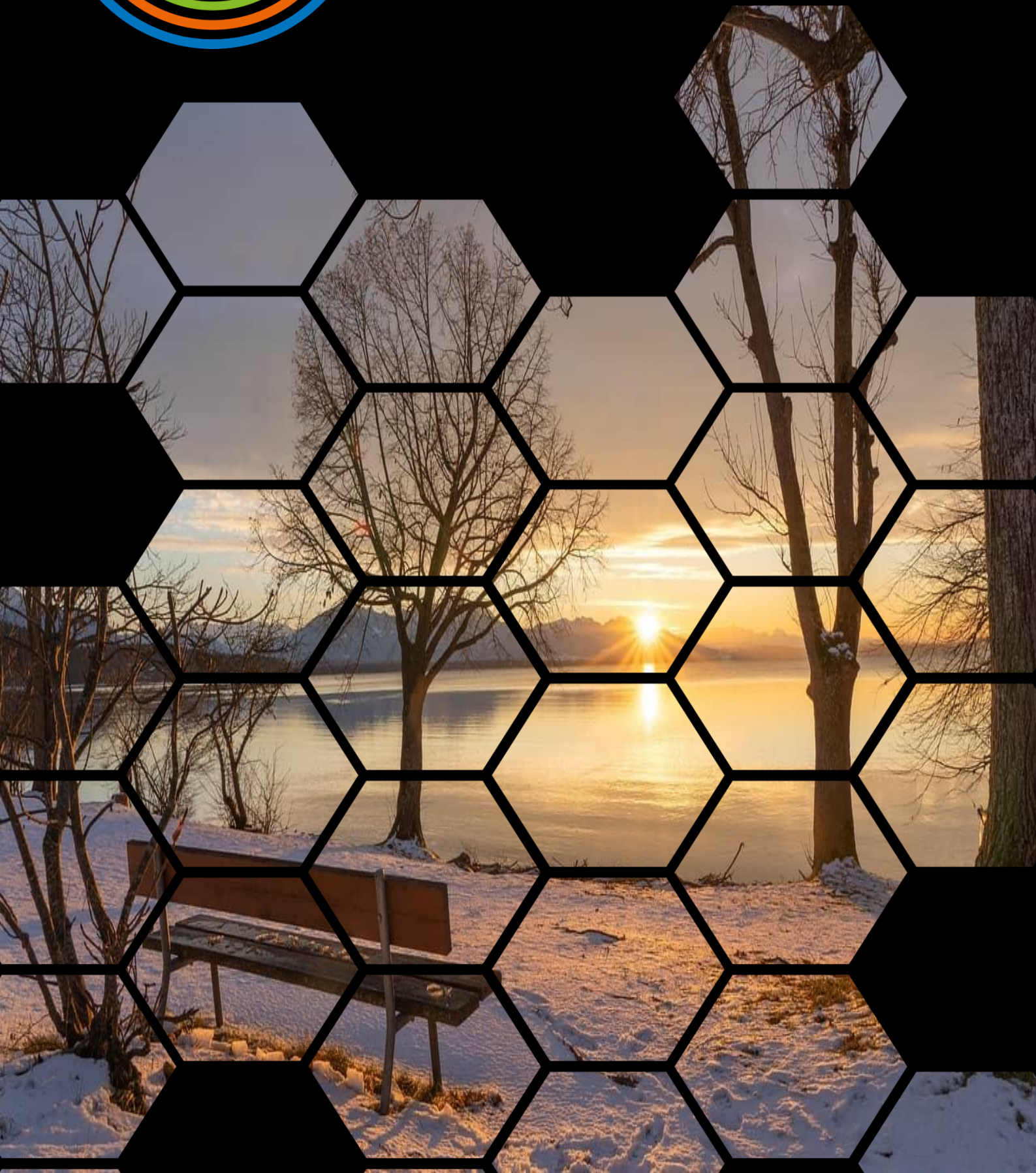
Catalyst
Digital Energy

Digital Energy Element

February 2025

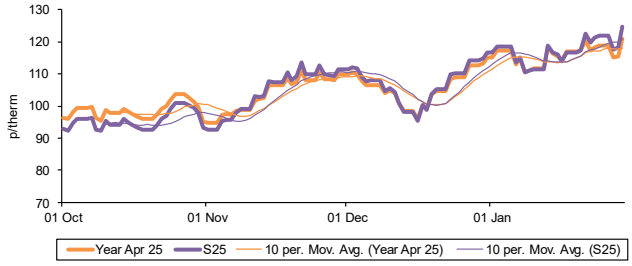
Strong Recorded Gains



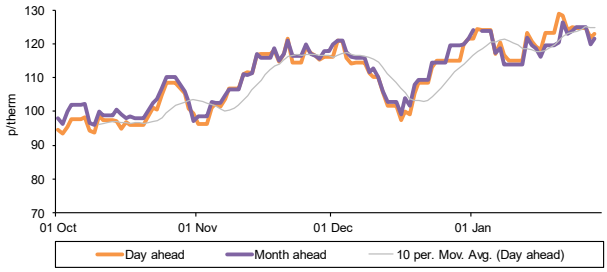
Untangle your energy spend management

Digital Energy Element / February 25

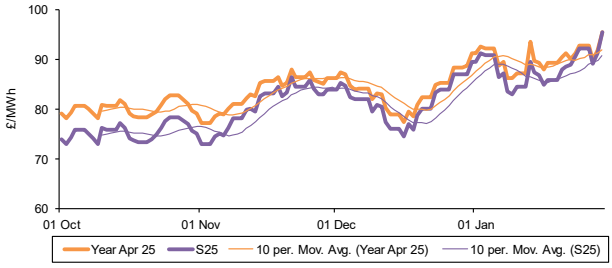
Annual gas prices



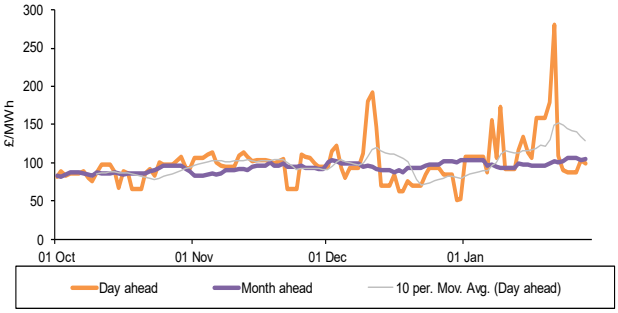
Spot gas prices



Annual power prices



Spot power prices



In January, we observed an upward sentiment across all tracked NBP gas contracts in the month. Gains across these contracts were relatively consistent, both in the shorter-term as well as further out on the forward curve. On average, seasonal gas contracts from summer 25 to summer 27 were 8.7% higher in January compared with the previous month, with the most significant average price gains concentrated across summer 25 and summer 26 (up 9.6% and 10.9%, respectively).

More broadly, January registered lower levels of wind generation when compared to the record-breaking levels seen in December, subsequently placing higher demand on more expensive fuelled generation like gas. Likewise, we observed a period of higher outage levels throughout select plant and gas fields across the Norwegian Continental Shelf (NCS), decreasing flows into GB and limiting supply on the gas network as a result.

To date, EU and UK gas storage levels have seen notable decreases ending the month at 55% fullness, compared to the 70% fullness seen at the end of January 2024, increasing gas prices on the continent and providing a bullish price signal for the UK market to follow. Gas storage stocks fell at faster rates across January due to multiple instances of below average temperatures, alongside low wind generation increasing the requirement on gas from storage and limiting refill opportunities.

As a result, we saw day-ahead gas rise across the month, up 9.7% to average 122.25p/th, reaching the highest level seen since October 2023 at 131.60p/th on 29 January. Similarly, front-month contracts were up 7.0% on average from December, with February 25 averaging 120.61p/th and March 25 at 118.97p/th.

Day-ahead power prices followed their gas counterpart and registered a much stronger month-on-month gain, up 30.4% on average to sit at £125.51/MWh. This increase was likely the result of lower wind generation throughout the month, with prices reaching the highest level seen since December 2022 at £280.02/MWh on 21 January. According to BMRS data, wind generation accounted for just 0.5% of the generation mix at 9:00AM on the 21 January, with transmission connected wind supplying <100MW to the market. Further contributing to this was a reported partial outage at the Heysham 2-8 nuclear reactor, exacerbating the reduction in available supply volumes.

Similarly, longer term power contracts exhibited gains with the front-month power contracts, February 25 and March 25, rising 5.2% on average to sit at £100.37/MWh and £95.02/MWh, respectively. Likewise, seasonal power prices increased on average by 6.5% month-on-month.

Brent crude price rose 7.5% higher to 78.44/bl on average, with prices rising to 81.39/bl on 16 January - the highest level seen since July 2024. Concerns surrounding supply levels grew following sanctions on Russian oil set in place by the US. Current sanctions are impacting supply across Europe, China, and India, key importing regions, with the former Biden administration sanctioning more than 100 tankers and two Russian oil producers, impacting the supply of nearly 1mn barrels per day of oil from Russia.

Across the EU and UK carbon markets a mixed trend was seen, with the EU ETS carbon price rising 13.9% €77.46/t. Gains across the EU ETS carbon price were driven by reduced wind generation across the continent, alongside lower coal prices meaning it was more economical to generate using coal-fired generation, a more carbon intensive fuel source. However, the UK ETS registered a loss of 0.2% - to average £35.00/t in January, with notable price fluctuations, seeing the lowest level since the inception of the scheme at £31.89/t on 17 January, and the highest level seen since September 2024 at £42.44/t on 29 January.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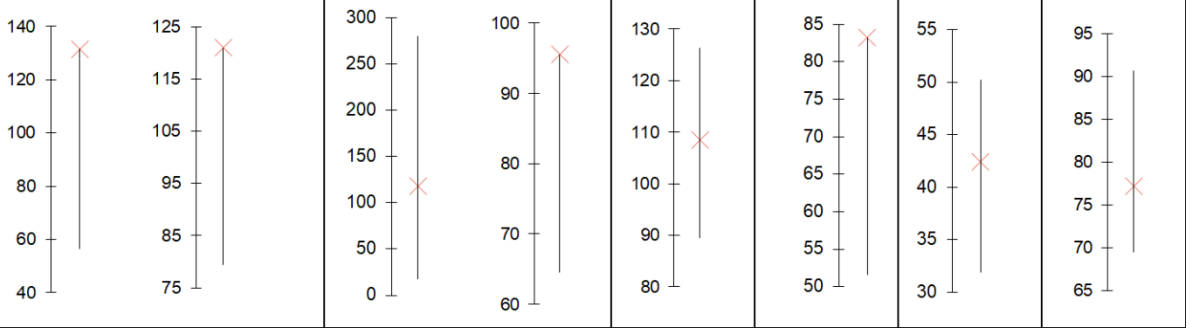
Key market indicators: 29/01/2025

		Gas (p/th)		Electricity (£/MWh)		Coal	EUA Carbon	UKA Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	($/t)	(€/t)	(£/t)	($/bl)
This month	29 Jan 25	131.60	120.93	118.04	95.50	108.50	83.22	42.44	77.20
Last month	1 Jan 25	121.58	115.23	108.11	91.25	111.30	72.00	35.76	76.20
Last year	31 Jan 24	73.00	83.15	67.00	74.38	96.25	64.05	33.65	82.05
Year-on-year % change		80.3%	45.4%	76.2%	28.4%	12.7%	29.9%	26.1%	-5.9%
Year high		131.60	120.93	280.02	95.50	126.35	83.22	50.25	90.72
Year low		56.70	79.38	17.26	64.63	89.50	51.60	31.89	69.49

This table shows the price at the end of this month compared with prices from the previous month and year. The graphs show the position of this month's prices with a red X and the range of prices over the year is represented by the black line.



Commodities

Carbon: EU Emissions Trading Scheme carbon is quoted as over-the-counter (OTC) latest opening prices. All carbon prices are in euros per tonne (€/EUA).

Coal: Coal is quoted as OTC latest opening prices. All coal prices are in US dollars per tonne ($/t).

Electricity: UK power base-load and peak-load are quoted as OTC latest opening prices. All UK electricity prices are in pounds per megawatt hour (£/MWh).

Gas: UK National Balancing Point (NBP) gas is quoted as OTC latest opening prices. All UK gas prices are in pence per therm (p/th).

Oil: Brent crude oil is quoted as OTC latest opening prices. All Brent crude oil prices are in US dollars per barrel ($/bl).

Language/ terms

Bearish: A bearish market shows a general decline in prices over a period of time.

Bullish: A bullish market shows a general increase in prices over a period of time.

Curve: A graph of forward prices over a future time period.

Margin: The indicated UK imbalance of a given settlement period. It is the difference between the sum of the indicated generation available, and the national demand forecast made by National Grid.

Over-the-counter (OTC): The trade of a commodity directly between two parties, often on standardised terms.

Spark/ Dark spread: The theoretical net income of a gas/ coal-fired power plant from selling electricity having purchased the necessary fuel. The clean spark/ dark spread is this net income adjusted for the cost of carbon.

Disclaimer

UK Government publishes ‘AI Opportunities Action Plan’

On 13 January, the Department for Science, Innovation and Technology published its ‘AI Opportunities Action Plan’, which sets out a roadmap for the Government to capture the opportunities of artificial intelligence (AI) to enhance growth and productivity across the UK. The action plan outlines 50 recommendations to the Government, including: establishing ‘AI Growth Zones’ to facilitate the accelerated build out of AI data centres; committing to funding regulators to scale up their AI capabilities, some of which need urgent addressing; and leveraging the new Industrial Strategy, as the development of a new Industrial Strategy presents an opportunity to drive collective action to support AI adoption across the economy.

In response to the Action Plan, Prime Minister Keir Starmer has agreed to ‘take forward all 50 recommendations’ and establish an AI Energy Council, which will work with energy companies to understand the energy demands and challenges for the technology. The release states that the Action Plan is ‘at the heart of’ the Government’s Industrial Strategy, as well as its upcoming Digital and Technology Sector Plan, expected to be published in ‘the coming months’.

Department for Science, Innovation and Technology, Prime Minister

DESNZ opens call for evidence into development of Smart Data Scheme

On 13 January, DESNZ opened a call for evidence seeking views on the potential development of a Smart Data scheme in the energy sector. The scheme aims to give people greater control over their energy use and reduce energy bills. DESNZ states that the Smart Data scheme will securely share customers’ data with authorised third parties to provide customers with ‘bespoke products and services which can be tailored to consumers’ needs’.

The call for evidence is seeking views on the current energy landscape and the potential scope, opportunities, barriers, and risks to developing an energy Smart Data scheme. This includes:

- What we can learn from existing Smart Data schemes in the UK and abroad.
- How to foster customer trust, ensure customers are protected and encourage industry participation.
- How to design a scheme that is suitable for the specific needs of the energy sector, while also supporting interoperability and cross-sector alignment.
- How to define the scope of a scheme - for example, the customer groups, potential use cases and datasets that should be included.
- How to implement and deliver a scheme in the wider context of other industry initiatives to support the transition to clean power.

The call for evidence also highlights the environmental and economic benefits of a smart data scheme, including: ‘a better deal for customers’, giving customers more power over their data to unlock innovative products and services; engagement with energy usage, supporting the instalment of low carbon solutions and the ability to opt into flexible or green tariffs; competition and customer engagement, by empowering customers to use their data to make more informed choices; and driving innovation, by creating opportunities for innovative firms to offer new services that use a wide range of energy data.

It notes that the call for evidence will close on 10 March 2025.

DESNZ, DESNZ

Report published on energy procurement & the cost of complacency

On 27 January, Make UK, in partnership with Inspired PLC, published 'Energy Procurement: Cost of Complacency', which explores if energy procurement strategies have 'taken a back seat' and if manufacturers have become 'too complacent'.

The report outlines that, while effective energy procurement strategies can alleviate concerns about rising energy costs, there is 'further policy intervention needed' by the Government. From a survey of its members – carried out in October 2024 – Make UK identified that the most popular potential Government action for manufacturers would be stronger incentives for onsite generation, an industrial energy price cap, and grid capacity and infrastructure expansion.

Out of 139 manufacturing companies, that took part in the survey, 81% stated that they had a procurement strategy in place, with 40% stating that it gave them clear visibility of future costs. Manufacturers remain concerned about the cost of energy, with 86% expressing concern about the 'potential increases' to energy costs over the next 12 months.

Make UK

Energy UK publishes review of policies to drive business decarbonisation

On 30 January, Energy UK published its 'Review of policies to drive commercial and industrial decarbonisation' report, assessing how well current policies drive investment in technologies that allow businesses to manage energy costs and reduce carbon emissions. The report outlines a range of key reforms that were identified through a review, carried out in 2024, of the current policies that drive decarbonisation. Reforms include increasing the Industrial Energy Transformation Fund budget to support a wider range of low carbon technologies, as well as removing the requirement for match funding – to reduce administrative burden – to enable a wider take-up. Energy UK also suggests an 'enhanced green super-deduction rate', noting that the introduction of a capital allowance rate of at least 120% would support investment in low carbon technologies, grid improvements and infrastructure for the deployment of hydrogen.

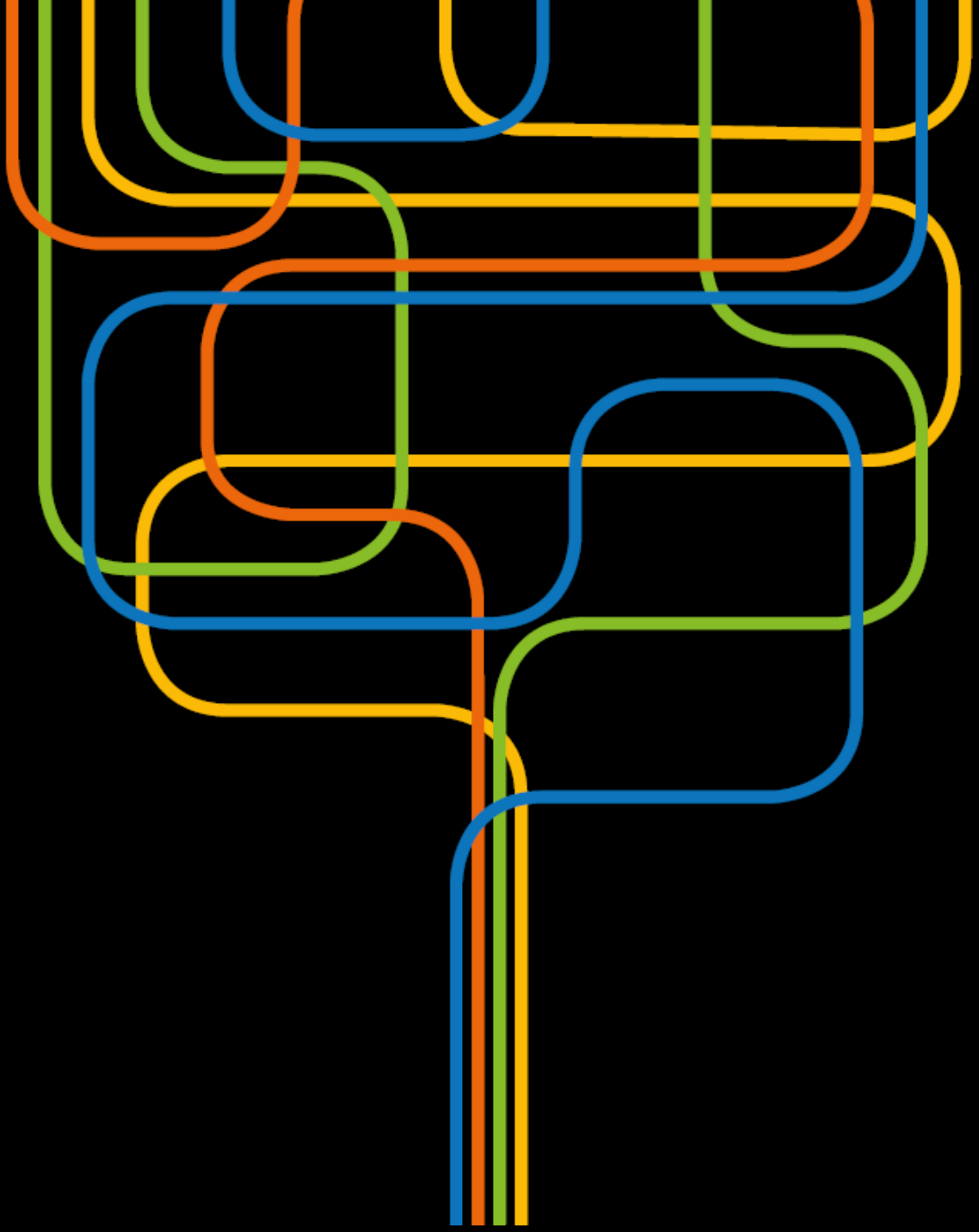
Energy UK, Energy UK

Make UK & PWC UK find manufacturers concerned over energy costs

On 13 January, Make UK and PWC UK published their Executive Survey 2025 report, which outlines views from a survey of 161 senior manufacturing executives on the opportunities, risks and challenges for their business in 2025. The survey highlighted that energy costs persist as a dominant concern for manufacturers. 51% cited energy costs as their biggest challenge and 70% said they expect a significant or moderate increase in bills. 46% of manufacturers said they are planning to focus on energy efficiency improvements, while 31% will look to increase investment in automation to mitigate cost concerns.

It noted that industrial users are worried about the long-term affordability and accessibility of energy. The report highlighted that the energy costs concern is amplified for UK manufacturers as they experience a higher energy cost per unit of production relative to their foreign competitors. It outlined that if energy costs continue to rise in 2025, then manufacturers could be at risk of facing limited capital reserves at a time that it would be most cost-effective to make investments in onsite generations. However, the survey findings indicated that 66% of respondents expect no change to their ability to access finance.

Make UK



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NESO outlines next steps in grid connections reform

On 15 January, the National Energy System Operator (NESO) announced its next steps in its grid connection reform, highlighting that grid connection applications have continued to grow at pace. NESO stated that over 1,700 applications were received in 2023/24, reaching a point where it is no longer possible to deliver connections reforms in parallel with the existing connections process. With more projects in the queue to join the national electricity transmission system than would be required in 2030 – 'or even 2050' – NESO stated that it will "pause" any applications it receives as of 29 January, in an aim to enable current resources to be dedicated to projects across 2025. It notes that there will exceptions to this, with demand projects that directly connect to the national electricity transmission network still being allowed to continue through the connections process.

It outlines that as part of its connections reforms planned for 2025, a new connections process will be implemented – subject to Ofgem's approval. It notes that this new process will mean that future projects will have to apply to join the national electricity transmission system during designated windows, and will be required to meet key progress milestones, ensuring that the projects can continue to move forward. It highlights that this will create a connections process that is fit for purpose to drive innovation, support growth, and deliver clean power for the nation.

NESO, NESO

Mitie finds sustainability managers face numerous barriers to decarbonisation ambitions

On 7 January, Mitie published its Net Zero Navigator 2025 report, which outlined decarbonisation predictions for 2025 and findings from a survey of 100 sustainability professionals at senior manager level or above from companies with over 1,000 employees.

The survey revealed that sustainability professionals are concerned about the cost of energy, with 57% of respondents expressing worry over it rising in the next five years and 64% concerned that prices will remain unstable. The survey found that 78% of sustainability managers face difficulty in securing capital to fund clean transformation projects such as onsite battery storage. The high cost of some technologies, along with an unwillingness to invest, is made worse by insufficient fiscal incentives such as subsidies, grants and tax reliefs. Geopolitical instability also adds to the investment problem. Other barriers to achieving decarbonisation targets included availability of renewable energy sources, with 27% of survey participants citing this as a major challenge to reducing their organisation's use of fossil fuels. 99% of the respondents also stated that they have already implemented 'quick wins' on their sustainability journeys and are now looking towards tackling the difficult measures to move them towards net zero.

To tackle these barriers, the report laid out recommendations across five areas: energy, strategy, legislation, estate and infrastructure, and carbon reporting. Mitie advised businesses to adopt a technology-led approach which will enable them to balance immediate energy requirements with long-term sustainability goals. It also recommended that organisations should highlight the broader values of sustainability to build a stronger business case. Instead of presenting initiatives with only an emission reduction focus, sustainability professionals should highlight other benefits such as enhancing asset value or technology innovation. On energy, it noted that increased scrutiny from stakeholders on a business' renewable energy claims and where it receives energy from has seen organisations move towards 24/7 carbon-free energy. The report highlighted that one-third of sustainability managers in large businesses struggle to make the internal business case for net zero so it advised sustainability leaders to present decarbonisation strategies as part of a holistic strategy.

Mitie, Mitie

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