



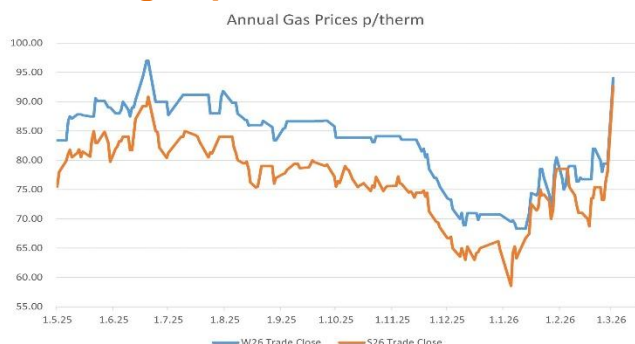
Digital Energy Element

March 2026

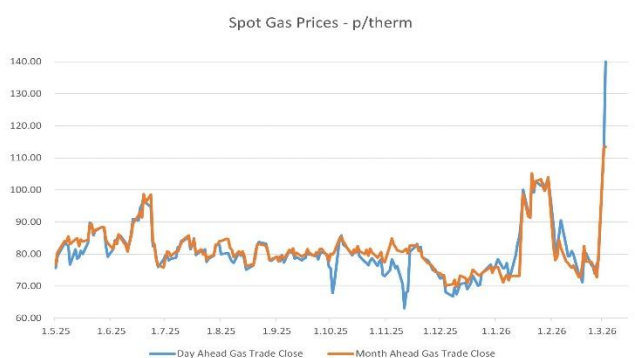
Markets React To
Geopolitical Risk



Annual gas prices



Spot gas prices



Annual power prices



Spot power prices



February 2026 will be remembered as a month where geopolitical risk moved decisively to the forefront of wholesale energy pricing. While winter fundamentals remained an important backdrop, it was the escalation of tensions in the Middle East, including the attack on Iran, that defined market direction and injected a fresh layer of volatility into both gas and power contracts.

The month opened with markets already carrying a degree of weather-related firmness following a colder-than-average January. Residential and commercial demand remained seasonally strong, and European storage withdrawals continued at a steady pace. Although storage levels across Europe were not critically low, they were notably below the exceptionally comfortable levels seen in 2024 and early 2025. This left the market more sensitive to risk headlines and less cushioned against unexpected shocks.

The attack on Iran shifted sentiment quickly. Even in the absence of an immediate physical disruption to LNG flows, the perceived threat to key shipping routes, particularly through the Strait of Hormuz, was enough to embed a clear geopolitical premium into prompt and forward gas pricing. The UK, while not directly reliant on Middle Eastern pipeline gas, remains exposed to global LNG dynamics. Any risk to global supply chains tightens competition for cargoes and directly impacts NBP pricing.

NBP gas contracts responded with sharp intraday movements, particularly across the front month and Summer 26 positions. Traders repriced risk rapidly, reflecting the market's awareness that geopolitical escalation can evolve quickly. Volatility levels were noticeably higher than those seen through much of Q4 2025, signalling a return to more reactive trading conditions.

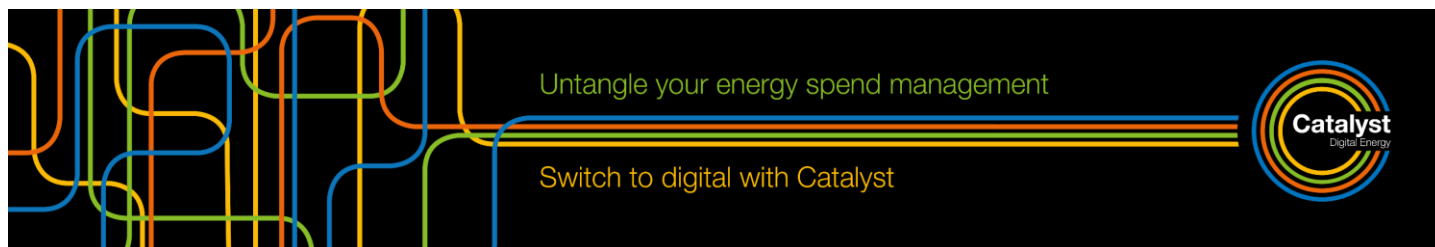
Power markets tracked gas closely throughout February. The UK's marginal pricing structure, heavily influenced by gas-fired generation, meant baseload power contracts strengthened in parallel with gas movements. While periods of stronger wind generation provided temporary easing in Day-Ahead pricing, renewable output was inconsistent and insufficient to offset the broader upward pressure from fuel costs. Clean Spark Spreads remained under pressure during periods of peak gas pricing, reinforcing the linkage between the two commodities.

Carbon pricing under the UK ETS remained comparatively stable and did not materially drive direction. Instead, power pricing was almost entirely dictated by gas fundamentals and geopolitical developments.

From a structural perspective, supply fundamentals outside of geopolitics were relatively stable. Norwegian flows into the UK were consistent, and there were no prolonged unplanned outages. However, the market's behaviour demonstrated that stable flows alone are not enough to suppress pricing when geopolitical uncertainty rises. LNG remains the balancing mechanism for Europe, and therefore global risk events continue to carry disproportionate influence.

In directional terms, February showed a clear upward bias overall, with volatility skewed to the upside. Forward curves for Winter 26 firmed, reflecting the market's attempt to price in the possibility of prolonged geopolitical instability. Summer 26 contracts also strengthened, indicating that the risk premium extended beyond immediate winter demand concerns.

Looking ahead, much depends on the trajectory of Middle East tensions. Any signs of de-escalation could see a partial unwinding of the embedded risk premium.



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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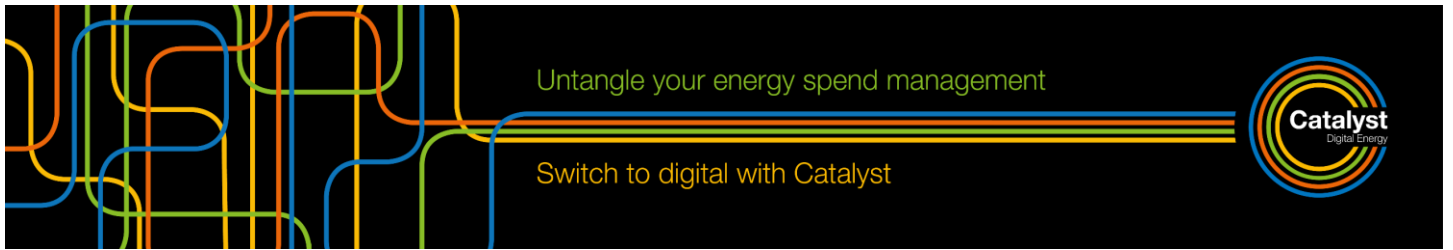
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UK Economy Faces Significant Hit from Geopolitical Tensions

The UK's Office for Budget Responsibility has warned that the ongoing conflict in Iran could deliver a "very significant" blow to the British economy, driving up energy prices and weighing on growth forecasts for 2026.

Higher oil and gas prices have prompted a reassessment of inflation trajectories and may delay expected interest rate cuts by the Bank of England, a shift that markets are pricing into government bond yields and economic risk premia.

[Guardian](#)

Energy Price Cap Set to Fall from April

Ofgem has confirmed that the energy price cap for households will fall by around £117 (roughly 7%) for the period from 1 April to 30 June 2026.

While wholesale costs have firmed due to geopolitical pressures, this quarterly adjustment reflects a declining trend in underlying retail default tariff levels compared with the same period in 2025.

[Ofgem](#)

UK Government Seeks Expert Insight on AI for Energy Efficiency

The UK has launched a call for evidence to gather expert opinion on how artificial intelligence can be used to strengthen energy system efficiency and resilience.

The initiative aims to identify datasets and analytics tools that could help optimise grid operations, improve forecasting of renewable output, and streamline demand-side flexibility, a key theme for system operators as variable renewable penetration increases.

[IndexBox](#)

UK Offshore Wind Auctions Secure Record Capacity

Government auction results have delivered a record 8.4GW of offshore wind capacity, the largest ever awarded in a single round.

This expansion underpins current market expectations for future clean power availability, economic benefits from low-carbon generation, and longer-term reductions in exposure to fossil fuel price cycles.

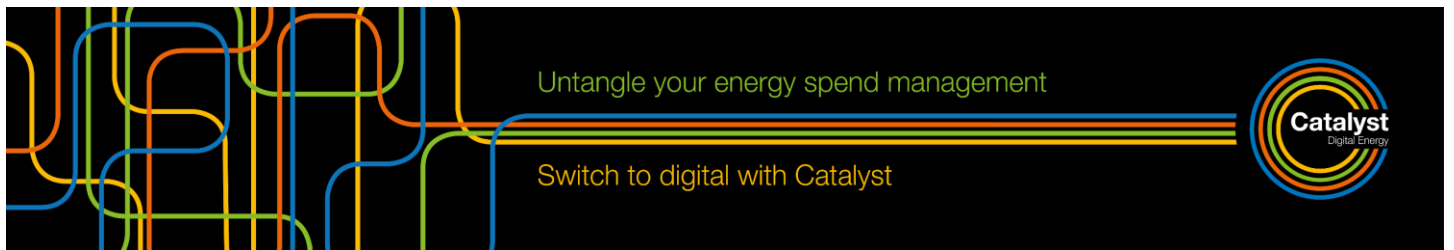
[Gov](#)

Onshore Wind Market Hits Four-Year High Output

Data from industry monitoring indicates that UK onshore wind generation has hit its highest levels in four years, contributing to softer pricing in certain daytime intervals and supporting the broader merit order effect on wholesale power.

Sustained output from wind assets is increasingly relevant to winter balancing and market volatility.

[OpenPR](#)



North Sea Investment Remains Under Pressure Amid Windfall Tax Debate

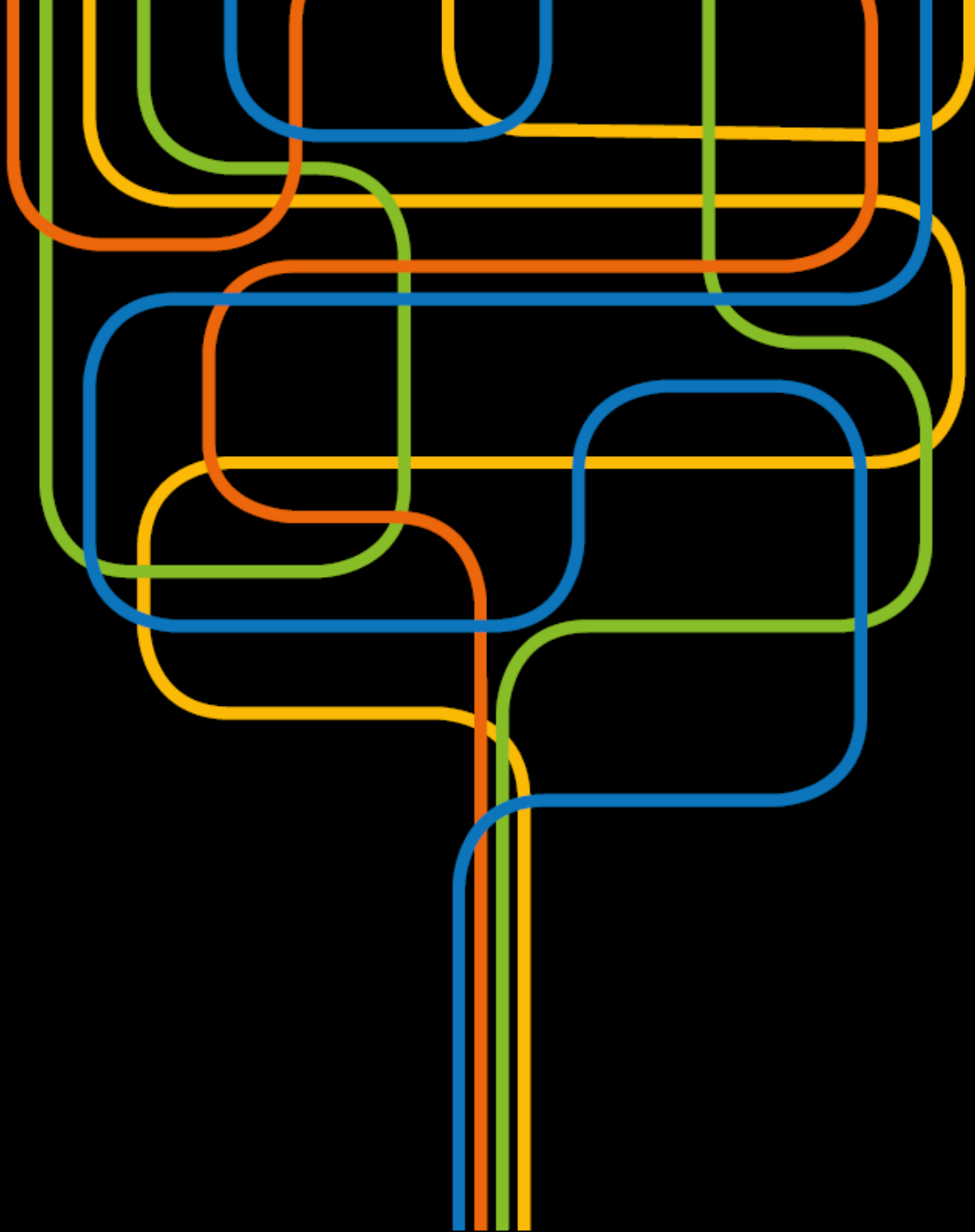
Debate around the future of the Energy Profits Levy intensified during February, with industry leaders warning that prolonged uncertainty over the windfall tax framework is continuing to dampen investment in the UK Continental Shelf.

Operators have signalled that while high global prices might suggest strong profitability, fiscal instability makes long-term capital allocation decisions more difficult. For wholesale markets, this matters because sustained underinvestment in domestic production increases the UK's exposure to imported gas and global LNG pricing dynamics.

Government has reiterated its commitment to balancing energy security with the transition to net zero, but the absence of clarity on long-term taxation has left parts of the sector cautious. The outcome of this policy debate could have material implications for future UK supply resilience and the extent to which domestic production can cushion against geopolitical volatility.

[Deloitte](#)





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