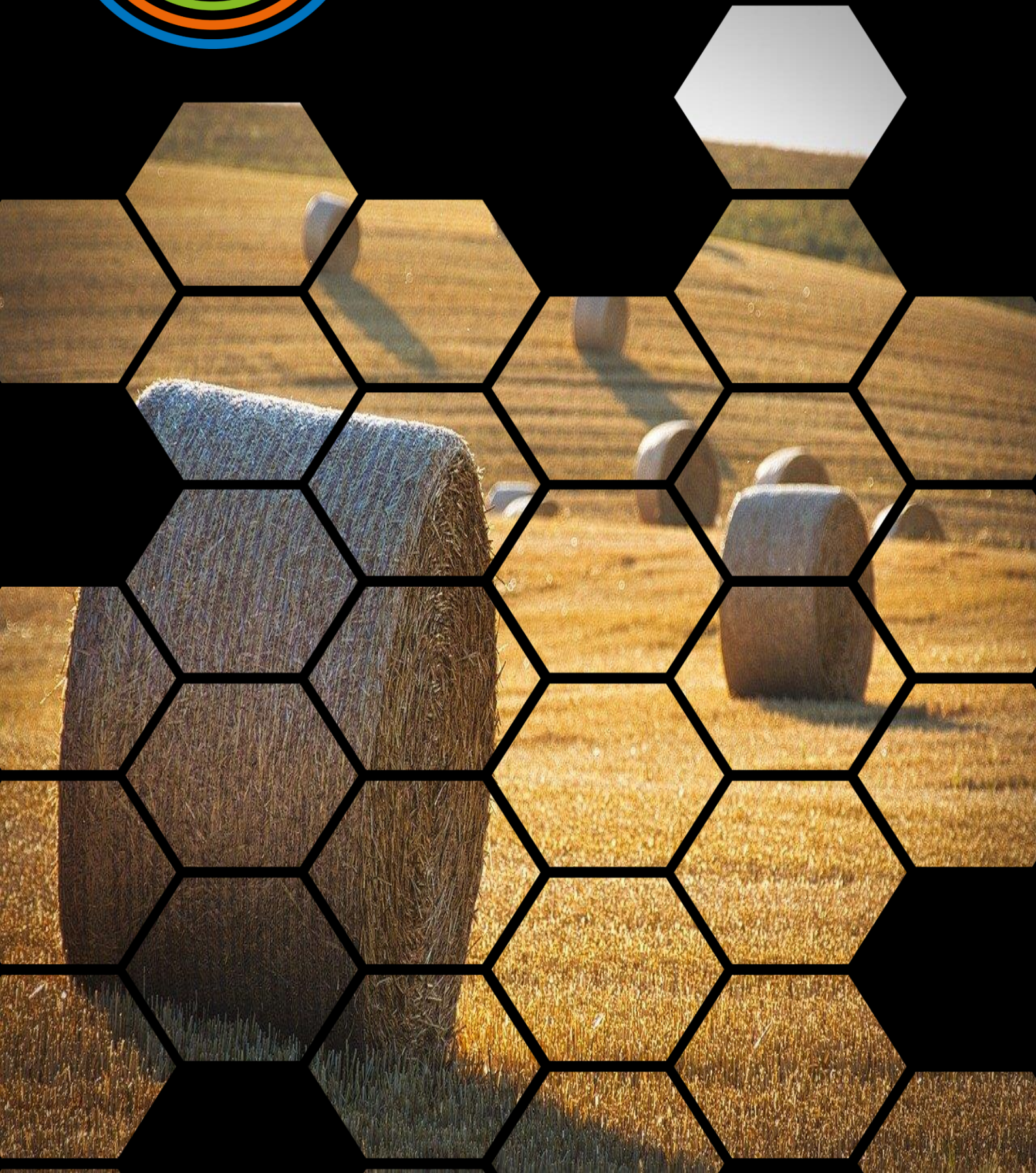




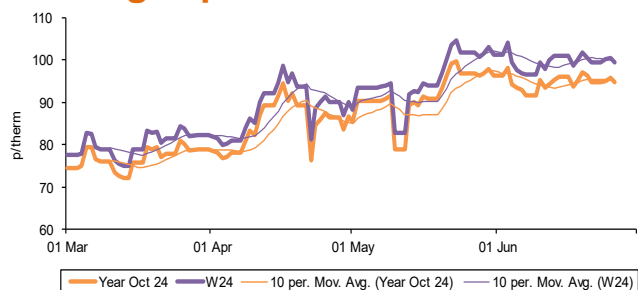
Digital Energy Element

July 2024

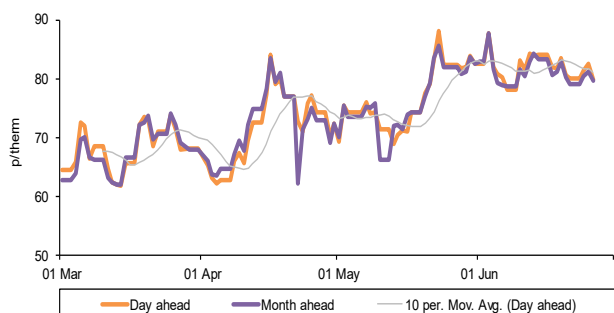
**No Change in
Market Conditions**



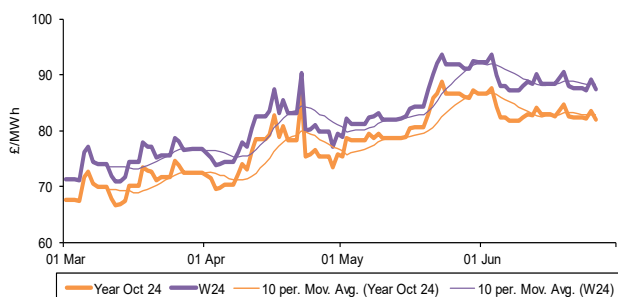
Annual gas prices



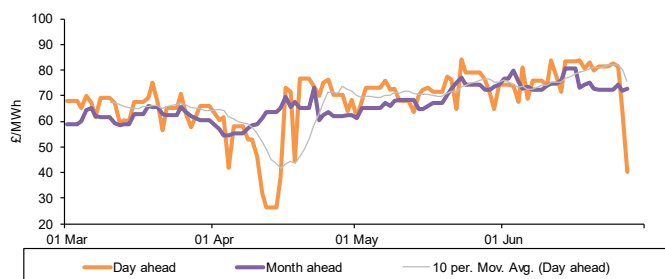
Spot gas prices



Annual power prices



Spot power prices



June saw the continuation of increased wholesale price movements across both tracked gas and power contracts, similar to the movements seen in April and May – with below-average temperatures for the majority of the month keeping a steady level of heating demand on the system, which would typically be lower at this time of the year.

Across the month, we saw day-ahead gas register a 6.8% gain month-on-month to average 81.95p/th. Similarly, front-month contracts registered price increases, up on average by 5.1% when compared to May, with July 24 seeing a 5.9% rise to 81.25p/th, and August 24 growing 4.3% to 82.65 p/th. Gains were supported by restricted gas supply from the Norwegian and UK Continental Shelves acting to tighten system conditions, and as result of continued outages across several large Norwegian gas fields, shorter-dated gas contracts registered gains.

Moreover, prices found support from an outage across the Wheatstone LNG processing facility in Australia, which acted to impact global LNG supply levels and lead to increased Asian cargo competition. Longer-term contracts found support from the increased Asian cargo competition as competition for the procurement of LNG grows – however this remains subdued by strong gas storage stocks across Europe.

Seasonal gas contracts from Winter 24 to Winter 26 were, on average 2.5% higher in June when compared to May – despite some risk removed from these contracts as European gas storage levels remain well stocked. In continuation, more notable price gains across front-month contracts were offset by the notable stockpiles of European gas, which currently sit at 76% at the time of writing – boosting gas supply amid reduced Norwegian output. This trend is anticipated to continue as the summer months progress and temperatures remain elevated – acting to lower gas-for-heating demand.

Rising front-month contracts in gas provided a bullish price direction for power to follow – with day-ahead power prices registering a 5.0% gain month-on-month to average £75.58/MWh. Additionally, these gains can also be attributed to tightened system margins following decreased gas supply, an outage across the Hartlepool 1 nuclear reactor, and below-average temperatures

Similarly, both front-month power contracts registered gains, as July 24 rose 4.3% to £74.32/MWh, and August 24 grew 3.7% to £73.78/MWh. Moreover, much like its gas counterpart, seasonal power prices saw a collective upwards movement – rising 1.6% on average. Winter 24 traded as the premium market, seeing a 3.0% increase to average £88.83/MWh.

Brent crude oil continued to fall month-on-month, averaging \$82.44/bl – down 0.8%. This came following higher US inflation data, leading to weaker demand expected as economic growth remains impacted, and a likely delay to a US interest rate cut until December. However, these losses were limited by OPEC+ announcements that supply would be cut by 2.2mn barrels per day until September, tightening global markets - in tandem with escalation to conflict across Europe and the Middle East.

LNG prices continued with the trend seen last month, and recorded an 8.8% gain, averaging 98.63p/th, as competition between Europe and Asia for the procurement of LNG has been reignited as Asian buyers return to the market, prompted by heatwave conditions acting to bolster gas-for-power requirements, in tandem with Europe needing to ensure sufficient cargoes are arriving to continue storage injections.

The disparity between the EU and UK ETS schemes decreased across June, with the EU ETS recording a 3.8% loss from May, averaging €69.84/t, whereas the UK ETS rose 15.8% to average £47.61/t. UK ETS carbon prices continued to find support from sustained below-average temperatures leading to higher levels of heating demand on the system when compared to seasonal averages. This saw the UK ETS carbon price reach its highest level seen since October 2023, at £49.42/t on 13 June.



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Key market indicators: 27/06/2024

		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	27 Jun 24	79.80	95.60	40.38	82.83	105.00	66.49	46.20	86.17
Last month	30 May 24	83.96	97.77	64.97	87.35	117.15	75.50	46.39	83.48
Last year	29 Jun 23	82.00	116.25	86.00	110.00	116.00	88.78	53.75	73.95
Year-on-year % change		(3%)	(18%)	(53%)	(25%)	(9%)	(25%)	(14%)	17%
Year high		135.00	134.25	142.00	121.50	140.00	92.60	60.00	96.05
Year low		56.70	68.43	26.50	63.50	77.30	51.60	32.30	73.40

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.

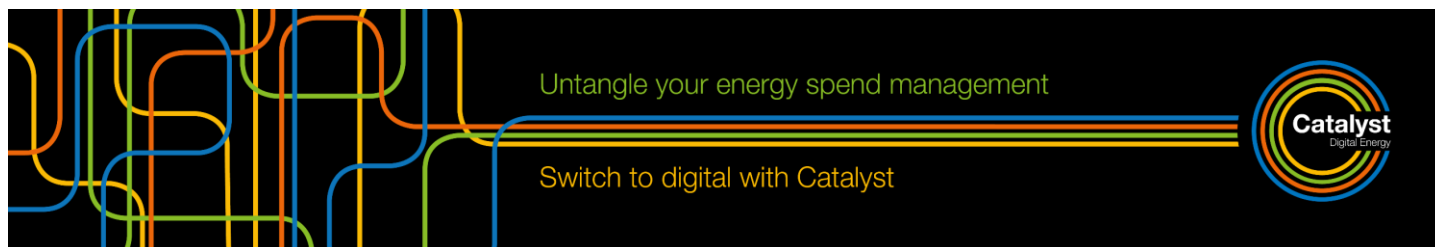
Margin: The indicated UK imbalance of a given settlement period. It is the difference between the sum of the indicated generation available, and the national demand forecast made by National Grid.

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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Parties release election manifestos

On 11 June, the Conservative Party released its general election manifesto containing pledges relating to the energy industry. It sets out their plans to prioritise energy security, including new gas power stations, legislating to require annual licensing rounds for oil and gas production from the North Sea, and maintaining the windfall tax on oil and gas companies until 2028-29. The party states it will continue to support renewable generation, with plans to treble offshore wind capacity and scale up nuclear power. It adds that it will maintain a 'pragmatic, proportionate and realistic approach' to net zero to cut the costs for households and businesses.

On 13 June, the Labour Party launched its general election manifesto. Notable announcements relating to energy include its plans to switch on Great British Energy, a publicly-owned company headquartered in Scotland that will seek to deliver clean power by co-investing in leading technologies and deploying local energy production to benefit communities across the country. Regarding renewable generation, Labour aims to deliver zero-carbon electricity by 2030, with ambitions to double onshore wind, triple solar power, and quadruple offshore wind capacity by 2030. To support Labour's growth and clean energy plans, the party will establish a National Wealth Fund, which will be capitalised with an initial £7.3bn.

In its manifesto, the Green Party committed to pushing for £2bn per year in grant funding for local authorities to help business decarbonise. The Liberal Democrats pledged to provide more advice to companies on cutting emissions.

Conservative, Labour, Liberal Democrats, Green Party

UK moves to sixth on Renewable Energy Country Attractiveness Index

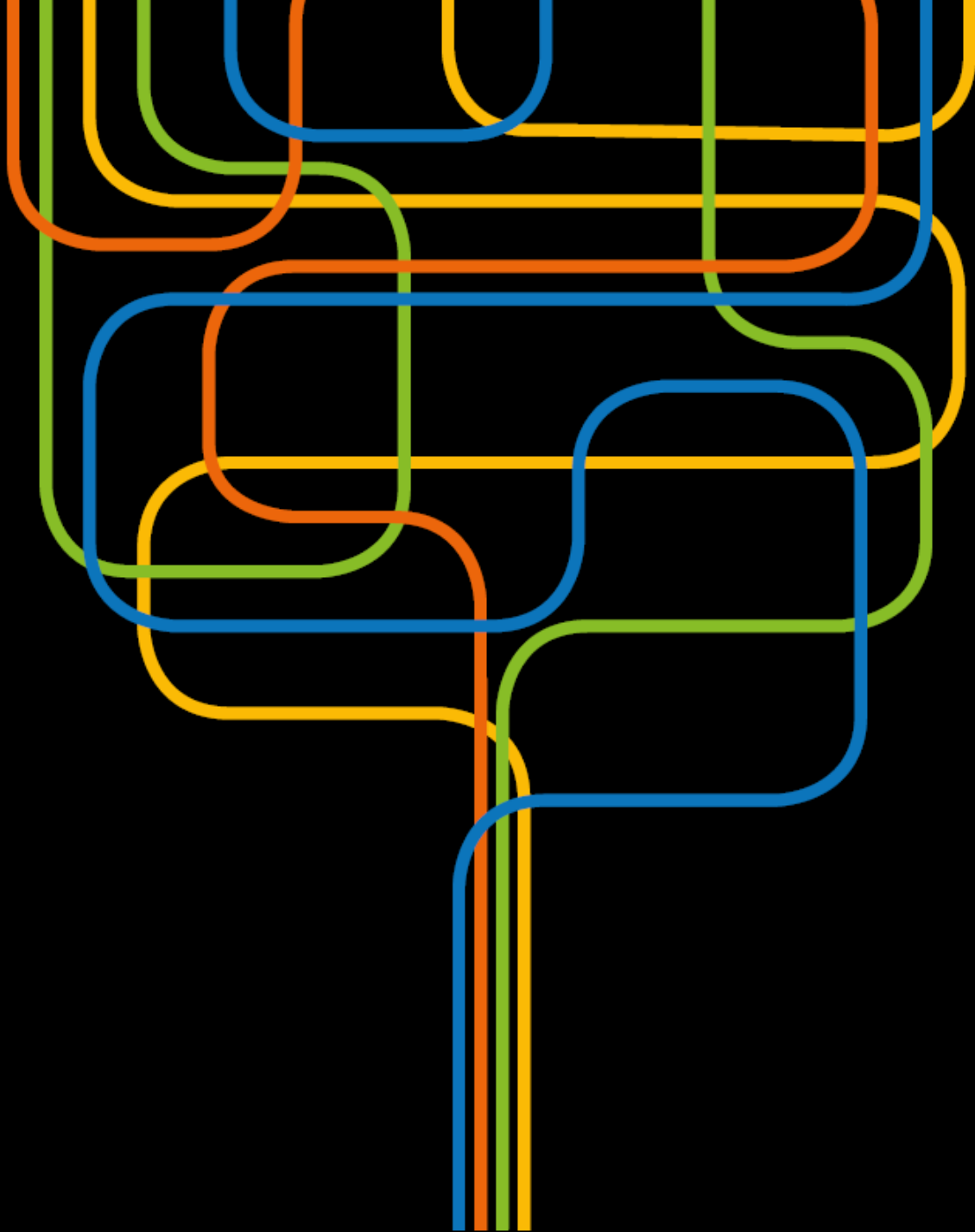
On 14 June, EY issued the sixty-third edition of its biannual Renewable Energy Country Attractiveness Index (RECAI). The RECAI ranks the world's top 40 countries on the attractiveness of their renewable energy investment and deployment opportunities. The UK has moved up one place on the index from seventh to sixth since the last iteration. EY states this is due to the sixth round of the Contracts for Difference scheme receiving more than £1bn in government funding, as well as strong growth in the battery energy storage pipeline resulting in a year-on-year increase of 67% to reach 95GW in total.

The US remains at first place on the index, with 4.6GW of solar added in Q124 and federal support for grid upgrades set to boost the renewables transition. China has moved up one place to second, while Germany has moved down one place to third, and France has retained its place at fourth. Ireland has dropped two places from twelfth to fourteenth. EY notes this is because only 0.6GW of utility-scale renewables were installed during 2023, despite a 1.6GW annual target required to meet 2030 goals.

EY also published a normalised RECAI, which compares the attractiveness of renewables markets based on the expectations for their economic size, so that smaller economies are not discriminated against. In this index, Denmark performs the best, followed by Greece and Chile. In the normalised RECAI, the UK performs less strongly, in twelfth position, despite moving up six spaces since the last index.

In this edition of the report, EY has also provided a ranking of the top markets for battery energy investment. On this ranking, the UK is third. Its position is attributed to a "sophisticated energy market design" which includes a well-established and diverse revenue stack for battery energy storage systems (BESS), as well as a projected BESS capacity of 24GW by 2030 and £20bn of investment from the government to establish a world-leading battery industry by 2030. The US ranks in first place and Mainland China is second.

EY

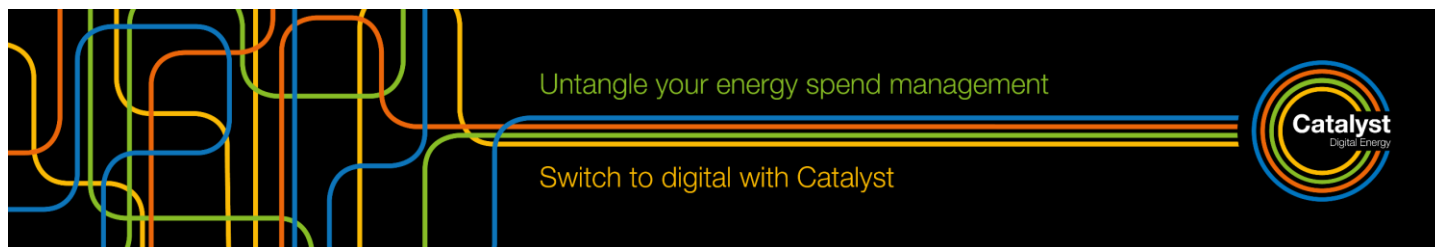


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CBI's Business Manifesto calls for Net Zero Investment Plan

The Confederation of British Industry (CBI) issued its Business Manifesto on 3 June. In the manifesto, the CBI details key recommendations for the next government to boost the UK's growth trajectory. One recommendation outlined is the delivery of a Net Zero Investment Plan, which the CBI states will secure the UK's standing as a world-leader on green growth and foster investment opportunities so that firms want to invest and grow in the UK. It also calls for a transformation of the planning system, putting grid connections as a priority.

In addition, the CBI states that there needs to be a tax environment that drives investment. It recommends a long-term UK Business Tax Roadmap to deliver a simplified and digitised business tax system with international competitiveness at its heart. It states that there should also be transformation of the planning system to speed up decisions and cut bureaucracy through a UK-wide Planning for Growth Strategy.

CBI

Mission Zero report sets out recommendations for next government

On 27 June, the Mission Zero Coalition published a new report titled 'At a Crossroads – Pathway to a Net Zero Future' to mark the fifth anniversary of the UK committing to a legally binding target of net zero emissions by 2050. The report looks back on some of the successes on the journey to net zero so far, such as the lifting of the 1MW restriction for industrial rooftop solar to make it easier for businesses to install solar.

The report also looks at what the UK needs to deliver in the next five years to keep net zero ambitions on track. It focuses on key pathways for the accelerated deployment of renewable technologies, including wind, solar PV, and nuclear and sets out a detailed list of recommendations for the next government to undertake within the next 100 days, a year, and five-years. This includes conducting a full assessment of underlying reasons for high electricity prices and potential remedies, establishing a taskforce to develop a net zero investment roadmap, and realigning tax policies to policy objectives for clean energy.

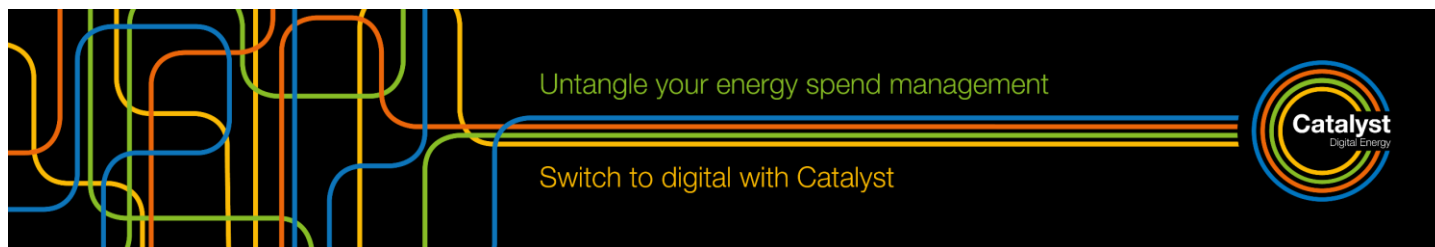
Mission Zero Coalition

ESO issues initial design for future of Demand Flexibility Service

On 11 June, the Electricity System Operator (ESO) set out its intentions to expand the Demand Flexibility Service (DFS) into a commercial year-round service in the future. The DFS acts to create more flexibility on the electricity system by rewarding households and businesses to shift their electricity usage during DFS events. By decreasing electricity demand, the need for the ESO to bring fossil fuel generators online is lessened, thus reducing carbon emissions and saving consumers money.

Confirming its intention not to use the DFS as a winter contingency service for winter 2024-25, the ESO states that it has opted to evolve the service and expand its capability to support further high demand periods on the system all year. The release adds that in total the DFS has delivered over 3.7GWh of electricity, with over 2.6mn households and businesses participating to reduce or shift their electricity consumption at key times. Alongside this, it details plans to allow consumers to be able to stack the service with other revenue streams for the first time, enabling the service to compete against other commercial tools available to the ESO control room. The ESO notes that it will work closely and consult with industry to agree a final design before submitting it to Ofgem for approval ahead of a planned winter go live.

ESO



FSB calls for next government to establish small business taskforce

On 7 June, the Federation of Small Businesses (FSB) released its General Election Manifesto 2024. Within the manifesto, the FSB outlines its recommendations relating to energy and the drive to net zero. It first calls for the next government to provide greater protection for all small businesses in the energy market and extend the 14-day cooling off period – available to domestic customers – to all microbusinesses. It also calls for the government to deliver on proposals to increase the number of small firms able to access the Energy Ombudsman by increasing the size limit to businesses with 50 or fewer employees and increasing the usage threshold fivefold.

Another recommendation from the FSB is for the next government to commit to introducing Third Party Intermediaries (TPI) regulation into the energy market to remove unethical practices and improve trust in the sector. It would like to see the current Business Energy Advice Service Pilot and associated energy efficiency grants extended into a national scheme. It would also like the threshold for energy efficiency and decarbonisation projects eligible for the Industrial Energy Transformation, and any similar schemes, reduced from £100,000 to £20,000 to support valuable smaller scale projects. The FSB's final recommendation is that the next government should establish a taskforce of suppliers, small business landlords, and business groups to agree on how to cut energy use in rented premises, and what changes to the law on commercial tenancies are needed to prevent commercial leases from blocking low carbon improvements.

FSB

ESC report considers feasibility of a Carbon Regulator

On 21 May, Energy Systems Catapult (ESC) issued a report in which it considers the feasibility of setting up an independent regulator to plug some of the gaps in carbon accounting regulation and shift to a data driven net zero economy. ESC launched its two-year Operationalising a Carbon Regulator project in July 2023 to answer the question of "What does regulatory oversight for carbon accounting and emissions data look like in a net zero economy?".

ESC sets out that it considers that reliable and trustworthy emissions data will be essential to the functioning of a net zero economy and that while some carbon accounting regulations and regulators already exist, for example the Environment Agency being responsible for the UK Emissions Trading Scheme, such regulations are disparate and specific to individual policy mechanisms. Highlighting that there is currently an absence of consistent, economy-wide oversight for carbon accounting and monitoring, reporting and verification (MRV) of emissions data, it proposes to introduce an independent Carbon Regulator.

As such, through its project, ESC aims to understand how a Carbon Regulator would work with existing regulators and support net zero; how the regulator would support the development of new standards; and how the regulator would be independent. It intends to publish its learnings through a series of reports. The first report explores the foundations of regulation, the feasibility of setting up a new regulator and draws on insights from regulatory experts in other sectors.

One of the main findings from the first report is that government support will be needed to promote coordination across sectors with regards to carbon accounting, as existing regulatory activities have been siloed which risks inconsistencies of carbon accounting methodologies. Another finding is that, as carbon accounting is a relatively new area of business activity, it may be preferential to promote standardisation primarily using principles and encourage more prescriptive rules to be co-developed with industry over time.

ESC



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