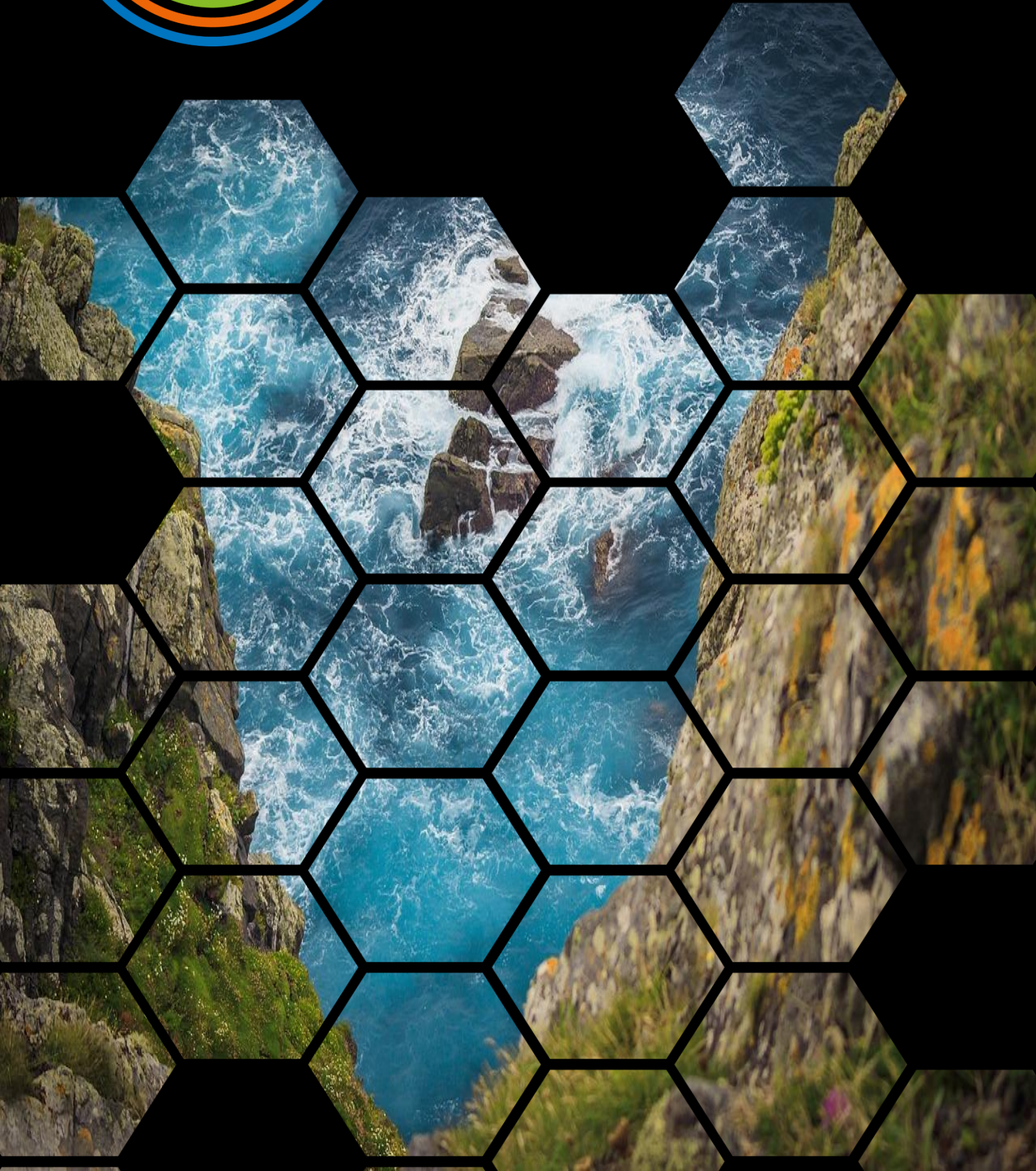




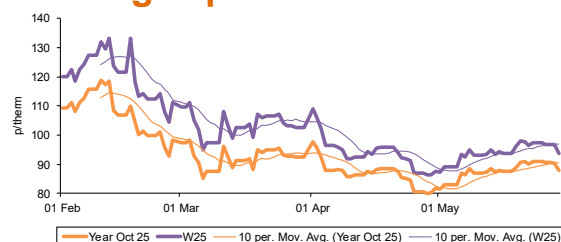
Digital Energy Element

June 2025

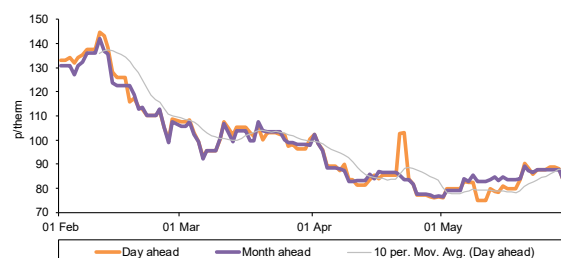
**Stronger Volatility in Wholesale
Prices Return**



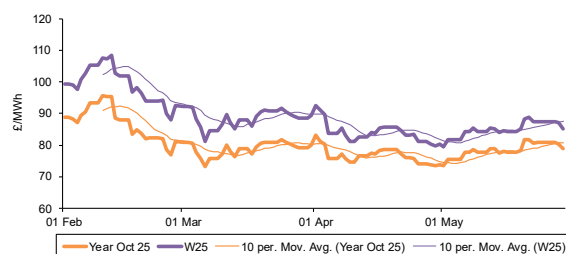
Annual gas prices



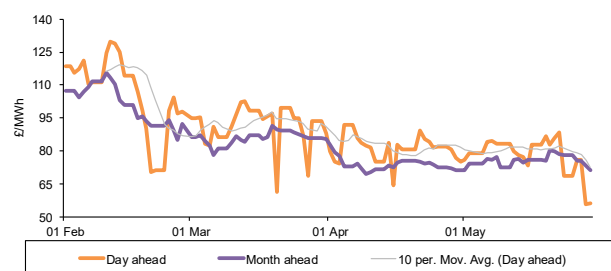
Spot gas prices



Annual power prices



Spot power prices



May saw stronger volatility in wholesale prices across tracked gas and power contracts when compared to last month, with shorter-term contracts registering losses while longer-dated contracts saw increases. However, the expectation is that this trend will likely subside into the summer months, acknowledging this typically represents the lowest demand period of the year; subject to any unforeseen events.

Seasonal gas contracts from winter 25 to winter 27 were, on average, 1.8% higher in May when compared to the previous month, finding support from lower Russian piped gas supplies alongside a stagnation in ceasefire talks. On 20 May, US President Donald Trump announced immediate ceasefire negotiations between Russia and Ukraine; but Russia stated this will take time, resulting in a more bullish outlook for gas prices.

Moreover, ongoing conversations around tariffs on Chinese and EU goods from US President Donald Trump supported the market, and on 12 May, the US and China reached a deal on temporarily halting trade tariffs between the countries. This supports NBP gas prices due to improved outlooks for global economic growth, and gas demand by extension.

However, we also saw that prices found bearish influence across the month, most notably on 23 May, when US President Donald Trump threatened to add a tariff of 50% on European goods. This has the potential to lower European gas prices considerably, and prices across GB by extension, as industrial gas demand across the continent will strongly decrease in response to the tariff increase. However, since the initial announcement, President Trump has subsequently adjusted the timeline, postponing the imposition of the 50% tariff on EU imports until 9 July.

Across May, we saw the day-ahead gas price drop 4.5% to average 83.03p/th due to reduced gas-for-heating requirements as we begin to move into the summer delivery period, alongside periods of strong wind and solar generation. However, stronger losses across shorter-term contracts were limited by extensive maintenance across the UK and Norwegian Continental Shelves, acting to reduce total flows available for import into GB.

Due to the intrinsic link between gas and power prices, this bearish trend was extended to GB baseload day-ahead power contracts - averaging £77.88/MWh, down 3.6% when compared to April.

This reduction is strongly attributed to the loss seen in its gas counterpart, in tandem with notably strong wind generation levels at the end of the month, with wind generation contributing to 67% and 68% of the generation mix on 25 and 26 May respectively, alongside milder weather conditions, leading to strong exports over interconnectors from 25-27 May. As a result, on 28 May, day-ahead power fell to £55.88/MWh, the lowest seen since December 2024.

Opposing this, seasonal power prices saw collective upwards price movements, rising 3.1% on average, finding support from ongoing tariff conversations and increased NBP gas prices.

In the commodities markets, Brent crude prices continued to drop across May, seeing a 3.7% decline month-on-month to average \$64.10/bl, falling to the lowest level seen since February 2021 at \$61.42/bl on 2 May. Brent crude oil saw price losses influenced lower with reports suggesting OPEC+ will raise production by 411,000 barrels per day in June, alongside rising US crude inventories, and the resumption of nuclear negotiations between the US and Iran.

Both ETS schemes registered month-on-month gains with the EU ETS rising 9.0% to average €71.38/t, and the UK ETS seeing an increase of 11.9% to average £51.35/t. Gains across the UK ETS were supported by the announcement of the UK-EU market linkage on 19 May, with prices reaching the highest level seen since July 2023 at £55.00/t on 20 May.



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Key market indicators: 29/05/2025

		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 May 25	84.00	87.83	56.25	78.83	96.95	70.83	51.82	64.00
Last month	30 Apr 25	76.35	81.73	75.25	73.88	93.75	66.80	47.36	63.24
Last year	29 May 24	81.95	87.80	70.75	79.38	114.50	73.84	44.98	83.89
Year-on-year % change		2.5%	0.0%	-20.5%	-0.7%	-15.3%	-4.1%	15.2%	-23.7%
Year high		144.90	118.98	280.02	95.75	126.35	83.76	55.00	87.89
Year low		70.30	80.14	17.26	71.63	92.00	60.20	31.89	61.42
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.		160	120	300	100	130	85	55	90
		140	115	250	95	120	80	50	85
		120	105	200	90	110	75	45	80
		100	100	150	85	100	70	40	75
		80	95	100	80	90	65	35	70

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.

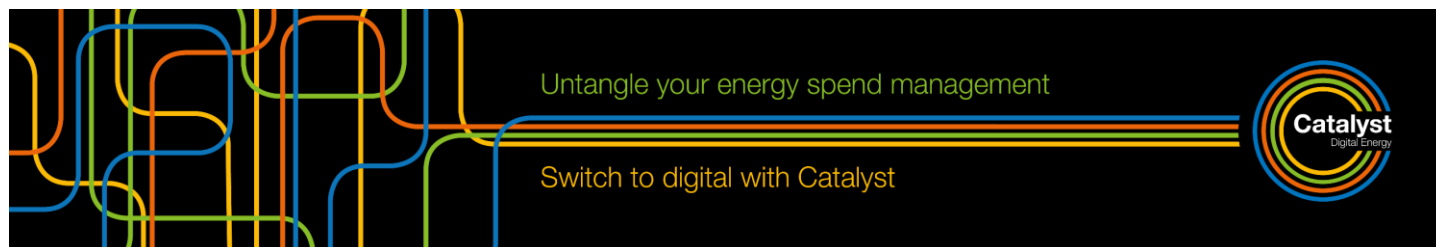
Margin: The indicated UK imbalance of a given settlement period. It is the difference between the sum of the indicated generation available, and the national demand forecast made by National Grid.

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.

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UK and EC discuss future linkage of Emissions Trading Systems

On 19 May, the Cabinet Office updated its UK-EU (European Union) – Common Understanding policy paper. The update follows the UK-EU summit of 19 May 2025, in which the European Commission (EC) and UK discussed potential areas for bilateral cooperation between the two jurisdictions.

In terms of energy, the policy paper states that the UK and EU share the view that energy cooperation will be beneficial. This includes exploring the necessary parameters for the UK's possible participation in the EU's internal electricity market. It also outlines that the EC and the UK should work towards establishing a link between the EU and UK Emissions Trading Systems through a future agreement. It is considered that this could lead to mutual exemptions on certain goods from planned Carbon Border Adjustment Mechanisms, and that the agreement should be subject to a joint governance mechanism.

The policy paper also notes that the EC and UK welcome the continued technical regulatory exchanges on new energy technologies, including hydrogen, carbon capture, utilisation and storage, and biomethane.

In a related release, the Prime Minister's office announced that British steel exports will be protected from new EU rules and tariffs, with expectations that this will save the UK steel sector around £25mn per year.

UK Cabinet Office

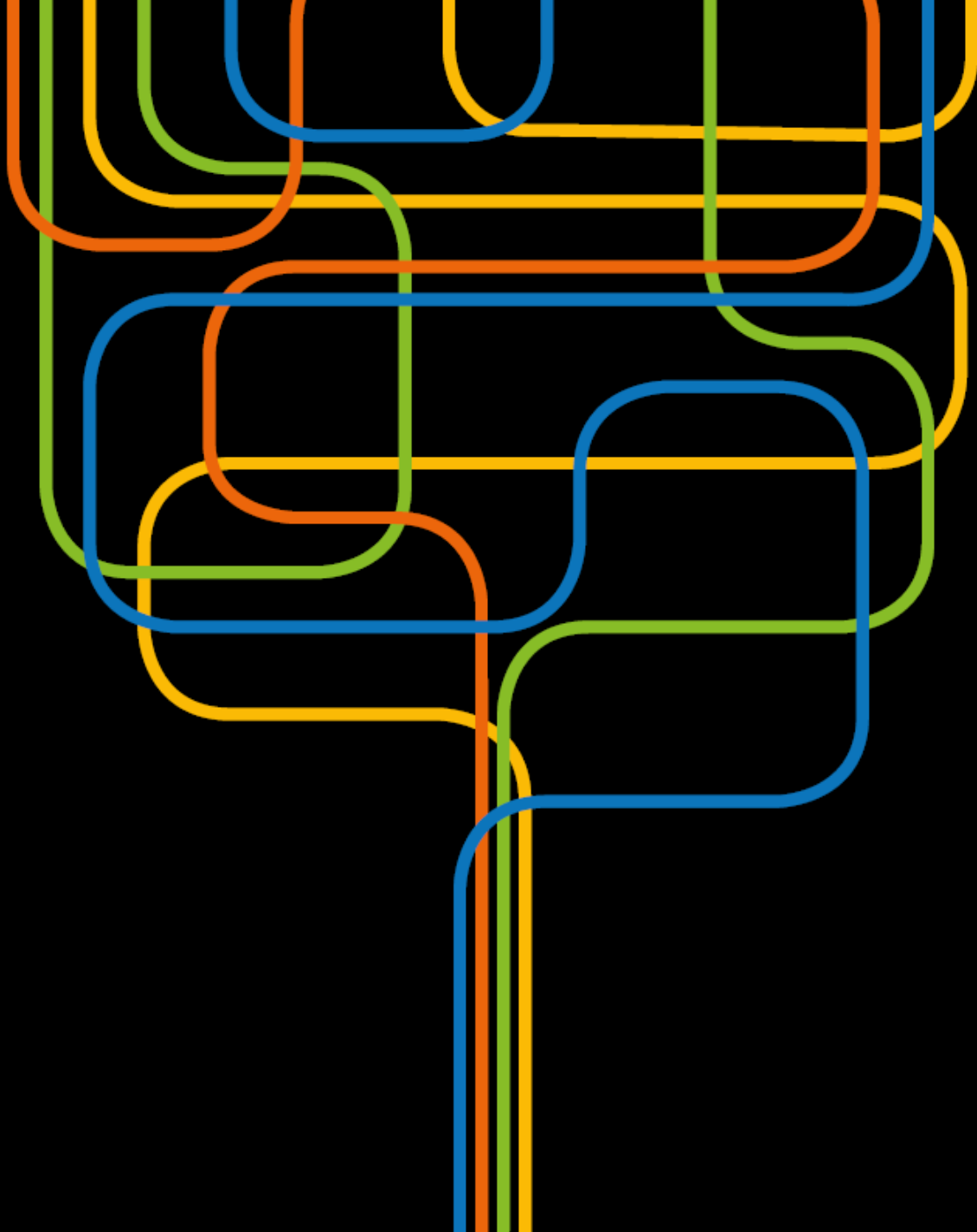
Aldersgate Group calls for cross-sectoral decarbonisation strategy

On 9 May, the Aldersgate Group published its "Futureproofing Growth Through the Modern Industrial Strategy" report, which outlines key opportunities for resilient carbon growth and calls on the UK Government for action to ensure that the industrial strategy maximises these opportunities.

The report emphasises that if the Government acts decisively now, it will help to drive economic growth, boost energy security and productivity, and deliver jobs for a just transition across the UK. It stresses that the Government should create a policy package to put the UK economy on the right path for resilient, environmentally sustainable and low-carbon growth. It states that businesses need clarity and incentives to ensure that investments embed sustainability and that growth is as energy and resource efficient as possible. The Aldersgate Group outlines eight net zero growth opportunities and suggest a range of policy requirements to support sustainable growth, including:

- **Advanced manufacturing:** It states that this has the potential to increase energy efficiency, reduce material use, and increase circularity across supply chains. It notes that electrification of manufacturing processes is currently commercially unattractive due to high industrial electricity costs, access to the grid, and the availability and cost of hydrogen. Therefore, it recommends that the Government should address the uncertainty around decarbonisation pathways, infrastructure and costs.
- **Clean industry:** It states that the Government "must recognise" the scale of opportunity for UK suppliers and leverage the industrial strategy to support the growth of UK foundation industries and manufacturing. It suggests that circularity and security of supply for critical minerals should be increased in an aim to increase the sustainability of the end-of-life of offshore wind. It also recommends that the Government should maximise this opportunity through collaboration between sectors.
- **Creative industries:** With the immersive technologies sector growing at a rate of 11.2% per year, the Aldersgate Group stresses that the decarbonisation of sectors which creative industries rely on should be progressed.

Aldersgate Group, Department for Business & Trade

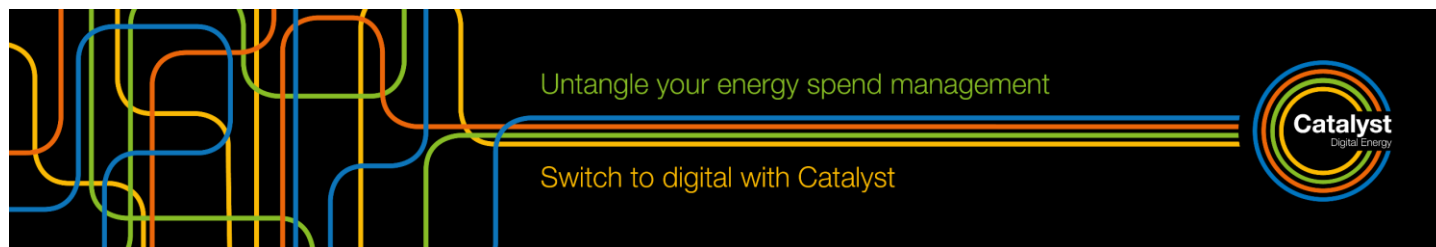


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FSB urges for more support for small businesses in transition

On 27 May, the Federation of Small Businesses (FSB) published its New Growth report, setting out policy suggestions to support small firms in reducing their carbon emissions and costs.

The report states that 64% of small firms think that sustainability should be a top priority for the Government, with 51% indicating that sustainability is a high priority for them. However, only 25% of businesses expect to transition to net zero by 2050, with 38% citing a lack of capital as a barrier to transition.

The FSB's policy suggestions aim to help all small firms reduce carbon emissions and cut costs and include making it easier for tenants and landlords to reach agreements about how to make sustainable upgrades to rented properties and making future solar panel grant support available to commercial properties.

Federation of Small Businesses

CBI report considers role of regulation in UK competitiveness

On 21 May, the Confederation of British Industry (CBI) published its "Good Regulations Guide: How to Reform the UK's Regulatory Landscape", which highlights the role of regulatory reform in relation to UK competitiveness and drive economic growth.

It states that the Guide provides the UK Government with business-led solutions to long-standing regulatory challenges, in an aim to support collaboration between policymakers, regulators, and industry.

CBI outlines three core priorities that the Government "must address to strengthen the UK's regulatory framework". These include providing clear accountability and support for regulators to embrace risk in regulation; revising and enhancing strategic dialogue among Government, regulators, and the regulated to address poor regulatory outcomes; and tackling chronic skill shortages and capacity challenges in regulatory bodies.

It also sets out recommendations around clean energy and net zero, including reforming Ofgem's duties with a primary duty focused on realising long-term consumer value from the modernisation of an efficient energy system. It also notes that the Government must ensure that funds raised from domestic shipping's inclusion in the UK's Emissions Trading Scheme supports the sectors transition to net zero.

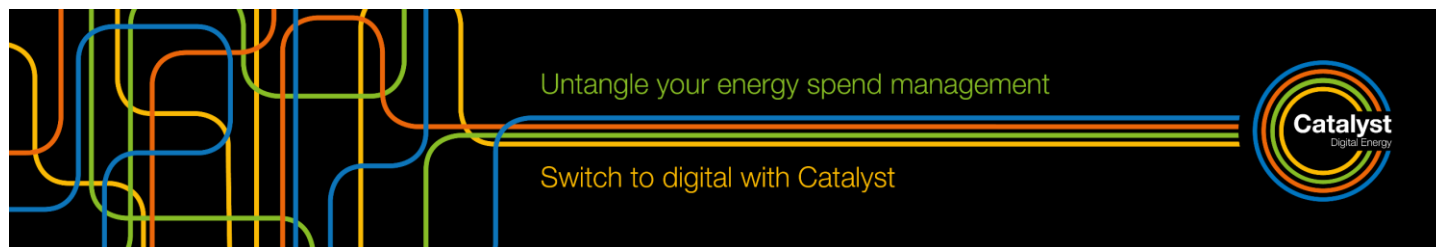
Confederation of British Industry

ONS examines impact of energy costs on UK businesses from 2021-24

On 19 May, the Office for National Statistics (ONS) published its report on "The impact of high energy costs on UK businesses: 2021 to 2024". This highlights that the average electricity price for UK non-domestic users has increased from 14.81p per kWh in Q121 to a peak of 28.39p per kWh in Q323, before falling back to 25.97p per kWh – representing an overall 75% increase over the observed period. It notes that this is due to several factors including the UK's relative dependence on gas, pressures in supply chains following the COVID-19 pandemic, and Russia's invasion of Ukraine.

The report found that 56% of manufacturing businesses said their production and/or supply chain had been affected by energy prices in early October 2022. It identifies that the volume of output of energy-intensive industries decreased by 33.6% between Q121 and Q424 and is now at its lowest level since the start of the ONS's available time series in 1990.

Office for National Statistics



Centrica finds 31% of businesses will not meet energy cost and emissions targets

On 12 May, Centrica published its “Navigating the Energy Labyrinth” report, which surveyed 500 businesses to explore the actions businesses are taking to navigate the energy transition and meet their energy cost and emissions reduction targets.

The report found that 31% of UK and Irish businesses say they will not achieve their 2030 emissions targets, with 46% of businesses citing cost as the main barrier to decarbonisation. Centrica also found that 46% of businesses identified energy security and resilience as a substantial risk to their organisation. It noted that organisations remain committed to driving down emissions over the next year, with 81% stating that they will install onsite energy generation, 81% stating they will carry out energy efficient infrastructure upgrades, and 78% intending to implement energy management software upgrades. In addition, 83% of businesses stated that they would partner with third-party providers to enhance their energy operations and meet net zero targets.

The survey also found that 44% of business find it difficult to make the business case for acquiring for new energy technologies, even if they were to create long-term savings. It also notes that 28% of businesses surveyed stated that stakeholder misalignment is “among their biggest barriers” to reaching net zero. In addition, 30% of businesses stated that a “reliable, resilient” energy supply is their number one priority for 2025.

Centrica

Aldersgate Group publishes letter urging Government to act to reduce electricity bills to encourage economic growth

On 14 May, the Aldersgate Group announced that a joint letter – signed by manufacturers, investors, and climate groups – has been sent to Chancellor Rachel Reeves. The letter outlined that high electricity prices “continue to undermine UK competitiveness”, noting that businesses pay significantly more for electricity in the UK than in the EU. It stresses that this hinders investment and puts industries out of business at a critical economic and geopolitical moment.

The letter urged the UK Government to move policy costs from now-closed schemes to incentivise renewables from electricity price levies onto general taxation. It stated that this would cut business energy costs by up to 15% and household bills by up to £370 per year.

Further suggestions included that reduced electricity prices would help to reduce the costs of goods and services, free up business capital for energy efficiency and low carbon technologies and make the UK a more attractive place for investment.

It stated that the Government “must act” to reshape the UK’s industrial future, ensuring power prices support rather than prevent investment in electrification and enable the UK to become one of the best places in the world to build clean and competitive industry.

The letters signatories warned that, by not acting urgently, Great Britain could “miss out on a global clean manufacturing market projected to reach \$2.6trn by 2030”.

Aldersgate Group



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