August Market Report

14 September 2026

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

zenergi

Market analysis

Commentary

August was a volatile month for UK Energy markets. The month began with a downtick in pricing following a brief improvement in sentiment regarding shipping routes (lanes) in the Strait of Hormuz and strong renewable output which helped ease near-term prices. This improvement was short lived, however, with markets strengthening significantly throughout the remainder of the month.

Renewed concerns over the US-Iran conflict, constrained LNG and low EU storage combined to push prices upwards and make August one of the most bullish months since the conflict began.

Gas prices increased by:

17.94%

Electricity prices increased by:

12.47%

Commodity	Unit	Price 01/08/26	Price 31/08/26	% Change
Gas (12-month forward)	p/therm	122.88	144.92	+17.94%
Power (12-month forward)	£/MWh	105.74	118.93	+12.47%
Brent Crude Oil ($/bbl.)	$/bbl	90.12	89.70	-0.47%
Coal ($/tn)	$/tonne	124.91	128.99	+3.27%
Carbon (ETS Dec-26)	£/tonne	59.09	59.00	-0.15%

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Market analysis

Key drivers

US-Iran war

Early August saw the arrival of two brief periods of optimism around diplomatic progress. The first being the high stakes talks in Oman to address the Strait between the US and Iran, while the second involved discussions around a potential ceasefire roadmap. Both developments ultimately failed to provide lasting market relief. By mid-month the roadmap had been rejected and the extended peace window expired on 17 August. The Strait effectively remained choked, seeing LNG flows reduce by over 77% versus pre-conflict levels (4.9mbpd vs 21.6mbpd).

European gas storage

Low European gas storage has remained one of the main drivers of energy market pricing as stocks declined rapidly into the early year, unable to recover to historic levels throughout 2026 so far. By the final week of August, stocks were at 63% compared to a normal average of 80%+ seen in normal conditions. This leaves the market increasingly concerned about the risks this could pose for Winter-26 and Summer-27 delivery. Germany remains particularly exposed, with storage levels lagging the wider market at approximately 54% full, largely due to sparce renewables generation and intermittent outages to alternate sources of gas such as from Norway.

Fundamental constraints versus risk premiums

Although markets have remained fundamentally tight since March, we have seen high volatility in both directions upon minor changes to the Middle Eastern conflict. Whilst some price increases can be justified by supply constraints and low storage, a growing proportion of volatility and price premiums appears to be driven by fear and uncertainty rather than directly from a strong fundamental change past a certain point. This is a common theme in energy, and swings in both directions (as exhibited during the peak Russia-Ukraine conflict) tend to be more severe than structural supply-demand changes would imply.

Despite initial signs of market relief, power and gas curve trajectories quickly reverted back to a strong bullish stance, causing any gain in attractiveness to disappear.

Wholesale market graphs

Gas market prices (p/kwh)

*Based on 12-month forward profiled data

Electricity market prices (p/kwh)

*Based on 12-month forward profiled data

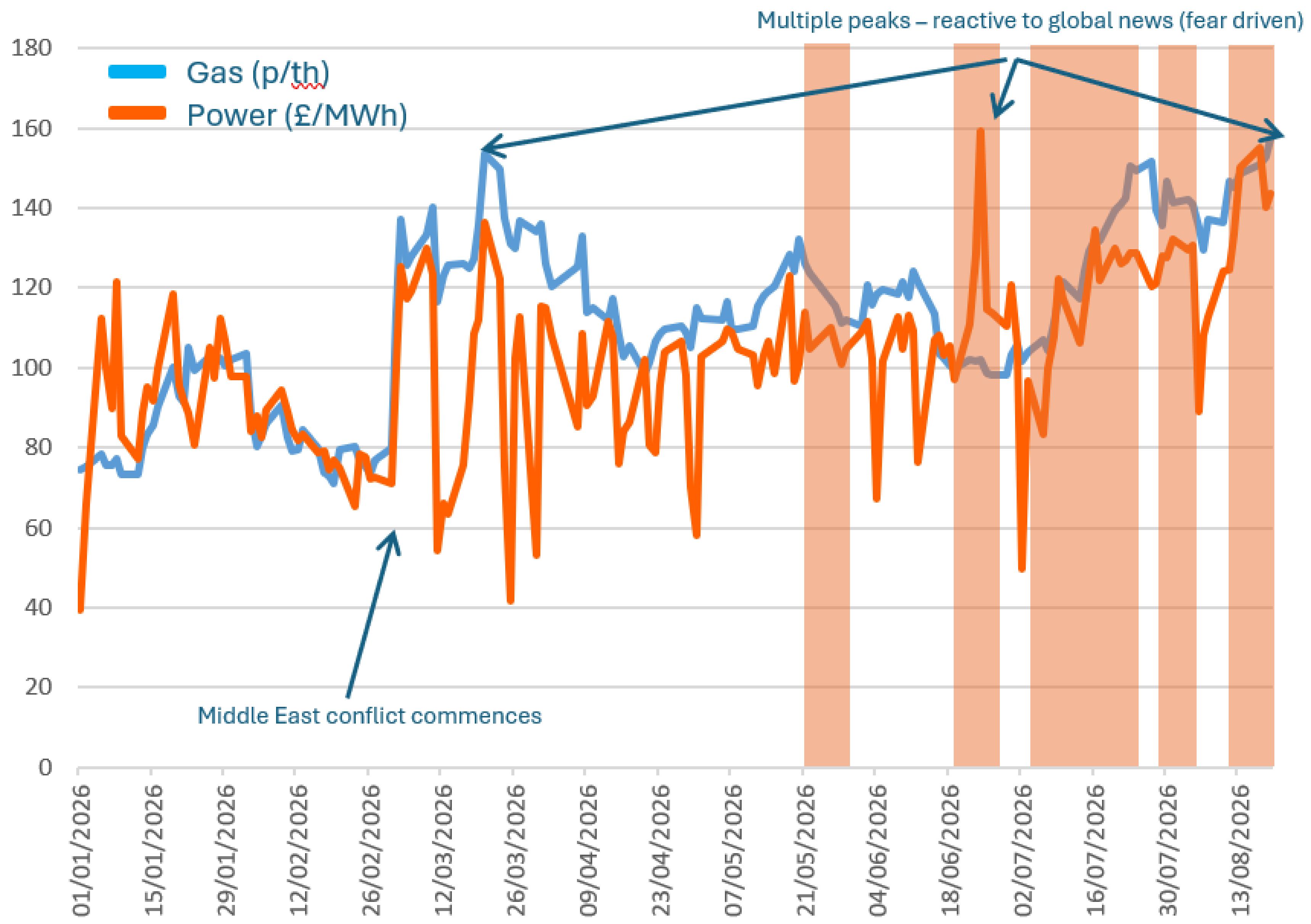
Zenergi recommendation

August has seen a net increase compared with the end of July, which has compounded market price severity, pushing prices to the highest levels seen since mid-2023. Given high volatility in combination with this, our stance on contracting is changing rapidly and regularly to optimise portfolio assets for our customers. We strongly advise that any decisions are made promptly after seeking advice since recommendations are subject to change, and to remain calm and pro-active during these turbulent times to enable us to derive the best outcome for you.

Day-ahead rates (with temperature specific example)

Day-ahead pricing – what is it?

Day-ahead pricing means buying electricity or gas for delivery today for tomorrow. Flexible contracts generally have a portion of volume which is left to within-month which can add balance to a portfolio. Day-ahead pricing is subject to extremely short-term market fundamentals (i.e.: weather, renewables production, gas demand on the day), whilst also combining external existing factors (e.g.: the Middle East crisis). This makes the environment highly volatile and risky when too much exposure is allowed.



In the chart shown, we have mapped an example of how heatwaves have affected market prices through the year. This is just one moving variable which can (and has) affected market shifts over the past few months, notably during the end of July where power prices spiked on heavy demand-side cooling requirements and low nuclear generation across the continent.

Is extreme pricing preventable?

Yes, day-ahead volatility is largely preventable with adequate forward planning, and given such a volatile example of the year, we urge clients to think carefully and stress test portfolios to avoid unexpected and troubling costs. The way in which we mitigate exposure is to hedge well in advance, and to allow a good margin for pricing fluctuations if any day-ahead volume is chosen to be taken on.

Simplifying complexity. Delivering progress.

Zenergi is committed to being your trusted energy partner, combining expertise and a personal service to deliver exceptional value and long-term resilience.

Let’s future-proof your portfolio

Get in touch with one of our experts today.

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