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ENERGY

Energy Market Review

May 2025



2nd June 2025



Market Context

Throughout May seasonal prices steadily climbed rising almost 10% on the backdrop of heavy Norwegian maintenance and geopolitical instability. However, the sunniest spring on record and warm temperatures helped keep storage injections going at a strong rate and by the end of the month around 5% of the gains had been retraced.

- Peace talks continued but there has still been no meaningful progress. It has become clear that Russia's expectations are that five areas of Ukraine would become internationally recognised as Russia and that Ukraine would remain a neutral state not hosting any foreign military. Throughout the month fighting continued.
- Tensions between India and Pakistan were high as they exchanged missile attacks early in the month before agreeing to cease hostilities.
- The UK agreed trade deals with US, EU, and India.
- Global recession fears were alleviated slightly as President Trump agreed trade deals with many nations but tensions with China were still evident.
- Aggregated EU storage targets were reduced to 83% from 90% and the window for hitting the mandated target was extended through to 1st December from 1st November.
- Warm settled weather continued through most of May ending in the sunniest spring on record.
- The storage outlook improved with European stocks reaching close to 50% as the warm sunny start to the season allowed for injections at a good rate. Increased LNG flows also supported ample injections.

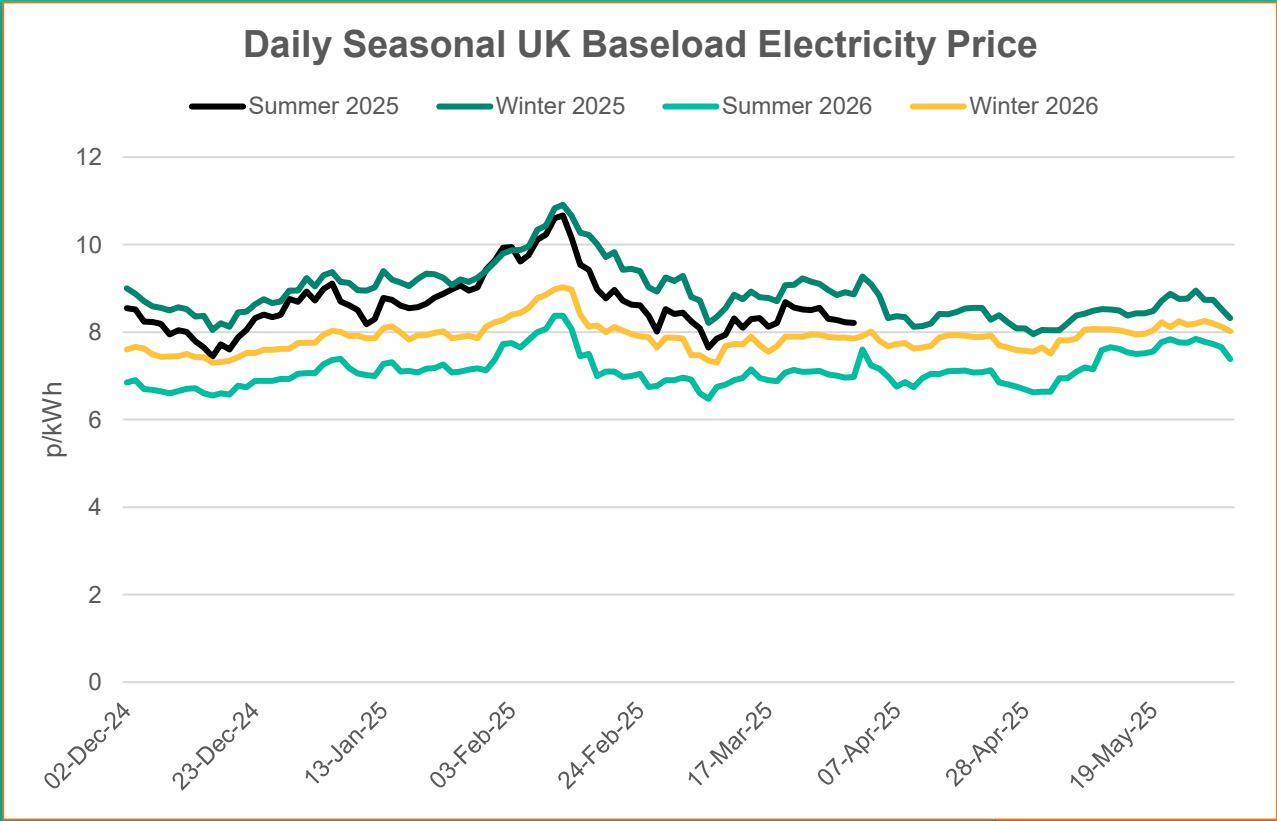
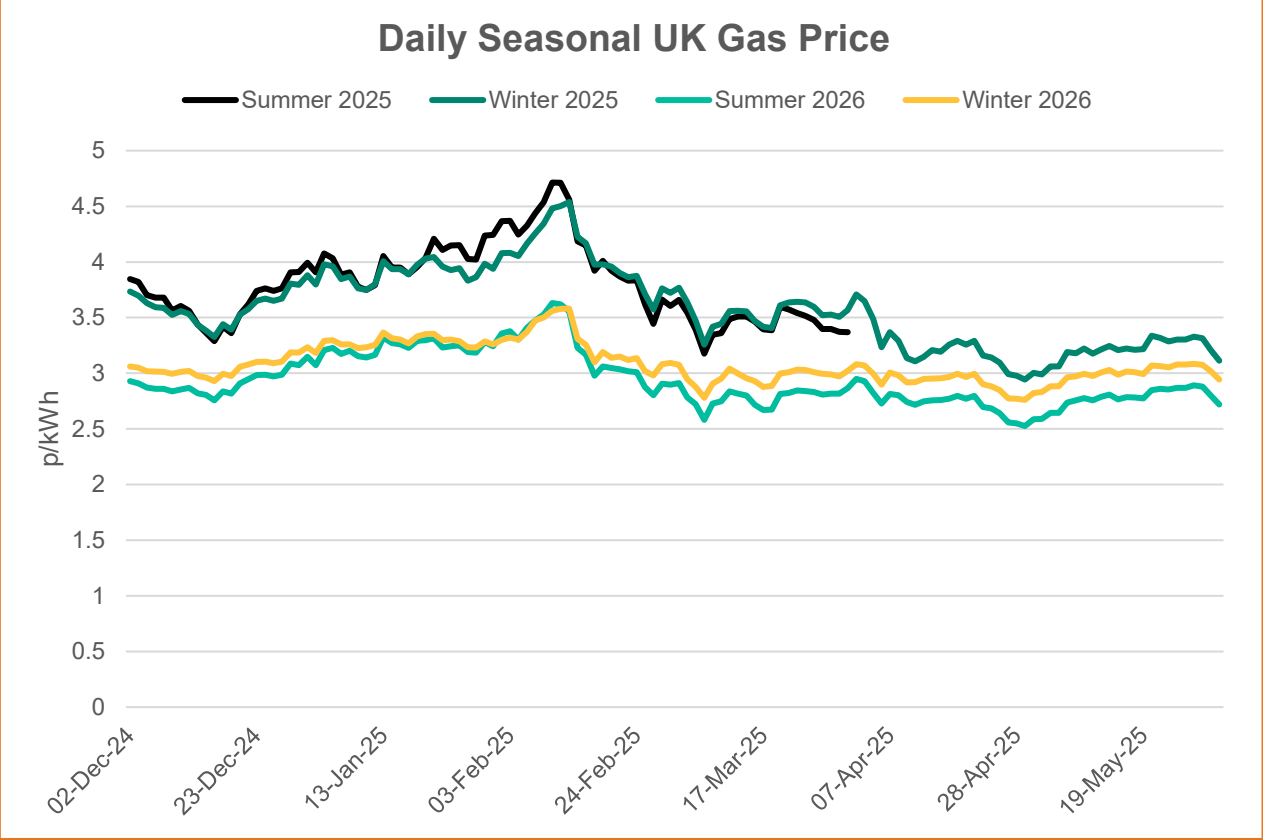
In other news

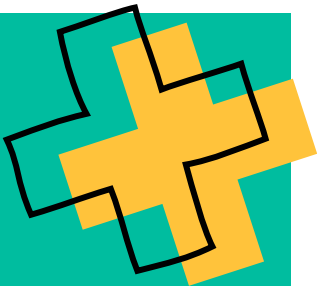
Ofgem have announced the latest domestic price cap to take affect from 01/07/2025. The new prices represent a 7% decrease when compared to the previous with a drop in wholesale prices over the assessment period being the main driver for the reduction.

Electricity = 25.73p/kWh / 51.37p/day

Gas = 6.33p/kWh / 29.82p/day

Seasonal Prices





Price Table

Prices across the curve rose steadily through May with a small retracement evident in the closing few days. Day-ahead power prices saw a large decline as strong winds and sunny weather led to strong renewable generation.

	Month End <u>Energy Only</u> Prices			
	Fuel	May-25 (p/kWh)	Apr-25 (p/kWh)	Month-on-Month Difference
Spot Prices	Gas (NBP)	2.70	2.59	4%
	Power (UK Baseload)	5.95	7.50	-32%
Front Month	Gas (NBP)	2.85	2.64	19%
	Power (UK Baseload)	7.03	7.00	0%
Front Season	Gas (NBP)	3.11	3.00	4%
	Power (UK Baseload)	8.32	8.05	3%
Annual Price (Oct-25)	Gas (NBP)	2.99	2.88	4%
	Power (UK Baseload)	7.90	7.41	7%
Historical Comparison	2019 Average Front Season Price (p/kWh)		% Increase to May-25	
Gas (NBP)	1.64		90%	
Power (UK Baseload)	5.10		63%	



Outlook

Many analyst now believe in all but a very cold weather scenario it is expected that ample storage levels will be reached to manage the next winter season. A reduction in German industrial demand through April and May and lower exports from the EU have helped alleviate some of the risk but heavy maintenance continues to pose a threat to the injection trajectory as we move through the summer.



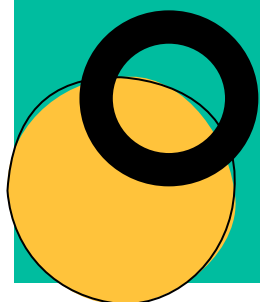
Bearish signals

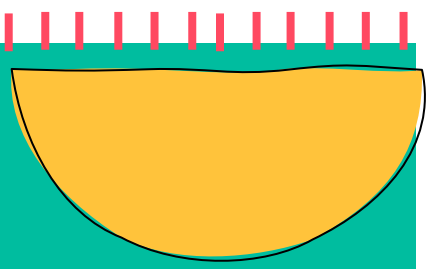
- Potential positive outcome to Russia/Ukraine peace talks.
- Drop in residential and industrial demand.
- Continued strong injection rate.



Bullish signals

- Lower LNG supply to NWE in June compared to May
- Heavier UK maintenance.





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