

May Market Report

12 June 2024



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

ENERGY MARKET WATCH



Market Analysis

May 2024

Commentary

Despite continued low demand, markets have surged due to supply constraints and overall negative market sentiment. In May, gas contracts rose by 14.67%, while power prices saw a 16.34% increase.

Key drivers

Suppressed LNG to Europe – Liquefied Natural Gas (LNG) supply into Europe and specifically the UK has been lacklustre over the month of May. Market data suggests imports of LNG volume to Europe have decreased by around 30% year over year. A fall in LNG availability leaves the UK vulnerable to supply shocks and therefore, raises market prices. The shortage in LNG has been driven by tensions in the Red Sea, heavy maintenance in the US and record temperatures in Asia leading to increased demand from this region.

Norwegian Maintenance – Norway has overtaken Russia to become Europe's largest gas supplier, accounting for around a third of flows. Throughout early Summer, maintenance is scheduled to maintain this vital infrastructure and these outages cause slumps in supply. In addition to this, any unplanned maintenance or outages highlight the risk of over-reliance on any single source of gas. Throughout May, maintenance was heavy and caused sharp drops in exports to the UK and Europe, impacting market prices.

Geopolitical Tensions – Global tension and conflict continues to support higher market prices. A foreign court ruling could mean that supplies from Russia into Austria could be suspended moving forwards. Austria has been a remaining a gateway for Russian gas into Europe and this news helped to raise market prices. Market participants responded negatively to this news as reduced flows into Europe increases competitiveness for supplies and could inhibit storage injections over summer. Meanwhile, conflict in the Middle East continues to be a spike risk.

Renewable Generation – Mild weather conditions throughout May have contributed to low wind speeds adversely affecting the level of UK wind generation. This has an adverse impact particularly in the short-term as more gas is required to generate power for the UK's electricity needs pushing up prices.

Gas prices rose by:

14.67%

Power prices rose by:

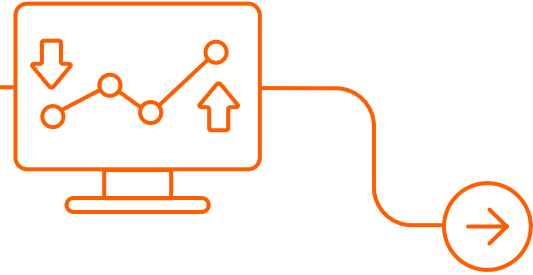
16.34%



Despite continued low demand, markets have surged due to supply constraints and overall negative market sentiment.

Commodity	Unit	Price – 01/05/24	Price – 31/05/24	% Change
Gas (12-Month)	p/therm	88.20	101.14	+14.67%
Power (12-Month)	£/MW	74.33	86.47	+16.34%
Brent Oil	\$/bbl	83.44	81.62	+2.18%
Coal	\$/tonne	111.92	126.98	+13.45%
Carbon	£/tonne	36.70	48.61	+32.45%

Wholesale Market Graphs



Graph 1 - Wholesale Gas Graph (12-month cost)



Graph 2 - Wholesale Electricity Graph (12-month cost)



Recommendation

It's important that we don't become desensitised to price rises and continually compare rates to energy crisis levels. The wholesale market has demonstrated that it can go much lower than its current levels, having climbed over 40% since the lows in February (12-month profiled cost).

Consequently, we feel that with supply constraints being largely short-term, flexible contract options present the best opportunity allowing you to take advantage of falls in market prices. If you would like to find out more about flexible contracts please get in touch.

Connor Hawkrige
Risk Manager
Zenergi

About the Market Watch team

Whether you are looking for a fixed price contract and want to ensure you are buying at the right time, or are embarking on a more flexible arrangement, our team are here to support you.

We are energy industry experts dedicated to continuously monitoring market conditions on your behalf. We play a crucial role in delivering valuable insights and empowering you to make well-informed decisions. With a deep understanding of your needs and risk appetites, we tailor our approach to suit your requirements.



Daily market insights straight to your inbox

For more information sign up to receive Zenergi's daily market insights [here](#).



Powering a sustainable future

About Zenergi

Zenergi supports and empowers organisations' journey to net zero. With a unique range of services, we tailor sustainable solutions for our customers. What sets us apart? We drive major reductions in costs, energy consumption and carbon emissions with our market-leading procurement service; informed advice, and unrivalled engineering expertise.

Let us simplify and accelerate your journey to a more sustainable future, we're here to guide you every step of the way.

Find out more

For more information about Zenergi's Social Value Strategy, visit www.zenergi.co.uk/social-value

www.zenergi.co.uk
bepositive@zenergi.co.uk
02380 286300

