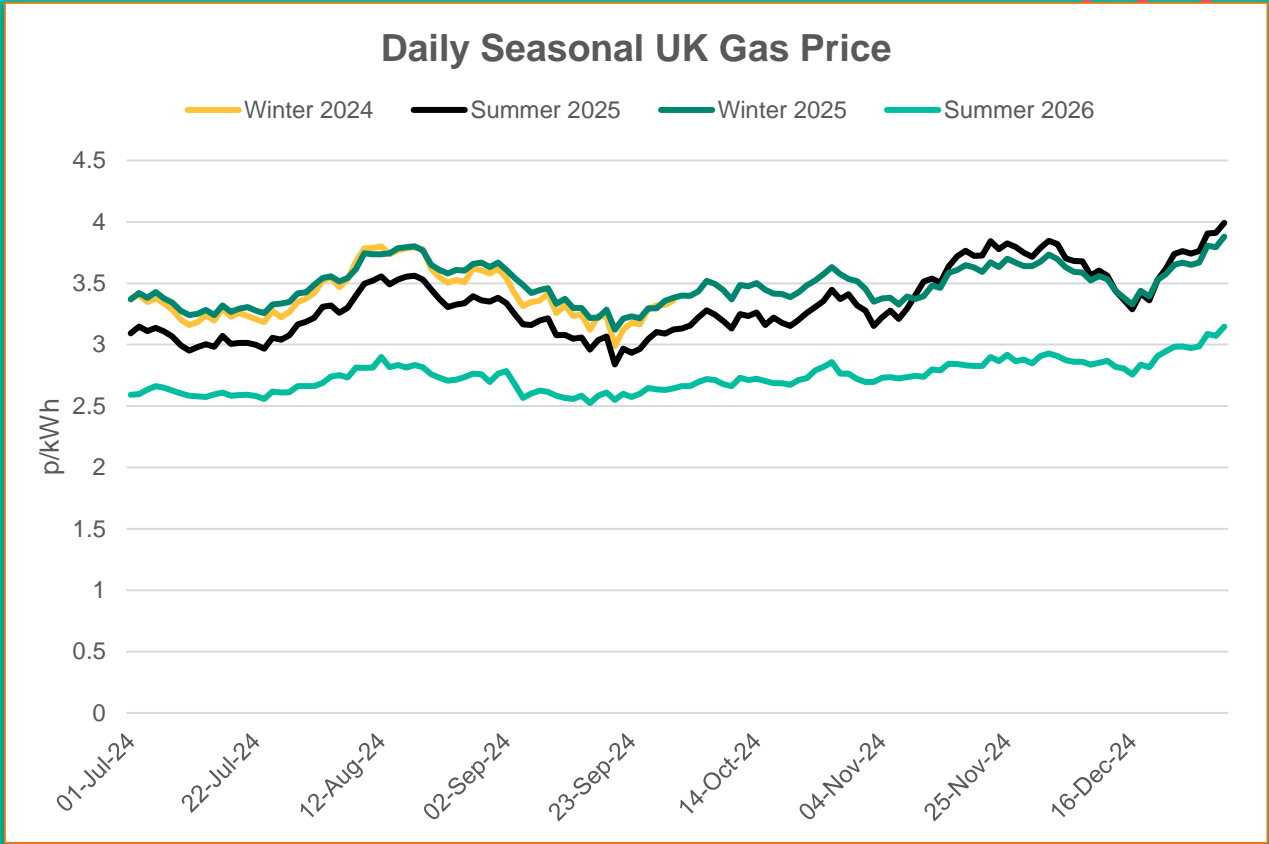
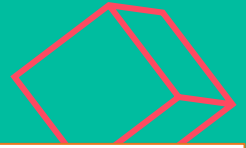
- Warmer weather forecasts slightly calmed supply fears after strong withdrawals throughout November but the sentiment turned on the arrival of cold weather.
- The return of nuclear capacity and stronger wind production reduced gas-for-power demand.
- LNG arrivals and sendout remained strong through the month.
- No new transit agreement for Russian piped gas to Europe through Ukraine was arranged, therefore, as expected, the flows halted after 31st December.
- The flows only represented around 3-4% of European demand, however, as the overall system balance remains tight (since the removal of the larger flows to Europe from Russia) the loss of this gas adds pressure to European supply.
- Withdrawals slowed through early December with Northwest Europe storage ending the month at around 69% vs the 5-year average of 75%.

In other news

Four UK nuclear power stations have had their operating life extended in a welcome boost for energy security with the decision supporting around 3,000 jobs.

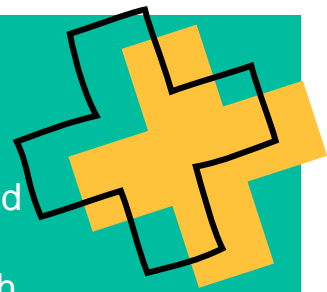
The Secretary of State for Energy and Net Zero, Ed Miliband said keeping the plants online is a “strong endorsement of our clean power mission”.

Seasonal Prices



Price Table

Seasonal prices ended the year at the highest level witnessed throughout 2024. The bearish movement at the start of the month was completely wiped out by the end of the month with prices rising around 5% month-on-month. Power spot prices continue to be divorced from wider markets due to a complex set of intraday drivers creating large amounts of volatility.



	Month End Prices			
	Fuel	Nov-24 (p/kWh)	Nov-24 (p/kWh)	Month-on-Month Difference
Spot Prices	Gas (NBP)	4.23	3.98	6%
	Power (UK Baseload)	4.83	9.41	-49%
Front Month	Gas (NBP)	4.16	4.01	31%
	Power (UK Baseload)	10.36	9.28	12%
Front Season	Gas (NBP)	3.99	3.79	5%
	Power (UK Baseload)	8.93	8.39	6%
Annual Price (Apr-25)	Gas (NBP)	3.91	3.71	5%
	Power (UK Baseload)	9.10	8.64	5%
Historical Comparison	2019 Average Front Season Price (p/kWh)	% Increase to Dec-24		
Gas (NBP)	1.64	144%		
Power (UK Baseload)	5.10	75%		



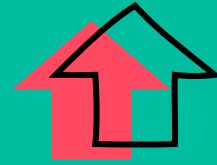
Outlook

The outlook is currently mixed after the recent bullish run. Further cold weather across the continent will continue to keep the market nervous as storage continues to be depleted but assumptions are that much of the weather risk has already been factored into prices.



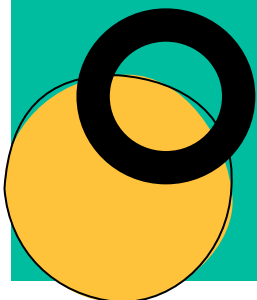
Bearish signals

- Flat demand due to warmer weather forecasts for January and continued weakness in manufacturing sector.
- Softer gas-for-power demand due to higher nuclear availability.
- LNG arrivals set to continue to rise through January.



Bullish signals

- Requirement for more gas to flow from elsewhere in Europe to replace Russian piped gas through Ukraine.
- Storage levels forecast to remain below recent years.





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The Cloisters, 12 George Road,
Edgbaston,
Birmingham.
B15 1NP

0345 307 3433
info@gingerenergy.co.uk
www.gingerenergy.co.uk

