Catalyst
Digital Energy

Digital Energy Element

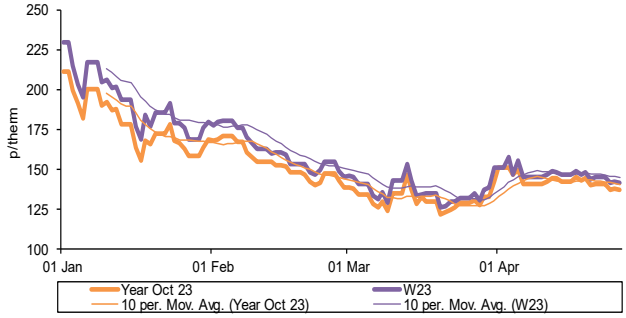
May 2023

Calm Returns To The Market

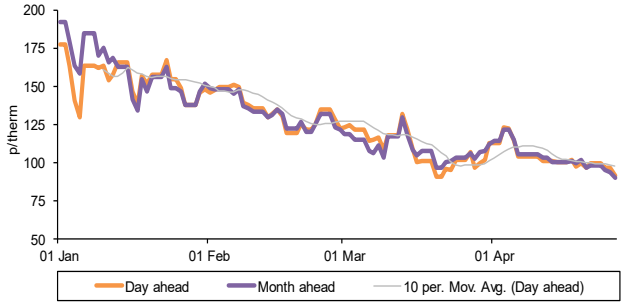
Untangle your energy spend management

Digital Energy Element / May 23

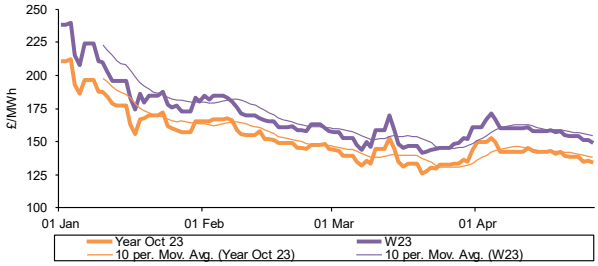
Annual gas prices



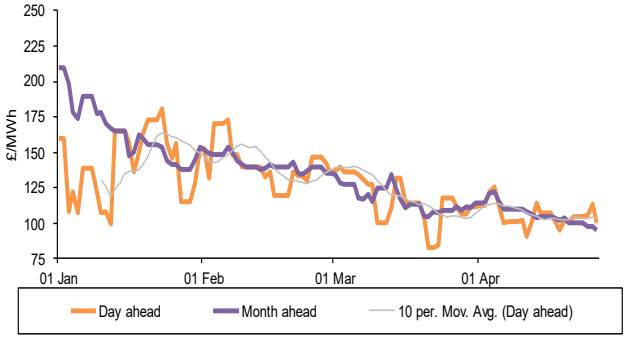
Spot gas prices



Annual power prices



Spot power prices



In April, downward trends were observed, with the exception occurring at the beginning of the month – continuing the bearish wholesale pricing movements experienced throughout 2023 to date.

However, seasonal gas contracts from winter 23 to summer 25 were, on average, 9% higher in April when compared to the previous month – due to extensive maintenance decreasing Norwegian gas flows. This price rise offsets the previous five months of consecutive average losses for seasonal gas contracts. Winter 24 was the premium gas contracts, averaging 148.36p/th across the month.

As a whole, the first four months of 2023 have continued the trend of decreasing wholesale prices – a consequence arising from the mild winter 22-23 period experienced across the UK and north-west Europe, in which gas storage levels were bolstered to record highs for this period of the year at approximately 56% full at the time of writing. Furthermore, the temperature profile across the spring 2023 period has been traditionally warmer than usual – easing gas demand and other fossil-fuelled emitters which are typically required to meet times of high requirements and end up as more expensive forms of generation.

Across the month, we saw the day-ahead gas price fall 5.2% to average 103.06p/th. Likewise, front-month contracts were down 5.7% on average when compared to March, with May 23 seeing a 6.0% drop and June 23 recording a 5.4% drop to 103.34p/th and 105.24p/th respectively.

Following the bearish sentiment set by its gas counterpart, on which its heavily influenced by, day-ahead power prices averaged £105.57/MWh across April, down 8.5% when compared to the prices observed last month. This loss can be attributed to the lowering of gas prices across the UK, coupled with strong easing demand levels, but it is important to acknowledge that losses were limited by a drop in wind generation levels when compared to March values.

A mixed trend was recorded across GB wholesale power prices, with front-month contracts undergoing a bearish sentiment as May 23 dropped 9.3% to £106.28/MWh, and June 23 fell 6.6% to £111.18MWh. However, seasonal power prices saw an upwards trend increasing 2% on average – with winter 23 becoming the premium market, standing at £158.65MWh, up 5.4% when compared to March.

Brent crude prices rose 6.4% to $84.07/bl, with prices reaching a four month high on 13 April, peaking mid-month at $87.15 before dropping off after. This came following the OPEC+ decision to cut oil output levels, tightening the global market, during a time of increasing volatility for the substance. Crude oil is sensitive to developments in financial and economic sector, with the supply cut price gains offset by a negative economic global outlook, and a firmer dollar countering investor optimism.

Across other commodities, the ETS schemes saw a mixed evaluation with EU ETS carbon rising 1.1% to €93.44/t, up from €92.45/t against the previous month. UK ETS, however, saw a much more notable change, decreasing 9.7% to average £69.9/t. UK ETS prices reached their lowest levels since November 2021 on Wednesday 26 April at £62.40/t.

 Catalyst Commercial Services' independent approach enables clients to manage their exposure to energy price risk, while at the same time benefiting from a first-class service from a range of major and independent suppliers. Catalyst Commercial Services' procurement solutions make it simple, so contact a member of the team to discuss requirements.

Catalyst
Digital Energy

As an Award-Winning Digital Energy Consultant our job is to put you back in control of your utilities

Our Energy Spend Management platform powered by Robotic Process Automation - EaaSi® sits at the heart of our journey to transform how you manage, reduce, contract and report on your utilities.

Visit www.EaaSi.co.uk

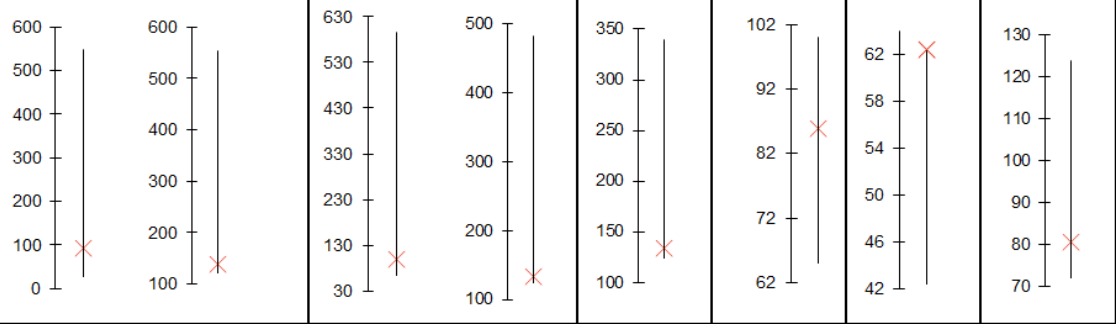
EaaSi

EaaSi® is a registered trade marked product of Catalyst Digital Energy
www.catalyst-commercial.co.uk

Key market indicators: 26/04/2023

		Gas (p/th)		Electricity (£/MWh)		Coal	EUA Carbon	UKA Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	($/t)	(€/t)	(£/t)	($/bl)
This month	26 Apr 23	91.75	137.50	100.00	134.00	134.00	85.90	62.40	80.70
Last month	30 Mar 23	102.00	133.00	111.75	135.00	140.00	89.80	73.45	78.80
Last year	27 Apr 22	155.00	169.70	190.00	158.75	224.00	81.45	81.45	105.39
Year-on-year % change		(41%)	(19%)	(47%)	(16%)	(40%)	5%	-23%	(23%)
Year high		548.00	554.50	595.00	482.50	340.00	100.00	97.00	123.80
Year low		28.00	122.00	63.00	125.75	124.00	65.09	62.40	72.05

This table shows the price at the end of this month compared with prices from the previous month and year. The graphs show the position of this month's prices with a red X and the range of prices over the year is represented by the black line.



Commodities

Carbon: EU Emissions Trading Scheme carbon is quoted as over-the-counter (OTC) latest opening prices. All carbon prices are in euros per tonne (€/EUA).

Coal: Coal is quoted as OTC latest opening prices. All coal prices are in US dollars per tonne ($/t).

Electricity: UK power base-load and peak-load are quoted as OTC latest opening prices. All UK electricity prices are in pounds per megawatt hour (£/MWh).

Gas: UK National Balancing Point (NBP) gas is quoted as OTC latest opening prices. All UK gas prices are in pence per therm (p/th).

Oil: Brent crude oil is quoted as OTC latest opening prices. All Brent crude oil prices are in US dollars per barrel ($/bl).

Language/ terms

Bearish: A bearish market shows a general decline in prices over a period of time.

Bullish: A bullish market shows a general increase in prices over a period of time.

Curve: A graph of forward prices over a future time period.

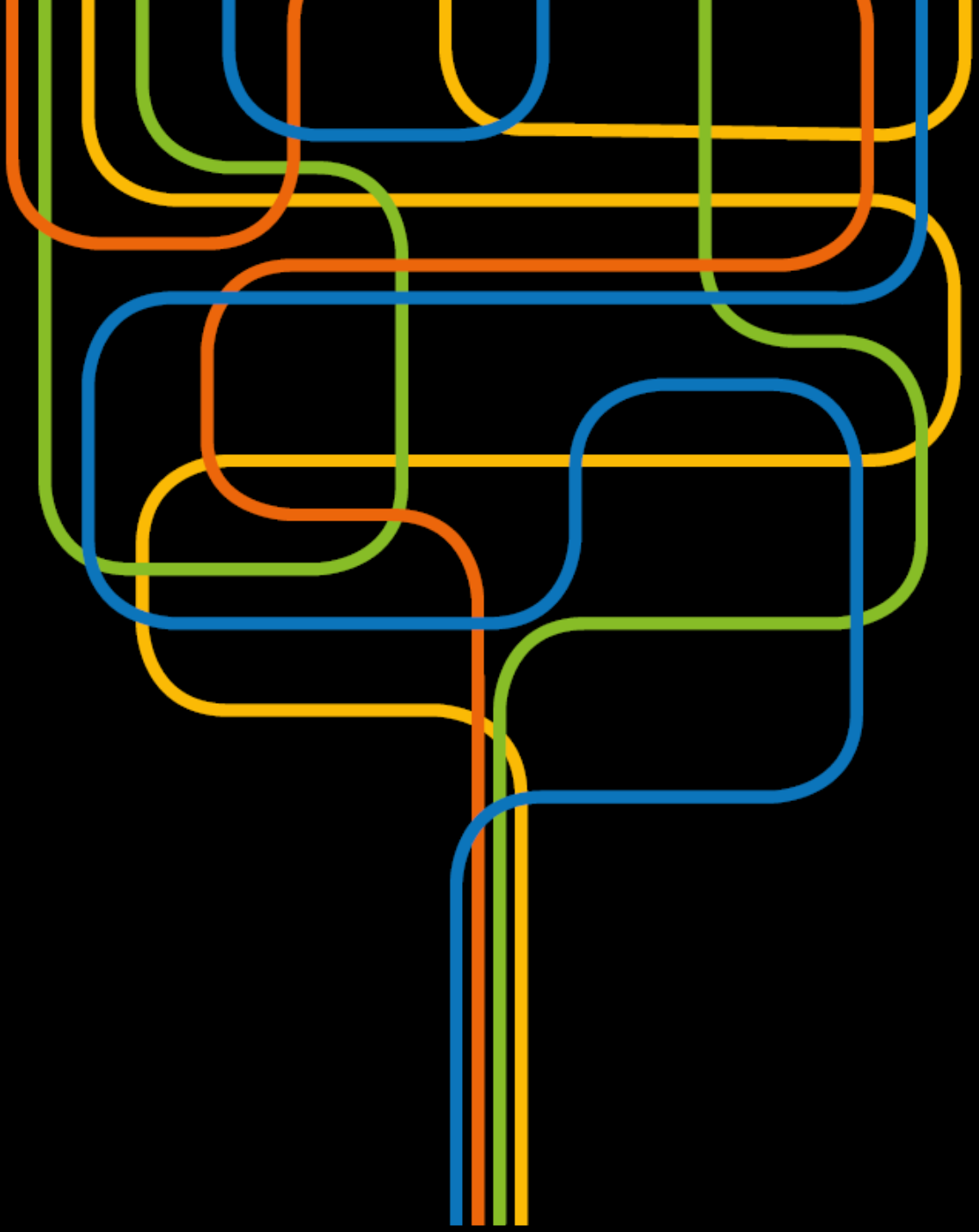
Margin: The indicated UK imbalance of a given settlement period. It is the difference between the sum of the indicated generation available, and the national demand forecast made by National Grid.

Over-the-counter (OTC): The trade of a commodity directly between two parties, often on standardised terms.

Spark/ Dark spread: The theoretical net income of a gas/ coal-fired power plant from selling electricity having purchased the necessary fuel. The clean spark/ dark spread is this net income adjusted for the cost of carbon.

Disclaimer

This monthly news and pricing bulletin is produced by Cornwall Insight in conjunction with Catalyst Commercial Services exclusively for the customers of Catalyst Commercial Services and provides general information and commentary on energy market trends. The opinions contained in this bulletin constitute the current opinions of Cornwall Insight and/or Catalyst Commercial Services and are produced for informational purposes only. This bulletin should not be construed as an offer, recommendation or solicitation to buy, sell or deal in any commodity, product or security or to enter into any trading or investment activity whatsoever. Any use by you or any third party of any information or other material contained in or associated with this document signifies agreement by you or them to these conditions. The report makes use of information gathered from a variety of sources that have not been subject to independent verification. Neither Cornwall Insight nor Catalyst Commercial Services gives any representation or warranty as to the accuracy or completeness of the information collected from market participants or from sources in the public domain. Neither Cornwall Insight nor Catalyst Commercial Services make any warranties, whether express, implied or statutory regarding or relating to the contents of this report and specifically disclaim all implied warranties, including, but not limited to, the implied warranties of satisfactory quality and fitness for a particular purpose. While Cornwall Insight and Catalyst Commercial Services consider that the information and opinions given in this bulletin and all other documentation are sound, all parties must rely on their own skill and judgment when making use of it. While every effort is made to ensure the accuracy of any information or material contained in or associated with this document, neither Cornwall Insight nor Catalyst Commercial Services, their affiliates and employees, either individually or collectively accept any responsibility for any loss, damage, cost or expense of whatever kind arising directly or indirectly from or in connection with the use by any person whomsoever of any such information or material; neither do they make any representation or warranty as to the accuracy or completeness of the data, information or statements contained herein.

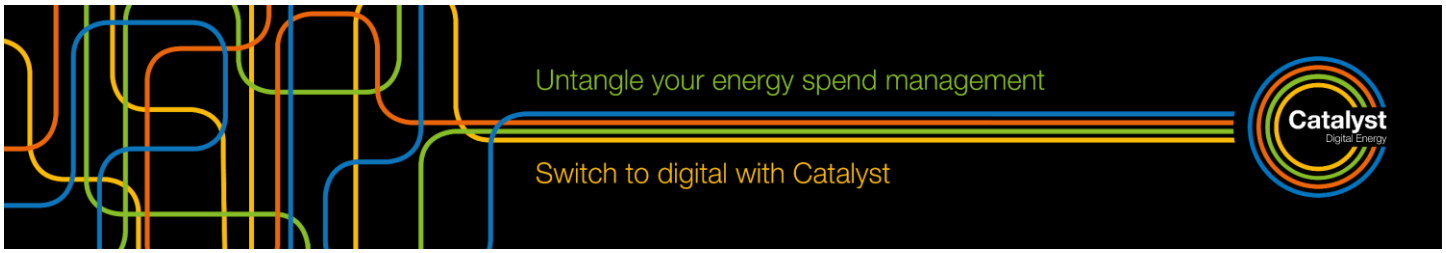


Simplify your energy
spend management

Switch to digital with Catalyst

Catalyst
Digital Energy

www.Catalyst-Commercial.co.uk



IPPR calls for new climate targets to regulate businesses' transition plans

On 19 April, the Institute for Public Policy Research (IPPR) announced that businesses' slow progress and varied approach to control carbon emissions are jeopardising the UK's development in 'green' finance. Based on this new analysis, the organisation is advocating for a new 'Office for Climate and Environmental Targets' to help businesses regulate their transition plans.

The IPPR's analysis notes that only one in 40 large UK companies have fully adopted the most challenging 'gold standard' targets for setting a course to net zero, with one in 20 having signed up in principle for the new 'science-based targets initiative' (SBTi) aimed at measuring companies' progress but have not actually set their targets. A further 151 small or medium enterprises (SMEs) have signed up and fully set their own targets.

In order to prevent 'greenwashing', the institution urges the government to establish a new regulator and prepare a public blacklist of companies that consistently fail to make and publish adequate transition plans, or to adequately follow them.

IPPR

Centrica finds 77% of firms have or are willing to adopt hydrogen

On 19 April, Centrica published results of a survey it carried out of 500 executives' energy improvement strategies in December 2022 and January 2023.

The research found that 77% of senior business leaders have already or would implement hydrogen-ready technologies such as combined heat and power (CHP) units, while 27% are planning on doing so in the next two years. 33% of firms reported that energy costs are motivating them to adopt hydrogen.

Centrica

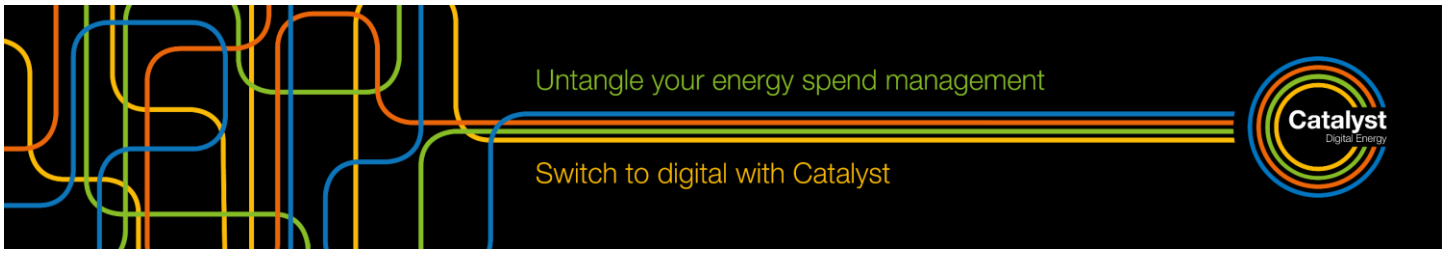
EBDS guidance updated for ETIIs, heat networks, and NSCs

On 27 March, the government published guidance on the Energy Bills Discount Scheme (EBDS), including the support for Energy and Trade Intensive Industries (ETIIs), and the support for heat networks under the scheme. The guidance covers eligibility for support, discount application/calculation, and getting ready to register for support.

This was followed by an announcement from the government on 26 April that the application window for EBDS heat network and ETII support is now open. With regards to the latter, Ministers urged companies to check their eligibility and submit their applications at the earliest opportunity. It noted that discounts could be reflected in bills from June, with backdated support to 1 April, which could save some businesses around 20% on predicted wholesale energy costs.

On the same day, the EBDS guidance was updated to include information on non-standard cases (NSCs). This includes non-domestic customers that consume gas or electricity supplied by wire or pipe from a licence-exempt supplier, for which they pay a price that is linked to wholesale energy prices. As these customers do not receive support under the standard EBDS, which is focused on providing support through licenced suppliers, the government has provided information on the support that these customers may be eligible to receive, how to apply, providing energy support cost to customers, audits, and disputes and complaints.

Government



Government exploring reform to Contracts for Difference scheme

On 17 April, DESNZ published a call for evidence, seeking views on introducing reforms to the Contracts for Difference (CfD) scheme. This includes potentially broadening the review process to also include non-price factors, bringing into consideration the projects impact on the wider health of the renewable energy industry. The call for evidence closes on 22 May 2023.

The government has identified potential deployment bottlenecks due to global economic pressures and aims to mitigate these challenges to investment into GB renewable generation with these reforms. CfDs are awarded based on the bid price submitted by renewable energy generators, with the aim being to increase deployment, ensure good value to consumers and drive down energy costs. The proposed reforms would see applicants considering ‘non-price factors’ as well as overall costs in their application to the CfD auction, meaning the cheapest bids would no longer automatically win a CfD. The kinds of non-price factors to be included in bids would cover supply chain sustainability, addressing skills gaps, industry innovation and enabling system and grid flexibility and operability. However, the government is interested to hear from respondents regarding any alternative non-price factors that could meet the policy objectives not currently listed. Part of the exploratory work also includes developing a method by which non-price factors are considered, including an appropriate penalty system for non-delivery of those factors.

It is considered that this will encourage developers to adapt their bidding process in a way that strengthens their investments in a wider range of factors outside of cost. However, it would also increase deployment costs and consequently costs to the consumer, as well as adding further complexity to the auction process. Any changes would have to be introduced in a way that would best address emerging deployment challenges and bottlenecks, while minimising consumer impacts.

The call for evidence has been launched following the recommendations in Chris Skidmore’s Net Zero Review and Offshore Wind Champion’s independent report. If appropriate changes to the CfD are identified and deemed more effective than other policy levers, the government plans to launch a formal consultation on more detailed proposals.

DESNZ

Government consults on measures to address future carbon leakage risk

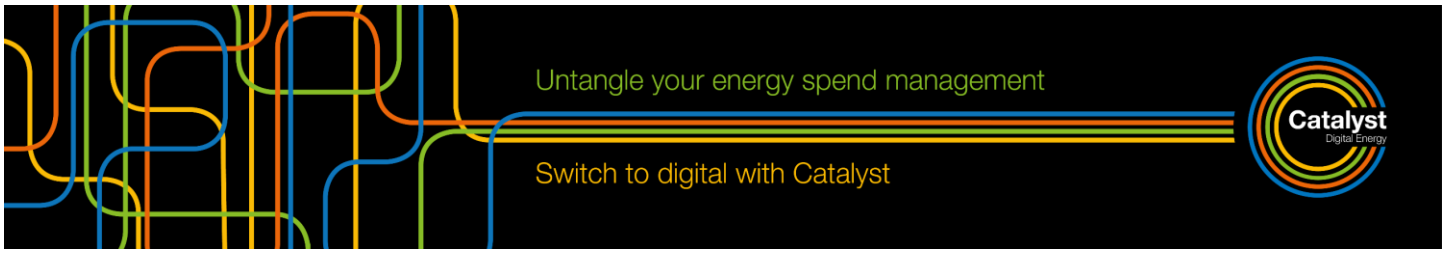
As part of its Powering Up Britain announcement, on 30 March the government published a consultation on addressing carbon leakage risk to support decarbonisation, with responses requested by 22 June 2023.

Through the consultation, the government noted that the decarbonisation of UK industry has the potential to be undermined by carbon leakage, which is the movement of production and associated emissions from one country to another due to different levels of decarbonisation effort through carbon pricing and climate regulation.

As such, it is seeking views on a range of potential domestic carbon leakage policy measures to mitigate future carbon leakage risk and ensure that UK industry has the optimal policy environment to decarbonise. This includes a carbon border adjustment mechanism, mandatory product standards, and other policy measures to help grow the market for low carbon products.

The government is also seeking views on the proposed design and delivery features of embodied emissions reporting that could underpin future carbon leakage policy measures.

Government



Hydrogen Champion Report highlights need for greater clarity

On 22 March, DESNZ published the *Hydrogen Champion Report*, covering stakeholder engagement and making recommendations to government and industry. In July 2022, BEIS tasked the UK's Hydrogen Champion Jane Toogood with "examining whether the UK is really doing everything it can to maintain momentum and realise hydrogen opportunities." Responding to this, over 100 stakeholders were consulted over the period July-December 2022, with an aim to identify barriers and recommend next steps. One common theme that was the "need for greater clarity on upcoming policy decisions for hydrogen users." In providing this clarity, stakeholders would be able to plan ahead and make investment decisions with more certainty, allowing the UK to develop its hydrogen economy at pace and help lead the sector at a global level. In its absence, the Hydrogen Champion Report has outlined several recommendations to the government, including:

- Clarifying the scale, timelines, and available funding envelopes for carbon capture, utilisation and storage (CCUS)-enabled and electrolytic hydrogen projects.
- Providing a clear vision and timeline for the scale-up of CCUS-enabled hydrogen projects beyond initial CCUS clusters.
- Stimulating demand in hydrogen blending, heating, and transport.

The report also makes the following recommendations to industry:

- Industry should work closely with government, using its data and experience to help resolve problems and gaps in resource.
- Industry and trade associations should work together, alongside government, to provide additional data on the potential scale of the hydrogen economy.
- Industry should work with government to identify the UK's capabilities across the hydrogen value chain. Industry should also "formulate a wider supply chain strategy that builds on UK strengths."
- Industry should work together with government and academia to ensure that necessary skills are met within the workforce in both the near and long-term.

DESNZ

ENA explores the role of hydrogen within UK energy system

On 19 April, Energy Networks Association (ENA) published a new report titled 'A hydrogen vision for the UK' which examines how hydrogen could play its part in decarbonisation, alongside electrification, while keeping UK businesses competitive.

The report includes fully updated and detailed maps of what the rollout of the UK's hydrogen infrastructure could look like in the future, while including five pledges from the UK's gas network operators to make this vision a reality. This includes: playing a lead role in delivering against the UK's hydrogen ambitions, conducting further research and testing, engaging with consumers on delivering net zero, working collaboratively with all stakeholders across the sector using a 'whole system' approach, and investing in both developing a skilled workforce for the future and a UK supply chain.

ENA's new report asks the government to encourage the development of critical business models for transport and storage, make key policy decisions around blending and hydrogen-ready boilers, and ensure the planned Future System Operator is given the right tools and mandate to deliver its part in the hydrogen vision.

ENA

Catalyst
Digital Energy

Award Winning
Business Energy Consultants