Summer 2026 Outlook

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Summer 2026 Outlook

The following report outlines some of the possible energy market scenarios that could develop over the coming summer. Please note that these represent the individual views of the Portfolio Managers in the Flexible Portfolio Solutions Team at npower Business Solutions (nBS) and should not be taken as advice.

This information is correct at the time of publication (9 April 2026).

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Introduction

As we look towards summer 2026, energy markets are in turmoil – with the conflict in the Middle East the primary driver. The coming months will be defined by the evolution of this conflict and the wider geopolitical fallout, as well as how well other regions are able to support the global shortfall in energy commodities including gas supplies.

This outlook explores these critical factors – and other more seasonal influences impacting gas and power markets, including European gas storage levels, summer weather, and UK renewable output – to provide a detailed view of the upcoming summer season.

Winter 2025 review

Over the initial months of winter, conditions in both the power and gas markets remained notably subdued. The volatility observed during the summer period had eased, giving way to sustained bearish momentum. Between early October and mid-December, front-season power prices declined by approximately 10%, reflecting robust supply fundamentals alongside limited early-winter demand.

Across the UK and Europe, the absence of any prolonged cold spell until mid-November kept gas for heating demand muted and delayed meaningful withdrawals from storage. Concurrently, liquefied natural gas (LNG) supply remained structurally strong. United States (US) export volumes had been robust all year, and shipments increased further over the final quarter, enabling global LNG supply to reach new highs.

The resilience of US LNG supply served to reinforce market confidence for the remainder of the winter as well as the upcoming injection season. In addition, ongoing peace discussions between Ukraine and Russia provided a further boost to market sentiment.

Below seasonal normal temperatures hit the UK and Europe at the start of 2026, lifting heating demand and sustaining rapid storage withdrawals. At that stage, forecasts pointed to a continuation of cold conditions into February, amplifying concerns over already-depleted European gas storage and providing further support to prices. Additional weather-related risk stemmed from the potential for a sudden stratospheric warming (SSW) event, which carried the possibility of triggering renewed outbreaks of cold.

In parallel, a pronounced cold spell in the US drove domestic demand higher, reducing feed-gas deliveries to LNG liquefaction facilities. This led to a decline in LNG export volumes and heightened uncertainty over a supply source that typically provides consistent availability.

Conditions subsequently shifted. US temperatures normalised, feed-gas flows recovered, and LNG exports returned to previous levels. Weather across Europe also improved, the SSW-related risk diminished, and February ultimately proved considerably milder than earlier forecasts had suggested. As withdrawals eased, European storage levels plateaued, which contributed to a stabilisation in prices.

In the latter part of the winter, geopolitical developments ultimately emerged as the primary market driver. Escalating tensions between the US/Israel and Iran in late February resulted in direct military strikes, bringing an abrupt halt to ongoing negotiations and prompted retaliatory action from Tehran.

With direct impact on the global LNG supply, the markets responded sharply to the escalation. The impact was particularly pronounced on near-curve contracts; the summer 2026 gas contract, for example, traded at levels close to 100% higher at points on the second trading day following the initial reports of the conflict.

The conflict continues to present a significant risk to LNG flows and global supply. The Strait of Hormuz, a critical corridor through which approximately 20% of global LNG supply typically transits, (although with the new ceasefire in place we may start to see flows increase) is now effectively closed. Shipping activity through the strait has fallen sharply, with multiple tankers having been targeted by Iranian strikes and concerns over the presence of sea mines making passage significantly hazardous.

Qatar, the world's second-largest LNG exporter, has temporarily halted production at several facilities as a precautionary measure and has issued force majeure notices on future deliveries. In a further escalation, Iran targeted Qatar's Ras Laffan LNG facility with drone strikes, causing substantial damage and reducing the country's LNG export capacity by an estimated 17% for a period of up to five years.

At the time of writing, a tentative two-week ceasefire with Iran has been agreed, with hopes to reopen the strait. The US had issued a series of deadlines for Iran to restore access to Hormuz or face further escalation, including the potential targeting of Iranian power infrastructure. But Pakistan interceded to broker a temporary ceasefire deal, although how long it will hold is uncertain.

Geopolitical events in the Middle East have caused significant disruption to global gas exports, and I hope that a swift resolution can help restore confidence in the LNG market over the summer. Despite these tensions, the carbon free elements of UK power generation have performed very strongly so far in 2026. Whatever happens to global gas prices, we can look forward to record renewable generation helping to reduce the cost of UK power generation.

Mark Ursell
Lead Portfolio Manager

Summer 2026

Geopolitical outlook

Looking ahead, market sentiment and pricing dynamics are expected to remain closely tied to developments surrounding the conflict in the Middle East.

It is certainly expected to remain volatile. Energy commodities plunged on news of the 8 April ceasefire – for example, the front-month gas contract fell over 15%. And while prices then stabilised, the detail surrounding the ceasefire remains unclear and we are yet to see an LNG cargo flow through the strait. We can therefore expect a high degree of volatility to remain until a long-term resolution is achieved.

Ideas to mitigate renewed active conflict include deploying naval escorts to facilitate commercial shipping through the Strait of Hormuz. However, hopes around such action have diminished severely, since President Trump's request for assistance has been met by a refusal from European leaders unwilling to involve themselves in what they deem a self-inflicted war.

Even if such a strategy were adopted, considerable uncertainty would persist. While military escorts may enable limited shipping activity, questions remain regarding the long-term sustainability of such operations and the willingness of commercial shippers to transit the region under heightened risk. Insurance costs, security considerations, and elevated freight rates would likely continue to constrain LNG flows through the strait, even if partial access were restored.

Several additional factors to consider, although undetermined at present, could influence market conditions over the coming months:

US export policy
Although considered unlikely, the US could prioritise domestic security of supply by restricting crude oil or LNG exports. Any such action would materially tighten global balances and provide additional support to prices.

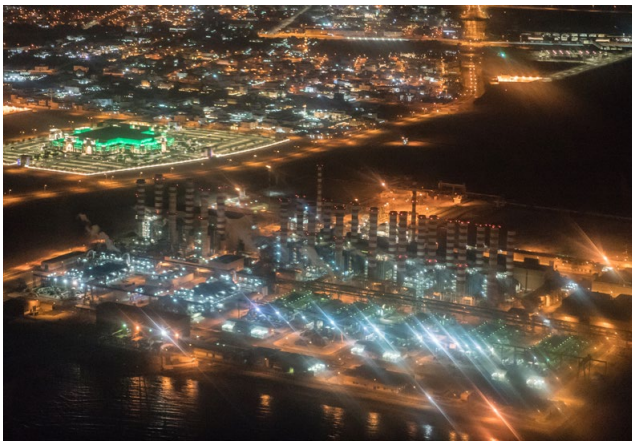
European gas policy
Europe could theoretically reconsider its curtailment of Russian gas imports as a means of alleviating supply pressure. However, this appears improbable given the European Union's (EU) firm political position and its stated ambition to phase out Russian gas entirely by 2027.

Further Russian supply disruptions
Conversely, reports have suggested that Russia may consider halting its remaining pipeline flows to Europe. If implemented alongside ongoing Middle Eastern supply constraints, this would provide further upward support for gas prices.

Insurance costs, security considerations, and elevated freight rates would likely continue to constrain LNG flows through the Strait of Hormuz, even if partial access were restored.

Reliance on US LNG
In a scenario where both Qatari and Russian supply were disrupted, the market would become increasingly dependent on US LNG exports. At the same time, Asian demand for US LNG would likely rise, to fill the shortfall in its dominant supplies from Qatar, further tightening global LNG availability and supporting prices further.

Potential EU intervention
The EU Gas Coordination Group has stated that it does not currently foresee an immediate supply risk that would warrant political or market intervention. However, this assessment may change if disruptions persist or intensify.



Long-term implications for Iranian supply
In a longer-term scenario involving political change or the removal of trading restrictions on Iran, the country could eventually increase its participation in global energy markets. While this could enhance regional oil and gas supply over time, any such developments would be gradual and unlikely to influence near-term balances.

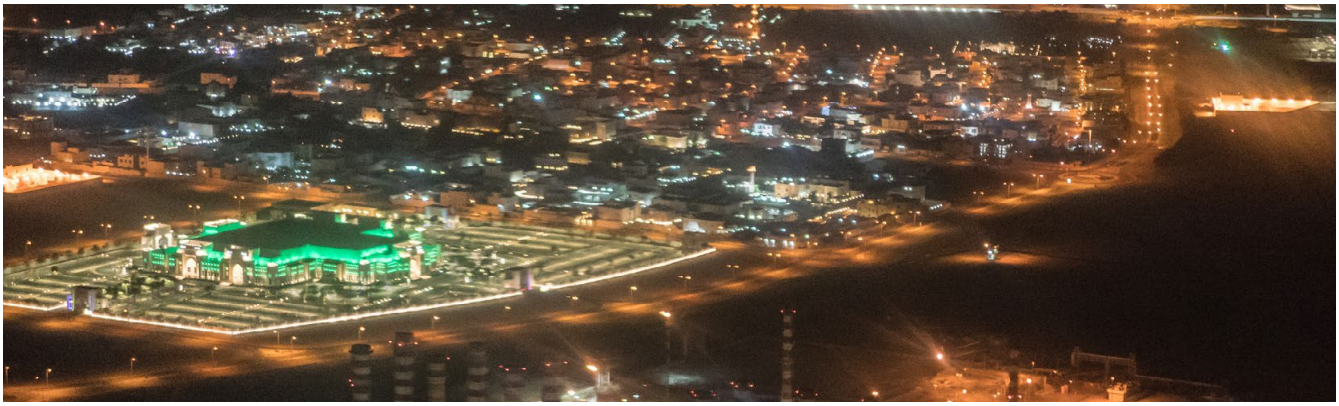
Shifting goal posts or de-escalation
Markets certainly reacted optimistically to the 8 April ceasefire, and previously to comments by President Trump suggesting he would consider winding down the conflict if his primary objective to "make sure that they don't have a nuclear weapon" was achieved. Many market participants interpreted this as a sign that the President may be distancing himself from earlier objectives, raising hopes of a potential de-escalation.

The market impact of the conflict is expected to extend into the summer period. Any signs of long-term de-escalation – particularly a sustained reopening of the Strait of Hormuz and the resumption of normal shipping flows – would likely trigger a meaningful bearish correction in prices, with earlier de-escalation producing a more pronounced response. While a return to pre-conflict pricing appears increasingly unlikely the longer supply disruptions persist, a substantial relief-driven sell-off would remain a likely outcome.

Conversely, prolonged disruption or further escalation – such as a ground invasion or additional energy infrastructure attacks – would sustain elevated price levels for an extended duration. Should the conflict evolve into a more entrenched geopolitical standoff, similar in nature to the Russia–Ukraine war, structural tightness in global energy markets could extend far beyond the immediate disruption.

What remains clear is that for now, geopolitical developments appear set to remain the dominant driver of energy markets.

Liquefied natural gas (LNG)



Supply
As previously discussed, the conflict in the Middle East has introduced significant disruption to LNG flows through the Strait of Hormuz and has halted Qatari exports. Prior to these developments, global LNG supply had been operating at record levels, supported primarily by new liquefaction capacity in North America. US exports are expected to continue rising throughout the summer as additional liquefaction capacity ramps up.

Notably, the Golden Pass LNG export terminal in Texas – which is a joint venture between QatarEnergy and ExxonMobil – has recently initiated production from the first of its three liquefaction trains. Output from the project is expected to increase steadily over the summer months, with the terminal projected to reach its full capacity of approximately 25 billion cubic metres (bcm) by early 2027. This growth is complemented by rising production from Plaquemines LNG in Louisiana, as well as LNG Canada.

Increased supply was also anticipated from Qatar. A 2% rise in Qatari LNG output from the North Field East expansion project was also expected to ramp up in late 2026. As a consequence of the conflict, this timeline has now been pushed into 2027. With Qatari LNG exports currently at a standstill and the timeline for their return remaining uncertain, the stability and consistency of remaining LNG exporters will be essential to global LNG supply.

Demand
Asia remains the largest LNG-importing region globally, with Japan, South Korea, and China together accounting for nearly half of total demand. However, imports into the region have remained subdued relative to previous peaks.

In China, volumes are currently at comparatively low levels, reflecting muted industrial activity that has weighed on overall gas consumption. Additional supply from alternative sources, including increased pipeline flows from Russia, have further displaced a portion of the country's LNG requirements. Ongoing trade tensions with the US have also encouraged China to reduce its exposure to US LNG, while Asia as a region primarily relies on Australia and Qatar as key sources of supply.

Given that a substantial share of Asia's LNG demand is typically met by Qatari supply, the region is expected to compete more intensively for the remaining available cargoes. This trend is already becoming evident, with China taking its first US LNG cargo in more than a year. Heightened competition is likely to persist until Qatari flows resume. At the same time, seasonal risks remain elevated. Periods of extreme heat are common across Asia during the summer, and any associated increase in cooling-related gas demand could further tighten the global LNG picture.

In Europe, spring and summer have historically been periods of relatively soft LNG demand, with alternative sources, such as pipelines and renewable generation, being sufficient to meet needs. This year, however, appears set to defy that pattern. Significant withdrawals over the winter have resulted in European gas storage entering the injection period at its lowest level since 2022. The need to inject and build up gas storage will sustain Europe's reliance on LNG, supporting demand throughout the remainder of the summer.

Recent months have served as a clear reminder of how fragile energy markets can be when geopolitical tensions escalate.

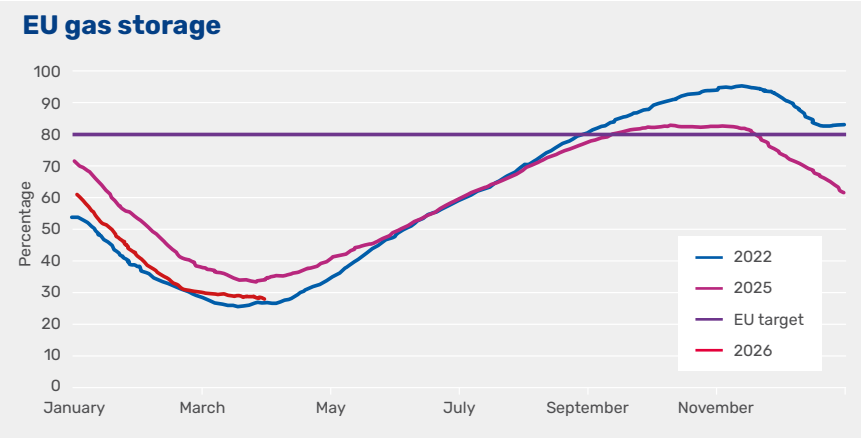
What had been a market shaped largely by positive fundamentals changed very quickly, as conflict in the Middle East brought renewed uncertainty around supply, shipping, and price stability. The impact, particularly in gas/LNG, shows how exposed markets remain to disruption in key regions and transit routes.

As the situation evolves, markets will remain highly sensitive to both escalation risks and any credible signs of de-escalation, particularly around shipping through the Strait of Hormuz. As such, geopolitical developments are set to remain the main driver of market sentiment and price volatility.

Mo Patel
Client Portfolio Manager

European gas storage

European gas storage facilities are entering the injection season less than 30% full. Rapid withdrawals from inventories throughout winter have left them depleted and led to the need to rebuild stocks, consequently driving incremental demand for injections in the months leading up to 1 December, the deadline for the EU's mandatory 80% storage target. This year is tracking close to the record lows we saw in 2022, and has fallen lower when focusing specifically on Northwest Europe.



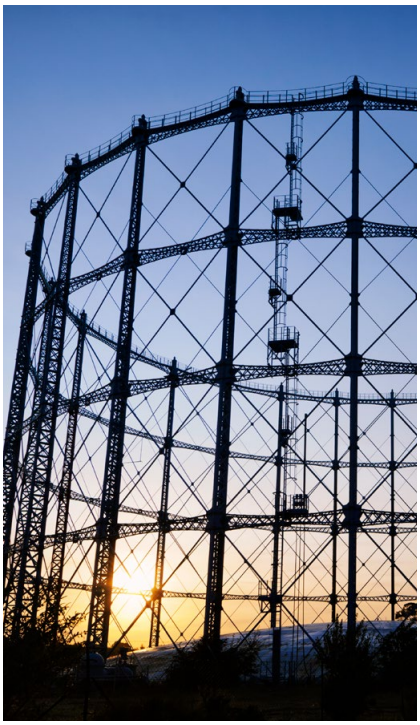
In recent weeks, supply-side conditions for summer 2026 have shifted markedly from earlier expectations. At the beginning of the year, global LNG supply had been projected to grow by around 7%, supported by the ramp-up of new liquefaction capacity. However, these assumptions have since changed materially.

The ongoing conflict in the Middle East has halted LNG exports from both Qatar and the United Arab Emirates (UAE) and delayed Qatar's anticipated production increase until at least 2027. With the Strait of Hormuz closed to commercial shipping, global LNG trade flows have tightened significantly, intensifying competition for cargoes as buyers seek replacement volumes.

Under earlier supply expectations, Europe was on track to inject gas into storage at a faster pace than in recent summers. Achieving the 90% target requires an average injection rate of around 0.25 percentage points per day from 1 April onwards, a demanding but manageable pace under normal market conditions. The loss of Qatari volumes now raises concerns over whether sufficient gas will be available to meet Europe's refill requirements over the summer months, and the EU has reduced the target to 80% as a result.

Commercial incentives for storage operators also remain a crucial variable. For injections to be economically viable, the summer–winter price spread must be sufficiently wide to reward the cost of buying gas in the summer to store and sell in winter. Since the onset of the conflict, this spread has narrowed sharply.

Indeed, on the UK's National Balancing Point (NBP) gas market, this spread has inverted on several occasions, with summer prices trading at a premium to winter. Notably, this inverted spread remains on the Title Transfer Facility (TTF) market, the main European gas index driving gas injections. Such pricing removes the economic incentive to inject gas and increases the risk that operators opt to delay or reduce injections, despite low starting inventories. Together, these developments increase the possibility that Europe could enter next winter with storage levels below the EU's target, unless supply conditions ease or prices shift to incentivise injections over the summer.



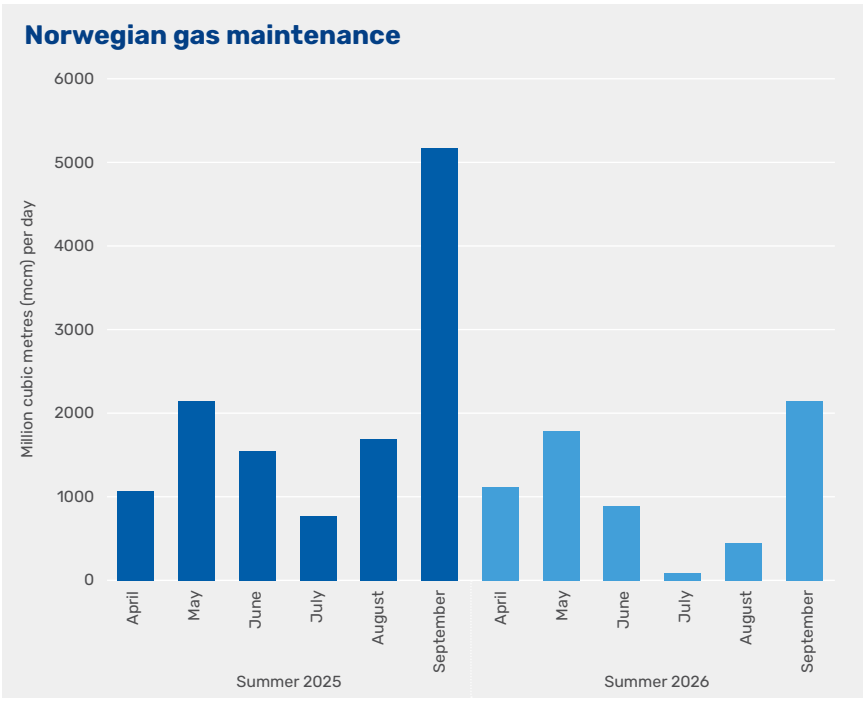
The situation in the Middle East - and any potential resolution - is still a key factor for global supply and something the market will be watching closely over the summer. That said, for Europe, the bigger near-term driver is likely to be the push to refill gas storage ahead of winter. The need to rebuild inventories within a relatively tight window should keep injection demand strong, and if supply conditions prove challenging, that's likely to feed through into forward curves, particularly for winter 2026.

Emma Trevor
Client Portfolio Manager

Norwegian gas

Around 30% of the UK's gas supply is sourced from the Norwegian Continental Shelf, making Norwegian maintenance activity a key driver of prices throughout the summer. The current maintenance schedule indicates substantially lighter disruption compared with last year. Planned capacity curtailments for the coming summer are forecast to be around 48% lower than the outages recorded in summer 2025. Only nine days are expected to see reductions exceeding 100 million cubic metres (mcm) per day, in stark contrast to the 90 days of similarly high restrictions observed last year.

The chart below highlights the total volume lost to maintenance over the summer months and indicates a significantly less intensive maintenance period this summer.



In 2025, unplanned outages accounted for roughly 11% of total offline capacity. Even if an equivalent volume of unplanned maintenance were to occur this year, overall available export capacity would remain more than 40% higher than last summer. This points to a more stable and resilient supply backdrop for both the UK and wider European markets, reducing the likelihood that Norwegian flows become a significant bullish driver through the summer months.

Nevertheless, unplanned disruptions remain a material risk. While the scheduled maintenance outlook is comparatively light, any unexpected issues – particularly at major infrastructure points such as Troll, Kollsnes or Nyhamna – could quickly tighten prompt fundamentals and exert upward pressure on prices. Under the current schedule, however, Norwegian flows are more likely to provide a stabilising influence on the market rather than a source of stress.

The weather

As in winter, summer energy prices remain strongly influenced by large-scale atmospheric patterns that shape UK temperature, wind output, and precipitation. Understanding these systems is essential for assessing demand risks and potential price volatility over the season.

Summer North Atlantic Oscillation (SNAO)
The SNAO is a key determinant of UK summer weather, particularly during July and August. It reflects the pressure gradient between two regions of the North Atlantic and influences the position of storm tracks and prevailing temperatures across Europe. Its two primary phases are typically associated with contrasting conditions:

- Positive SNAO: warmer, drier, and more settled conditions
- Negative SNAO: cooler, wetter, and windier conditions

Given its influence on both precipitation and temperature-driven demand, the SNAO remains an important variable for summer energy markets.

El Niño–Southern Oscillation (ENSO)
ENSO shifts global wind and ocean patterns and can indirectly affect UK summer conditions through its interaction with broader atmospheric circulations. ENSO cycles alternate between two phases – El Niño and La Niña – each capable of disrupting normal weather patterns. Current forecasts indicate a transition into El Niño for summer 2026, increasing the likelihood of warmer and drier conditions from June through August.

Atlantic hurricanes
El Niño conditions typically suppress Atlantic hurricane activity by strengthening wind shear and increasing atmospheric stability, both of which inhibit storm formation. A quieter hurricane season lowers the likelihood of disruptions to US LNG export operations, which can occur when storms restrict shipping lanes or damage liquefaction infrastructure. Key Gulf Coast terminals – including Corpus Christi, Freeport, Cameron, and Sabine Pass – are particularly exposed during active periods. With El Niño expected to persist, the 2026 Atlantic hurricane season is likely to be less active than average, implying a below normal risk of hurricane-related outages at major US LNG export sites.

Arctic sea ice extent
Arctic sea ice extent – the area of the Arctic Ocean with at least 15% ice coverage – is another relevant indicator for Northern European weather. Current levels sit significantly below the long-term average. Reduced sea ice increases the likelihood of persistent high-pressure systems forming over the North Atlantic and Northern Europe. These regimes often bring calmer, more settled conditions, which can suppress wind generation and reduce renewable output as a result.

Summer weather outlook
Medium-range meteorological forecasts indicate that early summer conditions are likely to align broadly with seasonal norms for both temperature and wind, with a slight bias towards warmer-than-average conditions. Should these projections materialise, weather may exert downward pressure on prices through the summer. Temperatures close to seasonal normal would be expected to limit cooling demand, while average wind speeds should support stronger renewable generation, reducing reliance on gas-fired output.

Summer 2026 will be characterised by the urgent need to refill LNG storage levels and the reintegration or inauguration of critical supply chain components disrupted by ongoing geopolitical conflicts.

The efficient optimisation of newly commissioned renewable assets will be essential to meet rising cooling demand driven by global warming. This dynamic is expected to influence short-term prices, especially as record-high capacities in solar, wind, and battery storage come online across the EU27 and the UK's renewable targets.

Nikhel Madamsetty
Sales Trader

Power markets

Renewables

The UK enters 2026 with one of its strongest clean-energy pipelines to date, laying the foundation for more frequent low-price power hours and increasingly pronounced intraday volatility. Solar capacity stood at 21.8 gigawatts (GW) at the end of January 2026, according to provisional data from the Department for Energy Security and Net Zero (DESNZ). Industry expectations remain firm that 2026 will be a record build year, with an additional 5-5.5 GW of solar capacity likely to come online, driven largely by ground-mounted projects and supportive market economics.

Offshore wind development is progressing in parallel. The latest Contracts for Difference (CfD) allocation round secured 8.4 GW of new capacity, and major projects – particularly across Dogger Bank – are scheduled to enter commissioning phases from 2026, materially strengthening the forward supply outlook.

As this additional low-marginal-cost generation enters the system, gas is increasingly displaced during periods of strong renewable output. This contributes to softer wholesale pricing and a rising frequency of discounted, and at times negative, power hours. The trend is already evident in day-ahead price behaviour during extended wind events, and is expected to become more pronounced as the year progresses.

For power markets, these developments point towards a structurally softer tone across daytime and shoulder season periods, alongside heightened intraday volatility – as prices move between renewable surplus conditions and tighter, weather-dependent intervals. For gas, the implications are more nuanced. Greater renewable penetration reduces average gas burn and lowers NBP demand outside of stress scenarios. Yet the system remains highly sensitive to weather. Periods of low wind output or sudden cold snaps can quickly bring gas back into the mix, reintroducing upward price risk. In effect, the forward curve is trending towards deeper structural softness within a market that remains acutely responsive to extremes.

Entering summer with low storage was initially not viewed as a major concern, supported by expectations of strong supply. However, that LNG length has since diminished, bringing storage levels back into focus as a key tailwind for the market.

While greater flexibility around fill targets may pressure summer prices, it shifts risk to the winter period, where lower storage levels could leave the market more exposed in the event of a colder spell.

Glen Pereira
Client Portfolio Manager

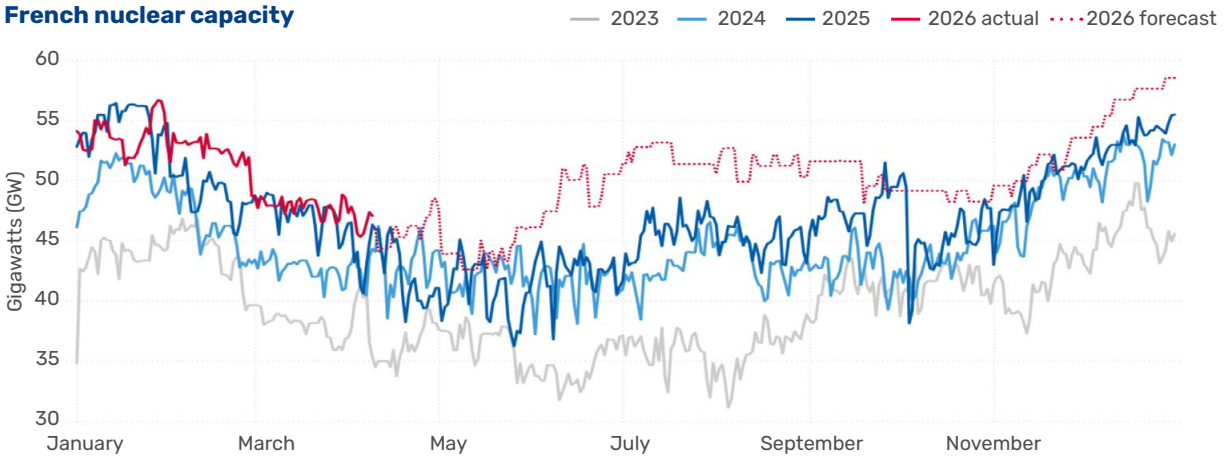
Power markets continued

French nuclear

French nuclear is set to remain the anchor of the Northwest European power complex in 2026, reinforcing a more stable supply backdrop for UK markets. EDF is forecasting an output of 350-370 terrawatt hours (TWh) for 2026-27, signalling improved fleet reliability and more disciplined outage execution. The integration of a new third reactor at EDF's Flamanville site into forward projections adds incremental capacity and increases system headroom versus recent years.

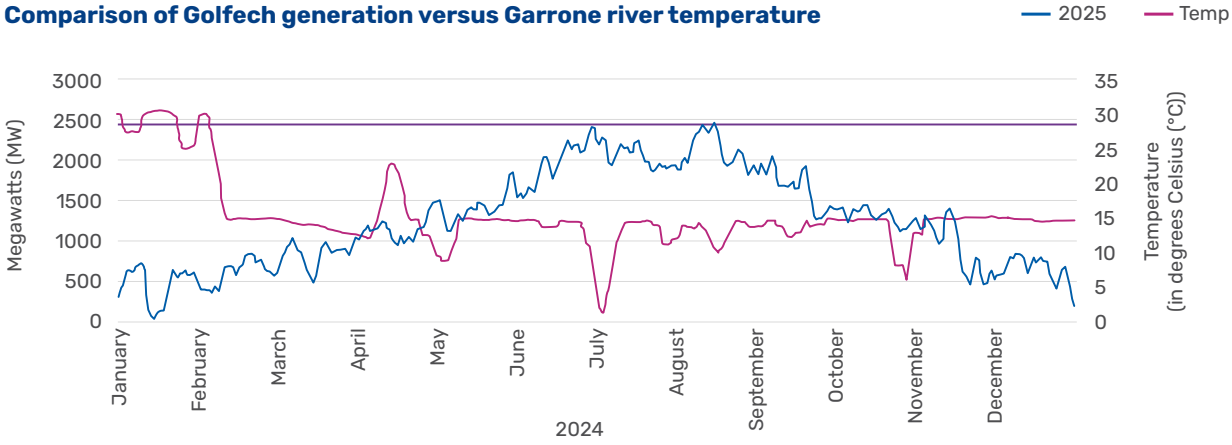
Operational momentum supports the upgraded outlook. EDF delivered 373 TWh in 2025, the highest level in six years, underpinned by stronger availability and tighter maintenance management. The 2026 availability profile is forecast to track consistently above 2025 realised levels, with fewer of the sharp intra-year swings that characterised last spring and summer. For UK power, this implies a firmer continental supply floor and reduced probability of acute winter scarcity events, particularly given France's role as a marginal exporter during peak demand periods.

French nuclear capacity



However, structural constraints remain embedded in the seasonal profile. While the annual headline appears robust, summer output remains sensitive to hydrothermal conditions. River temperature limits continue to cap generation at several inland sites during heat events. Golfech Nuclear Power Plant provides a representative example, where production historically falls from stable winter base load to materially lower summer levels due to environmental discharge thresholds. These deratings are cyclical rather than exceptional and have become a recurring feature of European heatwaves.

Comparison of Golfech generation versus Garrone river temperature



The market implication is that risk has narrowed but not been eliminated. A healthier fleet reduces the likelihood of unplanned nuclear-driven price spikes. Yet a sustained period of high temperatures and low river flows could still compress French export capacity during peak cooling demand, tightening regional balances, and lifting UK prompt and seasonal contracts. In addition, nuclear generation remains exposed to binary operational risks; isolated technical issues or extended outages at a limited number of reactors can rapidly alter the supply picture.

Overall, the outlook is constructive. French nuclear enters summer 2026 with a higher floor, improved visibility, and greater operational stability. Nevertheless, seasonal thermal constraints and weather variability continue to define the principal upside risk to regional power prices.

Power markets continued

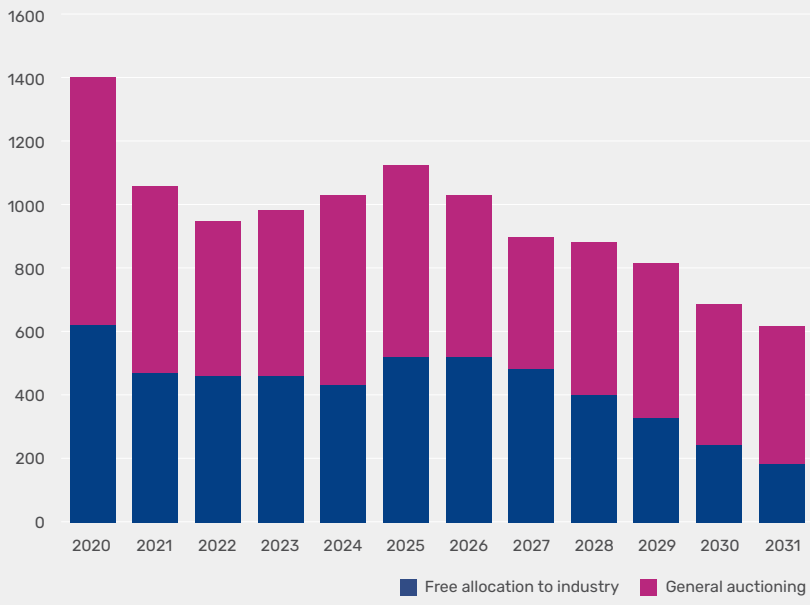
Carbon prices

Carbon pricing continues to exert a significant influence on UK power markets. Energy-intensive sectors, including power generation, are required to hold carbon allowances, with the system structured to cap total emissions and assign a cost to each tonne of carbon dioxide (CO_2) released. For UK gas-fired generators, the carbon price represents a material component of operating costs, and given gas's frequent role as the marginal unit, this cost is ultimately embedded within wholesale power prices.

Carbon allowances trade on secondary markets, where prices fluctuate in line with expected supply and demand fundamentals.

Two recent developments have notably shaped carbon-pricing dynamics. The first is structural: by design, the EU has reduced the supply of carbon allowances in 2026 relative to 2025. This tighter supply has been reflected in steadily-rising EU carbon prices through 2025 and into early 2026.

Expected supply of EU carbon allowances



Secondly, the start of 2026 marked the transition of the EU's Carbon Border Adjustment Mechanism (CBAM) from a reporting-only phase to one requiring financial payments from carbon-intensive importers into the EU. This shift has strengthened the linkage between UK carbon prices and their EU equivalents, as cross-border trade now embeds a more explicit cost of carbon.

Since January, carbon prices have moved lower. This decline has been accompanied by increased commentary from industry groups and policymakers calling for changes to the way carbon allowances are allocated. Recent gas market volatility has given further impetus to calls to change or even suspend the emissions trading system. However, the European Council has resisted these calls, and the scheme looks set to continue in its current form. One change that looks likely to be introduced is making the Market Stability Reserve (MSR) more responsive to price volatility and removing the rule that automatically cancels allowances when the reserve hits a preset level.

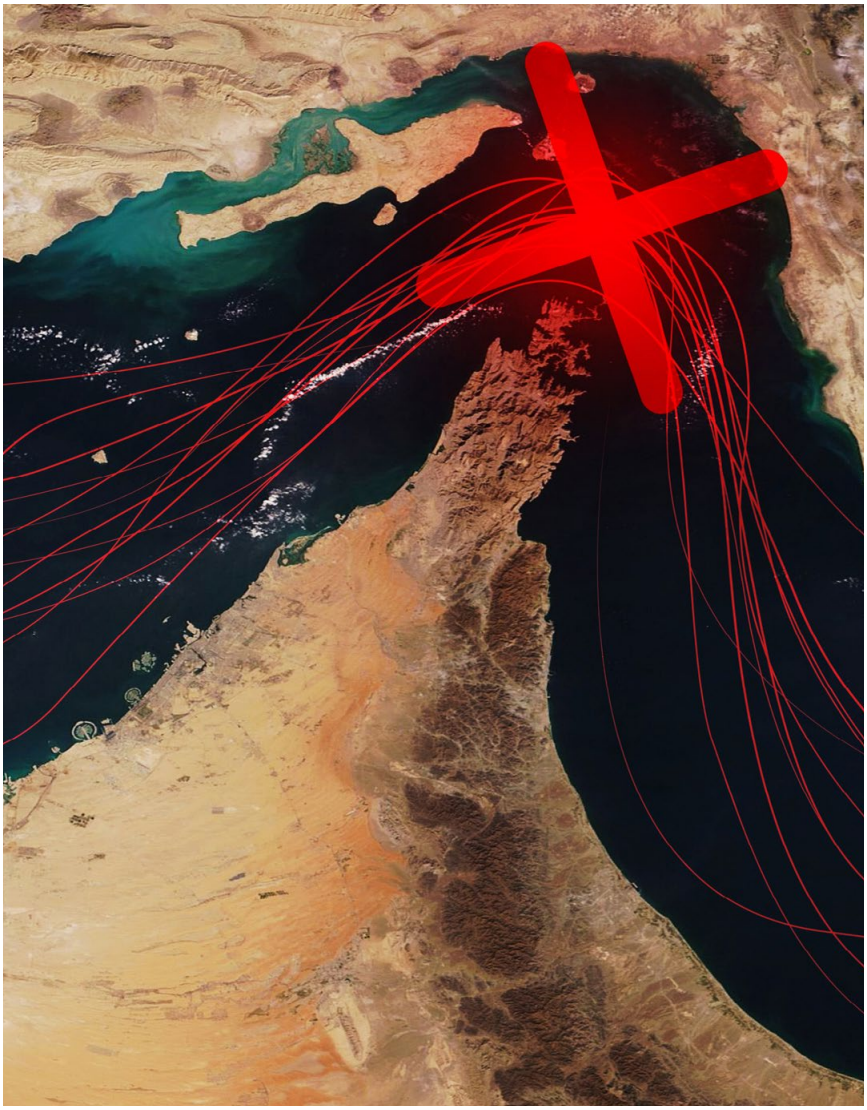
The EU is scheduled to meet later in the summer to discuss and agree potential adjustments to the allowance framework, which may introduce additional uncertainty into the market and drive further price volatility.

Oil markets

Oil prices had been on a broadly downward trajectory since reaching highs in 2022. Market conditions over recent years have been characterised by robust supply growth set against only modest increases in global demand. The bulk of incremental supply has originated from non-Organization of the Petroleum Exporting Countries (OPEC+) producers, most notably the US, Canada, and Brazil. As this production is not constrained by formal quota arrangements, the collective share of OPEC+ in the global oil market has declined, reducing the group's ability to stabilise and support prices.

However, recent geopolitical events have seen the effective closure of the Strait of Hormuz, which has significantly impacted global oil supply. This has triggered short-term concerns about how quickly Persian Gulf oil exports will return to global markets, pushing shorter-dated prices higher relative to longer-dated contracts.

The conflict has also raised long-term concerns about the extent to which the wider Middle Eastern region will be affected. Damage to infrastructure as a result of the conflict is a clear risk, and there is also potential damage to the future productivity of oil extraction sites caused by an extended shutdown. Economically, the region's oil exports are likely to be more expensive than before, as investors, insurers, and shippers demand a greater premium to compensate for the risks highlighted by the conflict.



Looking ahead to the summer, the energy market faces several challenges. Ongoing conflict in the Middle East has disrupted LNG flows, with impacts on Qatari facilities and delays to planned expansions, just as European storage needs to be refilled.

This increases reliance on remaining sources of supply, making the steady operation of key exporters, particularly US LNG facilities, crucial. At the same time, the risk of heat waves in Asia could lift LNG demand, intensifying competition for cargoes and forcing Europe to bid more aggressively for supply.

Sam Breckon
Sales Trader

Non-commodity costs

As the UK moves towards its Clean Power 2030 objectives, the composition of electricity invoices is undergoing a structural shift. The non-commodity elements of electricity costs – including policy levies, network charges, system balancing fees, and low-carbon support mechanisms – are expected to continue rising through the decade. By 2030, these components are forecast to account for around 76% of total electricity costs, with non-commodity elements outweighing wholesale market prices.

For businesses, this means that focusing solely on commodity price movements is no longer sufficient. A clear understanding of how non-commodity charges are evolving, and how these changes influence total energy expenditure, has become increasingly important for effective budgeting, procurement, and long-term planning.

The section below summarises the key industry-wide cost changes expected in summer 2026, highlighting the elements most likely to affect electricity invoices over the coming year.

Transmission Network Use of System (TNUoS) charges cover the cost of operating and maintaining the transmission network across England, Wales, Scotland, and offshore. These costs apply to both generators and demand users.

The TNUoS tariffs for 2026/27, published by the National Energy System Operator (NESO) on 30 January, took effect from 1 April 2026. The rates have increased by 61%, reflecting the level of investment required to support the UK's net-zero infrastructure development.

The **Local Distribution Zone (LDZ)** gas charges for 2026/27 were also announced on 30 January. The 21% increase effective from 1 April 2026 is similarly driven by the investment needed to maintain and upgrade the gas distribution network.

The **Energy Intensive Industries (EII) Network Charging Compensation Scheme (NCCS)** is designed to limit network-related costs for energy-intensive users. From April, the reimbursement level will rise from 60% to 90%. Businesses submitting a claim during the quarter two (Q2) 2026 application window will therefore qualify for the higher level of support.

The **Capacity Mechanism (CM)** provides a framework to ensure sufficient power capacity is available to meet future demand. The most recent auctions concluded in early March for both the T-1 and T-4 delivery years:

- The T-1 Auction secures capacity during peak demand periods for the upcoming winter period. The T-1 auction for 2026-27 cleared at £5/kW/year and secured 7.2 GW in Capacity Agreements, exceeding targets by 0.9 GW
- The T-4 Auction secures capacity four years ahead, providing long-term investment signals. The T-4 auction for 2029-30 cleared at £27.10/kW/year and secured 40.1 GW of de-rated capacity, exceeding targets by 0.7 GW

In July, charges for use of the **National Gas Transmission System (NTS)** from October 2026 will be set. These are charges paid by businesses that use the NTS to transport gas, which are ultimately passed through to consumer invoices. The indicative charge for 2026/27, published in October 2025, was a year-on-year decrease of approximately 1.5%.

The **Renewables Obligation (RO)** is one of the main support mechanisms for large-scale renewable power projects, aiming to provide an incentive for renewable electricity generation in the UK. It closed to new participants in 2017 (when the CfD scheme replaced it), but will continue paying subsidies to existing generators until 2037. In April, the inflation indexation metric for the scheme will change from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI) following a consultation last year.

The **British Industrial Competitiveness Scheme (BICS)** is an initiative proposed by the government to help reduce energy costs for energy-intensive industries. Its aim is to support competitiveness for industries not already receiving support from other initiatives such as the EII NCCS. The outcome of the eligibility consultation is expected this summer.

Summary

Summer 2026 begins with global energy markets heavily influenced by geopolitical developments in the Middle East. The sharp escalation of conflict in late February and the subsequent closure of the Strait of Hormuz have resulted in substantial disruption to LNG trade flows.

With Qatar unable to export through the strait and the damage sustained at Ras Laffan reducing liquefaction capacity, a significant portion of global LNG supply remains offline. These developments have materially tightened global balances and continue to represent the principal source of uncertainty as the summer approaches. Despite a temporary ceasefire announced on 8 April, hopes this will be long-lasting remain tentative.

Although new US liquefaction capacity is gradually ramping up, these additions are insufficient to offset the loss of Qatari supply. As a result, competition for available LNG cargoes has increased, including from Asian buyers who typically rely on Qatar for a substantial share of their imports. This trend is expected to persist until shipping through the strait can safely resume or tensions in the region ease.

Europe enters the injection season with storage inventories at their lowest level since 2022 following significant winter withdrawals. The summer–winter price spread has narrowed considerably and on the TTF market remains inverted, reducing the commercial incentive for injections despite the need to rebuild stocks. In response to the more challenging supply outlook, the EU has lowered its storage target for the coming winter from 90% to 80%, though achieving this will still depend on LNG availability over the summer months.

Norwegian flows are expected to provide a relatively stable backdrop this summer, supported by a substantially lighter planned maintenance schedule compared with 2025. Alongside this, positive French nuclear performance, supported by higher availability and more consistent operational planning, offers an additional source of regional stability. While unplanned outages remain a risk, Norway and the French nuclear fleet together are likely to act as moderating influences against broader global supply pressures.

Overall, summer 2026 is expected to be defined by the evolution of the Middle Eastern conflict, constrained LNG supply, and Europe's requirement to restock gas storage ahead of winter.

While this may seem unsurprising, volatility in energy markets has become the norm regardless of the underlying triggers.

If not driven by US–Middle East disruptions, attention is likely to return to Russia–Ukraine dynamics; and in the absence of geopolitical catalysts, factors such as the weather, storage constraints, LNG outages/competition, and oil can equally drive instability.

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