

Q1 2026

Energy Market Review and Lookahead

A financial candlestick chart is overlaid on the right side of the slide. The chart features teal and red candlesticks representing price movements, with a prominent red trend line curving upwards from the bottom left towards the top right. The background is a dark blue gradient with a faint grid pattern.

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What's been happening over the past few months?

Near Curve - Gas

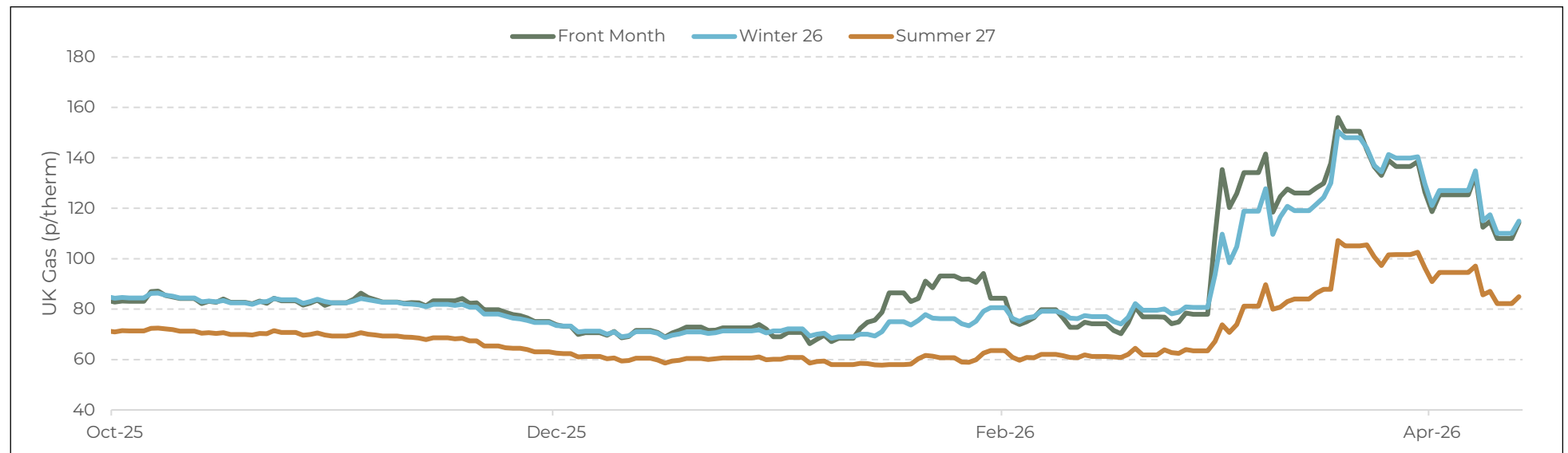
Prompt gas prices averaged 100.34p/therm over the first quarter of 2026, up around 33% compared to the previous quarter. Meanwhile, day-ahead power averaged £90.91/MWh – up 21%.

Cold weather in the front half of the quarter and increasing geopolitical risk in the latter pushed prices higher. However, positive renewable generation over the quarter cushioned power markets against rising gas prices – limiting overall exposure to the upside.

Near-curve gas contracts retraced the bearish trend seen in the previous quarter, with prices rising substantially between 85–94%.

This considerable upside was driven at the start of March by the Iran conflict and its impact on global oil and Liquefied Natural Gas (LNG) flow disruptions – baking in risk premia along the curve.

Prices saw a gradual shift to the downside in February as cold weather abated, easing storage draws. UK and EU LNG imports over January and February exceeded last year's total volumes, reinforcing comfortable near-term supply conditions despite lower year-on-year EU storage levels.



However, on 28 February the US and Israel launched an attack on Iran. This plunged the Middle East into turmoil, with Iran retaliating in kind on neighbouring Gulf states holding US interests. This saw prices rally to two-year highs, particularly as the conflict created disruption to global energy flows.

Subsequently, Iran closed the Strait of Hormuz – a vital global waterway impacting 20% of global oil and LNG supply. This then prompted Qatar to shut down their Ras Laffan LNG facility, which spooked the markets further and heightened concerns over prolonged supply disruptions – keeping prices elevated.

Additionally, Israel attacking Iran's South Pars gas field and Iran retaliating by attacking Qatar's Ras Laffan facility further widened concerns over energy commodity supplies being impacted by attacks on infrastructure in the region.

Following the attacks, QatarEnergy's CEO Saad Sherida Al-Kaabi stated that 17% of Qatar's LNG capacity will remain offline for 3–5 years due to damage sustained – signalling to markets that the fallout from the conflict has extended beyond its initial near-term market impact.

Conflicting rhetoric from US President Donald Trump over the timescale of the conflict, along with imposed deadlines and increasing threats of escalation, has kept volatility elevated along the curve.

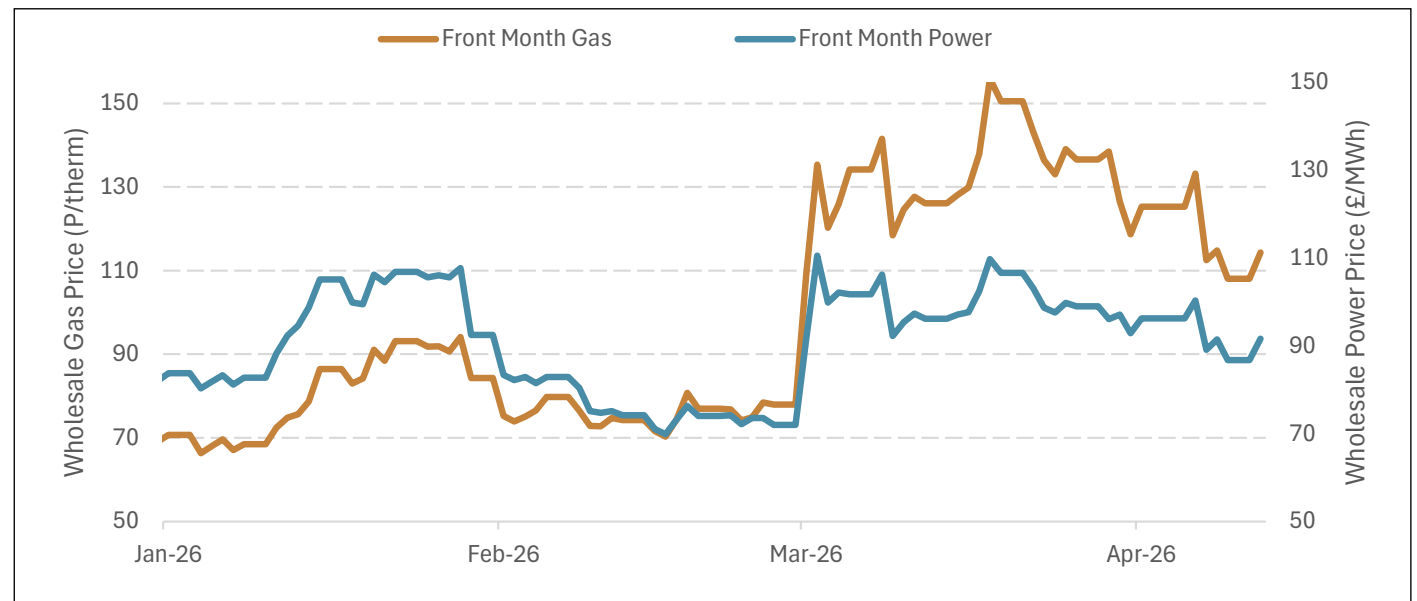
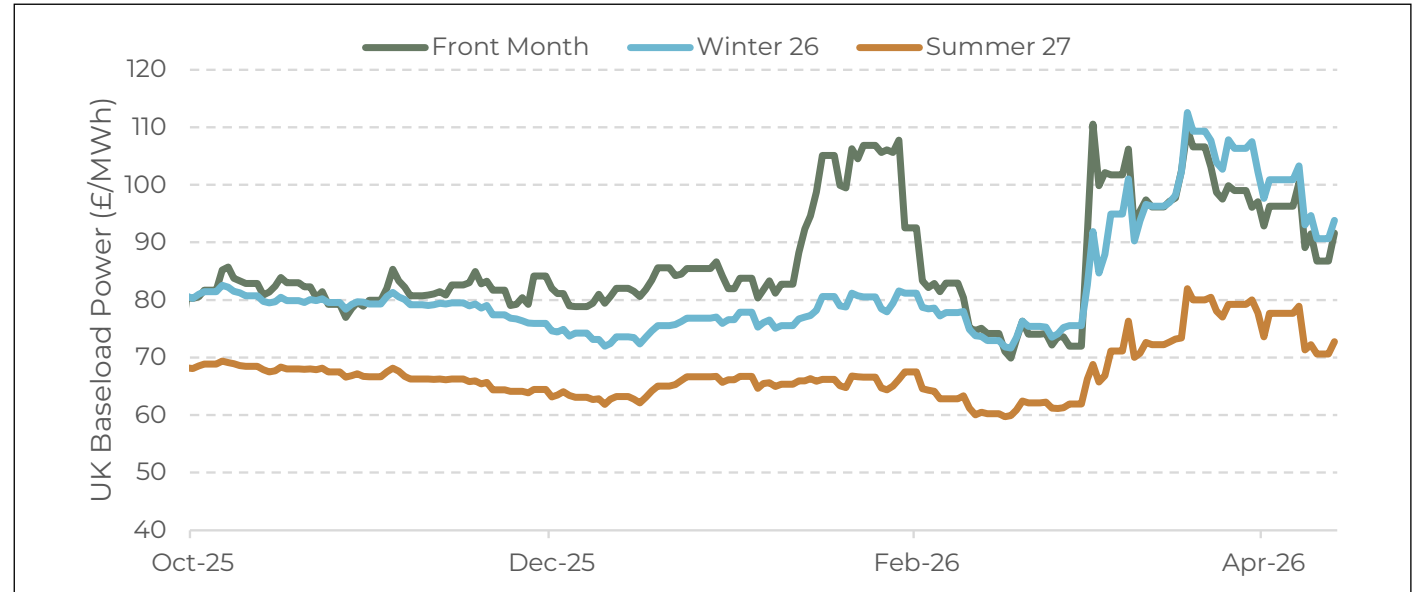


Near Curve - Power

Near-curve baseload contracts followed the same bullish trajectory as gas, with prices seeing gains of between 34-42%. However, weaker carbon markets dynamics and strong wind generation over the quarter helped to dampen upside from gas markets.

Meanwhile, the UK total clean power generation reached new highs in early 2026 – driven by record wind output, which rose 31% in Q1-26 compared to Q1-25, lifting overall clean power by 16% year-on-year.

This surge in renewables allowed UK power firms to cut gas consumption, down 16% year-on-year in Q1 and 26% in March – helping to cushion power markets against volatility amid the Iran conflict and curbing overall upside.



Carbon

Carbon markets also saw a marked shift to the downside, providing some respite from bullish gas fundamentals. For December 26, the UK carbon benchmark (UKA) fell 38%, while the European carbon benchmark (EUA) saw declines of 16%.

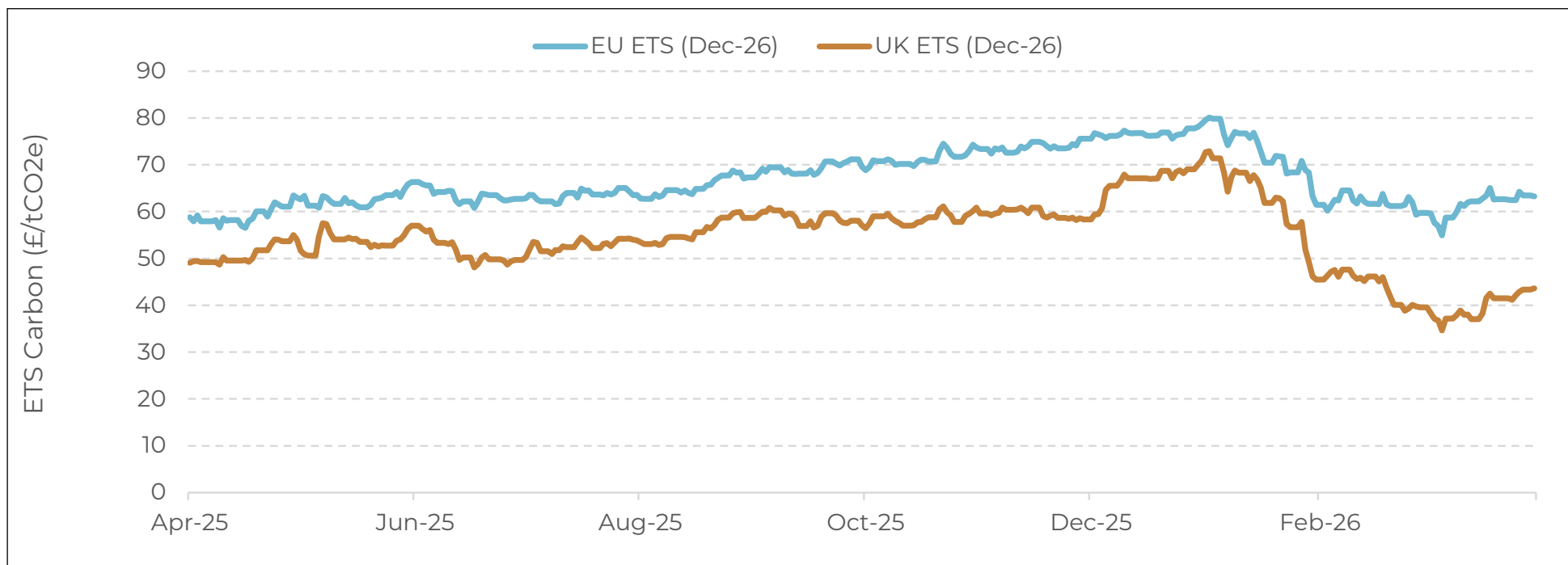
In contrast to gas, carbon bucked the bullish trend as increasingly negative political rhetoric and growing industrial competitiveness pressures added to regulatory uncertainty and reduced risk appetite in the EU Emissions Trading Scheme (ETS) – with Italy calling for a suspension of the scheme.

An initial sharp sell-off was triggered by the European Union considering the release of permits from the Market Stability Reserve, which could increase allowances by an additional 80 million tonnes between 2027 and 2029.

While easing previous concerns of a tighter market over the next three years, this has also raised the risk of political interference in the EU ETS.

However, renewed policy confidence has been seen in the EU ETS towards the end of Q1-26, as the President of the European Commission signalled a de facto price anchor near €75/t, which saw EU prices testing this level.

Nevertheless, macroeconomic concerns triggered by the Iran conflict continued to weigh on sentiment, as equities continue to slide and EU net long positions reach their lowest levels since August 25.



Seasonal – Gas

Front seasonal gas contracts mirrored the upside seen in the near curve, with Summer-26 expiring and posting gains of 108%, with Winter-26 following close behind with gains of 81%.

Gains along the curve began to taper off. However, 2027 contracts increased between 38–60%, with remaining seasonal contracts rising 11–20%.

Again, bullish momentum seen in the near curve – driven by the Iran conflict – extended geopolitical risk along the curve, with markets reassessing supply outlooks as global LNG disruptions tighten the supply balance.

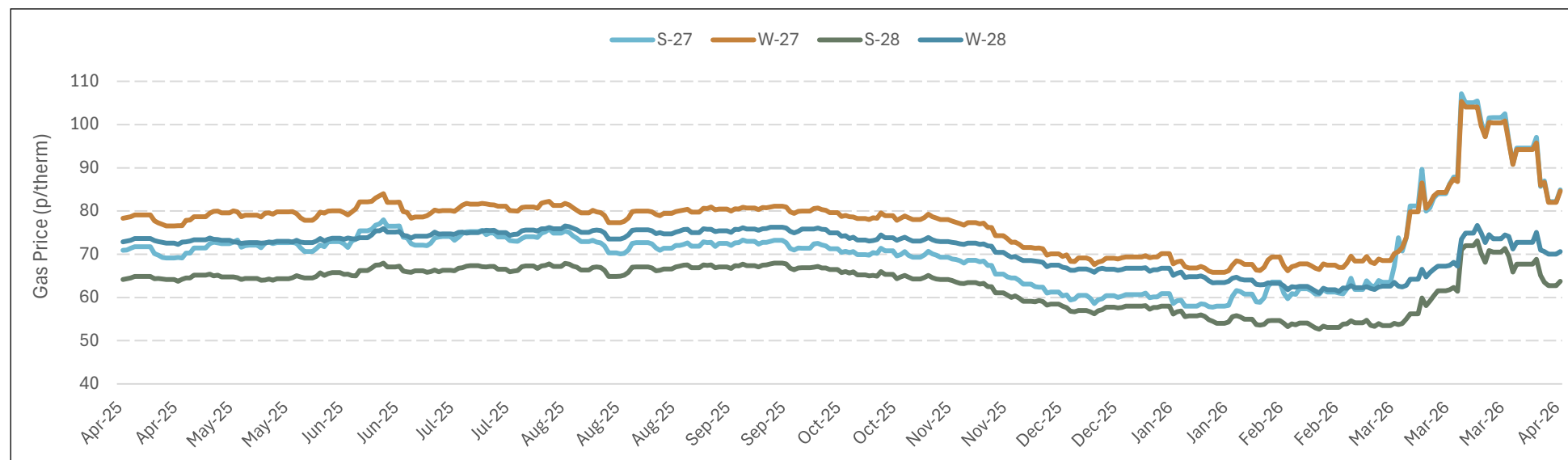
Multiple market participants have revised their global LNG supply outlooks following the Iran conflict. London Stock Exchange (LSEG) has stated that the conflict has erased the previous supply surplus anticipated this summer. Moreover, some forecasts now anticipate a supply shortfall – keeping prices elevated due to structural changes in supply dynamics.

Kpler has also warned that 2027 market conditions have now “materially changed” due to damage Qatar’s Ras Laffan facility has suffered.

QatarEnergy’s CEO has confirmed that Iranian attacks have damaged around 17% of export capacity, sidelining about 12.8 million tonnes per year of LNG over the next 3–5 years.

Moreover, he also stated that force majeure will likely be declared on long-term contracts related to two trains that have been damaged, likely impacting China, South Korea, Italy and Belgium – providing bullish signals further along the curve.

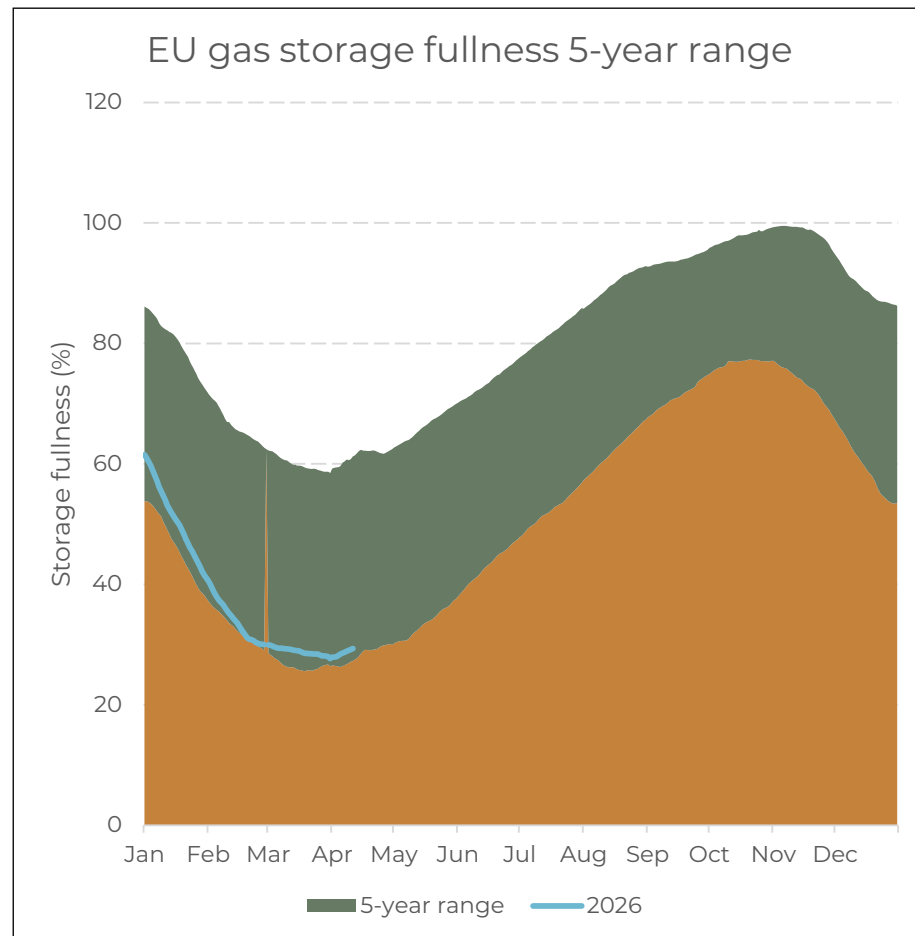
This has diminished previous bearish LNG outlooks that had been forecast over the coming years, with markets now anticipating a tighter balance and ongoing speculation over prospects of further disruption maintaining support along the curve.



EU Storage

European storage levels finished the heating season at 28% full, 5.5% below last year's levels and at the lower end of the five-year average.

Under the current market conditions, early injections need to be sustained for levels to reach 80% by November. This provides some support to prices, with the Summer-26 contract briefly trading at a premium to Winter-26 before its expiration.



Seasonal – Power

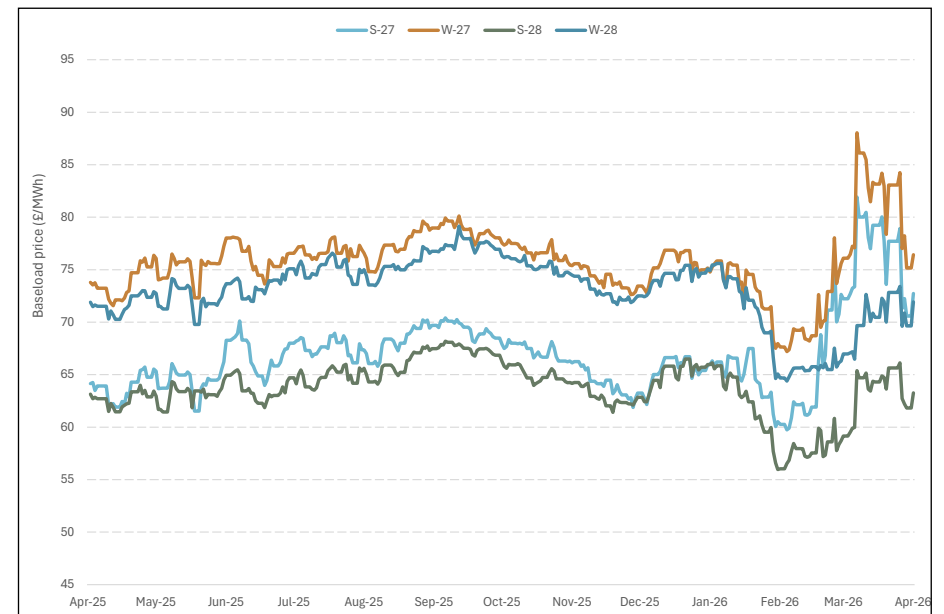
Seasonal baseload contracts experienced mixed price action, with more pronounced gains in the front three seasons rising between 17% and 45%.

This takes direction from bullish gas market dynamics and the encroaching geopolitical risk premia, which has displaced previous comfortable supply outlooks.

Further along the curve the influence of geopolitics has dominated less, with Winter-27 seeing limited gains of 8% whilst 2028 contracts declined 1-3%.

Renewed macroeconomic uncertainty, driven by the Iran conflict and the Trump administration launching two trade investigations under unfair trade practices, has begun to weigh on outlooks along the curve.

Meanwhile, current power dynamics underscore the growing role of renewables in limiting volatility risk.



What do the next 3-6 months look like?

Geopolitical developments between the US and Iran will remain central to influencing energy prices over the coming months.

The conflict has an ongoing impact on global energy supplies, with around fifth of global oil and LNG supply currently sidelined.

A two-week ceasefire has provided tentative relief to markets and a partial unwinding of risk premia. However, failure in the first round of talks and Trump's subsequent blockade of the Strait of Hormuz has left markets cautious of increasing escalation – leaving room for upside risk.

Further talks are scheduled, with markets currently viewing this as favourable. Yet, the combination of constrained flows, uncertain enforcement and ongoing diplomatic efforts is likely to keep volatility elevated, with prices balancing between easing sentiment and the underlying risk of renewed escalation.

What happens if the Iran conflict ends?

Even if the situation de-escalates, supply conditions will remain tight over the coming months. Recent LSEG summer LNG outlooks indicate that the Iran conflict has wiped out the previously forecast summer supply surplus, despite increasing exports anticipated from the US.

Market participants forecast that Qatar's Ras Laffan facility will take around three months to resume operations if the conflict concludes, with the earliest possible resumption of exports this August.

Ongoing outages at Ras Laffan and Das Island reduce global LNG supply by approximately 8 billion cubic meters (bcm) per month for each month the conflict persists, with Northwest Europe experiencing a 3bcm reduction in supply.

This is likely to keep EU storage concerns heightened ahead of next winter as the supply balance remains tight and increases competition from Asia.

How does the gas market situation look like in Europe coming to summer?

Europe is forecasted to need around 38.9bcm of LNG over the summer to replenish storage, similar levels to last summer. However, this would only fill levels to 87%.

The European Commission is poised to release short-term measures to help ease energy prices, including state aid flexibility and coordinated storage policies, with some calling for storage targets to be reduced to 80% to ease summer buying pressure. Meanwhile, further along the curve, gas markets are undergoing a directional shift from earlier expectations of increased supply flexibility driven by a bearish LNG outlook.

This move towards tighter supply-demand balances and elevated infrastructure risk is driven by the Iran conflict – highlighting Europe's exposure to fragile market dynamics amid growing reliance on global LNG.

Near-curve baseload contracts

Near-curve baseload contracts will remain exposed to gas and carbon market dynamics, with gas currently underpinning volatility. While there are some bullish signals from carbon markets, ongoing geopolitical uncertainty and weaker macroeconomic sentiment continue to subdue further upside.

The weather

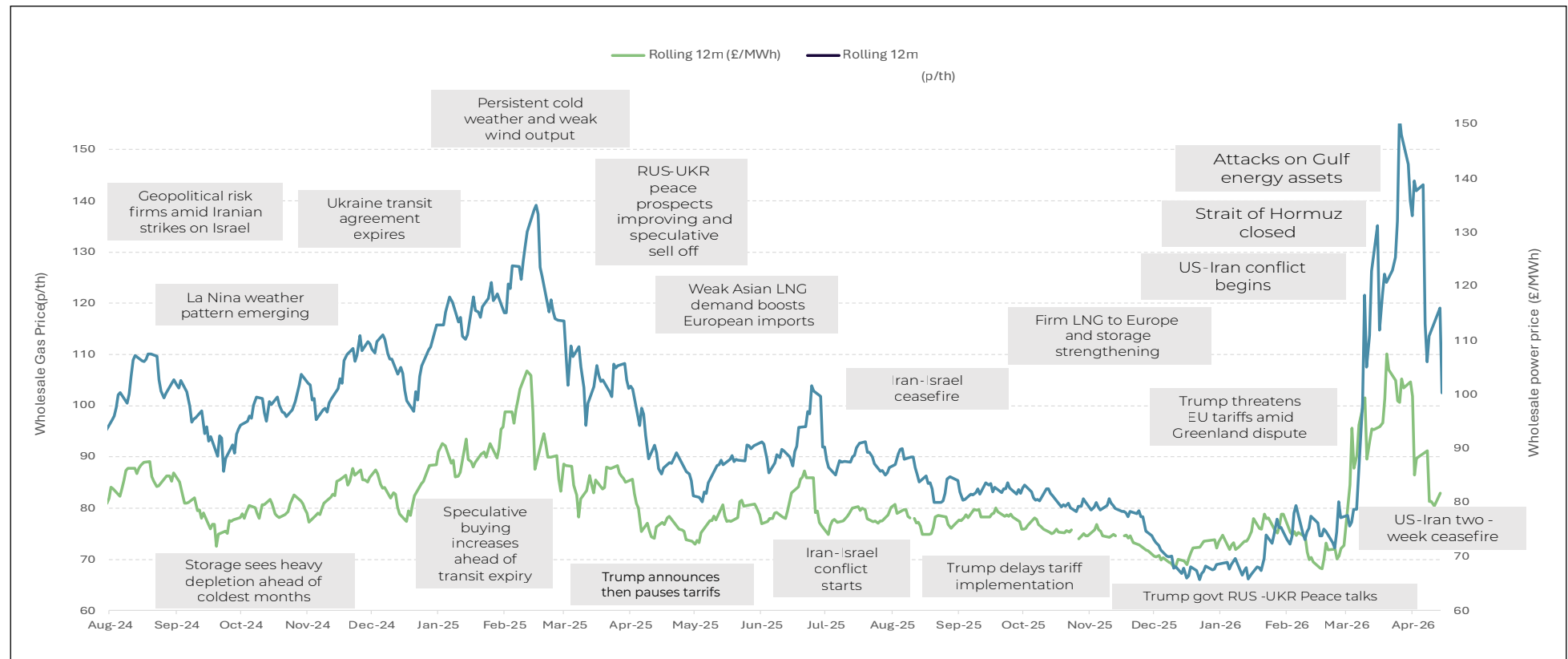
Summer weather fundamentals will likely come into focus, with National Oceanic and Atmospheric Administration's Climate Prediction Centre issuing an El Niño watch and giving a 62% chance of an El Niño emerging sometime between June and August.

This raises the risk of extreme temperatures and reviving the power demand dynamics trends we saw last summer.

Seasonal baseload contacts

Closer-dated seasonal baseload contracts are expected to remain influenced by current market conditions, with positive renewable developments continuing to cushion against gas market volatility.

Meanwhile, despite temporary increases in fossil fuel generation during periods of weaker renewable output in 2025, the structural trend remains downward due to the continued expansion of wind and solar and the ongoing decline in coal use. This signals an ongoing favourable decarbonisation trajectory and weighing on outlooks further along the curve.



What are our current buying recommendations?

Whilst higher than recent averages, the current price levels are still considerably lower than some of the levels seen at the peak of the 2022 energy crisis.

Near-term gas and power markets remain elevated when compared to their pre-conflict levels, though now down from the levels seen at the peak of the attacks between the US, Israel and Iran.

The market outlook is extremely uncertain, with geopolitics likely remaining the dominant market driver. We could see range-bound trading (sideways, minimal price movements in either direction) until more clarity is provided.

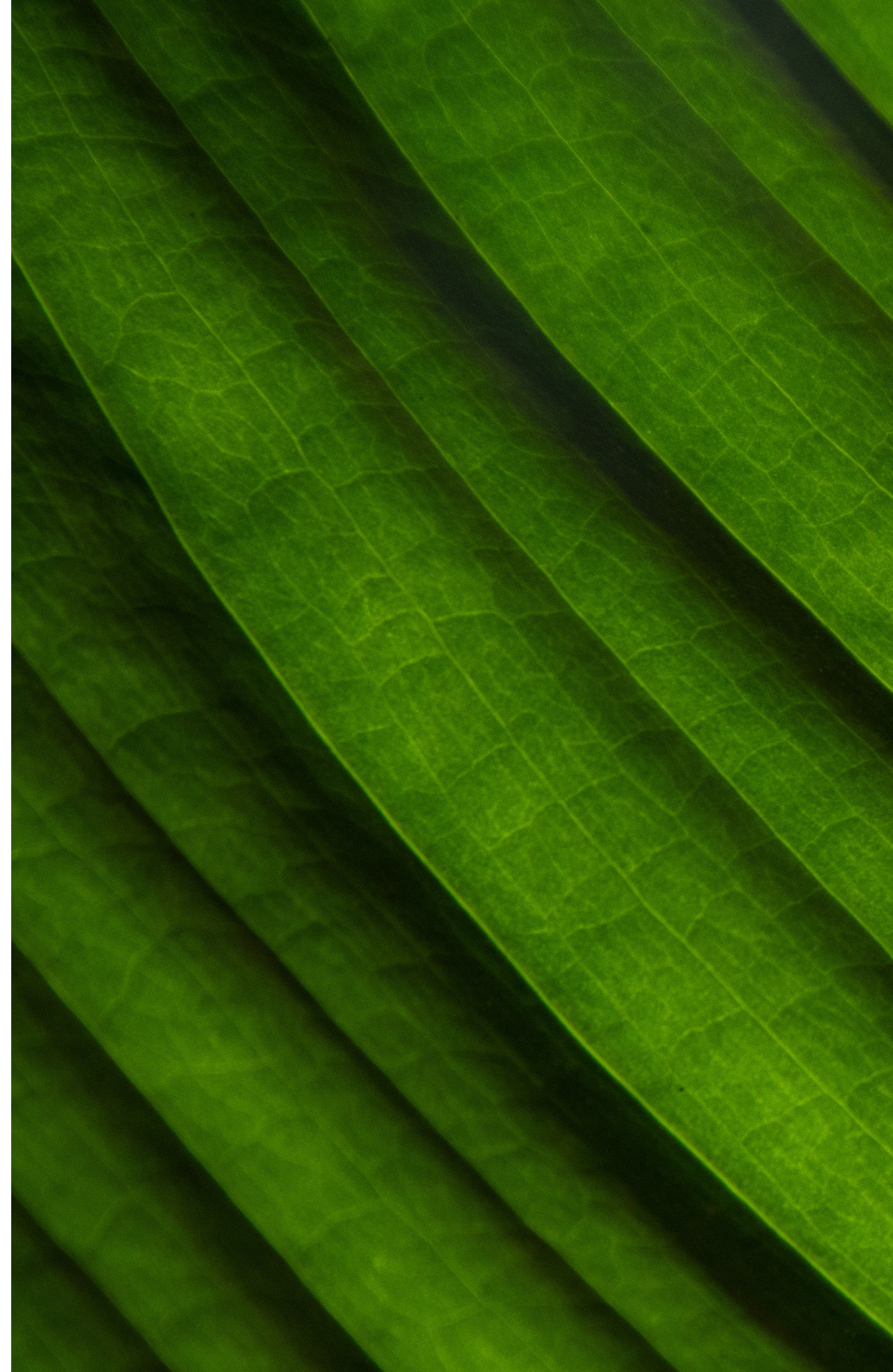
Businesses with low risk-appetite or risk absorption

For businesses with a low risk-appetite or ability to absorb risk, entering the market in these lower phases may be opportune.

This could allow the businesses to protect themselves from a scenario where the Iran conflict re-escalates, especially within the context of EU storage being below historical levels and a potential El Niño climate pattern this summer.

Businesses with high risk-appetite or risk absorption

For businesses able hold off on purchasing, either due to a strong hedged level or the ability to absorb potential additional cost increases, there could be value in taking volume to delivery should the geopolitics continue to improve. The market has shown to have some levels of resistance.



Later-dated contracts

Later-dated contracts should appeal to clients across all risk profiles, as pronounced backwardation suggests stronger upside potential relative to downside risk.

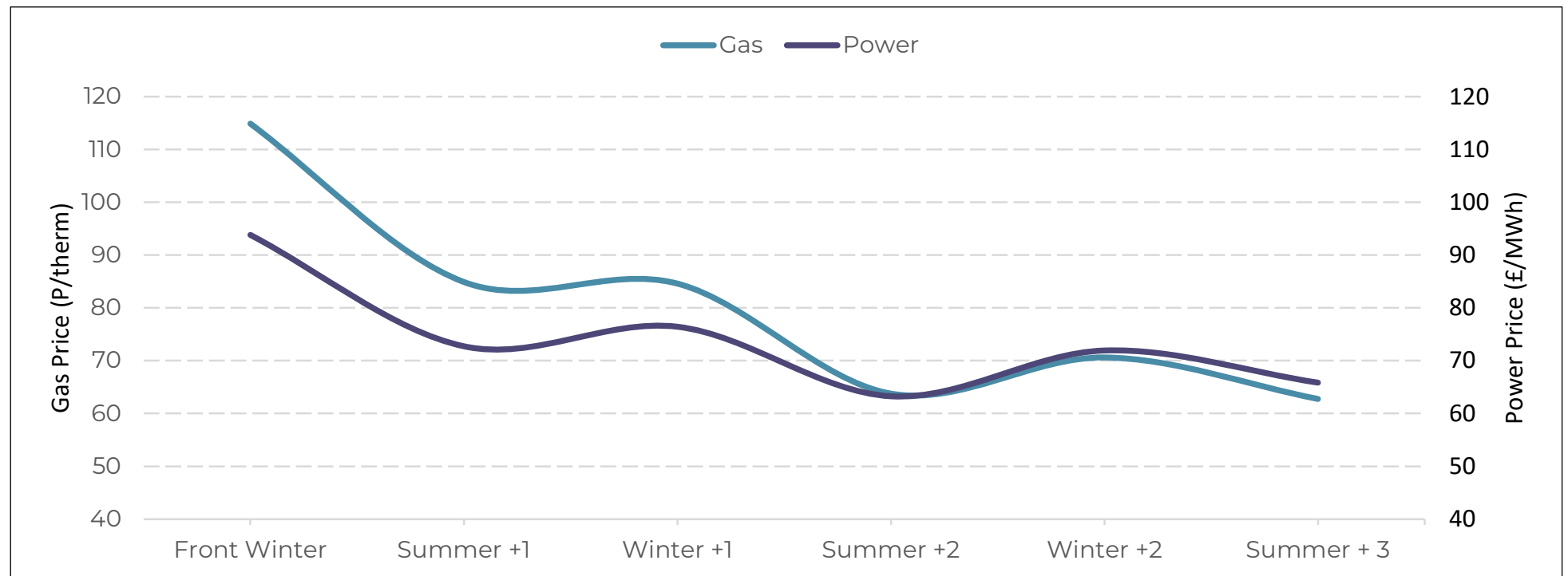
Backwardation refers to higher prices in the front half of the curve, with prices further along cheaper in comparison.

The role of geopolitics in energy procurement

Given the interconnectedness and volatility in regions where key production or supply takes place, geopolitics will continue to impact global energy markets.

This means there is an inherent risk of the current situation or something similar occurring again – eroding the value we see further along the curve, where prices are significantly cheaper and more stable.

Looking ahead, businesses could examine the current price curve as an opportunity to increase their certainty of a lower commodity rate year-on-year, whilst simultaneously getting in front of the risk-premium that is often disproportionately applied to the near-term contracts.



*All information in this document has been correct at the time of publishing, please consult an energy expert when making purchasing decisions.



Speak with our experts today on
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