Digital Energy Element

April 2025

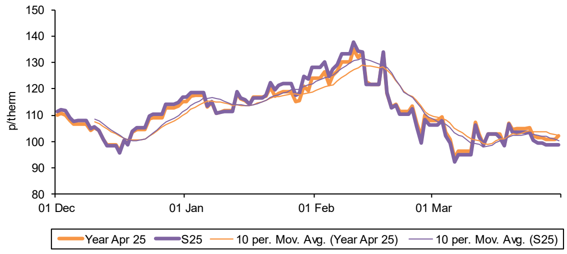
Gas and Power Contracts Register Losses

Untangle your energy spend management

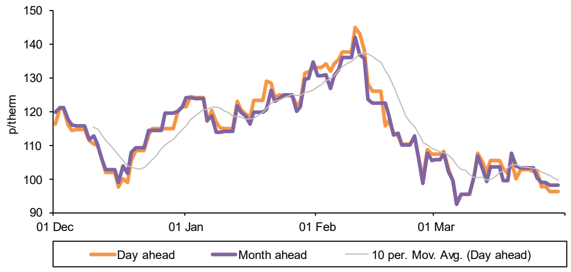
Digital Energy Element / April 25

Catalyst Digital Energy

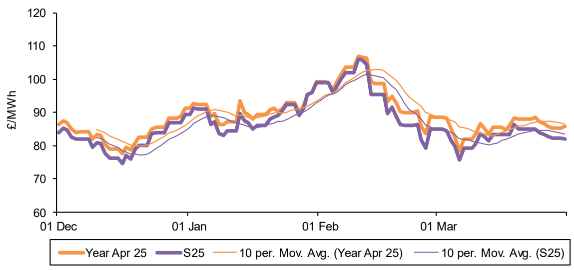
Annual gas prices



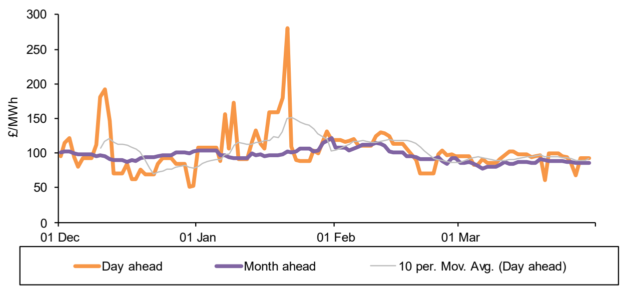
Spot gas prices



Annual power prices



Spot power prices



In March, we saw all tracked gas and power contracts register losses when compared to February, despite the first month and a half of 2025 showcasing relatively consistent gains in wholesale energy costs.

Seasonal gas contracts from summer 25 to summer 27 were, on average, 12.2% lower in March when compared to the previous month. March saw lowering wholesale prices, stemming from milder weather conditions across GB and much of north-west Europe, alongside the European Commission proposing to extend the Gas Storage Regulation by two years, out to 2027, emphasising the importance of strategic reserves in ensuring energy security.

Any adjustments to gas storage mandates have the potential to drive prices moving forward, with the EU outlining that it will consider allowing flexibility for gas storage if "specific market conditions" mean that targets are not met. The proposal to adjust the 90% storage target deadline from 1 November to 1 December was introduced as a measure of flexibility, designed to limit stronger competition for the procurement of gas during the summer delivery period.

As we move further into the traditionally warmer spring season, we expect prices to ease further. This period brings warmer temperatures and easing demand from gas and other fossil-fuel fired emitters called upon to meet demand, which typically represent themselves as more expensive forms of generation.

Acknowledging natural gas is a global commodity, the UK is not insulated against wider price movements – particularly in Europe. However, the UK of late has benefitted from lowering Dutch TTF prices (European gas benchmark price). This has brought with it bearish price signals for GB gas prices, but also meant physical trades via piped interconnection has started to become steadily cheaper. Elsewhere, the healthy supply of LNG reaching UK terminals continues to soften the near-term supply/demand balance.

We saw day-ahead gas fall, down 17.5% to average 101.40p/th, falling to the lowest level seen since September 2024 at 93.00p/th on 6 March. Similarly, front-month contracts were down 16.2% on average from February, with April 24 averaging 101.02p/th and May 25 at 100.17p/th.

Day-ahead power prices followed the bearish pricing sentiment set from its gas equivalent contract. As a result, day-ahead power prices in March averaged £90.67/MWh, down 14.7%, falling to a three-month low of £61.49/MWh on 20 March. Supporting drivers of these losses can be attributed to the lowering of gas prices in the UK, coupled with relatively consistent levels of wind generation observed throughout the month, albeit acknowledging wind generation was lower than that of February. Warmer temperatures also discouraged gas-for-power demand in the month.

Similarly, front-month contracts were also down 12.2% on average (April 25, £85.78/MWh, May 25, £79.79/MWh).

Brent crude prices dropped 4.7% lower to $71.59/bl, falling to $68.99/bl on 6 March, the lowest level since August 2021 amid reduced market demand and much stronger production from the US since the start of 2025. Moreover, further losses were impacted by concerns surrounding the impact of US tariffs on the market, alongside rising output from OPEC+ producers, who said they intend to proceed with the planned increase to output in April, adding 138,000 barrels per day to the market.

Elsewhere, both UK and EU carbon markets registered losses from the previous month. The EU ETS declined 9.5% to €69.94/t while the UK ETS dropped 2.3% to £43.45/t.

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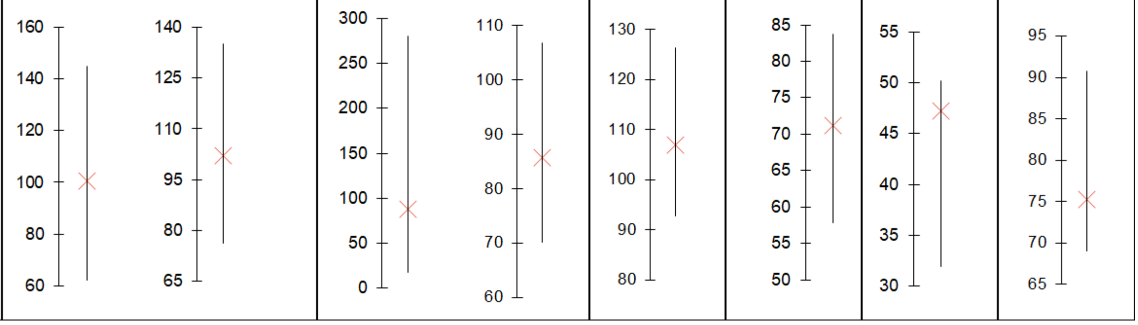
Key market indicators: 31/03/2025

		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	31 Mar 25	100.50	102.18	87.77	85.75	106.95	71.22	47.26	75.26
Last month	28 Feb 25	107.38	107.92	94.93	88.58	92.80	71.06	42.85	73.23
Last year	29 Mar 24	68.25	80.65	66.00	73.13	116.75	61.53	37.50	86.98
Year-on-year % change		47.3%	26.7%	33.0%	17.3%	-8.4%	15.7%	26.0%	-13.5%
Year high		144.90	134.97	280.02	106.88	126.35	83.76	50.25	90.72
Year low		62.30	76.25	17.26	70.13	92.70	57.85	31.89	68.99

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

 Catalyst Commercial Services' independent approach enables clients to manage their exposure to energy price risk, while at the same time benefiting from a first-class service from a range of major and independent suppliers. Catalyst Commercial Services' procurement solutions make it simple, so contact a member of the team to discuss requirements.

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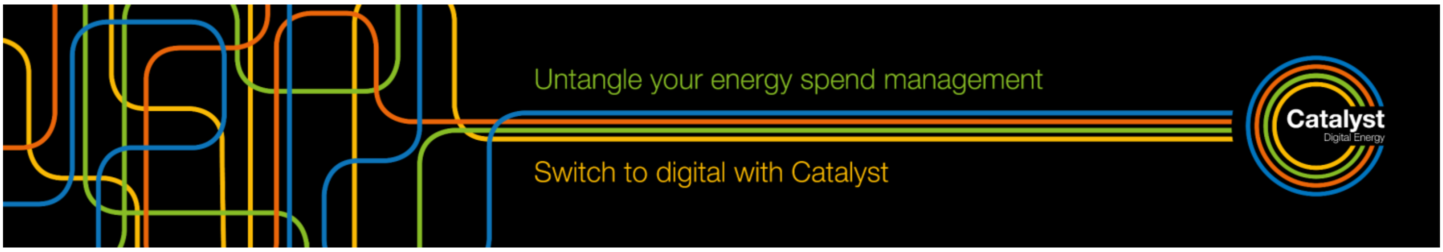

UK Government announces Planning and Infrastructure Bill

On 11 March, the UK Government announced that the Planning and Infrastructure Bill has been introduced to Parliament. The Bill is set to introduce measures which will speed up planning decisions to boost housebuilding and remove unnecessary blockers and challenges to the delivery of infrastructure such as roads, railway lines, and windfarms. The Government stated that the Bill comes alongside wider planning reforms (including the new National Planning Policy Framework) and will support ambitions to make GB a 'clean energy superpower' through building necessary infrastructure and raising living standards. The Government stated that the Bill will ensure infrastructure projects are delivered faster through an improved National Significant Infrastructure Projects (NSIP) regime. It added that it will streamline consultation requirements for projects and update policies against which infrastructure applications are assessed at least every five years. The Government added that further changes will ensure clean energy projects (in line with achieving clean power by 2030) are prioritised for grid connections – such as wind and solar power. It stated that this will unlock growth with £200bn of investment, protecting households from fossil fuel markets and reforming the grid queue to accelerate connections for industrial sites and data centres.

On 24 March, the UK Government announced that the Planning and Infrastructure Bill was set to have its Second Reading in Parliament the same day. It outlines key measures in the Bill, including reducing the consultation process when seeking approval for major infrastructure projects, including windfarms; prioritising approved clean energy projects for grid connection with a new "first ready, first connected" system; and limiting the number of times that Government decisions on major infrastructure projects can be legally changed.

UK Government, UK Government

NAO releases report on supporting the UK's priority industry sectors

On 12 March, the National Audit Office (NAO) published a report, Supporting the UK's priority industry sectors. The report examines whether the Department for Business and Trade (DBT) has a robust approach to developing its support for priority industry sectors, which are advanced manufacturing; creative industries; clean energy industries; defence; digital and technologies; financial services; life sciences; and professional and business services. It assesses whether the DBT is effectively set up to implement this support and if there is evidence that DBT activities are impactful.

NAO highlights that the DBT does not have a complete review of what it and wider Government spends to support industry, limiting its oversight. It notes that although the DBT tracks its programme spending, it does not break this down by support type using systems already in place - causing a lack of "comprehensive understanding". It outlines that the DBT reported spending £790.9mn on business grants, £55.2mn on Business Group staff who support businesses, and ~£350mn on "overall support" in 2023-24. NAO states that a clear understanding on DBT's existing activities is "essential" to inform its future decisions.

The report found that there are factors which limit the effectiveness of the DBT's approach, stating that it needs to be able to make informed decisions about where to deploy its resources, greater transparency over decision making, and a stronger focus on evaluation to learn what is effective. The NAO recommends that the DBT works closely with other Government departments and stakeholders, as well as developing its approach to align with the forthcoming Industrial Strategy, to drive economic growth.

National Audit Office

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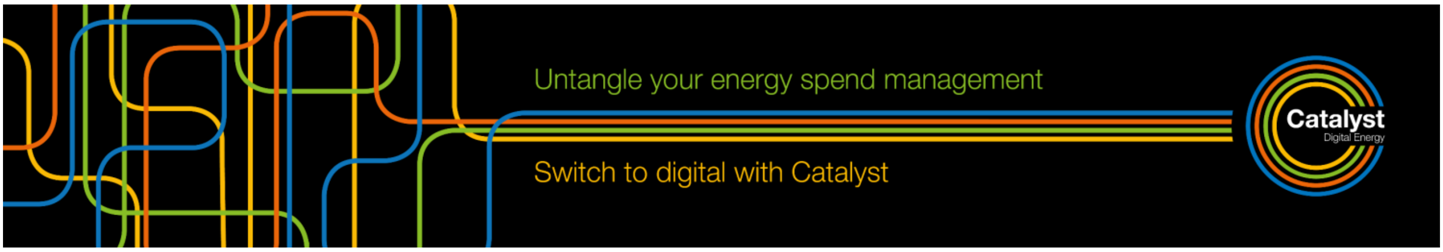


Government delivers Spring Statement 2025

On 26 March, the Chancellor of the Exchequer, Rachel Reeves, presented the Spring Statement to Parliament. The Chancellor reiterated previous announcements relating to planning reform contained within the recent Planning and Infrastructure Bill, which the Government expects will help to accelerate planning decisions on major economic infrastructure projects. Similarly, the Spring Statement document highlights the Statement of Strategic Priorities to the National Wealth Fund (NWF), published on Wednesday 19 March, which outlines aims to use the NWF to deliver the Government's growth and clean energy missions. Within the Spring Statement, the Government announced it has opened a consultation on the treatment of electrolytic hydrogen within the Climate Change Levy (CCL) and intends to conduct a wider CCL review.

UK Government, National Wealth Fund, UK Government

Ofgem publishes non-domestic research report

On 13 March, Ofgem published its non-domestic 2024 research report, carried out by IFF Research. The report included findings on business' perceptions and experiences of the energy market, views on energy affordability, experiences of switching energy suppliers, and the steps businesses are taking towards net zero and decarbonisation. The report found that the majority of respondents were able to keep up with energy bills without any difficulties, while 27% stated they were struggling – a decrease from 39% in 2023. 62% of businesses reported that they were satisfied with the overall service they received from their supplier, consistent with the 2023 survey, although the percentage of businesses who were dissatisfied (17%) was higher than in 2023 – previously at 13%. The report also found that 21% of businesses continued to view costs as the main barrier to using low carbon products and services, a decrease from 32% in 2023.

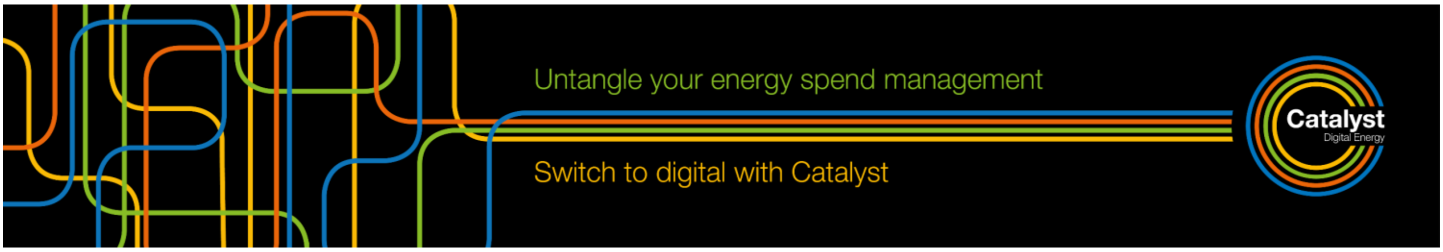
Ofgem

UK Government seeks business views on response to US tariffs

On 3 April, the Department for Business and Trade (DBT) announced the launch of a Request for Input, which seeks business views on the announcement from the US of the 10% reciprocal tariffs on a range of imported products. It states that UK businesses "will shape the UK's response" to the announcement from the US and that while preparing for all scenarios, the Government's priority "remains strengthening its relationship with the US" through an economic prosperity deal – which both countries are expected to have "constructive discussions" about in the coming weeks.

The DBT states that Business Secretary and Ministers across Government have been "engaging widely" with business organisations and companies from across the economy who export a high number of goods to the US and stand to be affected by any tariffs. It states that they will continue to meet with businesses to provide support and set out the Government's priority of "defending the interests of UK industry". It states that the Request for Input will close on Thursday 1 May.

UK Government



Aldersgate Group publishes report into industrial decarbonisation

On 3 April, Aldersgate Group published a report into the next steps for UK industrial decarbonisation policy in 2025, stating that the Government must provide "clear guidance, adequate incentives and enabling support" to support investment in the sector. The report states that the Government should prioritise interventions on Power Purchase Agreements, the British Industry Supercharger, and reduced costs allocated to electricity. In addition, it suggests focus will be needed on dispersed industrial sites, as well as coordination between local area energy and growth plans, and notes that demand side measures could help to create a "robust" market for renewables. The report highlights four "key gaps" that require further action from the Government, including:

- Dispersed sites: to provide a clearer picture of what infrastructure dispersed industrial sites will have access to and when to inform their investment decisions.
- Industrial electrification: to reduce high industrial electricity prices, ensure an efficient grid connection process, create an attractive investment environment and protect UK industry from carbon leakage.
- Energy and resource efficiency: to create greater support for energy efficiency and resource circularity, including incentives and standards from the Government.
- Demand-side measures: which it states are key levers to contribute to the business case for investment in industrial innovation, development and commercialisation of low carbon products.

Aldersgate Group states that closing these "gaps" would support investment in decarbonisation, enabling the UK to develop a competitive advantage in producing low carbon goods and exploit the global economic opportunity for green growth. It emphasises that the Government needs to act on this to support a "healthy" pipeline of skills, infrastructure and transition finance that businesses can access and investors can support.

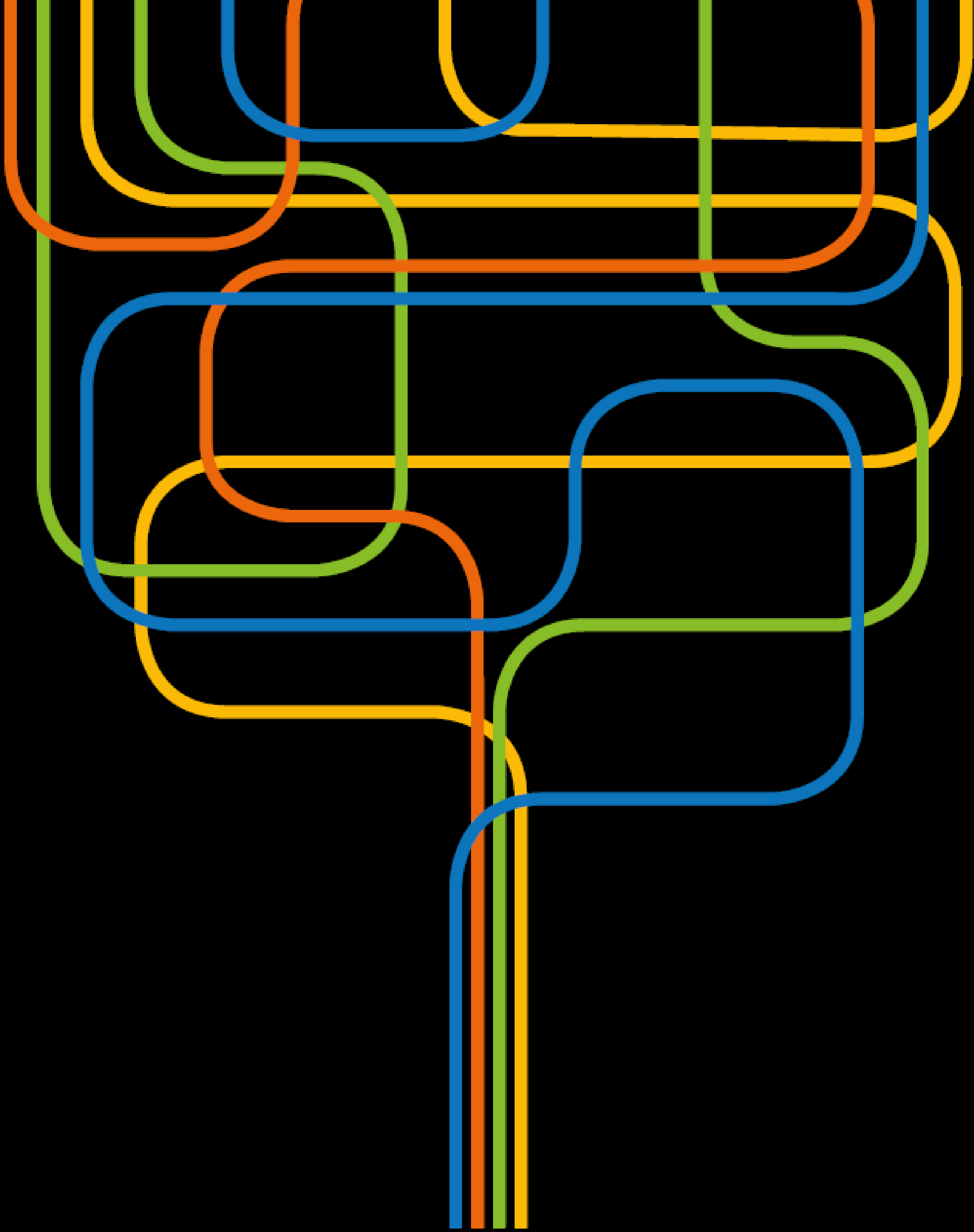
Aldersgate Group

Energy UK publishes report on reducing energy bills

On 11 March, Energy UK published its "How to Cut Bills: A crisis that can't be ignored" report, outlining a pathway on how the Government can achieve its ambition of reducing energy bills by up to £300 by 2030. Energy UK outlines how energy bills are "likely to change" over the next five years but highlights that "it is impossible to know what energy prices will do in the future" and that with this uncertainty, the UK must prepare for "whatever the market might bring". It states that the most important factor is global gas markets, with gas still expected to set the price of electricity the majority of the time. It notes that as the share of clean energy becomes greater, wholesale electricity costs will come down but that this is a process that could play out over a decade. It also highlights that many of the costs from the transition to a clean energy system are being levied on energy bills, rather than being paid for through general taxation.

The report highlights that, currently, there are no mechanisms in place that will guarantee a reduction in energy bills and that without intervention energy bills will only reduce if the "gas wholesale market tumbles". Energy UK has, therefore, outlined a series of proposals, which are divided into three categories: optimising the energy system to deliver savings by maximising flexibility, to save at least £115 per year; investing public money in energy efficiency measures, to save at least £140 per year; and capitalising on the benefits of an evolving energy system by optimising network investment, to save almost £100 per year.

Energy UK



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