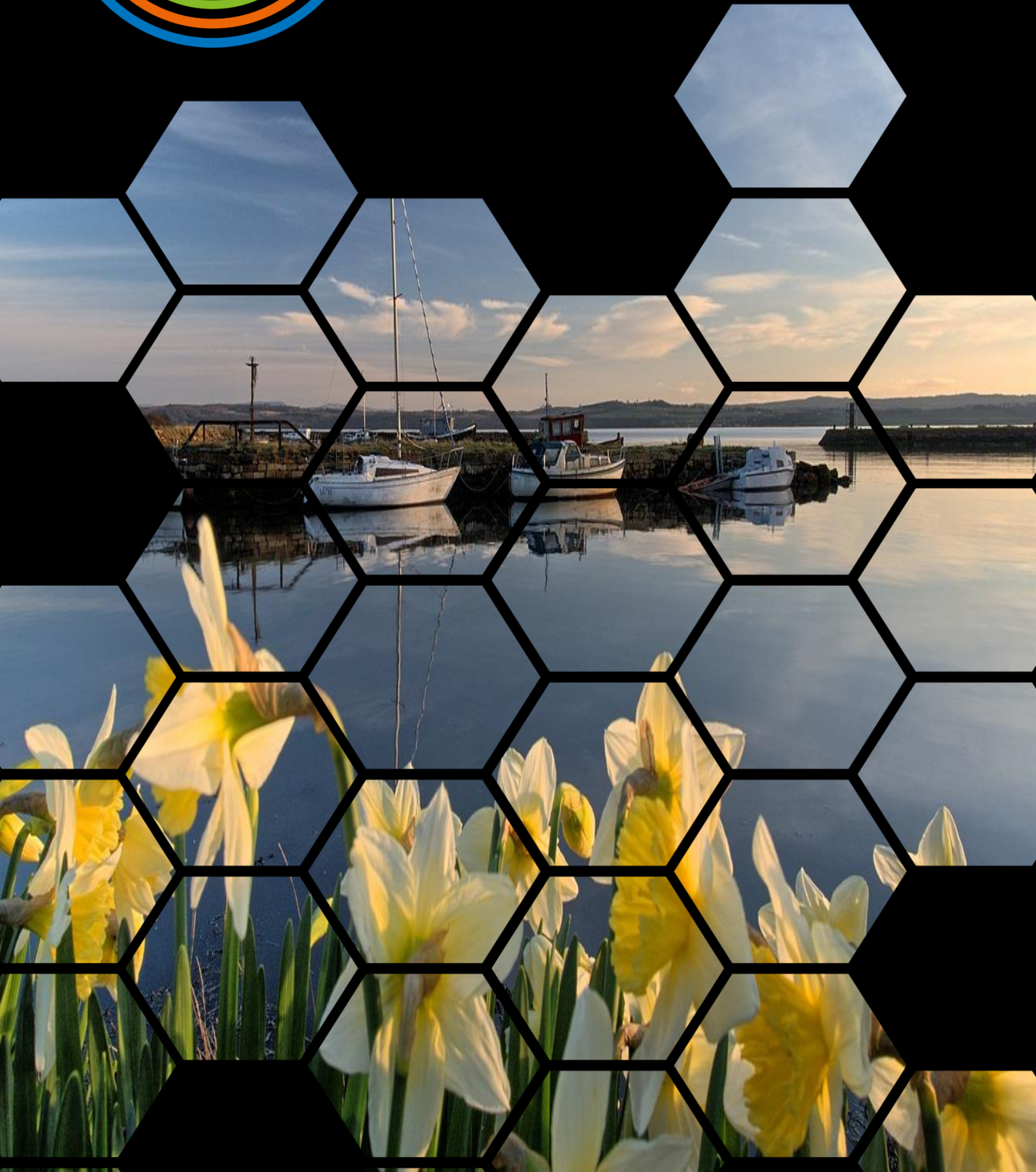
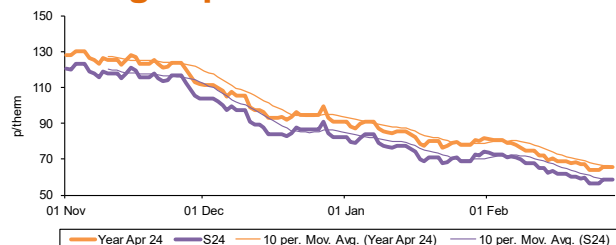




Digital Energy Element
March 2024
Sustained Downward Trends
Were Observed



Annual gas prices

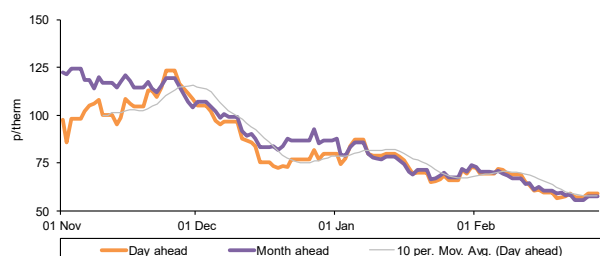


In February, sustained downward trends were observed, continuing the bearish wholesale pricing movements experienced throughout 2024 to date.

Seasonal gas contracts from summer 24 to winter 26 were, on average, 10.1% lower in February when compared to the previous month which continues the previous six months of consecutive average losses.

The first two months of 2024 have continued the trend of decreasing wholesale prices – a consequence arising largely from the mild winter observed across the UK and north-west Europe, in which gas storage levels were therefore kept well stocked in what traditionally represents the highest withdrawal period of the calendar year.

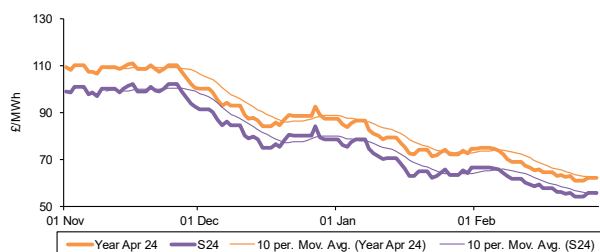
Spot gas prices



Furthermore, the temperature profile across the spring 2024 period has been warmer than usual – easing gas demand and demand on other fossil-fuelled emitters which would otherwise be called upon to help manage system constraints during periods of high system demand (cold spells).

Across the month, we saw the day-ahead gas price fall 14.4% to average 63.54p/th, and we saw day-ahead gas prices drop to the lowest levels seen since November 2022 on 19 February at 56.70p/th. Likewise, front-month contracts were down 14.5% on average when compared to January, with March 24 seeing a 13.4% drop and April 24 recording a 15.6% drop to 63.60p/th and 63.47p/th respectively.

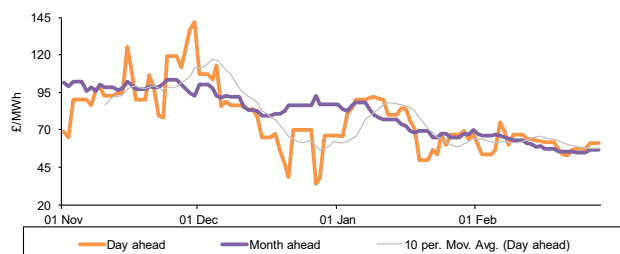
Annual power prices



Following the bearish sentiment set by its gas counterpart, on which it is heavily influenced by, day-ahead power prices averaged £60.83/MWh across February, down 18.2% when compared to the prices observed last month. This loss can be attributed to the lowering of gas prices across the UK, coupled with easing demand levels. It is important to acknowledge that losses were limited by a drop in wind generation levels when compared to January values.

A similar downward trend was recorded across GB wholesale power prices, with front-month contracts decreasing as March 24 dropped 12.9% to £60.38/MWh, and April 24 fell 13.6% to £59.37MWh. Likewise, seasonal power prices saw a decrease, falling 12.0% on average – with winter 25 the premium market, standing at £75.00MWh, but down 11.9% when compared to January.

Spot power prices



Brent crude prices rose 3.0% to \$81.43/bl, with prices peaking in the latter half of the month at \$83.25/bl. This came following further attacks on ships in the Red Sea, heightening fears of supply disruption in the region in tandem with a weaker US dollar. Likewise, further upward sentiment came from indications of stronger oil demand across China throughout 2024.

Looking further ahead, Brent crude oil is set to experience a bullish year ahead as forecasts project growth in oil demand, pushing the price of the commodity up as supply levels remain restricted following OPEC+ supply cuts anticipated to remain in place across the first quarter of 2024.

Across other commodities, the ETS schemes saw downward movements, with UK ETS carbon falling 5.2% to £35.20/t, down from £37.11/t against the previous month. EU ETS, saw a much more notable change, decreasing 15.1% to average €57.49/t.

EU ETS prices fell to the lowest seen since July 2021 on 23 February at €51.60/t, driven by reductions across gas prices due to greater supply security and strong EU gas storage stocks, in tandem with reduced power demand across Europe.

As temperatures continue to increase as we exit what represents the traditional heating season in Europe and GB, we anticipate that carbon prices could fall as demand further diminishes.



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Key market indicators: 29/02/2024

		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	29 Feb 24	64.05	71.00	63.25	65.83	100.75	56.10	35.80	83.60
Last month	1 Feb 24	72.25	81.53	61.25	74.63	96.25	63.00	34.20	81.28
Last year	3 Mar 23	122.00	133.00	136.00	137.00	146.00	92.45	80.75	84.55
Year-on-year % change		(48%)	(47%)	(53%)	(52%)	(31%)	(39%)	-56%	(1%)
Year high		135.00	150.75	142.00	145.50	151.00	99.10	84.00	96.05
Year low		56.70	64.05	34.00	60.75	77.30	51.60	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.

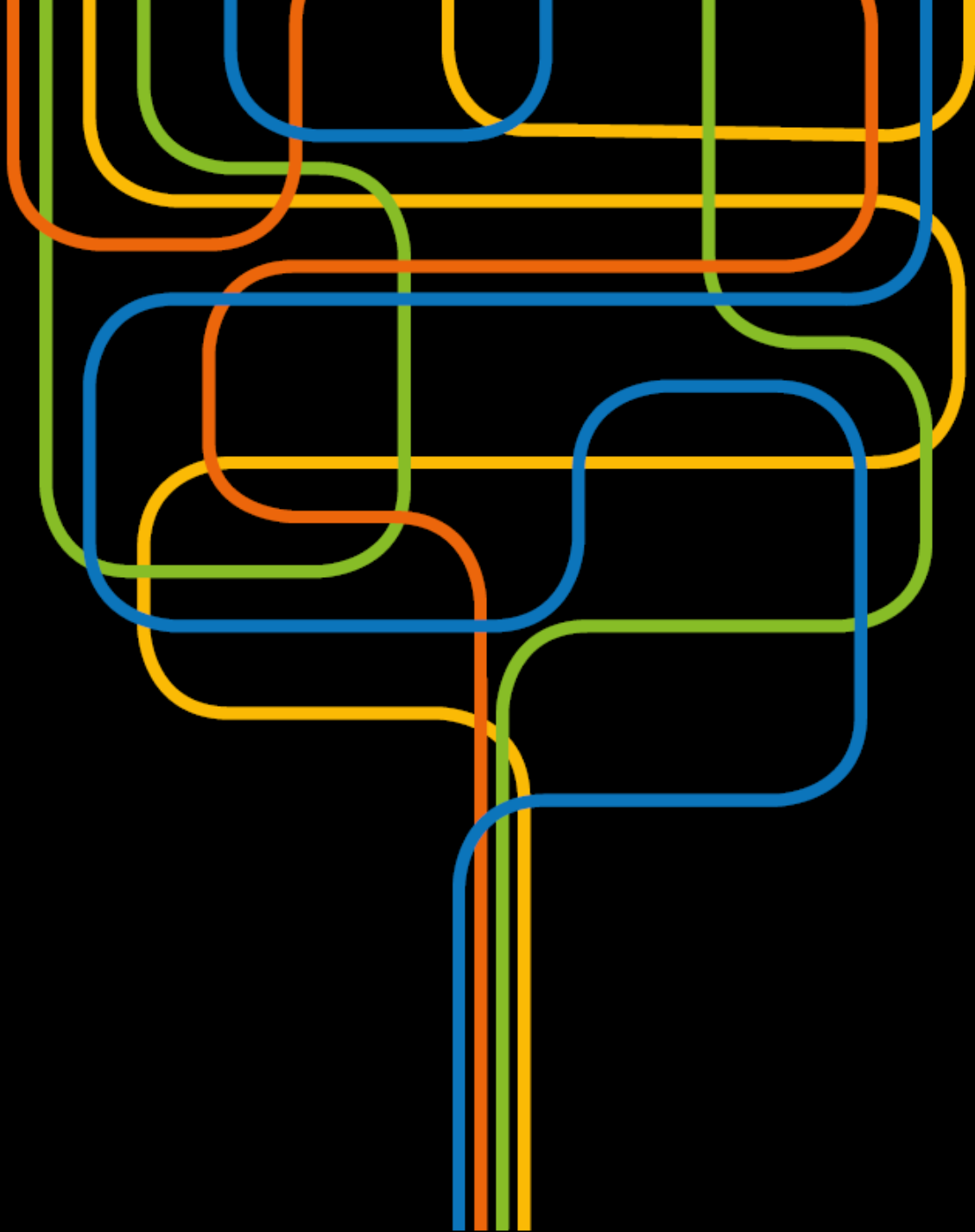
Margin: The indicated UK imbalance of a given settlement period. It is the difference between the sum of the indicated generation available, and the national demand forecast made by National Grid.

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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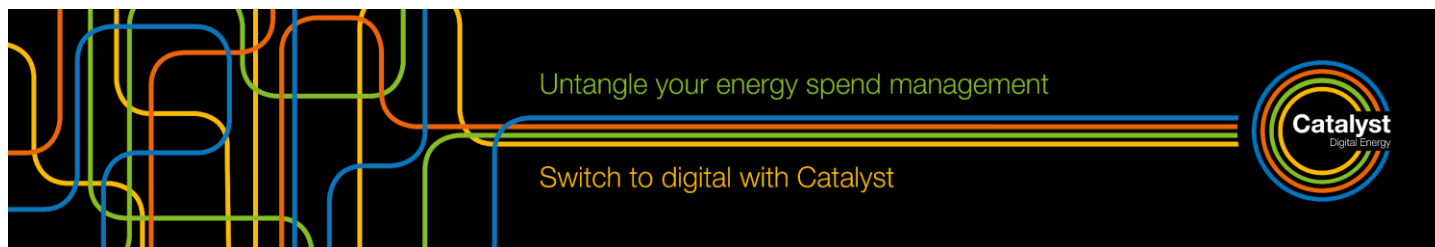


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81% of UK businesses to increase prices in response to energy costs

On 5 February, PwC published the findings of new research on the impacts of volatile energy costs on UK businesses. It found that 81% of businesses plan to increase the price of their products and services at least moderately over the next two years, in response to high energy costs and government energy support set to end. The report added that, over the last two years, 77% of businesses have claimed that high energy costs had driven up the price of their products and services, at least moderately.

Over a quarter of all companies also cited energy costs negatively impacting profits and margins over the last two years. 72% of businesses anticipate high energy prices to negatively impact profits in the next two years and 71% expect high energy prices to reduce their ability to compete in international markets.

According to PwC, few organisations have taken action to simultaneously reduce energy costs and carbon emissions, with many reportedly seeing the two as seemingly competitive objectives. 37% of respondents said high energy costs had delayed their progress on decarbonisation, with only 3% stating it had accelerated progress.

PwC

Committee calls for urgent reform of UK regulators

On 8 February, the House of Lords' Industry and Regulators Committee published a report examining the performance, independence, and accountability of UK regulators. The report pertains to around 90 regulatory bodies in the UK, but especially follows major enquiries into Ofgem and net zero. The Committee raised significant concerns around the "three-way relationship between the regulators, the government, and Parliament", and called for substantial reform in relation to the oversight of UK regulation.

One of the report's key findings related to the expansion of regulators' objectives. Ofgem was presented as an example, with the Committee finding that it faced "trade-offs between the affordability of customer bills and the need for infrastructure investment to secure energy [...] supplies". The energy transition to net zero was also highlighted as an area "subject to increasing political heat and controversy" in written evidence from Cadent Gas, with the distribution network stating that government involvement will be necessary in decisions with "significant distributional consequences". The Committee concluded that some regulators have been given too many statutory duties and duties, without a clear sense of priority.

With regards to the independence of regulatory bodies in the UK, the Committee emphasised the value of autonomy and its influence on the ability of regulators to act flexibly in response to emerging challenges. Energy UK expressed in evidence its concern that there has been a lessening of regulatory independence, with recent crises in the energy sector resulting to a necessary "shift towards more reactive approaches to regulation". Similarly, National Grid highlighted the Energy Prices Act, which emerged from the energy crisis and enables the Secretary of State to make licence changes, as having the potential to undermine the independence of Ofgem's processes. Ofgem was further raised as an example in which social policy and regulatory duties have clashed in recent years, with some noting that the regulator was under "significant pressure" over the Default Tariff Cap due to the scrutiny of the press. The report found that the government should offer more clarity on what it has delegated to regulators to decide independently, and that where it is not content that a responsibility has been delegated, it should legislate to end the delegation rather than influence the regulator.

House of Lords' Industry and Regulatory Committee



New app launched to make energy management easier for businesses

Green technology organisation SMS announced on 20 February that it has launched a new app designed to make energy management more accessible for business energy users. The app, targeted at small and medium-sized enterprises across the UK, delivers real-time data on energy consumption using smart meters. It also has personalised tips for saving money and insights to guide businesses towards making more informed energy decisions, as well as integration with National Grid Electricity System Operator's Demand Flexibility Service.

SMS

Government publishes response to SPS consultation and draft SPS

On 21 February, the government published a summary of responses it received to its consultation on a Strategy and Policy Statement (SPS) for energy policy in GB. The SPS sets out the government's strategic priorities and other main considerations of its energy policy; the policy outcomes to be achieved as a result of the implementation of that policy; and the roles and responsibilities of those who are involved in implementation of that policy, including Ofgem and the National Energy System Operator (NESO). It states that 140 responses were received, with respondents encouraging the publication of an SPS to ensure industry has certainty on the direction of government.

On the same day, the government published the draft SPS for energy policy in GB. It sets out several wider strategic priorities including: enabling clean energy and net zero infrastructure; ensuring energy security and protecting consumers; and ensuring the energy system is fit for the future. More specific priorities include: achieving government targets for renewable and low carbon deployment; having an energy system which is fair, safe, secure, and resilient; and ensuring flexibility in the energy system at the national and local level.

The government noted that the draft SPS was laid in Parliament on 21 February and following approval, the Secretary of State for Energy Security and Net Zero will designate the SPS, at which point the document will be in force.

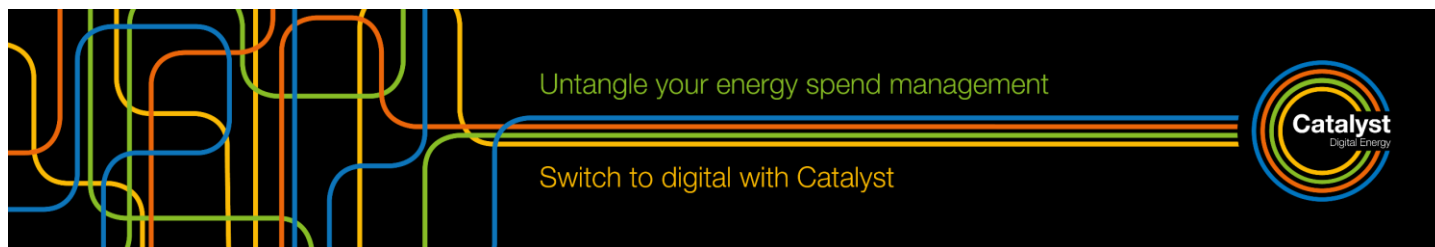
UK Government, UK Government

Report finds UK net zero economy grew by 9% in 2023

According to a report published on 27 February and commissioned by the Energy and Climate Intelligence Unit (ECIU), the UK's net zero economy grew by 9% in 2023 – compared to the wider economy which saw GDP growth of 0.1%. The ECIU states that the net zero economy spans several new and emerging sectors, such as renewables, carbon capture, or green finance, as well as more traditional, established sectors, such as manufacturing. The report, which is built on analysis by CBI Economics and The Data City, found that the total gross value added (GVA) by businesses involved in the net zero economy has reached £74bn. It added that net zero jobs generated £114,300 of economic activity compared to the UK average of £72,550. The report stated that the strongest net zero economies are located in Scotland, Wales, and the Midlands. London has the lowest proportion of its economy being supported by businesses in net zero sectors. However, CBI Economics warned that without further investment and policy stability, the strength of future growth in the net zero economy is at risk from competition elsewhere.

Louise Hellem, Chief Economist at the CBI, said: "The UK's transition to net zero brings immense opportunities for our economy. Our report [...] highlights how businesses are already seizing those prizes - creating jobs and attracting investment, whilst boosting our energy resilience."

ECIU



Environment and Climate Change Committee publish EV report

On 6 February, the Environment and Climate Change Committee published a report on the UK's electric vehicle (EV) strategy. The report states that current progress to move to EVs is too slow, noting that EVs are more expensive than their petrol and diesel counterparts and there is not a sufficient amount of affordable EVs on the market. In addition, it finds that consumers face considerable anxiety around whether and where they can charge EVs reliably, affordably, and quickly, with the government missing its targets for motorway EV chargepoints. The report notes that, to secure a successful transition to EVs, consumer confidence is critical. To ensure this, it outlines that the government must provide clearer communication and better leadership.

The report identifies several key areas to help achieve the Zero Emissions Vehicles mandate, including:

- Tackling the disparity in upfront costs between electric and petrol and diesel cars. There is an insufficient range of affordable EVs and EVs are more expensive than their petrol and diesel equivalents. The upfront cost of EVs, including second-hand cars, remains a significant barrier to consumer adoption and targeted grants should be reconsidered for EV purchases.
- Turbo-charging the EV charging infrastructure rollout. The number and range of public chargepoints must anticipate demand, giving consumers confidence in purchasing an EV, and keep pace with the number of EVs on the road. The government must urgently review outdated and disproportionate planning regulations which are a major block to the rollout. While there has been significant private investment, the considerable number of chargepoints necessary for 2035 will not be commercially viable for industry to install by this point. The government must tackle delays in the rollout of funding schemes for public chargepoint infrastructure and build on the support available to local authorities. The government must also bring forward legislation to introduce new powers to direct local authorities in areas where there is insufficient infrastructure.
- Ensuring charging is reasonably priced, convenient, and reliable. While in many cases EV charging costs less than petrol refuelling, the government must explore options for equalising the discrepancy between the VAT rates for domestic and public charging. It states that the current situation is unfair for drivers without access to off-street parking.

Environment and Climate Change Committee

Report: over half of UK businesses have installed EV chargepoints

On 26 February, Drax published its Driving change report, in which it finds that 48% of UK businesses have installed electric vehicle (EV) chargepoints as part of wider sustainability efforts. However, it adds that 42% of this portion have charging access in fewer than 10% of their total parking spaces.

Moreover, only one in four businesses have appointed specialist electrification support, with the report surmising that businesses are not aware of the available electrification support and are instead spending considerable time working through information to find insights of value. Price is thought to be the most important factor for businesses when choosing between providers and specialists.

The report also highlights that the primary motivator for installing and expanding charging infrastructure is to keep up with charging demand, with cost noted to be the biggest barrier to entry for electrification adoption and implementation.

Drax



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