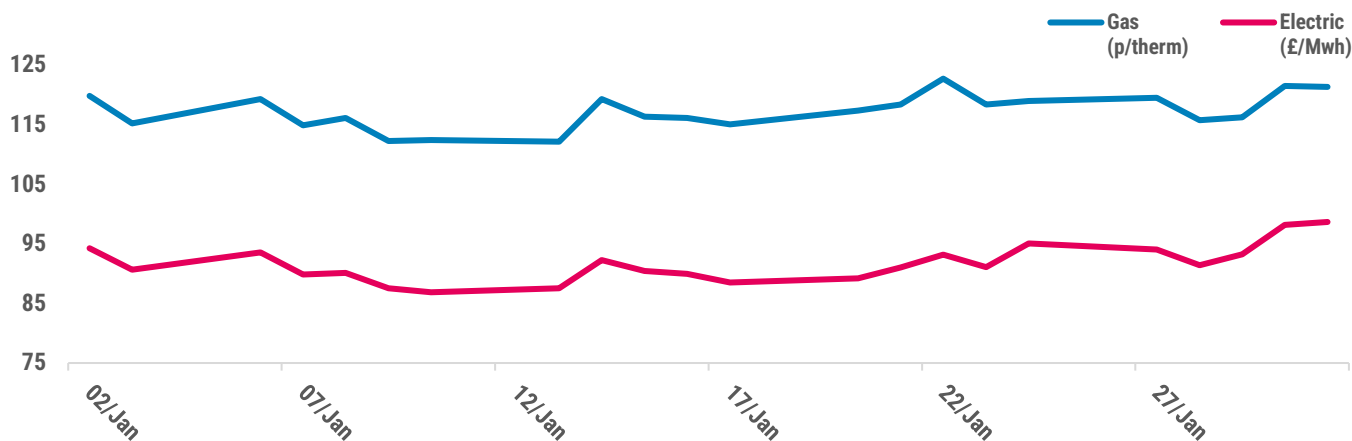


ENERGY MARKET UPDATE

JANUARY 2025

YEAR AHEAD WHOLESALE GAS AND ELECTRICITY PRICE



Overall, wholesale gas and electricity prices in January ended as they began, with levels largely unchanged despite notable peaks and troughs throughout the month.

Energy prices showed strength over the Christmas period, driven by the expiration of the Russia-Ukraine gas transit deal on December 31 and cold weather forecasts. As no alternative deal had been arranged, that supply uncertainty added volatility.

Although a bearish (downward trending) start to January saw prices retreat from 14-month highs due to milder longer-term temperature forecasts and stable supply

conditions, bullish (upward trending) momentum returned mid-month. This was sparked by revised colder forecasts, reduced wind generation, and declining UK and EU gas storage levels which have continued to reduce at record speeds to below their respective five year averages.

The prompt market (the front end of the wholesale pricing curve which is concerned with near-term contracts) experienced spikes, notably on January 8, when a cancelled Electricity Market Notice (EMN) pushed system prices to £2900/MWh during peak hours (not necessarily reflected in the above year-ahead trend view).

Supply challenges also contributed, with the Freeport LNG terminal in the U.S. impacted by extreme cold weather and Dutch Gate terminal operations hindered by fog.

Healthy Liquefied Natural Gas (LNG) imports tempered some of the gains with twenty-four vessels received in January. Consistent Norwegian gas flows to Europe have also anchored prices to some extent.

The ongoing cold spell and lower wind output have been increasing gas demand for power generation, which is further depleting storage levels and maintaining upward pressure on prices.

BRENT CRUDE OIL

In January 2025, Brent crude oil experienced a four-month price high of \$81 per barrel by mid-month, driven by intensified U.S. sanctions on Iran and Russia, as well as a cold snap that boosted demand. However, by the end of the month, prices returned downwards to between \$70-75 per barrel, as per the beginning of the month. This was due to a larger-than-expected increase in U.S. crude inventories, signalling potential oversupply. Concerns over possible U.S. tariffs on Canadian and Mexican imports also dampened market sentiment.

The U.S. EIA forecasts Brent crude will average \$74 per barrel in 2025, with further declines anticipated in 2026 as production growth outpaces demand. While January saw a brief surge, the market is expected to face downward pressure in the months ahead.

Brent Crude Oil (\$/barrel)

