

April Market Report

9 May 2024



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with the latest trends,
news and forecasts in
the UK energy market.

ENERGY MARKET WATCH



Market Analysis

April 2024

Commentary

In April, the market experienced a modest climb, recouping some losses observed in consecutive months at the outset of the year. Gas contracts rose by 3.74%, while power prices saw a 2.77% increase. Though the figures indicate settled market conditions, we did see plenty of intra-month volatility.

Key drivers

EU Underground Gas Storage – The EU entered the summer period with record levels of underground gas storage. The storage level reported at the outset of the month was 59.3% and ended at 62.3%. This is significantly higher than the 5-year average of around 41.6%. EU storage levels are an important indicator of supply: the higher the level of storage the greater the bearish pressure on market prices.

Suppressed Gas Demand – The UK and Europe have seen gas demand below seasonal norms throughout winter and into April. There are several factors contributing to lower gas demand. Firstly, April temperatures have been mild except for minor cold snaps. In addition, wind generation in the UK has been high due to favourable weather conditions, reducing the demand for gas for power generation. Overall, low gas demand eases the pressure on market prices and contributes to the excess levels of supply.

Geopolitical Tension – Global conflict remains an unignorable risk factor to market prices. The conflict between Russia and Ukraine persists with both parties continuing to attack critical energy infrastructure. Meanwhile, tensions in the Middle East continued to rise throughout April with Iran striking Israel in their response to a prior attack. In terms of the energy market, conflict in the Middle East has caused disruption to LNG (liquefied natural gas) cargoes that continue to be re-routed due to attacks in the Red Sea and threaten the liquidity of the oil market. Geopolitical tensions are a bullish concern for market participants who will continue to closely monitor any developments.

Muted Asian Commodity Demand – Asian commodity demand has been suppressed since the Covid-19 pandemic. However, this appears to be recovering quickly. A higher level of demand from Asia could increase the competition for global supply and should be monitored closely in the coming months.

Gas prices rose by:

3.74%

Power prices rose by:

2.77%



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Commodity	Unit	Price – 01/04/24	Price – 30/04/24	% Change
Gas (12-Month)	p/therm	81.264	84.303	+3.74%
Power (12-Month)	£/MW	71.492	73.475	+2.77%
Brent Oil	\$/bbl	83.55	87.86	+5.19%
Coal	\$/tonne	104.42	108.80	+4.20%
Carbon	£/tonne	35.10	35.32	+0.63%

Wholesale Market Graphs



Graph 1 - Wholesale Gas Graph (2021-2024):



Graph 2 - Wholesale Electricity Graph (2021-2024):



Despite the energy market offering an opportunity to secure rates close to their lowest levels since 2021, prices are still higher and more volatile than pre-energy crisis.

Consequently, the market presents a great opportunity to explore flexible contract options for 24 or 36-months which could help capitalise on potential further declines in market prices and mitigate risk.

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