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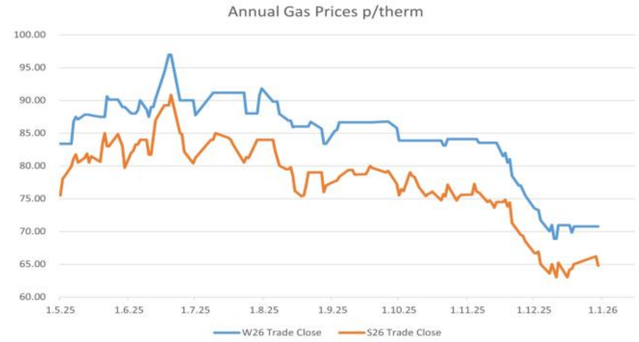
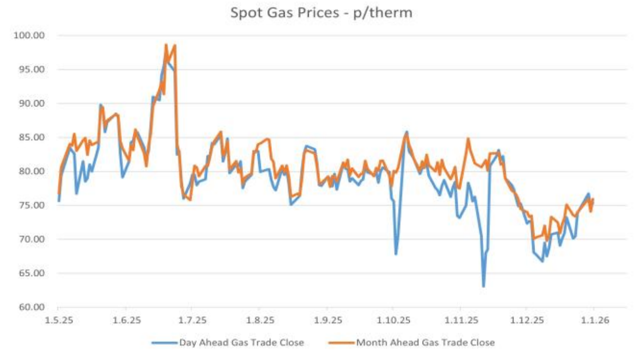
January 2026

Storage Levels Help Keep Markets Calm

Annual gas prices

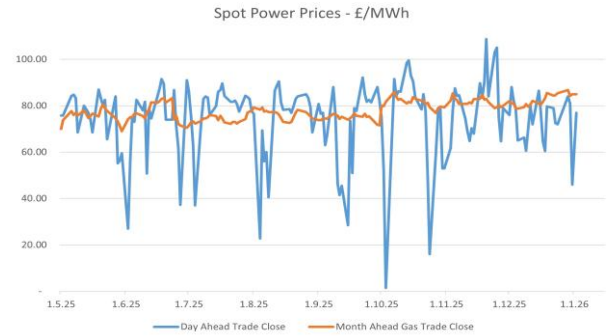


Spot gas prices



Annual power prices

Spot power prices



Wholesale energy markets closed out 2025 with December characterised by ongoing volatility, driven more by short-term fundamentals and sentiment than by any single structural shift in supply. While prices did not trend decisively higher or lower across the month, frequent daily movements reinforced the reality that energy markets remain highly reactive to weather forecasts, gas market dynamics and broader macroeconomic signals.

Gas markets continued to dominate pricing behaviour across the energy complex. European gas storage entered winter at relatively healthy levels compared to recent years, providing a degree of reassurance to the market and helping to prevent sustained price rallies. However, this underlying comfort was repeatedly challenged throughout December by changes in weather models, uncertainty around LNG flows and wider geopolitical considerations. As a result, gas prices frequently reacted to short-term risk rather than long-term fundamentals.

Colder weather forecasts, even when short-lived, prompted sharp upward movements in prompt and near-term gas contracts, particularly when accompanied by concerns over LNG delivery schedules or regional supply tightness. Conversely, when forecasts shifted milder or LNG availability appeared more secure, prices softened quickly. This pattern highlighted a market that remains balanced but nervous, with limited tolerance for perceived risk during the core winter period.

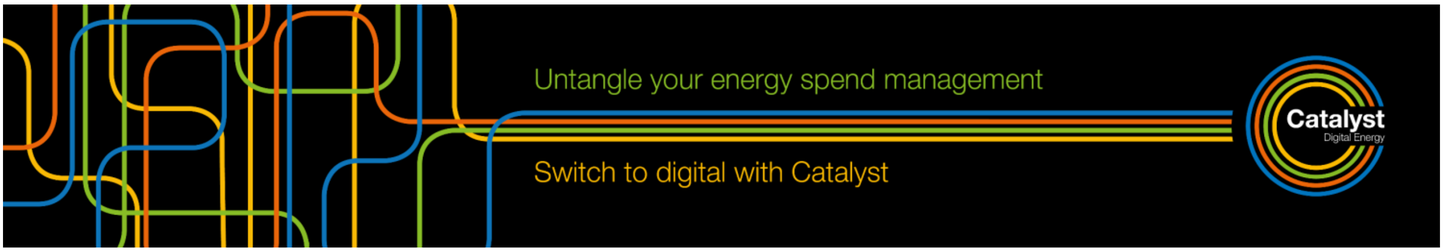
UK power markets continued to closely track movements in gas, reinforcing the strong correlation between the two commodities. Day-ahead and front-month power prices were especially sensitive to changing demand expectations and renewable generation assumptions. Periods of lower wind output combined with colder weather forecasts pushed prompt power prices higher, while improved renewable output and milder conditions eased prices just as quickly.

The intermittency of renewable generation remained a key factor throughout December. Wind output forecasts played a significant role in shaping daily price movements, particularly during periods where gas prices were already elevated. This interaction between gas pricing and renewable availability continues to be a defining feature of the UK power market, increasing short-term volatility and reinforcing the importance of understanding non-commodity cost exposure for consumers.

Further along the power curve, price movements were more muted. Forward contracts, including calendar year products, traded within relatively defined ranges. While there were modest upward and downward adjustments during the month, there was no sustained directional move. This suggests that the market currently views medium-term supply fundamentals as broadly adequate, even if short-term risks remain elevated during winter.

Carbon markets provided an underlying level of support to power prices, though they were not the primary driver of market direction during December. UK ETS prices remained sensitive to wider macroeconomic sentiment, reflecting concerns around industrial demand, economic growth and longer-term decarbonisation policy. While carbon continues to form a structural component of power pricing, its influence during the month was secondary to gas and weather-related factors.

Macroeconomic conditions continued to exert a noticeable influence on wholesale energy markets. Financial market sentiment, interest rate expectations and currency movements all played a role in shaping daily price action. Energy markets remain increasingly intertwined with wider financial markets, meaning shifts in risk appetite or economic outlook can quickly feed through into commodity pricing, even in the absence of fundamental supply changes.



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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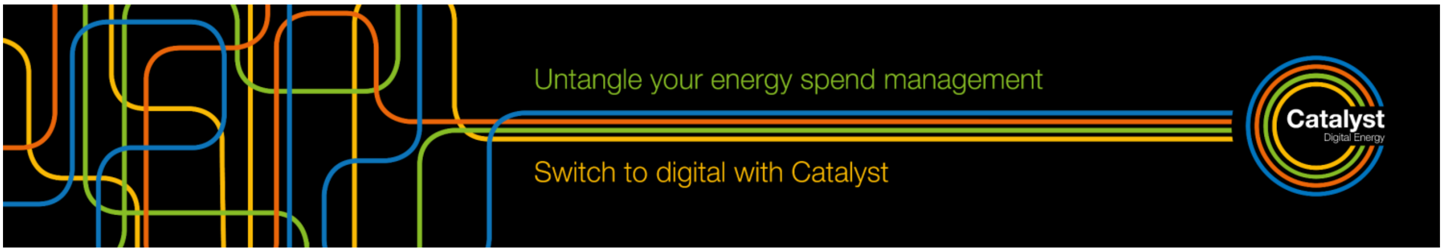


UK Government Reportedly Considers Scaling Back Green Tech Mandates in New Homes

In early January, media reports revealed that the UK Government is considering reducing the scope of environmental requirements in upcoming home-building regulations. Under plans associated with the Future Homes Standard, ministers are reportedly weighing proposals that would remove mandatory energy storage technologies, such as batteries, from new homes in England.

The shift, which follows pressure from housebuilders concerned about upfront costs, could weaken early adoption of technologies that help households integrate renewables and manage energy demand. Experts have warned that omitting storage may undermine potential efficiency gains and grid benefits, especially as heat pumps and solar installations become more widespread.

Guardian

Ofgem Approves £28bn Grid Upgrade, Paving Way for Network Expansion

Ofgem confirmed a major £28 billion investment package for Britain's gas and electricity transmission networks under the upcoming RIIO-3 price control period. The funding represents one of the largest planned grid upgrades in decades, aimed at accommodating the expansion of offshore wind, solar generation and future nuclear capacity.

While the regulator has moderated some industry proposals to protect consumers, the overall programme reflects a strategic shift toward a network capable of supporting higher levels of low-carbon power. Ofgem has said that the investment will ultimately support more efficient system operation, even as forecasts suggest modest bill impacts in the coming years.

TechStock

UK Renewables Project Approvals Surge to Record Levels in 2025

Data released at the end of December confirms that renewable energy project approvals in Great Britain soared in 2025, nearly doubling year-on-year.

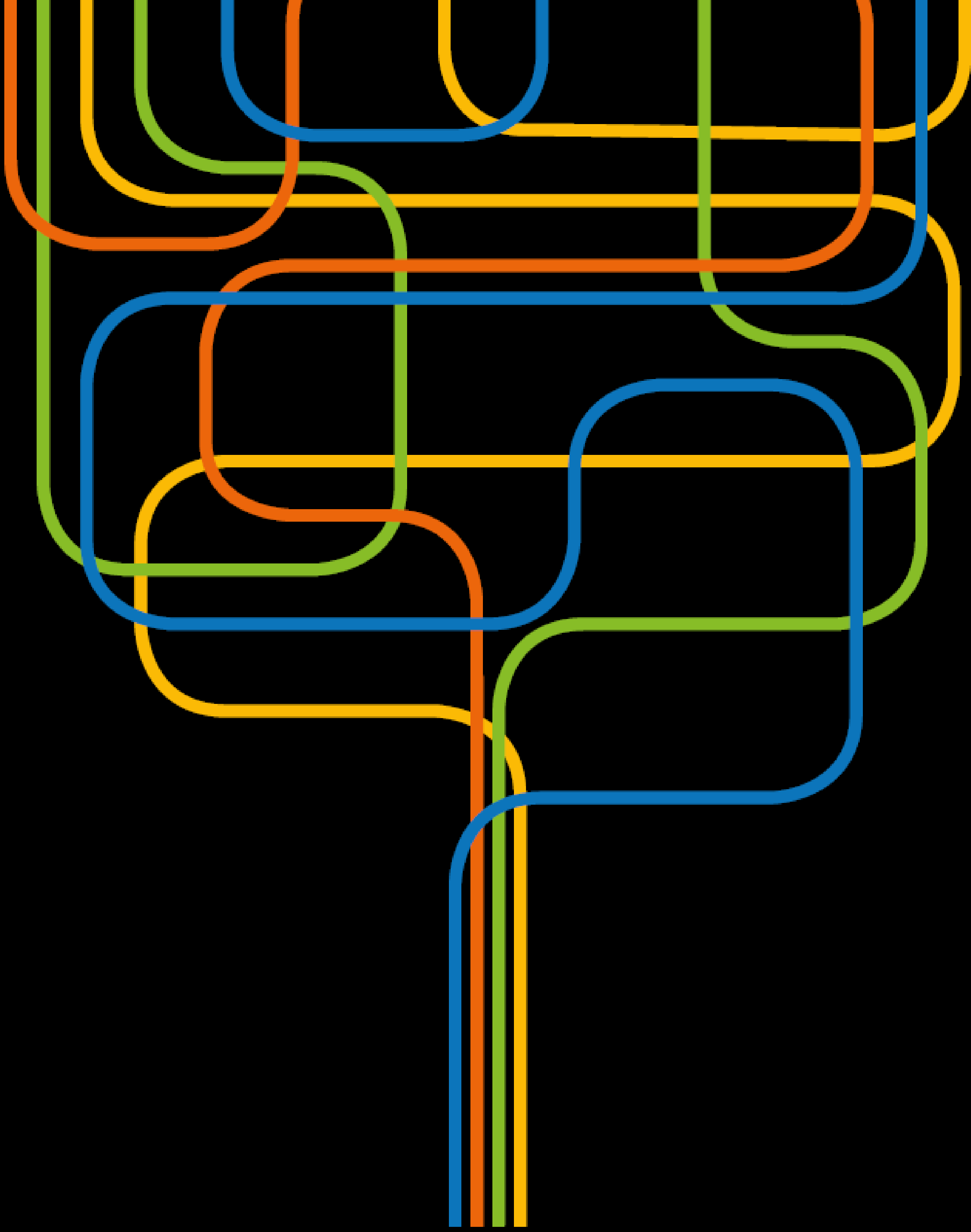
Planning consent for wind, solar and battery storage projects reached approximately 45 GW of capacity, driven in particular by rapid growth in battery storage and offshore wind planning approvals. The scale of the approved pipeline underscores investor confidence in the UK's transition to cleaner power and the increasing competitiveness of renewables in the longer-term generation mix.

Reddit

UK Wind Generation Strengthens Ahead of Winter

Recent official statistics show that wind generation continued to expand in 2025, with wind output rising by over 7 % to nearly 18 TWh in the latest quarter. Both offshore and onshore wind contributed to the increase, supporting broader renewable penetration on the grid.

However, nuclear output fell sharply during the same period, creating a temporary gap that fossil-fired generation, primarily gas, stepped in to fill.



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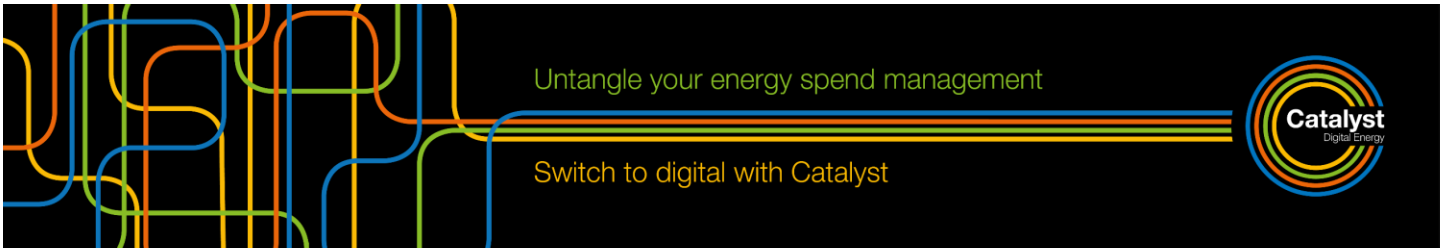

The quarter also marked a full year with no coal generation in the UK, highlighting the ongoing shift toward low-carbon sources despite operational challenges in other technologies. constraint.

Gov.uk

Delays to Hinkley Nuclear Plant Highlight Gas Dependence Concerns

Industry commentary has resurfaced around the delays to the Hinkley Point C nuclear plant, with experts warning that setbacks at the project could mean the UK remains more reliant on gas power and energy imports in the near term.

Although plans are reportedly underway to simplify and accelerate future nuclear development, the current fleet's ageing reactors are facing retirement, increasing medium-term concerns about capacity adequacy and emissions.

Stakeholders emphasise the role of both renewables and new nuclear in reducing carbon intensity and stabilising the system beyond 2030.

Sky News

Renewables Hit New Generation Records

British system operators reported that wind generation reached a new record level in late 2025, delivering enough output to power millions of homes and accounting for a significant percentage of total demand on key high-wind days.

These milestones reflect continued growth in wind capacity and its expanding role in the UK's generation mix, both of which contribute to lower average carbon intensity and highlight the increasing impact of renewables on trading dynamics, price formation and peak demand coverage.

Sky News

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