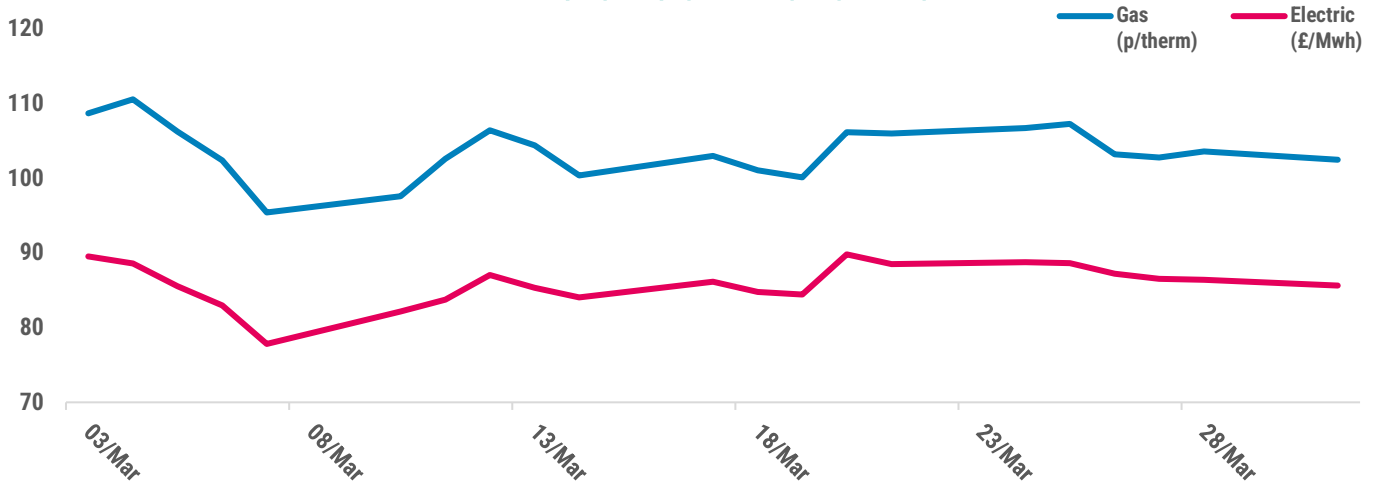


ENERGY MARKET UPDATE

MARCH 2025

YEAR AHEAD WHOLESALE GAS AND ELECTRICITY PRICE



March 2025 saw heightened volatility in UK and European wholesale energy markets, driven by a complex mix of geopolitical uncertainty, storage concerns, and shifting weather dynamics.

Early in the month, prices trended downward as milder weather forecasts reduced demand, and strong LNG (Liquefied Natural Gas) imports into Europe boosted confidence in short-term supply stability. However, this bearish tone shifted as geopolitical tensions intensified. Talks between Ukraine and Russia failed to yield a ceasefire, diminishing hopes of resumed Russian gas flows to Europe. At the same

time, growing instability in the Middle East introduced further risk premiums to the market.

Mid-month, a late cold snap swept across parts of the UK and Europe, significantly increasing heating demand and further depleting already low gas storage levels. EU inventories closed the month around 36% full, notably below the five-year average of 47%. Supply-side issues also played a role, with extended maintenance at key Norwegian gas fields reducing flows, while low wind generation increased reliance on gas-fired power, reinforcing short-term bullishness (upward movement).

At the end of March, some bearish factors re-emerged. Forecasts for warmer weather, a recovery in wind output, continued LNG arrivals, and improving Norwegian gas supply helped stabilise the market. Despite the intramonth fluctuations, wholesale energy prices ended March relatively flat but remain well below the levels seen in February.

Looking ahead, market focus will turn to the storage refill progress ahead of the EU's 90% target by 1st November 2025. While fundamentals have improved slightly, any renewed cold weather or further geopolitical instability could reignite upward pressure on prices.

BRENT CRUDE OIL

Brent crude prices fluctuated in March, albeit ending largely unchanged, settling around \$69 per barrel. The month opened near a three-year low of \$68, pressured by global demand concerns and U.S. tariffs. Mid-month, prices began modestly lifting, supported by a drawdown in U.S. crude inventories and heightened geopolitical tensions involving Iran and Venezuela.

However, gains were capped as OPEC+ (Organisation of the Petroleum Exporting Countries) announced a planned output increase of 411,000 barrels/day starting in May, sparking fears of oversupply. Combined with lingering trade uncertainty, this led to renewed market weakness late in the month.

Overall, Brent remained range-bound, with the market caught between bearish macroeconomic sentiment and bullish geopolitical risks.

Brent Crude Oil (\$/barrel)

