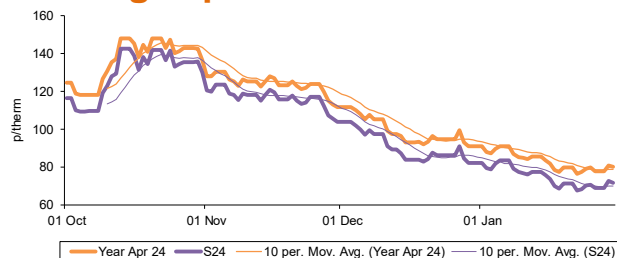




Digital Energy Element
February 2024
Consistent Losses across all
tracked contracts

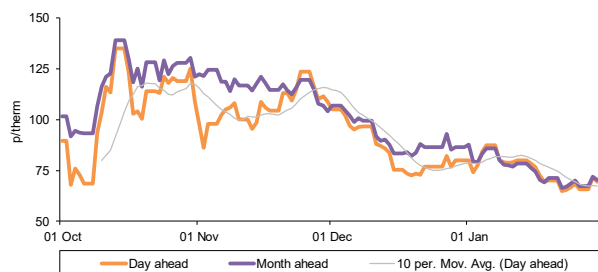


Annual gas prices



In January, downward sentiment was observed across all tracked NBP gas contracts. Losses across these contracts were relatively consistent, both in the shorter-term as well as further out on the forward curve. However, we do highlight that seasonal contracts from Winter 24 into Summer 26 registered less pronounced price reductions compared with near-term contracts closer to their point of delivery. On average, seasonal gas contracts from Summer 24 to Summer 26 were 14.0% lower in January compared with the previous month, with the most significant average price losses concentrated across Summer 24 and Winter 24 (down 18.0% and 15.4% respectively).

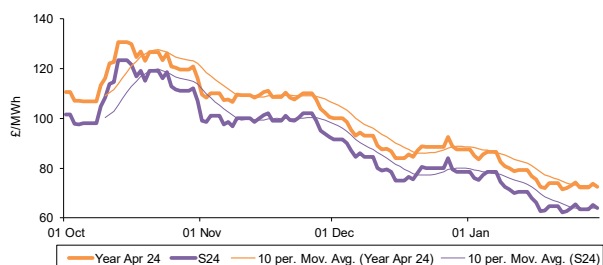
Spot gas prices



More broadly, January registered continued strong levels of wind generation. Although average wind generation levels were down 11% on the record-breaking levels seen in December, wind levels remained high enough to notably contribute to the overall generation mix, and subsequently place less demand on more expensive plant like gas. Likewise, we continue to observe low outage levels throughout select plant and gas fields across the Norwegian Continental Shelf, increasing flows into GB and bolstering supply on the gas network as a result.

To date, EU gas storage levels have remained strong, softening gas prices on the continent and providing a bearish price signal for the UK market to follow. However, stronger losses were limited across near-term gas contracts following periods of higher demand on the gas network, particularly in the middle of the month where temperatures were notably below seasonal norms. However, we saw day-ahead gas fall across the month, down 13.0% to average 74.25p/th. Similarly, front-month contracts were down 20.1% on average from December, with February 24 averaging 74.34p/th and March 24 at 73.46p/th.

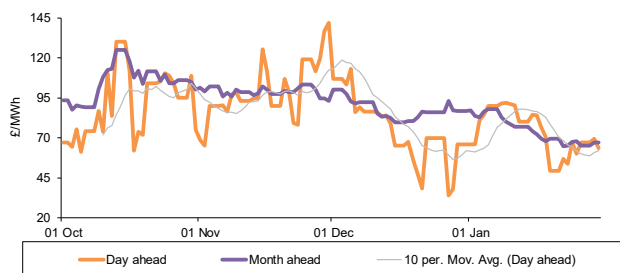
Annual power prices



Day-ahead power prices opposed their gas counterpart and registered a month-on-month gain, the only tracked gas and power contract to exhibit an increase, up 1.4% on average to sit at £74.70/MWh. This increase was likely the result of lower wind generation at the beginning of the month, after the high levels experienced in the latter half of December increasing the demand for more expensive forms of power generation.

Longer term power contracts exhibited losses, derived from increased supply security over the remaining winter period, following strong French nuclear generation and bolstered interconnector flows as the introduction of the Viking Link interconnector increases supply diversity to the UK. Front-month power contracts, February 24 and March 24, subsequently fell 18.6% on average to sit at £74.00/MWh and £69.47/MWh, respectively. Likewise, seasonal power prices decreased on average by 12.8% month-on-month.

Spot power prices



Brent crude price rose 1.4% higher to \$78.95/bl on average and extended those gains as the month matured – with prices at the end of January 5% higher than the month's start. A primary driver for higher prices in the month came after EIA data showed that US crude stockpiles fell more than expected and news that Chinese central banks will undertake stimulus measures to boost the Chinese economy, and oil demand by extension. Moreover, we see the commodity continue to be impacted by the war in the Middle East, and changes to global shipping routes in the wake of attacks on vessels in the Red Sea.

For carbon, the EU Emissions Trading Scheme (ETS) fell 5.8% to average €67.93/t, whilst the UK ETS followed suit, down 2.1% to average £37.28/t. We also saw EU ETS carbon prices fall to the lowest price seen since November 2021 on 30 January at €61.90/t. Similarly, on 30 January, UK ETS carbon prices dropped to the lowest level recorded since the inception of the scheme in 2021, at £32.30/t. Losses across the carbon markets are primarily driven by weak industrial power demand across Europe, in tandem with strong EU gas storage stocks suppressing gas prices, and recent high wind generation levels.



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Key market indicators: 30/01/2024

		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	30 Jan 24	69.50	80.15	63.55	72.50	95.50	61.90	32.30	82.35
Last month	29 Dec 23	80.00	90.95	66.00	87.50	77.30	80.30	47.20	79.85
Last year	30 Jan 23	146.00	156.50	128.00	162.50	152.00	88.70	72.50	86.20
Year-on-year % change		(52%)	(49%)	(50%)	(55%)	(37%)	(30%)	-55%	(4%)
Year high		151.00	166.00	172.50	166.00	164.00	100.00	84.50	96.05
Year low		57.00	76.65	34.00	71.38	77.30	61.65	32.30	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.

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UK workforce is missing key skills needed to create a green economy

According to the Green Skills Outlook report published by ScottishPower on 18 January, a large proportion of the UK workforce are missing the skills needed to create a greener economy. The findings come from research conducted by Economist Impact and ScottishPower's parent company Iberdrola, who examined the impact of the green transition in nine global markets, including the UK. Of the 1,000 business leaders surveyed globally, the majority (71%) agreed that green skills are important to their businesses' operations and objectives, but only 55% are currently implementing or planning to implement green skills programmes among their existing workforce. In the UK, this statistic falls to 51%.

Although there are currently low implementation rates, the Green Skills Outlook found that the majority of business leaders are optimistic about the impacts of the green transition. According to the report, 68% of UK business leaders agree that the transition presents more opportunities than challenges for their organisation. 63% believe the green transition will create more jobs than it eliminates, with 74% agreeing that the transition will result in the creation of higher-quality jobs.

Following on from this, the report identifies that the green transition will require most workers to acquire green skills, not just those working in explicitly green jobs or functions. When surveyed, UK business leaders said the top three soft skills they are looking for in the green transition are environmental awareness (48%), innovation and creativity (42%), and teamwork and collaboration (35%). The report emphasises that organisations who move faster in the net zero transition will gain a competitive edge by attracting a wider talent pool of employees who will have the key skills needed in the transition. Organisations that are late adopters are likely to face a much more limited talent pool.

60% of UK business leaders reported they believe the impetus for the green transition lies with themselves rather than policymakers. Despite this, the report concludes that innovative strategies led by governments, educational institutions, and the private sector will be required to bridge the emerging gaps in green skills. The top three policies business leaders think should be prioritised are: support for the establishment of green skills courses at educational institutions (48%); support for businesses' investment in up-skilling and re-skilling programmes (46%); and adapting existing work and training programmes for the unemployed to increase the emphasis on and support for green skills (41%).

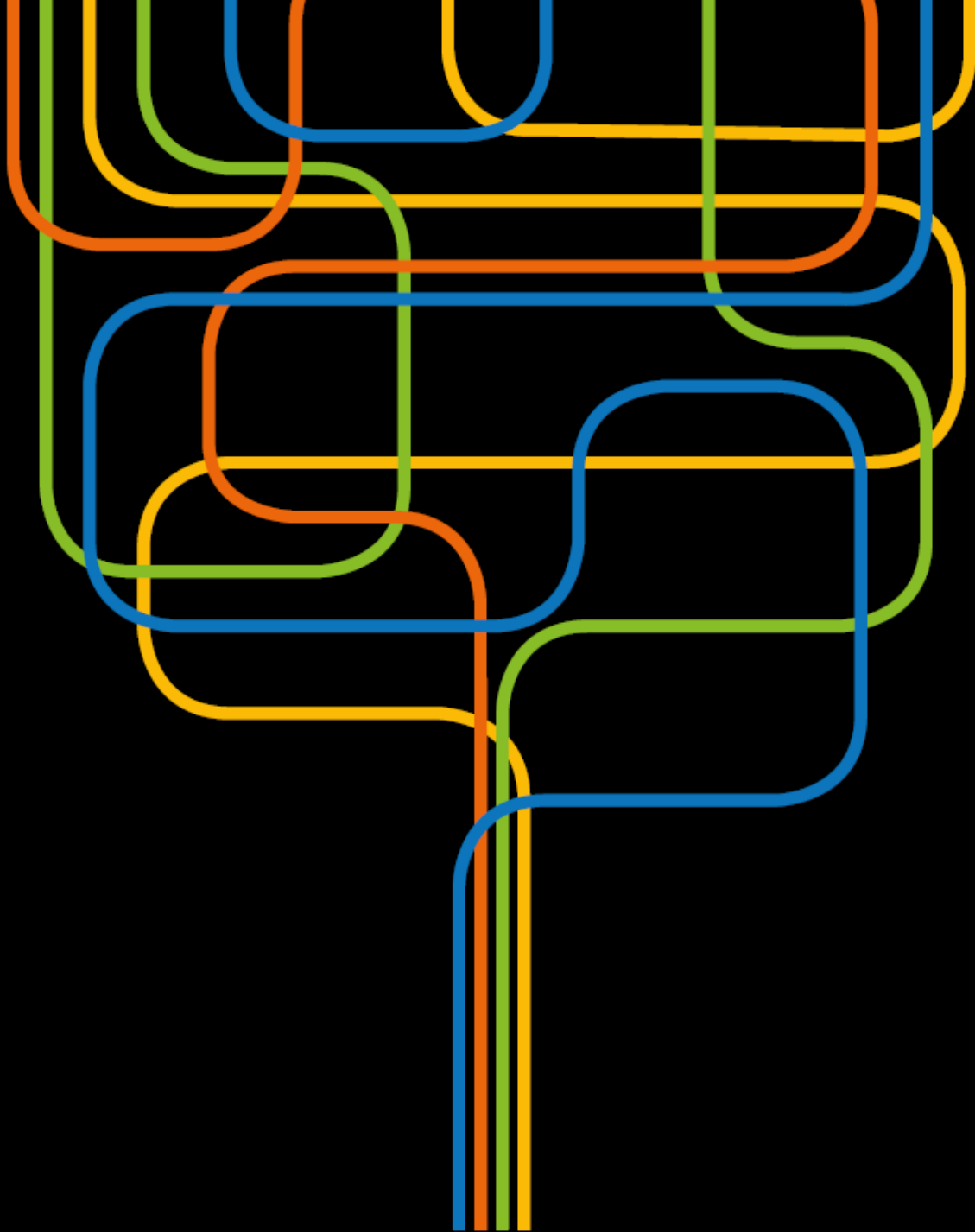
ScottishPower

Natwest launches new tool to help UK firms reduce their energy usage

On 15 January, NatWest launched an Energy Help and Support tool designed to help UK businesses reduce energy usage, cut carbon emissions, and save money on energy bills this winter. According to NatWest, 45% of the 5.5mn small businesses in the UK have stated that rising energy prices will be a significant challenge in 2024.

The new digital tool will enable businesses to review their premises' energy efficiency and access tailored recommendations to help reduce their energy costs and carbon footprint. Natwest states the tool uses the business' postcode to offer detailed information on everything from solar panels to low-carbon heat pumps, including estimating costs and helping to source suppliers. It adds that the support is particularly aimed at small to medium-sized businesses (SMEs), which account for around 30% of the UK's emissions. According to research from Natwest, with the right support, up to 70% of business cases to reduce emissions will make financial sense for SMEs to deliver by 2030.

Natwest

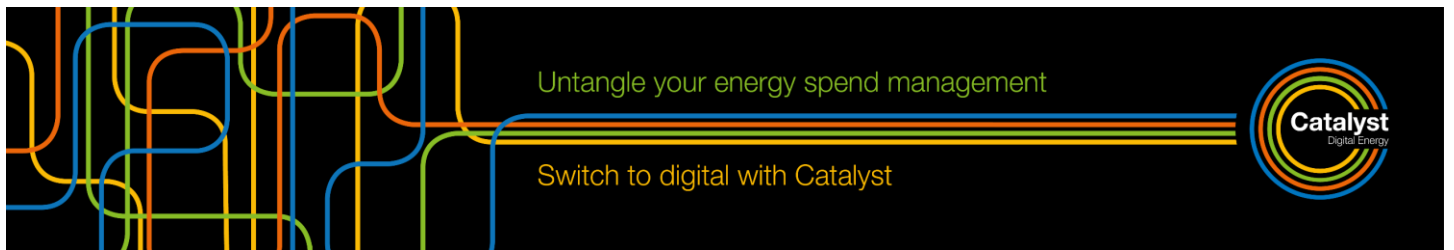


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Mitie releases net zero predictions for 2024

On 8 January, Mitie released its Net Zero Navigator 2024 report, in which it reveals nine decarbonisation predictions for the coming year and offers advice for organisations amidst the net zero transition. Mitie's first decarbonisation prediction is that carbon reporting will move beyond mandatory requirements in 2024. Currently, Scope 3 emissions – emissions that accumulate across an organisation's supply chain – are not included in most mandatory reporting requirements. However, Mitie states that it expects that Scope 3 emissions will soon become mandatory and enforceable. As such, Mitie advises that organisations begin to measure their supply chain emissions as soon as possible to gain a competitive advantage.

Mitie also predicts that the cost of energy is unlikely to fall to pre-pandemic levels, and energy price instability is likely to continue. It states that, as a result of this prediction, more organisations will need to find ways to reduce their reliance on the national grid and lower their exposure to global energy market volatility. It predicts that many organisations will adopt a three-step approach to securing their energy supply. The first step will be to reduce energy consumption by implementing simple energy reduction measures such as energy-saving lightbulbs. The second step will have a flexible response to the energy market. Mitie envisions this as, for example, retailers closing quiet stores an hour earlier to reduce power costs. The final step will be for organisations to invest in self-generation, power purchase agreements, renewables, and battery solutions. Mitie predicts more organisations will install solar panels to reduce reliance on the national grid.

Mitie's seventh prediction focuses on electric vehicles (EVs). It states that, despite issues with EV infrastructure, proceeding with confidence will be essential to meet transition deadlines. Mitie encourages organisations to increase the number of chargepoints and other EV infrastructure on their site.

Mitie

FSB highlights impact of standing charge rises on small businesses

In a statement released on 29 January, the Federation of Small Businesses (FSB) reported claims that some energy suppliers are using increasing standing charges as a means to inflate bills for small firms. It noted that, while standing charges are capped for domestic customers, it is the second year in a row where business customers are facing rising electricity costs. Based on these views, the FSB outlined it would like to see greater transparency on suppliers' calculations of standing charges and the exclusion of supplier of last resort (SOLR) acquisition costs. It has also called on Ofgem to work with energy suppliers to narrow the discrepancy of standing charges between rural and urban areas.

FSB

UKGBC warns commercial buildings retrofit is too slow

On 24 January, the UK Green Building Council (UKGBC) announced that it has launched new guidance on retrofitting large office buildings. It highlighted that significant opportunities are being missed by office investors and owners who do not have clear retrofit strategies in place. UKGBC stated that it has found that commercial buildings are failing to be retrofitted at the pace or scale necessary to meet key net zero milestones, through not implementing measures to reduce energy consumption and missing key 'trigger points' in lease and maintenance cycles which facilitate easier retrofitting. Without action, UKGBC noted that many owners will be left vulnerable to stranded assets, adding that 77% of UK office stock has an energy performance certificate (EPC) rating below B and is anticipated to be unlettable by 2030.

UKGBC



Several UK nuclear developments announced

On 11 January, the UK Government published several documents outlining its plans for the future of the UK's nuclear sector. Stated to be the biggest expansion of nuclear power for 70 years, it is hoped the plans will reduce electricity bills, support thousands of jobs, and improve the UK's energy security.

The first document, titled 'Civil Nuclear: roadmap to 2050', sets out how the government intends to increase its generation of nuclear energy by up to four times to 24GW by 2050. This is reportedly enough to provide a quarter of the UK's electricity needs. Included in the roadmap are plans to explore a GW-scale power plant as big as Sizewell in Suffolk or Hinkley in Somerset, which are each capable of powering 6mn homes. The government's ambition to secure 3-7GW worth of investment decisions every five years from 2030-2044 on new nuclear projects is also established.

The government has also published two consultations. The first consultation seeks views on a new nuclear National Policy Statement (NPS) to be made applicable to nuclear power stations expecting to deploy beyond 2025. The government states that it has proposed some material updates to the existing policy for siting nuclear power stations and would like views on the changes ahead of finalising the policy. It anticipates the new nuclear NPS will form an effective planning framework for beyond 2025, while enabling the UK to take advantage of the advanced nuclear technologies expected to come onstream and providing the necessary flexibility to give industry and investors the confidence to deliver nuclear projects quickly. Views on the consultation are requested by 10 March 2024.

The second consultation examines what steps should be taken to enable different routes to market for new advanced nuclear technologies (ANTs). Specifically, the government seeks to understand how it can support investment into ANTs and enable high-value projects to be taken forward. The consultation will also explore the use of ANTs and the potential benefits they could bring to the UK economy. Views from the nuclear industry, and especially local communities, are requested by 4 April 2024.

On 22 January, the government announced that it has made £1.3bn of funding available to support the construction of Sizewell C. Stated to be the largest funding package to date, the funding will allow early construction works to continue ahead of a final investment decision later this year. Once operational, the plant will generate 3.2GW of electricity, equating to 7% of the UK's requirements.

The next day, the EDF Group announced that the expected start of electricity production at its Hinkley Point C nuclear project has been delayed from the previously scheduled end date of 2027. The earliest completion date would see operations begin in 2029.

[UK Government](#), [UK Government](#), [UK Government](#), [UK Government](#), [UK Government](#), [EDF](#)

Over 2.2mn businesses and households have applied for the DFS

National Grid Electricity System Operator (ESO) announced on 18 January that over 2.2mn businesses and households, as well as 43 providers, have applied to participate in the Demand Flexibility Service (DFS) so far, surpassing participation levels at the same stage last year. Across the six tests and two live events in 2023, the DFS saved consumer households and businesses 2,507MWh, enough to power over 7.5mn households during these events, or approximately 27% of GB households. Participating providers have currently earned over £9.3mm so far, which has been passed onto households and businesses in the form of pounds, points, and prizes. The ESO is now looking to hold additional test events until the end of March when this year's DFS closes.

[ESO](#)



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