month on month

marketview

Review of: February 2024

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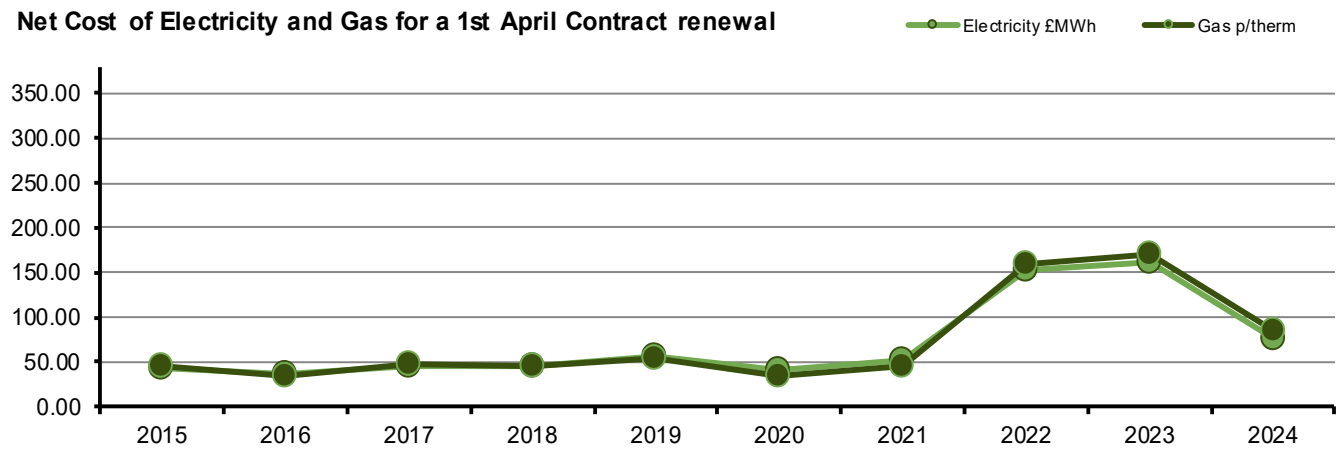

Electricity: base load cost - excludes distribution, taxation and supplier margin and costs

2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
44.18	36.45	44.65	44.90	55.33	40.30	51.98	153.38	161.85	75.38

Gas: core gas cost - excludes distribution, taxation and supplier margin and costs

2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
46.28	33.63	46.83	45.73	54.83	33.58	44.90	159.23	170.14	85.56

▲: Indicates that there was an upward pressure on prices. ▼: Indicates that there was a downward pressure on prices.

February in summary

February saw a continuation of downward movement with weak demand and very comfortable storage levels across Europe.

Market Volatility

Low levels of volatility in February; moves were generally attributed to differing temperature forecasts whilst the markets remained sensitive to Storage levels.

Weather

England and Wales had their respective warmest Februarys on record according to provisional Met Office statistics in what was a mild and wet month for many.

While temperatures were above average throughout the UK, it was a particularly warm month across the southern half of the country, with mean temperatures more than 3°C above the February long-term average for many counties in southern England. Over 30 counties recorded their highest February mean temperature, chiefly in southern areas of the UK, though many areas further north were also warmer than average.

Gas, Storage and LNG News ▼

Early February saw gas prices falling and for many contracts, setting new lows not seen since last July and even further back. The fundamental drivers remained clear, on the demand side, the main bearish driver was the return of Norwegian gas production from Troll, and secondly the weather forecasts were gradually warming throughout seeing lower gas demand more typical for April. The later part of February saw bullish movement seeing prices recovering from their previous lows, the bullish sentiment driven by increased demand and gas for power demand. It was quoted that the gains could have been technical correction as contracts had traded bearishly nearly every day since the second week of February. Lower levels of LNG were seen this month due to a combination of maintenance strikes and the Red Sea impact

Politics and Global Economics

Although not had any real impact on prices, we have seen several attacks on ships in the red sea by Houthi backed militants in Yemen. Retaliatory and preventative air strikes from US and UK forces have thus far also failed to ratchet up geopolitical risk. The level of Israeli incursions into the densely civilian populated Rafah could see wider regional escalation, is a risk that has yet to materialise but is on the table, and could have repercussions on LNG shipping.

Oil ▼

Oil prices saw large gains at the beginning of February; the ongoing fighting in the Middle East has ensured a substantial risk premium is applied to the market. Volatility continued as Global Demand for 2024 was revised down, The US economy saw declines in Sales and Manufacturing data, whilst recessions in Japan and the UK has dampened demand sentiment.

Coal ▼

Weakness continues to come from bearish factors on the demand side of the market, including a seasonal decline in coal consumption as northern hemisphere temperatures warm, and further falls in TTF gas prices which are undermining coal demand prospects through the potential for substitution of coal with gas for power generation.

Carbon ▼

EUA's continued to drop, having hit a 31 month low as bearish indicators and weak demand continued to impact the carbon market. Economic growth is likely to remain sluggish in the near term across Europe and is expected to lead to further demand destruction from many of the industrial sectors covered by the EU ETS.

Looking Ahead

European gas markets are well supplied and have ample inventories; this is reflected in the current price and lack of bullish impact from recent supply side disruptions. Warmer weather should keep demand muted and even if we had a demand shock or supply curtailment, it would need to be prolonged to have a significant impact on prices considering the current bearish fundamental picture. Weather risk to storages has almost entirely diminished with around 6 weeks of heating season remaining.

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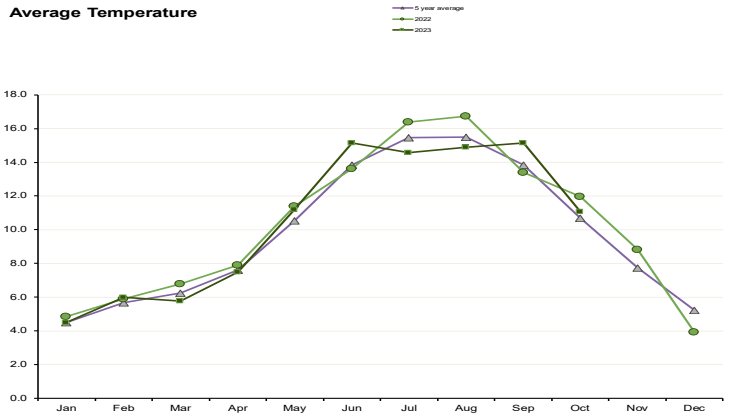

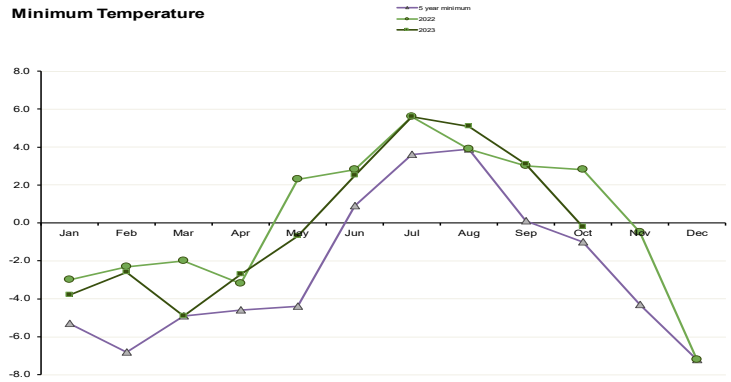

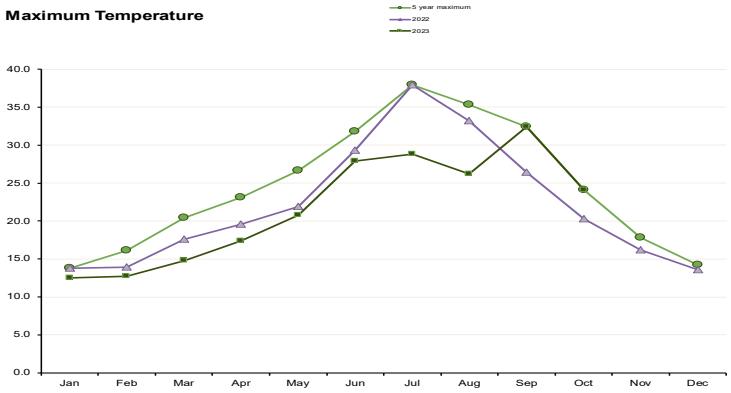

Average temp: 2023: Summary

2023 Summary v 5 Year Average

(* Positive numbers = warmer, negative = colder than 5 year average)

2023	September	October	Year total
°C	1.3	0.4	0.2
%	9.6%	3.5%	0.0%

2022 v 2023 Summary

(* Positive numbers = warmer, negative = colder than 2021)

2023	September	October	Year total
°C	1.8	-0.9	-0.3
%	12.3	-8.2%	0.0

Min temp: 2023: Summary

2023 Summary v 5 Year Average

(* Positive numbers = warmer, negative = colder than 5 year average)

2023	September	October	Year total
°C	3	0.8	2.0
%	3000%	-80%	296.9%

2022 v 2023 Summary

(* Positive numbers = warmer, negative = colder than 2021)

2023	September	October	Year total
°C	0.1	-3.0	-0.9
%	2.1%	-600%	-34%

Max temp: 2023: Summary

2023 Summary v 5 Year Average

(* Positive numbers = warmer, negative = colder than 5 year average)

2023	September	October	Year total
°C	9.1	7	3.3
%	24%	19.8%	11.6%

2022 v 2023 Summary

(* Positive numbers = warmer, negative = colder than 2021)

2023	September	October	Year total
°C	-6.0	-3.8	1.6
%	-18.5%	-15.8%	5.8%

Met Office UK summary

The first half of October mostly comprised a north-south contrast in weather across the UK. England and Wales were generally nearer the influence of high pressure over the near-continent, with a particularly warm and sunny spell of weather early on in October. The second half of the month was unsettled and very wet at times. Widespread, prolonged and heavy rainfall from storm Babet caused serious flooding problems to many areas, with eastern Scotland worst affected. This, together with some very strong winds, brought atrocious weather conditions.

Utility Impact Summary

When you switch your heating on make sure:

-It is on a timer, don't leave it running when there is no-one in the building

-On a temperature set point, usually around 22 degrees is enough, heating to a higher temperature does not make it warm up faster, it will only use more energy try to reach an unachievable temperature.

As the evenings are now getting darker and the clocks have changed, make sure to adjust any automatic lighting timers to ensure lights are not switching on needlessly.

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