

June Market Report

15 July 2024



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

ENERGY MARKET WATCH



Market analysis

June 2024

Commentary

In June, gas contracts fell by 1.07%, while power prices saw a 3.77% decrease (12-month profiled cost). Throughout the month, market conditions slightly softened due to an improving supply picture and continued low demand from the UK and Europe.

Key drivers

EU underground gas storage – Throughout June, EU underground gas storage facilities experienced substantial net injections, increasing from 70.0% to 77.4%. Current projections indicate that these storage levels are on track to reach 90% by the end of September and, barring an early cold snap, could be completely full by the start of November. This higher level of storage increases market liquidity and signals enhanced energy security, acting as an anchor for prices.

Norwegian flows – In our previous energy market report, heavy maintenance in Norway led to sharp drops in exports to the UK and Europe, impacting market prices. In contrast, throughout June, maintenance in Norway dropped sharply and resulted in plentiful gas supply to Europe. In the near curve, plentiful supply increases liquidity and reduces prices. Meanwhile, further out, excess supply can be injected into underground storage, reducing the risk of supply shortages and stabilizing future prices.

Oil prices rebound – Prices for oil rebounded throughout June, reaching their highest level in two months. From a supply perspective, OPEC's output cuts into 2025 have exerted some upward pressure on prices. Also, geopolitical tensions have contributed to this rise, with concerns about a broader conflict in the Middle East involving Iran and its allies Iraq, Yemen, and Syria amid the war in Gaza. On the demand side, analysts forecast tightening stockpiles due to increased transportation and air-conditioning use during the summer. This is further exacerbated by hopes of an interest rate cut by the US Federal Reserve in the upcoming quarter, potentially increasing economic activity.

Commodity overview

Commodity	Unit	Price – 01/06/24	Price – 30/06/24	% Change
Gas (12-Month)	p/therm	100.10	99.03	-1.07%
Power (12-Month)	£/MW	87.03	83.75	-3.77%
Brent Oil	\$/bbl	78.36	86.41	+10.27%
Coal	\$/tonne	128.03	114.00	-10.96%
Carbon	£/tonne	48.65	46.26	-4.91%

Gas prices fell by:

1.07%

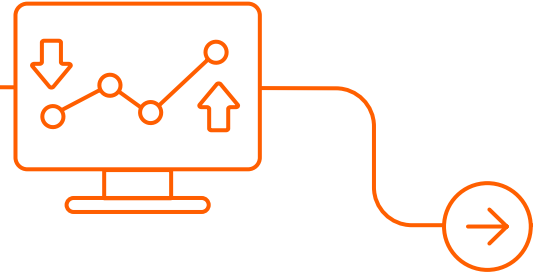
Power prices fell by:

3.77%



Throughout the month, market conditions slightly softened due to an improving supply picture and continued low demand.

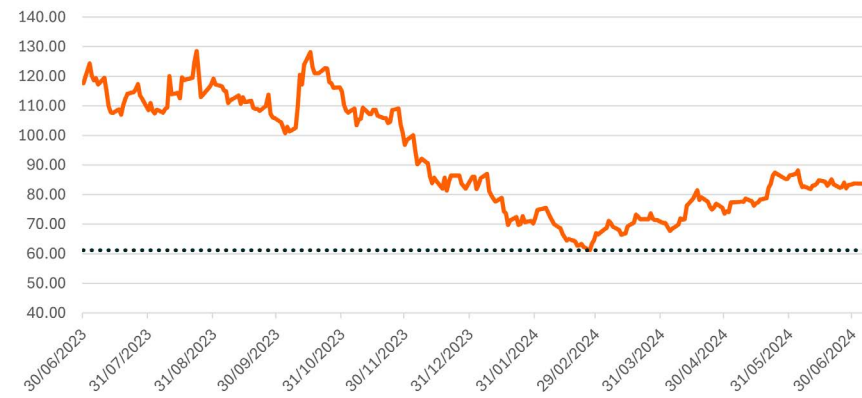
Wholesale market graphs



Graph 1 - Wholesale gas graph (12-month cost)



Graph 2 - Wholesale electricity graph (12-month cost)



Recommendation

In our previous recommendation, we highlighted that short-term supply constraints may be impacting prices and, therefore, a flexible contract could allow you to benefit when rates fall. As suggested, in June, prices dropped as the supply picture improved.

Overall, for July, we maintain a bearish outlook on the market as prices remain at relatively elevated levels. Consequently, our recommendation has remained unchanged. If you would like to discuss your contract options in greater detail, please get in touch.

Connor Hawkrige
Risk Manager
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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.



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