

April 2025

We're through the first quarter of 2025 and coming out of winter mostly okay. The oil, gas, and power markets have been up and down, affected by weather, gas storage, the economy, and global events. In this update, we'll look at how prices have changed, why, and what to expect in the next few months.

## Energy price history

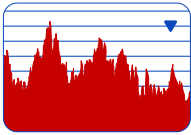
The chart below illustrates how UK energy prices have developed since early 2023:



Oil prices have moved between \$70 and \$80 per barrel since the start of the year, reflecting the busy first few months of Trump's second term. The new U.S. government will strongly affect energy markets through its policies and global decisions. But with some actions pushing prices up and others pushing them down, we can expect more ups and downs, without a clear direction.

World events will keep affecting UK energy prices, but we must focus on what we can control. UK and European gas storage is at its lowest in three years, at just 34% full. Replenishing it before summer ends is key to getting through next winter.

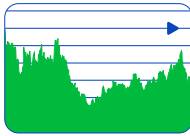
## Oil



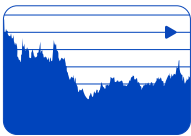
Oil prices hit a high in January due to OPEC cuts and sanctions on Russia and Iran. After passing \$80/barrel, prices dropped as the U.S. increased production, considered easing sanctions on Russia, and threatened tariffs, hurting global growth. In a surprising move, OPEC will lift production cuts from April, leading to higher output.

## Electricity

UK electricity prices are still mainly driven by gas, as it remains the main source of power. This year has been mixed, with low wind and solar output in the first two months, but lower UK ETS carbon prices compared to Europe helped a bit. The government's Planning and Infrastructure Bill aims to speed up clean energy projects, but it will take time before we see results.



## Gas

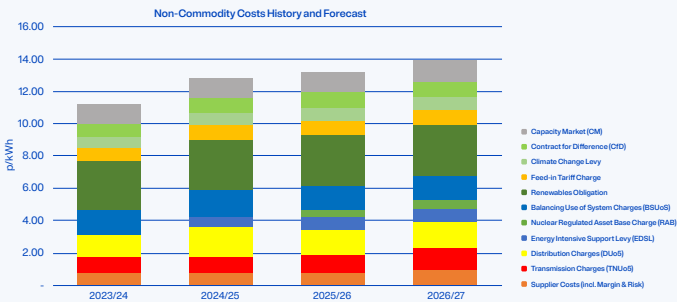


Gas prices followed oil, rising and then falling. Cold weather increased demand and lowered storage, but by February, enough LNG and Norwegian supply was available to last until spring. While peace seems unlikely, the U.S. may relax sanctions, and Russia, facing an economic crisis, might increase oil and gas exports. Some analysts even suggest the Nord Stream pipeline could restart by year-end. Short-term price drops may happen, but the need to refill gas storage before winter and competition from Asia will limit them.

## Non-Commodity Costs

Non-commodity costs (sometimes referred to as 'non-energy charges' or NECs) are added to bills to cover the costs of the National Grid transmission network, local distribution costs, renewable and environmental surcharges and taxes to ensure security of supply by subsidising the availability of capacity. These add up to around 60% of bills today.

The chart below shows the history and forecast charges for an average customer:



Some of the charges are based on a set, predictable formula, whilst others can be variable: based upon market conditions, demand and renewable generation.

Several important changes are expected in the coming year:

### Nuclear Regulated Asset Base (RAB) Charges

The government is backing new nuclear power to provide low-carbon baseload electricity. To fund this, a new charge (RAB charge) will help invest in nuclear plants like Sizewell C. The final cost won't be clear until the plant's investment decision in June, but we estimate the charge could start at 0.03p/kWh and rise to 0.5p/kWh by the time it's running.

### REMA (Review of Electricity Market Arrangements)

A major review of the market is considering changing the current national wholesale market into multiple regional (or 'zonal') markets to reflect the balance of localised generation and supply. As this complex proposal evolves, we will provide further details on the potential impact and any preparations needed by customers.

 For more information, please get in touch with your Utility Aid Account Manager or call us on **0808 1788 170**

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