

October Market Report

6 November 2024



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

ENERGY MARKET WATCH



Market analysis

October 2024

Commentary

October brought a volatile market environment, with gas and power prices generally trending upwards despite some market dips. Geopolitical events, such as the US elections, UK Autumn budget and conflict progressions surrounding Ukraine and the Middle East, all add market pressure which, combined with supply restrictions and low demand, have led to prices rising.

Key drivers

Supply-side concern – October experienced many supply-side shocks during the month. One major concern was around the conflicts in the Middle East (Iran/ Israel) which heightened markets over fears that energy facilities may be targeted during the attacks – and combined with the threat around restrictions to the Strait of Hormuz (1/5th of LNG passes through here) this could have been catastrophic. Many other supply-side concerns such as Canadian firm (CNR) gas restrictions, and Saudi Arabia planning restrictions to oil production have filtered into market prices.

Demand-side – Due to multiple factors (economic decline in Asia, global weather, politics just to name a few) demand has been weak compared to the past 3 years. This is contributing to holding prices back and preventing spikes that may otherwise occur. Recent studies by the IEA suggest that growth in certain sectors, such as US export growth of LNG, are as low as 2% when comparing to the 2021-23 average of 43% per annum. Oil prices being so sporadic after three consecutive OPEC decreases have also aided in creating market uncertainty.

UK weather – In the latter half of the month, warmer-than-average temperatures across the UK suppressed price increases, with many days recording temperatures several degrees above seasonal expectations. This unseasonal warmth has reduced UK demand for gas and power. However, weaker renewable generation has exerted upward pressure on prices, offsetting some of the demand reductions and likely contributing significantly to recent price rises.

Commodity overview

Commodity	Unit	Price – 01/10/24	Price – 31/10/24	% Change
Gas (12-Month)	p/therm	97.52	103.14	+5.76%
Power (12-Month)	£/MWh	78.00	83.61	+7.19%
Brent Oil	\$/bbl	71.77	72.55	+1.09%
Coal	\$/tonne	124.37	123.70	-0.54%
Carbon	£/tonne	36.45	37.35	+2.74%

Gas prices increased by:

5.90%

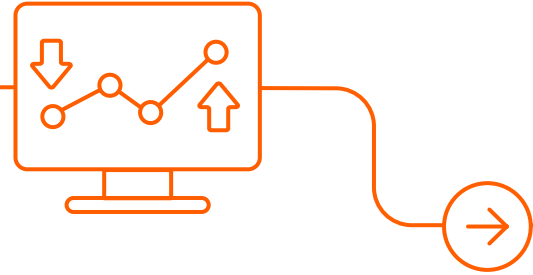
Power prices increased by:

4.41%



October brought a volatile market environment, with gas and power prices generally trending upwards.

Wholesale market graphs



Graph 1 - Wholesale electricity cost



Graph 2 - Wholesale gas cost



Recommendation

Despite some falls in the price of gas and power appearing in the last week of October – our opinion on the Winter ahead is that prices are more likely to rise in the near term based on fundamental and technical analysis, with the risk/reward ratio being fairly high at the moment. Therefore, we advise customers to consider locking in forward rates well in advance to ensure budget certainty into 2025 (depending on risk tolerance) – taking full advantage of the backwardation in the market which is currently presenting favourable energy procurement opportunities.

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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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