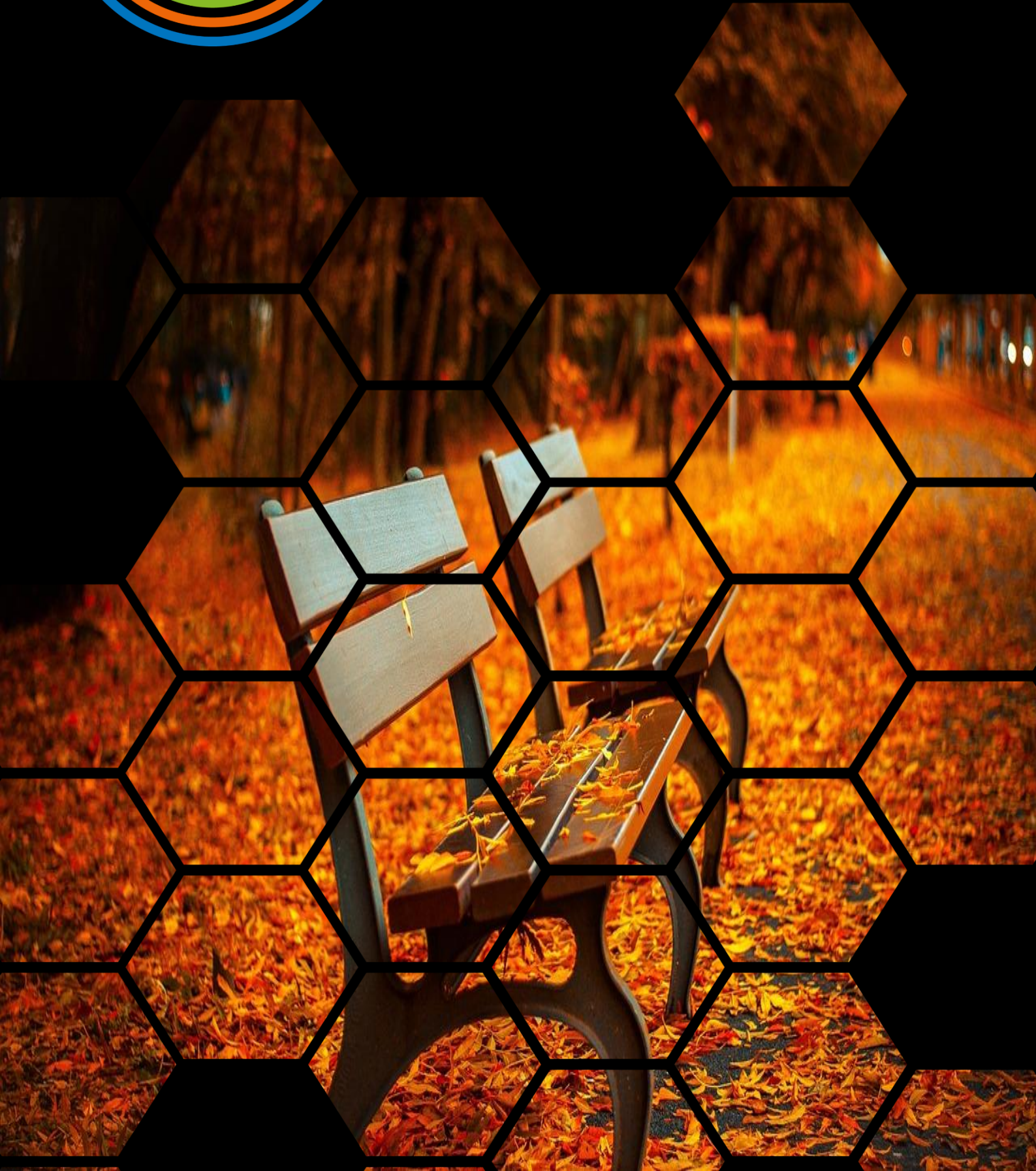




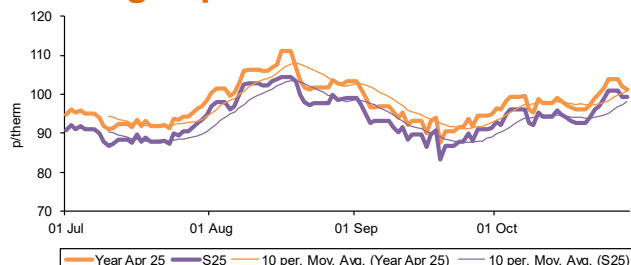
Digital Energy Element

November 2024

Trending Markets Drift Higher



Annual gas prices



In October, we observed near-term pricing (particularly on the day-ahead contract) return to bullish growth, after primarily recording losses in September. A higher level of price risk remains baked into longer-dated contracts as we approach the beginning of the winter season without the significant and equally historic contribution of Russian natural gas, and the end of the Ukraine Transit Deal in December, in which Europe may lose approximately 5% of its gas supply.

As a result, on average, seasonal gas contracts from summer 25 to summer 27 were 4.3% higher in October compared with the previous month. Winter 25 gas prices represented the highest average contract price in October at 101.79p/th.

Competing market fundamentals were reflected in price movements in October. Bullish price movements at the day-ahead level were seen predominantly in the latter half of the month. We observed tight system margins across the final week in October where wind output was notably low, placing higher reliance on more expensive gas-fired generation plant called upon to meet demand, with prices rising to 108.50p/th on 25 October, the highest level seen since December 2023. Prices also saw support stemming from the ongoing conflict in the Middle East, and maintenance across the UK and Norwegian Continental Shelves, in tandem with lower temperatures increasing gas-for-heating demand across GB.

However, bearish market drivers remained consistent in October overall, capping price rises, with a strong influx of LNG continuing to reach UK landing terminals and supporting the immediate supply/demand picture, and strong EU gas storage stocks limiting concerns surrounding winter gas supply.

Consequently, we saw day-ahead gas rise, up 14.3% to average 98.61p/th. Front-month contracts were also up 6.9% on average from September, with November 24 averaging 100.97p/th and December 24 at 103.04p/th.

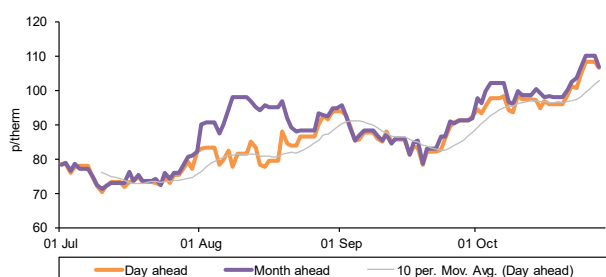
Day-ahead power prices followed their gas counterpart higher – up 11.8% on average to sit at £87.25/MWh, reaching the highest level seen since December 2023 at £107.66/MWh on 29 October. Elsewhere, seasonal power prices were up 1.1% on average from summer 25 to winter 26.

The strong upward momentum on near-term domestic gas prices set a bullish direction for power prices to follow. Much like gas, the tail-end of October represented elevated prices to the monthly average. Similarly, on 14 October, the National Energy System Operator (NESO) announced the cancellation of the Capacity Market Notice. Triggered by the margin being below the threshold set out in the Capacity Market Rules, the Notice was originally posted at 12.03pm on Monday 14 October – to be active from 4:30pm on the same day. The Notice was then cancelled at 2.05pm on Monday 14 October.

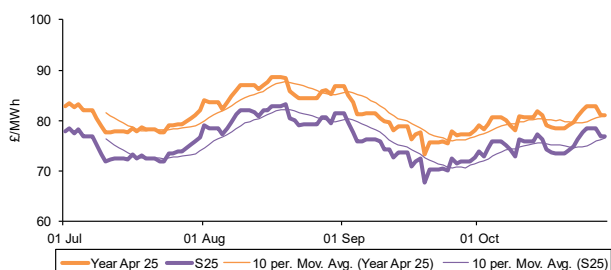
Brent crude prices rose 3.7% to \$75.60/bl, opposing the notable bearish movements seen in the month previous, due to supply concerns stemming from Hurricane Milton, with this bullish movement being strengthened by the conflict in the Middle East. Goldman Sachs stated that oil prices are expected to average \$76.00/bl in 2025 due to sufficient global spare capacity. It was noted though that geopolitical risks from the Middle East conflict could lead to sudden increases in oil prices at any time.

Elsewhere, carbon markets in both the UK and Europe registered downwards movements. The EU ETS fell 2.5% to €63.86/t and the UK ETS fell 5.4% to £38.29/t.

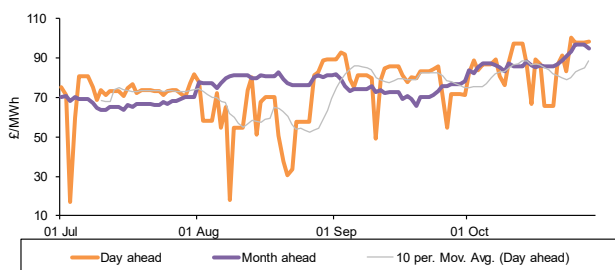
Spot gas prices



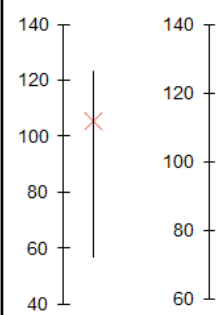
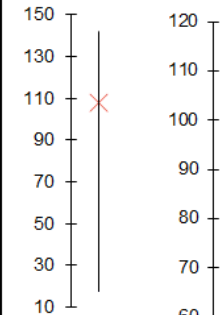
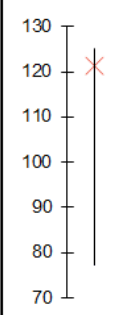
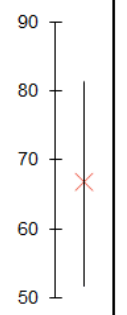
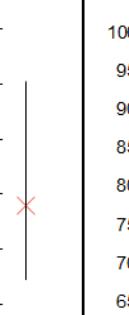

Annual power prices



Spot power prices



Key market indicators: 29/10/2024

		Gas (p/th)		Electricity (£/MWh)		Coal (\$/t)	EUA Carbon (€/t)	UKA Carbon (£/t)	Brent crude (\$/bl)
		Day-ahead	Year-ahead	Day-ahead	Year-ahead				
This month	29 Oct 24	105.50	97.34	107.66	78.90	121.35	66.81	39.01	71.05
Last month	30 Sep 24	92.60	95.91	71.32	81.28	119.00	65.29	36.46	71.99
Last year	31 Oct 23	109.00	120.78	75.00	107.44	119.00	78.75	38.35	88.15
Year-on-year % change		(3%)	(19%)	44%	(27%)	2%	(15%)	2%	(19%)
Year high		123.50	135.48	142.00	116.45	125.25	81.35	50.25	90.72
Year low		56.70	70.16	17.26	66.41	77.30	51.60	32.30	69.49
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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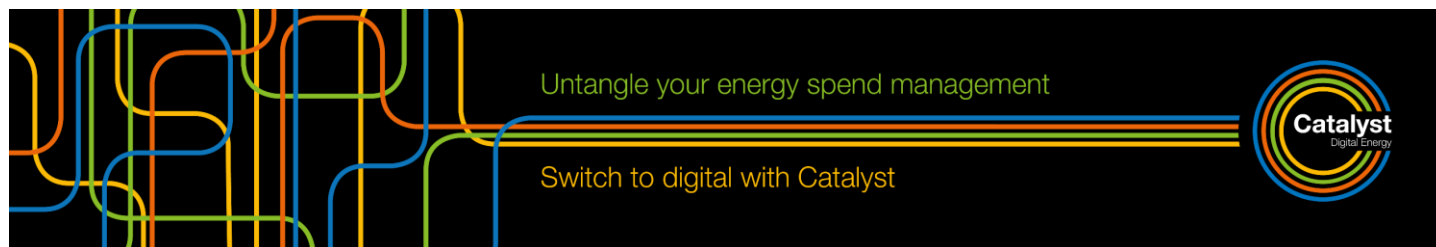
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Government publishes its Autumn Budget for 2024

On 30 October, the Chancellor of the Exchequer, Rachel Reeves, presented the new Government's first Autumn Budget, which outlines the Government's plans in relation to the energy sector. Announcements include:

- An increase to the Energy Profits Levy (EPL) – It states the rate of the EPL will be increased from 35% to 38% - removing the 29% investment allowance – and extending the levy until 31 March 2030. The Government has noted it will consult in early 2025 on how the oil and gas tax regime should respond to price shocks once the EPL ends in 2030.
- Infrastructure investment and development – the budget outlines the funding which will be made available to boost the net zero transition and grow UK clean energy industries. It states that £3.9bn will be invested into Carbon Capture, Usage and Storage Track-1 projects, £125mn to go into Great British Energy and £2.7bn of funding to continue the development of Sizewell C through 2025-26.
- Announcement of industrial strategy – Ahead of the full modern industrial Strategy's publication in spring, the Government has committed funding across a range of research and development areas including aerospace and zero emissions vehicle manufacturing.

As part of the Autumn Budget 2024, the Government also announced changes to Climate Change Levy (CCL) rates from 1 April 2026. It stated that the CCL rates for electricity, gas, and solid fuels will be raised in line with the Retail Price Index, while the rates for liquified petroleum gas will be frozen. It notes that the reduced rates of the CCL achieved through Climate Change Agreements will remain at an unchanged fixed percentage of the main rates.

UK Government

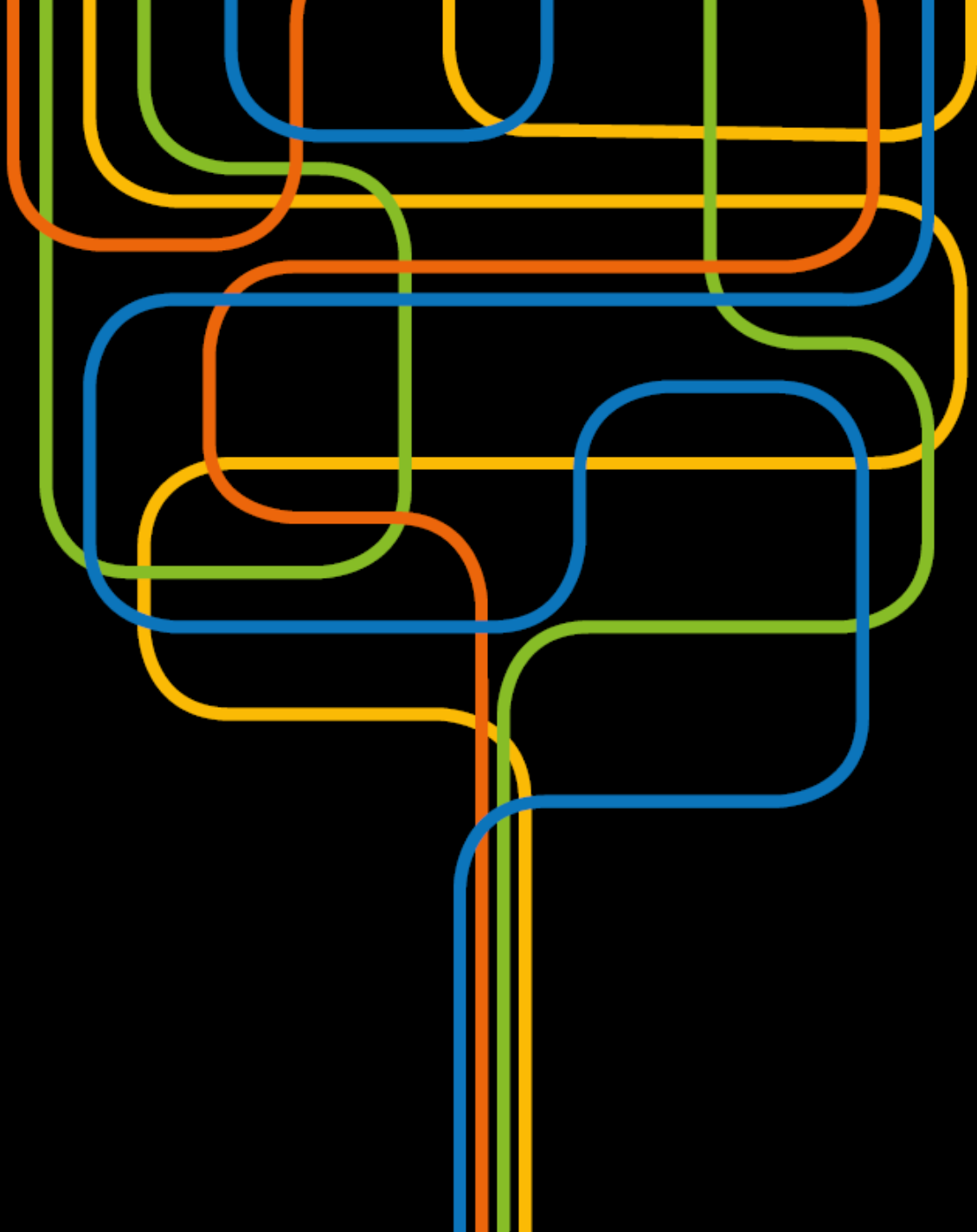
DESNZ responds to CCA consultation

On 16 October, DESNZ published its response to the Climate Change Agreements (CCA) consultation, which re-affirms the new six-year CCA scheme. The scheme is voluntary and encourages businesses in energy intensive industries to reduce carbon emissions through targets negotiated and agreed upon with the Government. If these targets are met, businesses will be provided with reduced Climate Change Levy (CCL) rates.

Based on the consultation responses, the Government published several decisions on the CCA scheme, including the decision to start the scheme from 1 January 2026 rather than the proposed 1 January 2025, allowing the Government and businesses more time to implement the proposed changes. As a result, the scheme will have targets explicitly covering the five-year period between 2026 and 2030, however the targets will be set assuming continued progress in 2025 where there is a gap in Target Periods.

The Government confirmed that, subject to parliamentary approval, new sectors will not be able to join the scheme until 2027, whereas new entrants in existing sectors will be able to join the scheme between 1 January and 31 August every year and will not be required to wait a minimum period before applying for CCL relief. The UK Emissions Trading Scheme will not be included in CCA targets, but will be collected to inform target setting, and the scheme will move to reporting at the facility level, with "light touch" annual reporting on energy usage and emissions data to be introduced at the end of year one of a two-year Target Period. Penalties available to the Environment Agency will remain the same as in previous schemes with a minimum penalty of £500, and surplus will be able to be carried forward within the scheme, but not from TP6. The introduction of additional reporting on energy efficiency and decarbonisation potential will not be taken forward.

DESNZ

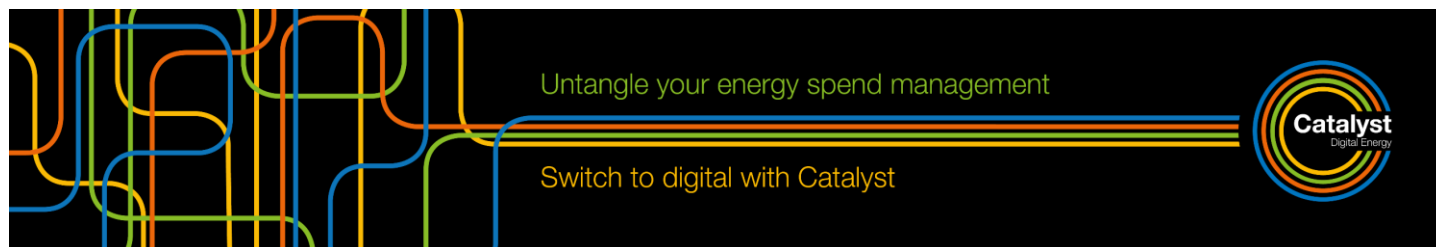


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UK Government publishes UK CBAM consultation outcome

On Wednesday 30 October, announced as part of the Autumn Budget 2024, the Government published its response to its March 2024 consultation on the introduction of a UK carbon border adjustment mechanism (CBAM) from January 2027.

In its response document, the Government confirmed that a UK CBAM will be introduced on 1 January 2027, which will place a carbon price on emission intensive goods imported to the UK from the aluminium, cement, fertiliser, hydrogen, and iron and steel sectors. It was deemed that the CBAM will not cover the glass and ceramics sectors in 2027, as proposed, but the sectoral scope will be kept under review.

It stated that introducing a UK CBAM will ensure that the trading of carbon intensive goods, from overseas, will face a comparable carbon price to those that are produced in the UK. The scheme is intended to address the additional risk of carbon leakage in the UK from the mid-2020s, which the Government defines as 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.

UK Government

Businesses write to secretaries of state over zonal pricing concerns

On 7 October, UK Steel announced that a number of trade associations, businesses, and unions have written to Secretaries of State, Ed Miliband and Jonathan Reynolds, raising concerns over electricity market reforms, focusing on electricity market reforms and specifically the proposed zonal pricing model. The signatory group considers that splitting GB into regional price zones would undermine investments made in low carbon energy with concerns that it could lead to higher electricity costs for the UK's energy intensive industries in globally competitive sectors. It calls on the Government to rule out zonal pricing and commit to a reformed national market programme that will support investment and best deliver secure, competitive, low carbon energy to the UK's industry.

Commenting on the letter, UK Steel stated that "as the steel industry further electrifies, it needs lower power prices, not higher" and notes that the rejection of zonal pricing will "provide the steel industry with the certainty it needs". RenewableUK also commented, noting that zonal pricing would "create unacceptable risks for a range of sectors".

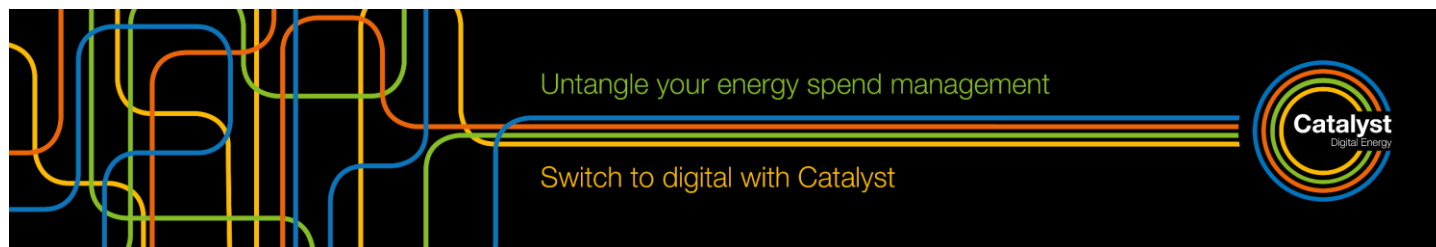
UK Steel

Modern Industrial Strategy and Advisory Council Launched

On 14 October, the Government announced the launch of a modern Industrial Strategy and a new Industrial Strategy Advisory Council ahead of the International Investment Summit. It notes that the launch is expected to deliver long-term growth and a pro-business environment in the UK. The strategy focuses on eight growth driving sectors, including: advanced manufacturing, clean energy industries, creative industries, defence, digital and technologies, financial services, life sciences and professional and business services. These sectors have been identified as having the highest growth potential for the next decade, with the strategy aiming to capture a greater share of internationally mobile investment in strategic sectors, as well as motivating domestic business to boost investment and scale their growth.

Further, it notes that a green paper has been published to support the delivery of the Government's modern Industrial Strategy, with views sought from businesses by 24 November 2024. It states that this will help to inform the development of the new Industrial Strategy.

Government



DESNZ announces England's first heat network zones

On 25 October, DESNZ announced that Leeds, Plymouth, Bristol, Stockport, Sheffield, and two areas in London will receive a share of £5.8mn to develop England's first heat network zones.

The delivery of the zones will see the use of data to identify the best locations for development and to help plan and build the technology at scale. Construction of the zones is anticipated to start in 2026 and is expected to help create tens of thousands of jobs relating to engineering, planning, and construction.

The Government states the learning from these pilots will help to inform the work to reduce bills, enhance energy security, and achieve net zero by 2050, while providing businesses and building owners with "low-cost, low-carbon heating".

Responding to the announcement, the Chief Executive at the Association for Renewable Energy & Clean Technology (REA), Trevor Hutchings, said the "commitment to developing the first heat network zones in the UK marks a significant and welcome step in the journey to decarbonise heating. As demonstrated across many European countries, heat networks play a critical role in reducing carbon emissions, lowering consumer costs, and creating local jobs and skills."

DESNZ, REA

ESC releases report on a UK Carbon Regulator

On 16 October, Energy Systems Catapult (ESC) released its Operationalising a Carbon Regulator report, which aims to guide the development of a robust regulatory framework for carbon accounting in the UK.

ESC states that a Carbon Regulator would be "crucial" to the standardisation of carbon accounting practices, emphasising that the implementation of a Carbon Regulator is essential for the functioning of a net zero economy by: reducing investment risks; building investor, business, and consumer confidence; and levelling the playing field for innovators.

The report outlines that a UK Carbon Regulator could utilise its potential position as a first mover to promote the credibility of UK low carbon industry, while demonstrating the value of nationally coordinated carbon accounting regulations. In delivering this, ESC notes that a Carbon Regulator would require a mandate to enable continuous international engagement. It makes several recommendations to facilitate this, including:

- **Harmonisation of global carbon accounting standards:** The harmonisation of carbon accounting standards would align the different methodologies and reporting requirements to create more consistent approaches for measuring and reporting greenhouse gas (GHG) emissions and defining thresholds for low carbon products, reducing the administrative burden on the UK industry. ESC states that this could be achieved through the design and development of national policies – which could then be promoted through international engagement.
- **Enhanced coverage of sector-specific carbon accounting resources:** ESC highlights that this coverage is needed across the international landscape to address diverse emissions reporting needs, promote accurate data collection, and enable effective sustainability measures for industry.
- **Improving exchange of interoperable emissions data:** ESC recommends that the implementation of a digital infrastructure, to facilitate the interoperability of emissions data, will result in greater transparency of how firm's – and the UK's – industrial emissions are progressing towards emissions reduction targets.

ESC



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