

Energy Market Report

May 2026

As at the time of writing (25th May), the stalemate in the Strait of Hormuz continues. There have been numerous rounds of negotiations and false starts over the month - but little evidence of progress. 'Project Freedom' (on 4th May) saw the US escorting merchant shipping through the strait following Iranian attacks, which was cancelled within 24 hours.

May ended with reported agreement that Iran is to surrender its enriched uranium and cease future production in exchange for the release of currently frozen financial assets. For their differences, both sides do agree that the Strait of Hormuz will remain closed until the final agreement is signed off by both leaders - with no timeline provided.

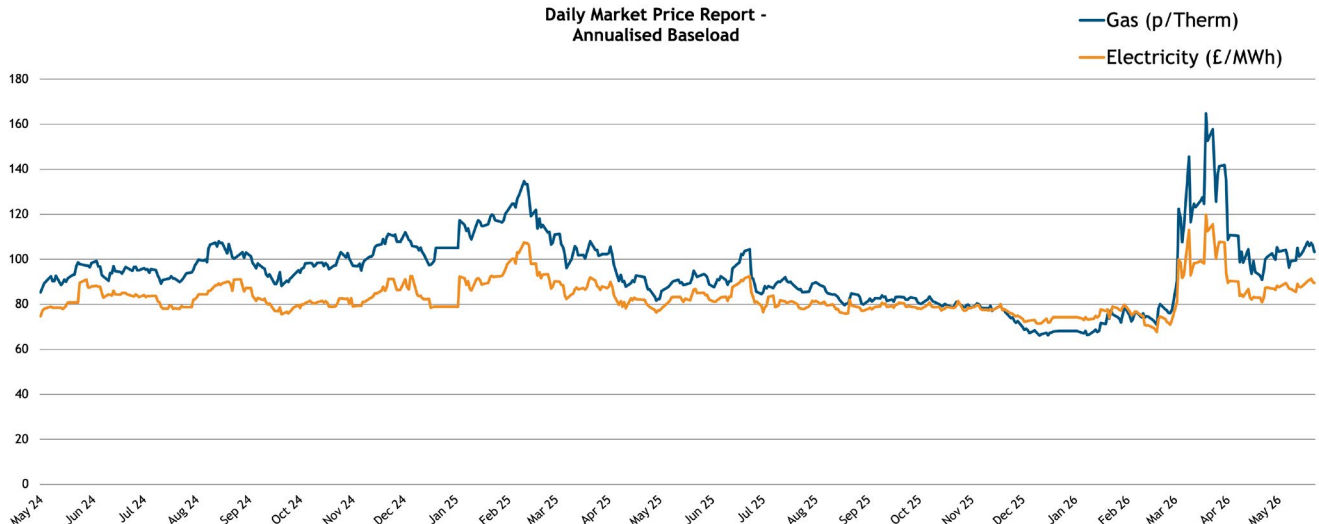
Gas storage in the UK is down a further 7% this month at 34% full; whilst the EU, entering its storage injection season, is currently at 37% full (13% below the 5-year average) - with a target of 80% by November. With both the UK and EU now heavily reliant on North American Liquefied Natural Gas (LNG), any supply disruption could have a significant impact on availability and pricing.

UK electricity tracked the price of gas over the month; with the mix of generation benefiting from the seasonal effects of solar, which typically contributed between 15% and 22% of daily demand.

The UK Government's British Industrial Competitiveness Scheme (BICS) is being designed to support high electricity consuming manufacturing companies and is due to commence on 1st April 2027 (backdated to 1st April 2026). The scheme should provide exemptions on Renewable Obligations (RO), Feed-in Tariff (FiT) and Capacity Markets (CM). The benefits to those that qualify are expected to be around 4p/kWh. The eligibility criteria for the scheme is yet to be confirmed and legislation changes are still outstanding.

For qualifying organisations, the ESOS Phase 4 submission date is 5th December 2027. Whilst this may seem some way off, based on previous submissions there is expected to be a significant shortfall in the number of available Lead Assessors. With a reference date of 31st December 2026, any organisation with more than 250 employees - or an annual turnover exceeding £44M and an annual balance sheet total exceeding £38M, must make a submission to the Environment Agency.

Daily Market Price Report -
Annualised Baseload



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