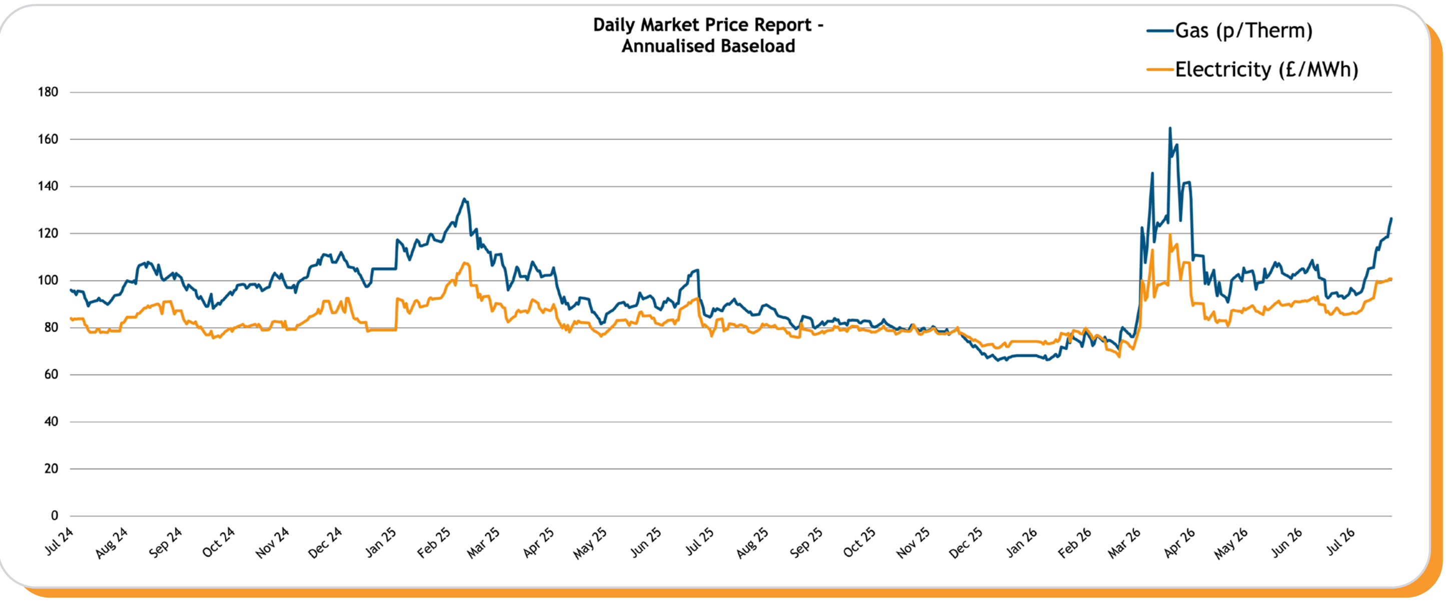
Energy Market Report

July 2026

At the time of writing (23rd July 2026), the supply situation in the Gulf and the Strait of Hormuz remains in flux. The last week has seen the current peace deal move into a more active military phase which has been reflected in higher near-term energy pricing. Shipments made via the Strait are unpredictable to say the least.

Saudi Arabia looked to avoid the conflict zone by switching crude oil exports via their cross-country pipeline for onward shipment via their Red Sea port of Yanbu. The Iranian-backed Houthi rebels in Yemen have now attempted to close the southern exit of the Red Sea, Rab al-Mandab Strait, by attacking passing Saudi tankers. Saudi shipments are unable to enter the Indian Ocean but still have the northern exit via the Suez Canal for supplies to Europe.

With the approaching winter heating season starting on 1st October, the storage levels of gas remain a concern. UK gas storage levels are 40% full whilst Europe is 54% against a target of 80% by November. Norway accounts for more than 50% of gas imports with the United States being the primary source of Liquefied Natural Gas (LNG). Whilst the United States has proven to be a reliable supplier over the last two winters, concerns remain. There have been attempts by the US to absorb Greenland, against which tight winter gas supplies could provide leverage. Weather could also be a factor, and with LNG export facilities based on the Louisiana and Texas coast there is a risk of hurricane-related supply disruption between August and October.



The UK is looking to break into the ringfenced £5 billion hydrogen transmission strategy budget. National Gas are adding an initial 2-5% hydrogen content to the mains supply later this year - to regions where greater electrification is problematic.

UK electricity tracked the price of gas over the month - although to a lesser degree. With the mix of generation benefiting from the seasonal effects of renewables, gas contribution is being maintained at around 22% - less than half the normal level.

The July changes of personnel in the Labour Government have shown some support for domestic electricity pricing (5% VAT reduction). However their approach to commercial energy and the yet to be passed British Industrial Competitiveness Scheme (BICS) legislation is awaited.