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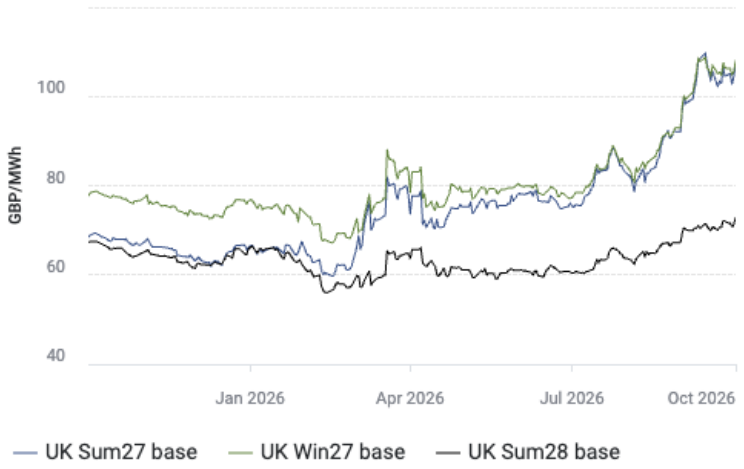
Energy Update
3 October 2026

- Hormuz Oil Flows Recover, but Risk Remains
- Manufacturers Invited to Apply for Bill Relief
- Great British Grid Targets Connection Delays
- Renewables Cut Britain's Exposure to Gas
- Grid Notice Highlights Tight Power Margins
- Toyota Plant Starts Carbon-Neutral Production
- FCA Introduces New Sustainability Reporting Rules
- Hinkley Point B Enters Decommissioning

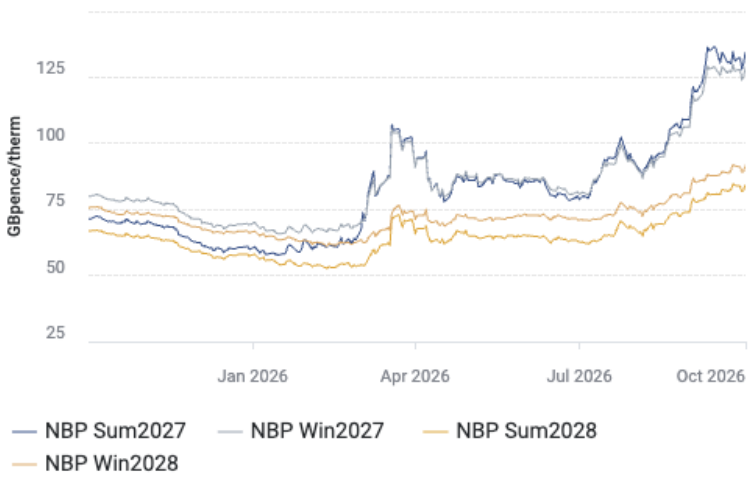
Winter Begins With Limited Power Headroom

- UK power prices ended the week below their recent highs, although the market remains sensitive to changes in generation availability. Summer 2027 traded at approximately £107.50/MWh on Friday, while Winter 2027 remained at a similar level. Both contracts are still considerably higher than a year ago.
- The prompt market tightened when weaker wind increased demand for gas-fired generation. Nuclear availability also remained restricted, with several EDF reactors offline and further maintenance expected during October. French power prices strengthened as the anticipated volume of nuclear outages increased.
- NESO issued an Electricity Margin Notice for Monday evening after identifying a potential shortfall against its required reserve. Additional capacity entered the market and the notice was cancelled, with supplies remaining secure throughout.
- The response demonstrated that the market can provide additional capacity when required. However, limited nuclear availability and abrupt changes in wind output could produce further periods of elevated prompt pricing during the opening weeks of winter.



Better Supply Takes Some Heat Out of Gas

- UK and European gas prices finished the week lower as stronger Norwegian flows and improved oil and LNG movements reduced immediate supply concerns. UK Summer 2027 traded at approximately 132p/therm on Friday, with Winter 2027 around 128p/therm.
- Norwegian imports increased sharply after summer maintenance concluded, providing welcome support as the gas winter began. Several LNG vessels are also expected to reach the UK before the middle of October.
- The improvement has not removed the geopolitical premium. Commercial vessels continue to face disruption around the Strait of Hormuz, while progress in negotiations between the United States and Iran remains uncertain. Restricted Qatari LNG supply is keeping European buyers dependent on Atlantic cargoes.
- Prices are below their September peaks, but the market remains vulnerable to renewed shipping disruption, colder weather or unexpected infrastructure outages. Improved supply has created some breathing space rather than a return to normal conditions.



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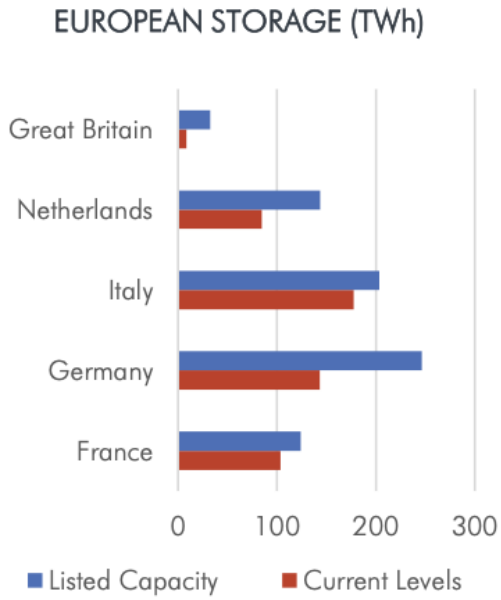
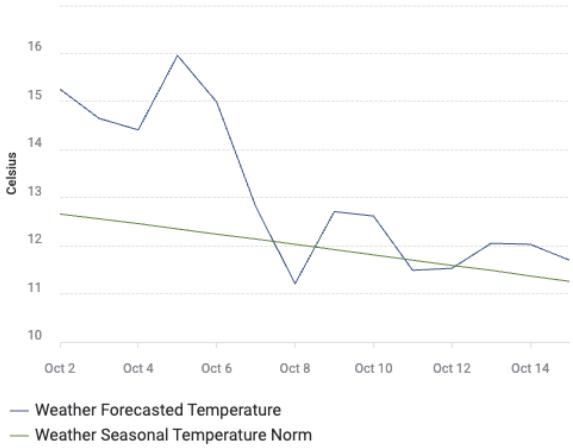
Winter Starts With Less Gas in Reserve

- Europe has entered the winter gas season with storage approximately 70% full, around twelve percentage points below the equivalent point last year. Northwest European facilities are closer to 64%, leaving the region with a smaller reserve than the headline European figure suggests.
- The position varies significantly between countries. France and Italy remain comparatively well stocked, while Germany is around 58% full and the Netherlands approximately 54%. Great Britain's smaller storage system is close to one-third full.
- Injection rates improved as Norwegian maintenance ended and mild weather limited consumption. Germany recorded a particularly sharp rise in injections during the week, while further LNG arrivals should provide additional support.
- The opportunity to build stocks is now narrowing. Continued mild conditions may allow injections to continue, but Europe begins winter with less protection against a prolonged cold spell or another interruption to LNG and pipeline supply.



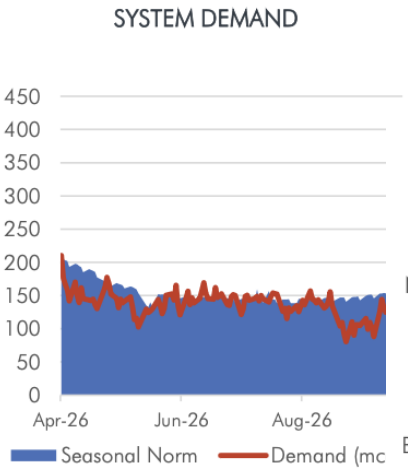
Early Warmth Gives Way to a Cooler Turn

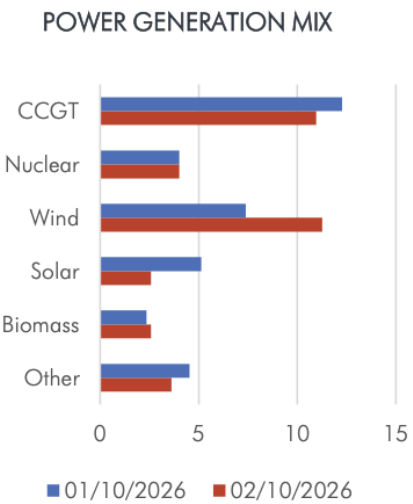
- Temperatures should remain above seasonal norms across much of Northwest Europe during the opening days of October, keeping heating demand relatively subdued.
- A cooler weather system is expected from the middle of next week, with temperatures moving closer to normal and briefly falling below seasonal levels in some areas. This should begin to increase residential and commercial heating demand.
- The outlook remains changeable rather than consistently cold. Mild periods should continue to limit overall gas consumption, but sharper day-to-day movements could create more volatility in prompt gas and power markets.



Wind Swings Put Flexibility to Work

- Renewable generation varied considerably during the week as wind conditions shifted across Britain and Northwest Europe. Gas-fired output increased during weaker periods, while stronger wind later reduced the requirement for conventional generation.
- Solar provided some daytime support, although shorter autumn days are reducing its contribution during the evening peak. Nuclear outages have also limited the amount of continuous low-carbon generation available to balance changes in renewable output.
- Forecasts point to another period of weaker wind during the weekend and early next week. Gas-fired generation and imports are therefore likely to remain important, despite above-average temperatures restraining overall demand.
- These rapid changes underline the growing value of batteries, interconnectors and demand flexibility. Each can help absorb surplus renewable electricity when output is strong and reduce pressure on the system when wind generation falls.





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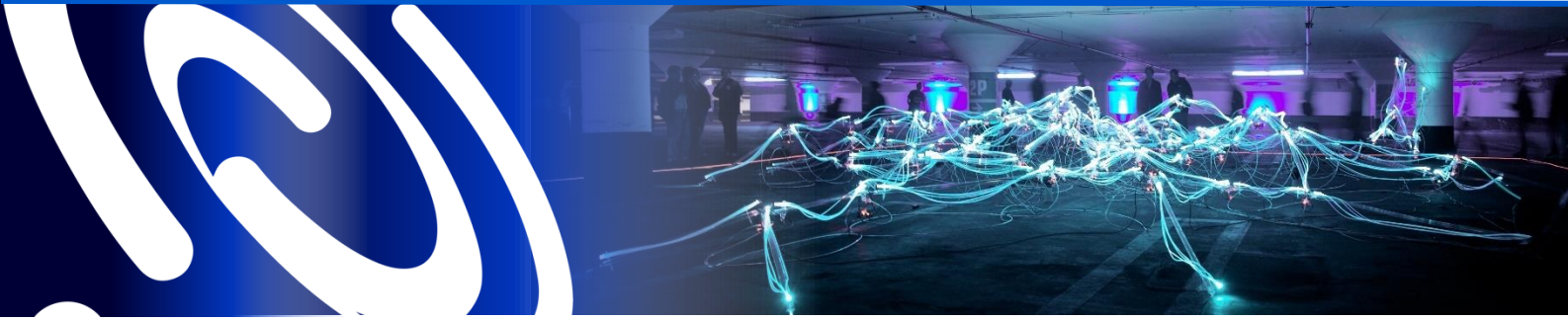

In the News This Week...

Hormuz Oil Flows Recover, but Risk Remains

Crude exports through the Strait of Hormuz have largely returned to their pre-conflict level as Gulf producers adapt to Iranian disruption. Brent briefly fell towards $97 a barrel before recovering above $100 when progress in US-Iran talks stalled. Refined-product shortages are also keeping diesel and other fuel prices elevated despite the improvement in crude movements. Physical supply conditions have therefore improved, but oil prices remain highly sensitive to political statements and any renewed threat to shipping.

Manufacturers Invited to Apply for Bill Relief

Applications have opened for the British Industrial Competitiveness Scheme, which could reduce electricity costs for more than 10,000 eligible manufacturers by up to 25%. The support will begin in April 2027 and applies to businesses in selected industrial sectors, including many smaller manufacturers. It works by exempting qualifying electricity use from several policy costs currently included in bills. Businesses must register by 30 November, making eligibility and timely application important for organisations that may benefit.

Great British Grid Targets Connection Delays

The government has announced Great British Grid, a publicly owned body within Great British Energy that will invest in electricity network infrastructure. The wider reforms will allow some developers to construct their own connections and bring forward competitive tendering for transmission projects. Grid delays have become a major constraint on new generation, storage, EV charging and business expansion. More than 300GW of speculative projects has already been removed from the connection queue, but the remaining challenge is still considerable.

Renewables Cut Britain's Exposure to Gas

Record wind and solar generation has avoided an estimated £5.9 billion of UK gas imports since the US-Iran conflict began, according to Carbon Brief. The avoided consumption is equivalent to more than 100 LNG cargoes. Wind and solar have supplied approximately 41% of UK electricity during 2026, while gas-fired generation has fallen by almost 10% year-on-year. The analysis demonstrates how domestic renewable output can reduce exposure to international gas prices as well as lowering emissions.

Grid Notice Highlights Tight Power Margins

NESO issued an Electricity Margin Notice on Monday after identifying a potential 1,400MW shortfall against its required reserve for the evening peak. Additional capacity entered the market during the day, reducing the projected gap to approximately 104MW before NESO cancelled the notice. Electricity supplies remained secure and customers did not need to take action. The episode nevertheless illustrates how outages, network constraints and variable renewable generation can rapidly tighten the system as winter approaches.

Toyota Plant Starts Carbon-Neutral Production

Toyota has begun carbon-neutral production at its Deeside engine plant in North Wales, its first manufacturing facility outside Japan to reach the milestone. The site uses renewable electricity, recycled aluminium and biomethane supplied by an adjacent anaerobic digester. The digester processes local waste and is expected to save almost 3,000 tonnes of carbon dioxide annually. The project shows how manufacturers can combine energy procurement, efficiency and circular use of materials to reduce operational emissions.

FCA Introduces New Sustainability Reporting Rules

The Financial Conduct Authority has finalised new sustainability disclosure rules for listed companies. From accounting periods beginning in January 2027, affected businesses must report against the UK Sustainability Reporting Standards or explain why they have not done so. Transitional relief will apply to Scope 3 emissions and wider sustainability disclosures. Although the rules apply directly to listed businesses, their information requirements are likely to influence suppliers as larger organisations seek better energy and carbon data across their value chains.

Hinkley Point B Enters Decommissioning

Responsibility for Hinkley Point B has transferred from EDF to Nuclear Restoration Services following regulatory approval. The Somerset station generated electricity between 1976 and 2022 and has now been completely defuelled. Approximately 250 employees will transfer with the site as decommissioning begins under the Nuclear Decommissioning Authority. Hinkley Point B is the first advanced gas-cooled reactor site in England to make the transition, beginning a process that will eventually extend across Britain's ageing AGR fleet.

Need Support Navigating Energy Markets?

Discover how Auditel can help you optimise your energy contracts, gain valuable data insights and navigate the complexities of the energy market. To learn more about our services, visit our energy procurement site and click HERE

The data in this report is sourced from NESO, Elexon and other publicly available platforms. We also thank SEFE and Crown Gas & Power for their valuable insights and contributions to this newsletter.

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