



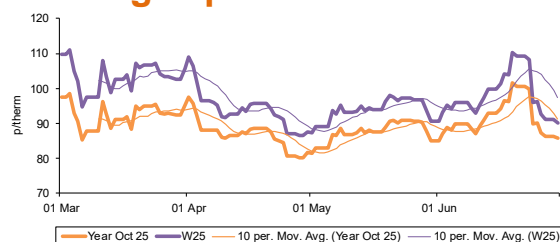
Digital Energy Element

July 2025

Prices Tick Up On
Supply Concerns



Annual gas prices



Across the month, day-ahead gas registered a 4.2% gain month-on-month to average 86.31p/th. Similarly, front-month contracts registered price increases, up on average by 5.5% when compared to May, with July 25 seeing a 2.9% rise to 85.63p/th and August 25 growing 8.1% to 88.62 p/th. Gas prices continue to experience bullish support from ongoing geopolitical developments, most notably the conflict in the Middle East, leading to volatility and supporting risk premiums across the market.

On 22 June, Iran's state-run Press TV reported that Parliament had approved a plan to close the Strait of Hormuz after the US attacked three Iranian nuclear facilities, but noted that the final decision was down to the Supreme National Security Council. Because the Strait plays a key role in the global energy market, with almost 20% of the world's oil and LNG passing through, any disruption to the supply transportation would have major ramifications on the global economy, pushing up gas prices.

Stronger gains were limited as US President Donald Trump announced a ceasefire between Iran and Israel on 23 June, with Iran's state media confirming a ceasefire deal with Israel, acting to offset the concerns surrounding LNG and oil shipments through the Strait of Hormuz. Moreover, Israel resumed operations at its Leviathan gas field, further alleviating supply concerns from the region.

Looking ahead, seasonal gas contracts from winter 25 to winter 27 were, on average, 3.2% higher in June compared to May – as the phase-out of Russian gas continues to impact market volatility. Reports note that forcing EU importers to break gas and LNG supply contracts with Gazprom remains legally challenging, impacting the phase out of Russian energy.

Following previous announcements, on 17 June, the European Commission proposed a legally binding ban on EU imports of Russian gas and LNG by the end of 2027, including legal measures to ensure the plan cannot be blocked by EU members Hungary and Slovakia. This will act to tighten supply levels into Europe, increasing reliance on global LNG.

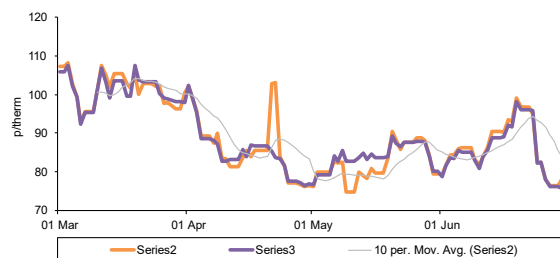
Following the bullish price direction set by its gas counterpart, most tracked power contracts saw gains across June, with day-ahead power prices the only exception to the upward trend. Day-ahead prices registered a 6.4% loss month-on-month to average £72.54/MWh, with prices falling to the lowest level seen since August 2024 at £27.83/MWh on 2 June, due to strong wind generation forecasts at the time, with wind making up ~62% of the generation mix on 3 June.

Both front-month power contracts registered gains, as July 25 rose 1.2% to £77.17/MWh and August 25 grew 1.9% to £76.96/MWh as concerns over French nuclear supply are set to continue, with EDF cutting output at several reactors due to heatwave conditions impacting the temperature of water used for cooling. Much like its gas counterpart, seasonal power prices saw a collective upwards movement – rising 2.3% on average.

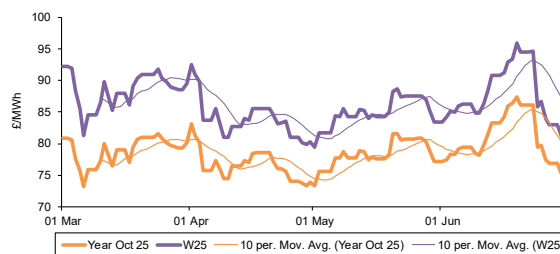
Brent crude oil saw strong month-on-month gains, averaging \$69.76/bl – up 8.8%. This came following airstrikes on Iran, which heightened concerns over potential supply disruptions from the Middle East, one of the largest oil producing regions on the globe, alongside increased optimism regarding US-China trade relations, adding further upward momentum to prices by heightening expectations of stronger demand.

In the carbon markets, the EU ETS recorded a 2.6% gain from May, averaging €73.15/t, while the UK ETS fell 0.2% to average £51.25/t. Concerns around French nuclear reliability and signals from the EU on potential CBAM expansion have bullish impacts on future market sentiment, while EU carbon prices were further supported by significantly above-average temperatures across the continent, which lead to increased demand for carbon-intensive cooling appliances.

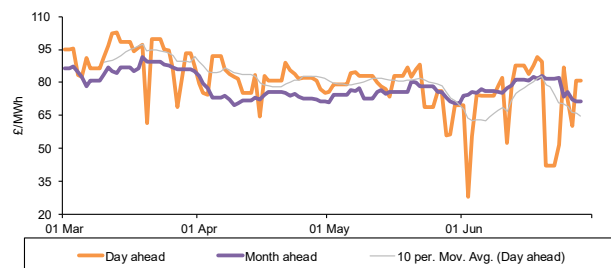
Spot gas prices



Annual power prices



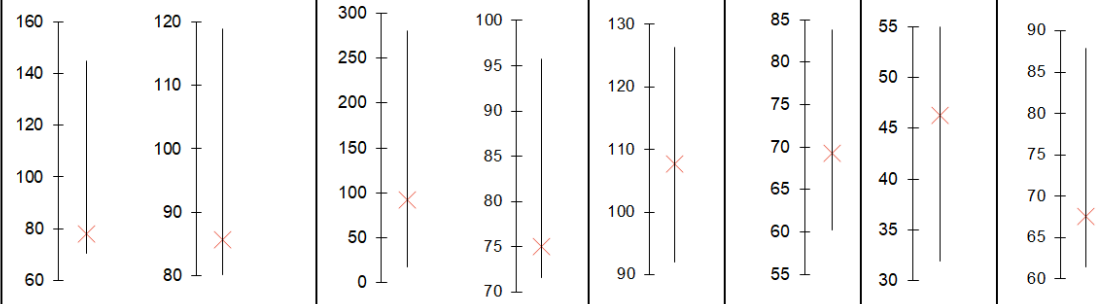
Spot power prices



Key market indicators: 30/06/2025

		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	30 Jun 25	78.00	85.69	92.00	75.00	107.70	69.22	46.28	67.55
Last month	2 Jun 25	81.50	87.18	27.83	77.50	96.85	71.27	50.27	64.65
Last year	28 Jun 24	79.65	88.18	78.75	78.40	104.00	67.36	45.95	86.45
Year-on-year % change		-2.1%	-2.8%	16.8%	-4.3%	3.6%	2.8%	0.7%	-21.9%
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.



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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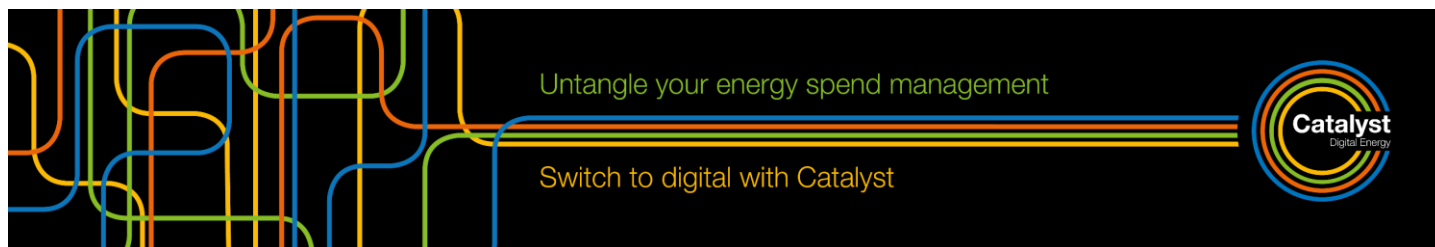
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Chancellor of the Exchequer announces Spending Review 2025

On 11 June, the UK Government published the Spending Review 2025, setting out several energy-related announcements. This includes that the Government plans to publish its 10-Year Infrastructure Strategy and Modern Industrial Strategy later in June, with the latter to include “significant additional funding” in clean energy industries. It notes that it will set out further details on its plans to meet its carbon budgets and net zero targets in October, including its plans to decarbonise industry.

It also reiterates its previous announcement of the increase to the means test threshold for Winter Fuel Payments, as well as those around nuclear. This includes £14.2bn for Sizewell C over the spending review period, £2.5bn for the Small Modular Reactor programme, and over £2.5bn for nuclear fusion. It adds that it is allocating £9.4bn to carbon capture, usage and storage over the spending review period, setting out its support for the Acorn and Viking clusters; £2.6bn capital investment to decarbonise transport from 2026-27 to 2029-30; and that it is investing to upgrade homes and support jobs through the Warm Homes Plan.

HM Treasury

UK Government publishes new Modern Industrial Strategy

On 23 June, the UK Government published its new Modern Industrial Strategy, setting out its ten-year plan to boost investment and create skilled jobs by addressing high electricity prices and long waits for grid connections. As part of the strategy, the UK Government notes that it will introduce a new British Industrial Competitiveness Scheme from 2027 which it states is expected to reduce electricity costs by up to £40/MWh for over 7,000 electricity-intensive businesses in manufacturing sectors.

It notes that it will also increase support for the most energy-intensive firms, such as steel, chemicals and glass, by increasing the discount these firms receive on their network charges through the British Industry Supercharger from 60% to 90%. The Government also states that it has committed to conduct a review of the Energy Intensive Industries Compensation Scheme at the of 2025 and set out plans to continue supporting energy intensive industries when the UK Carbon Border Adjustment Mechanism is implemented in 2027.

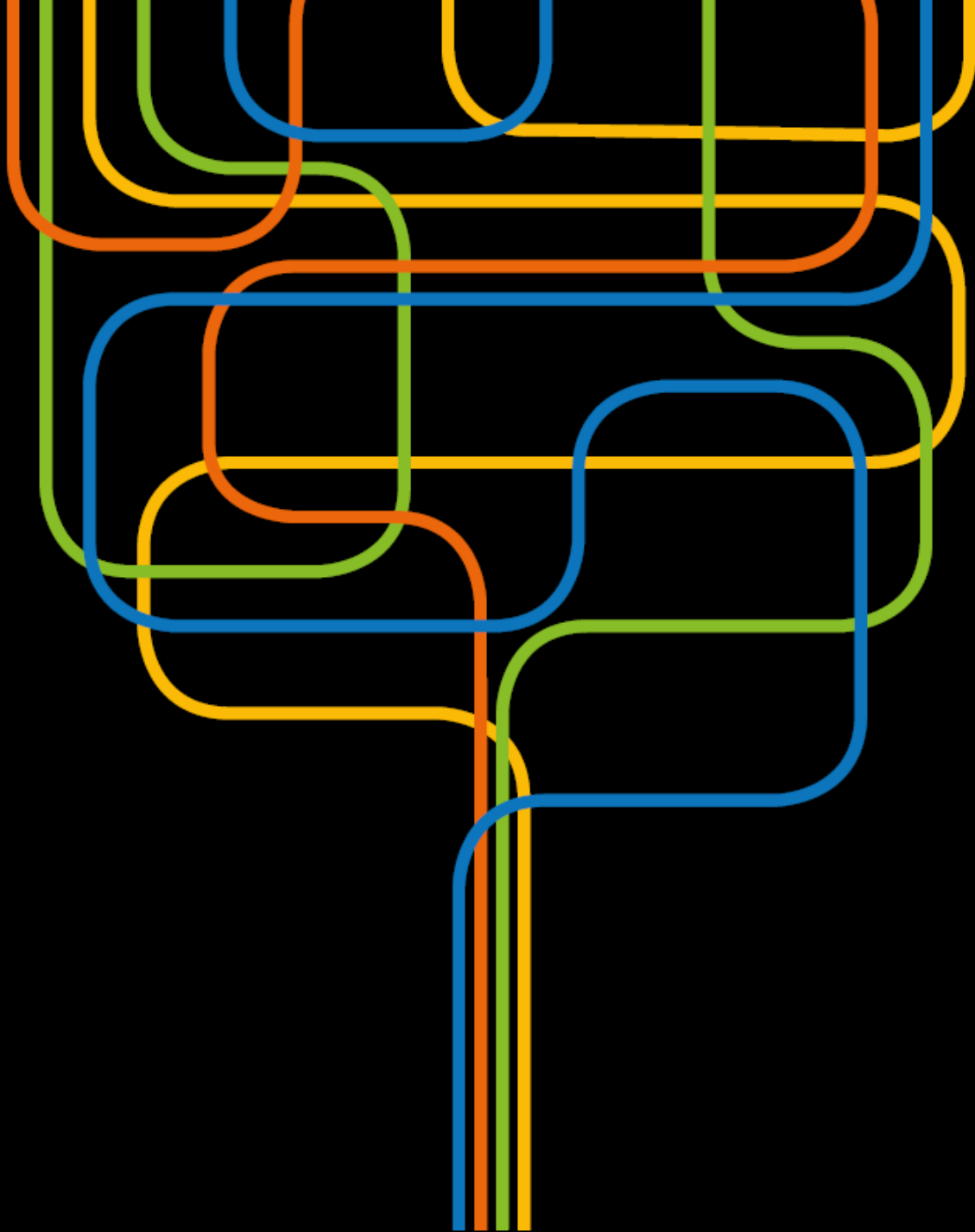
The Government adds that it will also deliver a new Connections Accelerator Service to streamline grid access for major investment projects – including prioritising those that create high-quality jobs and deliver significant economic benefits.

The strategy also outlines that the Government will support the development of the Corporate Power Purchase Agreement (CPPA) market in the UK, noting that these can be used as a potential route for energy consumers to secure more stable electricity prices for the long term. It states that the Government will launch a call for evidence on how the market for CPPAs can be developed and improved for industry, including where the UK can draw from international best practice to improve competitiveness, “in due course”.

In addition, it notes measures to reduce the average pre-application period for major infrastructure projects from two years to 12 months by reducing consultation requirements.

Alongside the Industrial Strategy, the Government published its Clean Industries Sector Plan, which intends to double investment levels across clean energy industries to over £30bn per year.

Department for Business and Trade



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HM Treasury publishes “UK Infrastructure: A 10 Year Strategy”

On 19 June, the HM Treasury published the UK Government’s “UK Infrastructure: A 10 Year Strategy”, which sets out its plans for economic growth. The strategy is backed by at least £725bn of funding for infrastructure over the next decade, through which the Government will seek to deliver on its Clean Power by 2030 and net zero by 2050 targets.

The strategy allocates £9.4bn for carbon capture, usage and storage to maximise deployment to fill storage capacity and over £500mn for the UK’s hydrogen infrastructure to enable development of the first regional hydrogen transport network and store. It also confirmed support for the development of Sizewell C and £2.5bn funding for nuclear fusion research.

Further funding includes £2.6bn capital investment to decarbonise transport from 2026-27 to 2029-30 to continue to support the roll out of electric vehicles and associated charging infrastructure; £13.2bn over the Spending Review 2025 period to decarbonise heat and buildings; and ensuring that new energy from waste plants is carbon capture ready.

The strategy reaffirms the Government’s commitment to conclude the policy development phase of the Review of Electricity Market Arrangements programme by mid-2025. To provide investors with sufficient confidence, the Government also confirms that projects allocated to the next auction round of the Contracts for Difference scheme will be given the same legacy or transitional arrangements as existing projects, if zonal pricing is implemented.

The Government is set to report on progress every two years to provide updates.

HM Treasury

Guidance launched to help businesses boost electric transport assets

On 16 June, the Energy Networks Association (ENA) announced that it has launched new guidance in an aim to help businesses introduce or expand their electric transport assets. It highlights that the tool will guide customers through the steps they need to take before submitting a connection application to their Distribution Network Operator (DNO). It states that the guidance provided explains how the electricity system works systems work and the key technical terms that transport customers will come across; the information that should be obtained before submitting a connection application and where to find it; and how DNO tools can help customers with their decision-making process.

Energy Networks Association

NAO publishes report on the UK Emissions Trading Scheme

On 30 June, the National Audit Office (NAO) published a report on the UK Emissions Trading Scheme (ETS). It highlights that overall, carbon emissions in the power, industrial and aviation sectors covered by the scheme have reduced by 11mn tonnes, from 108mn tonnes in 2021 to 97mn tonnes in 2023 – although the aviation sector saw an increase in emissions.

It states that the reductions in emissions so far may not necessarily be an indicator of future success, due to uncertainties in the availability and take-up of new low carbon technologies, noting that the future of the scheme’s effectiveness, in part, depends on this. It notes that a greater understanding of the scheme’s impact on investment in those technologies would help DESNZ to be more transparent about its effectiveness, as well as make better plans for how the scheme will work alongside other policies in achieving future emissions reductions.

NAO outlines recommendations for the UK ETS Authority, including considering its approach to prioritising the development and introduction of new policies and enhancing existing reports of the UK ETS carbon market.

National Audit Office



IEA recommends policies to promote energy efficiency in industrial strategy

In June, the International Energy Agency (IEA) published its *Gaining an Edge* report, which examines the role of energy efficiency in enhancing industrial competitiveness. The report states that energy efficiency delivers more than energy savings and emission reductions and that it can also improve the competitiveness of countries and firms. However, it notes that a recent global slowdown in industrial efficiency progress risks weakening firms' competitiveness and that, although the sector is responsible for ~80% of the growth in global energy demand since 2019, its energy intensity has remained largely unchanged over the same period.

The report highlights that there is significant untapped potential at the firm level and outlined the opportunity to reduce energy costs by an estimated \$600bn if all firms matched the energy consumption of the least energy-intensive peers in their subsectors. It states that this opportunity is not only present in heavy industries, but also in the lighter industries of many economies, collectively accounting for half of global industrial value added and two-thirds of jobs.

The IEA stresses that while industry leaders recognise the competitiveness benefits of energy efficiency, they need help to overcome barriers to action and notes that a renewed policy approach can position energy efficiency as a pillar of industrial strategy. The IEA outlines five key energy efficiency policy mechanisms for industrial competitiveness including: comprehensive energy management policies, that stimulate the adoption of various actions related to energy management; support and interaction with industrial networks; fiscal supports and financing mechanisms, to overcome barriers to the uptake of energy efficiency; investment in research and innovation, to stimulate the development of new technologies and techniques; and providing strong support of Minimum Energy Performance Standards for motors and other industrial equipment, to lead an overall improvement in the energy performance of the motor stock.

International Energy Agency

SBTi invites companies to the first phase of the draft Corporate Net Zero Standard V2 pilot testing

On 16 June, the Science Based Targets initiative (SBTi) announced that the draft Corporate Net-Zero Standard V2 is in its next phase and has invited companies to pilot test the draft. The pilot is open to corporations of all sizes and locations and is a critical step to gather evidence to ensure that the standard is scientifically robust and practical for businesses.

The SBTi notes that the Corporate Net Zero Standard has supported over 1,850 companies since 2021 to align with global climate goals. It states that the pilot will be carried out in two phases, with phase one involving a broad survey, open to companies across all sectors and regions, to refine the draft standard. The second phase will involve a hands-on trial with selected companies. The pilot test survey is open from 16 June to 15 August.

The initial draft was published in March 2025 and includes splitting out Scope 1 and Scope 2 emissions to address the unique challenges in decarbonising each of these categories, with proposals for increased flexibility for tackling Scope 3 emissions reductions. The draft Standard also sets out options for consideration to address unabated and residual emissions, including looking at formally recognising companies investing in Beyond Value Chain Mitigation and the introduction of interim carbon removal targets.

Science Based Targets initiative



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