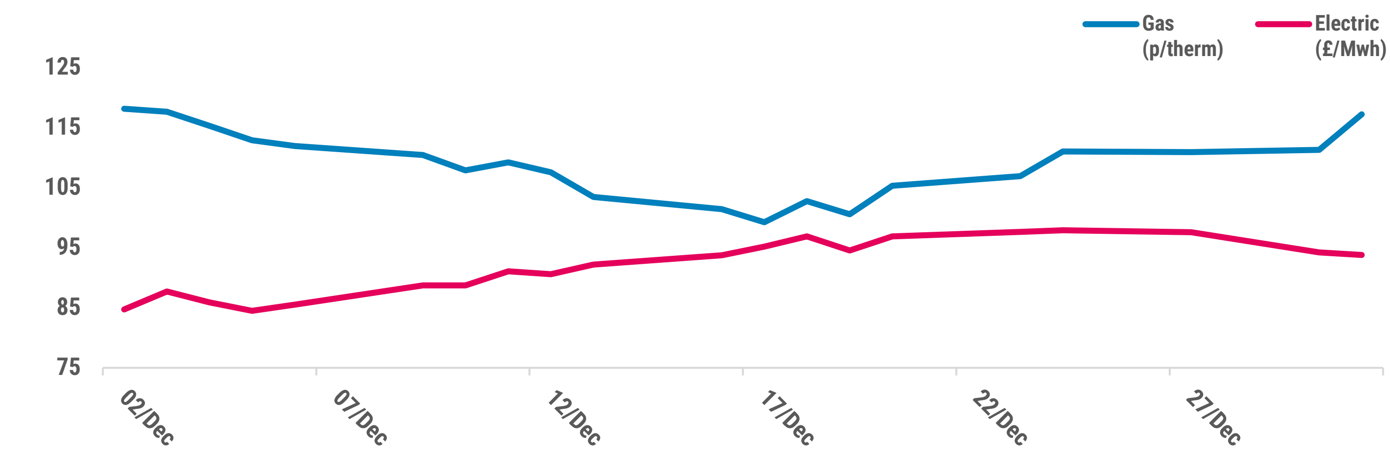
# ENERGY MARKET UPDATE
## December 2024

### Year Ahead Wholesale Gas and Electricity Price




December gas saw little net change, ending much as it began. In contrast, power increased notably by approx. £10/MWh. The visible divergence between the two trends highlight the differing market dynamics during the period.

Gas fell in the first half of December due to a revised temperature forecast. Initially, colder weather was expected, but this was adjusted to above-average temperatures. Additionally, the LNG (Liquefied Natural Gas) supply outlook remained healthy, with seven cargoes scheduled to arrive in the UK by year-end, diverting from a well-stocked and milder Asia.

While milder December temperatures and initially reasonable European gas storage levels pushed gas prices down, power prices rose.

The primary power driver was the increased reliance on gas for power generation, caused by significantly reduced wind and solar output during this period.

In the second half of December, power prices levelled off and then declined by £4/MWh by year-end, driven by improved, and by then, above-average wind generation through to Christmas, following a very still period.

Gas moved in the opposite direction however, rising as the UK's 46-day temperature outlook was revised colder for early January, following an above-average December for temperatures.

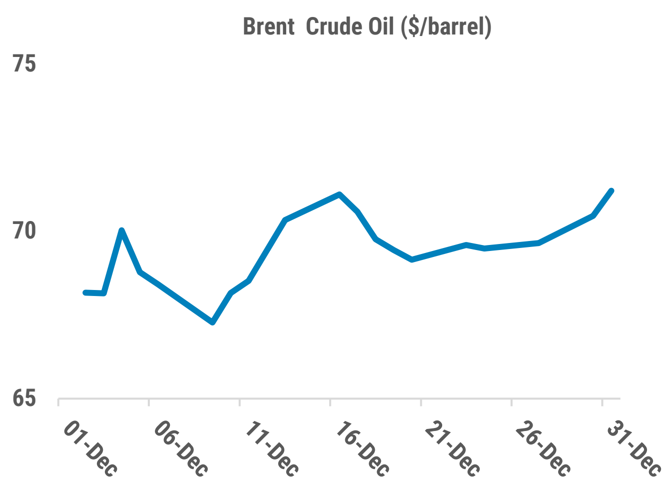
Another significant driver of the upturn, alongside reduced European gas storage levels, was market preparation for the potential loss of Russian gas imports to Eastern Europe. This risk arises from the expiration of the Russia-Ukraine gas transit deal at the start of the New Year. Prices climbed as an alternative deal became increasingly less likely.

To ease concerns, the European Commission stated that the scenario was anticipated and prepared for, emphasizing that Europe's gas infrastructure is flexible enough to accommodate supplies from non-Russian sources.

### Brent Crude Oil

In 2024, Brent crude oil prices reflected a complex mix of geopolitical and economic factors. The year ended with prices at c.$71 per barrel on December 31, a 9% drop from c.$78 on January 1, marking the second consecutive annual decline. Prices remained above $80 per barrel through September, supported by Middle Eastern tensions and OPEC-led supply cuts. However, a $10 decline in Q4 brought prices down to c.$70 by year-end.

The downturn was driven by weakening demand in major consuming nations, particularly China, where economic slowdowns curbed oil consumption. Additionally, OPEC and the International Energy Agency projections indicated a potential global supply surplus in 2025, further tempering price growth. These dynamics underscored the interplay between supply constraints and demand pressures shaping the oil market throughout the year.

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