

ADVANTAGE UTILITIES

YOUR COMPETITIVE ADVANTAGE

QUARTER 4 - 2022 BUYING REPORT



CALMER SEAS FOR NOW?
MARKET SWINGS EXAMINED



ENERGY BILL RELIEF SCHEME "THE
FORENSICS FOR THE NEXT 6 MONTHS"



"IN THE MEANTIME, COMPANIES
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AND INCREASE DIRECT ENERGY
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CARBON ACCOUNTING
AND YOUR JOURNEY
TO NET ZERO
- ISSUES & SOLUTIONS



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CALMER SEAS FOR NOW? MARKET WINGS EXAMINED

Since our last quarterly report and interim updates, we have seen the market return to bearish movements after the latest spike caused by the news that Nordstream 1 would drop to zero flows due to 'maintenance' issues cited by Russia. This was compounded by concerns at the time that EU members could not agree on energy measures to counter Russian supplies, something that has since been resolved.

A drop in oil prices, mild temperatures and enhanced European storage has helped to drive levels down from the August peak.

Current supply/demand status remains healthy as the UK and Europe continue to move away from Russian supplies, with new/additional LNG arrivals coming from the U.S, Qatar, Australia, and Nigeria amongst others.

A new pipeline is now up and running under the Baltic Sea to bring 10 billion cubic meters of gas from Norway to Poland via Denmark (an extension to the current Europipe 2 that runs from Norway to Germany). Additionally, a new pipeline between Greece and Bulgaria with 3 billion cubic meters capacity will be increased to accommodate 5 in the future.

By contrast, Nordstream 1 has the capability to flow 55 billion cubic meters of gas per annum.

There is a plethora of projects being fast tracked over Europe such as nuclear, solar, wind and hydrogen, as well as plans to delay aging nuclear and coal plants from decommission, and a return to fracking exploration in the UK. We also see UK Rough gas storage come out of retirement to help with gas storage and LNG imports.

Recently, we have seen further examples of Russian supply issues and a wider fear of supply is still very much present. This will continue to be the case for at least the next 12-18 months.



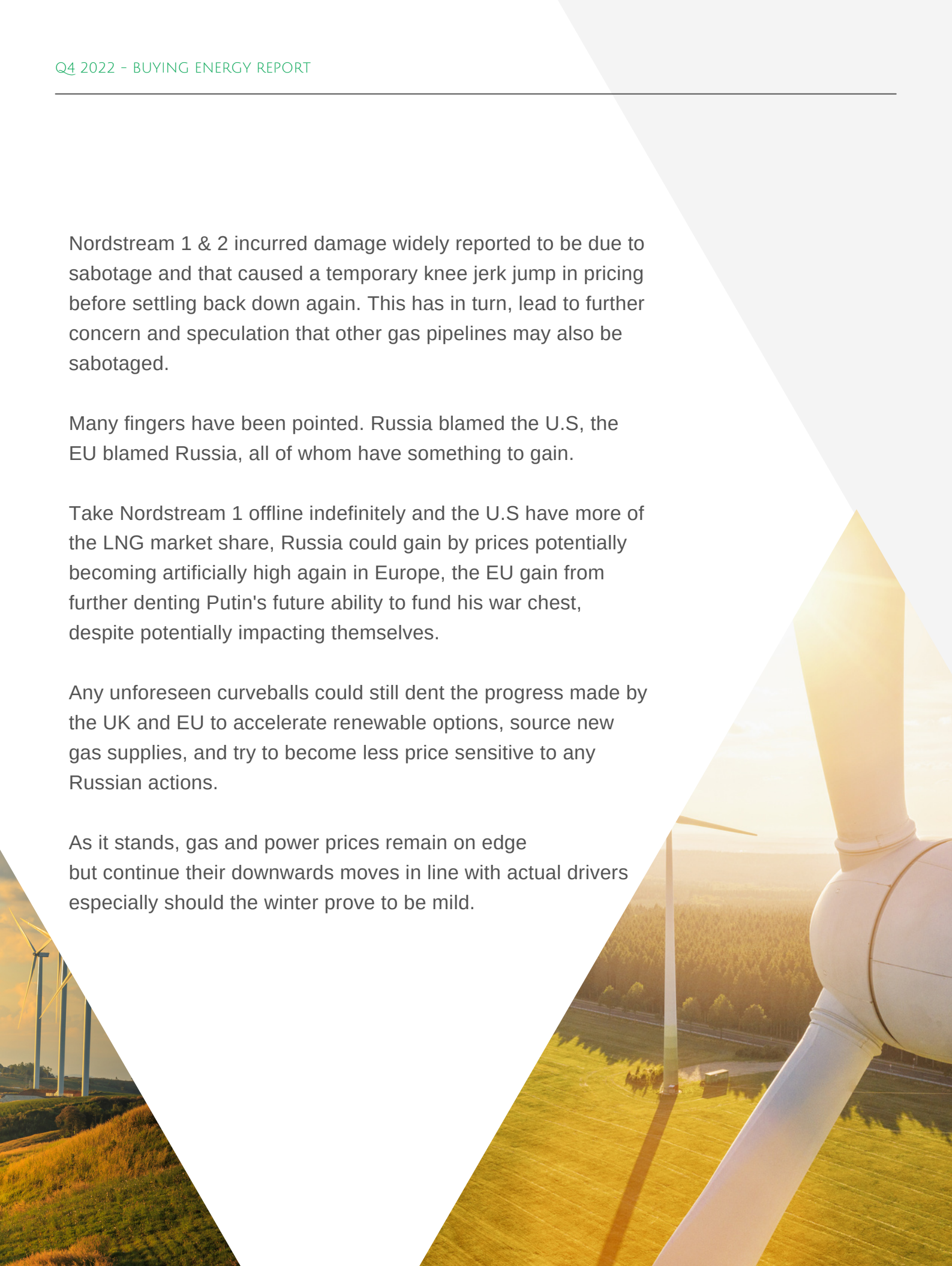
Nordstream 1 & 2 incurred damage widely reported to be due to sabotage and that caused a temporary knee jerk jump in pricing before settling back down again. This has in turn, lead to further concern and speculation that other gas pipelines may also be sabotaged.

Many fingers have been pointed. Russia blamed the U.S, the EU blamed Russia, all of whom have something to gain.

Take Nordstream 1 offline indefinitely and the U.S have more of the LNG market share, Russia could gain by prices potentially becoming artificially high again in Europe, the EU gain from further denting Putin's future ability to fund his war chest, despite potentially impacting themselves.

Any unforeseen curveballs could still dent the progress made by the UK and EU to accelerate renewable options, source new gas supplies, and try to become less price sensitive to any Russian actions.

As it stands, gas and power prices remain on edge but continue their downwards moves in line with actual drivers especially should the winter prove to be mild.





Nordstream 1 & 2 incurred damage widely reported to be due to sabotage and that caused a temporary knee jerk jump in pricing before settling back down again. This has in turn, lead to further concern and speculation that other gas pipelines may also be sabotaged. You will see from the above gas and power graphs that even before the cap announcement, prices for day and month ahead are performing much better nearer delivery than seasonal, and the advice as before remains the same for flex customers to purchase on the spot market rather than contemplate longer term purchases. We will of course continue to monitor open positions beyond the current winter period for any purchasing opportunities that may arise, as the market tries to find a 'new normal' price level.



ENERGY BILL RELIEF SCHEME

“THE FORENSICS FOR THE NEXT 6 MONTHS”

We have also had confirmation that government support will be offered to both domestic and non-domestic consumers.

Regarding non-domestic users, this has come in the form of a ‘cap’ set at £211 / MWh for power and £75 / MWh to help businesses over the 6-month winter period for Oct 22 to March 23 inclusive. Please note that this applies to **wholesale costs only**.

The discount applied will be in pence per kilowatt hour (p/kWh) and will appear automatically on qualifying bills covering the month of October onwards.

For contracts fixed from 1 April 2022 the discount will reflect the difference between the cap and the relevant wholesale price for the day the contract was agreed. The government will publish the wholesale prices we will use for calculating this for each day from 1 April 2022.

For variable, deemed and all other contracts, the discount will reflect the difference between the government supported price and relevant wholesale price, but be subject to the ‘maximum discount’. **For this reason, we stress that falling out of contract onto deemed rates is to be avoided at all costs.**

We are awaiting some finer detail, particularly around flexible contracts who will benefit from equivalent support. As soon as we have more details, we will relay this to you as soon as possible.

Full details can be found [HERE](#)

<https://www.gov.uk/guidance/energy-bill-relief-scheme-help-for-businesses-and-other-non-domestic-customers#full-publication-update-history>.





HOW WILL THE 'CAP' POSITIVELY INFLUENCE NET-ZERO SOLUTIONS?

During the past 12 months, the UK has experienced unprecedented increases in the cost of electricity and gas. As a result, this has rapidly advanced the agenda of installing technologies to enhance onsite generation and onsite efficiency. This is echoed recently by our Prime Minister to the tone:

“In the meantime, companies with wherewithal need to be looking for ways they can improve energy efficiency and increase direct energy generation”.

- 1) Economic savings
- 2) Environmental benefits
- 3) Resource allocation

The greatest benefit of the price cap is now to enhance the consumer confidence relating to their allocation of resources. Knowing how energy spending will be for the foreseeable future allows key decision makers to accurately determine budgets. As a result, net-zero roadmaps can confidently integrate known financial models with accurately modelled economic and environmental benefits associated with each technology.

Of course, the environmental benefits associated with onsite generation (e.g., solar PV) and onsite efficiency (e.g., LED lighting) are apparent. Grid sourced energy is currently fundamentally non-environmentally friendly due to the origin of its generation. Therefore, having green-minded onsite generation and decreasing grid consumption through onsite efficiency will benefit many sites. Furthermore, the economic savings have profoundly enhanced over the past decades due to enhancements in technologies and optimisation of manufacturing and supply chain process. As a result, the typically return on investment for many technologies is from 1 to 5 years.

In essence, business now know what they are spending, what resources they have to mitigate their grid consumption, and the timeframes to initiate these technologies. At Advantage Utilities, we have excellent in-house expertise to guide these decision-making processes and facilitate the design and installation of these technologies.





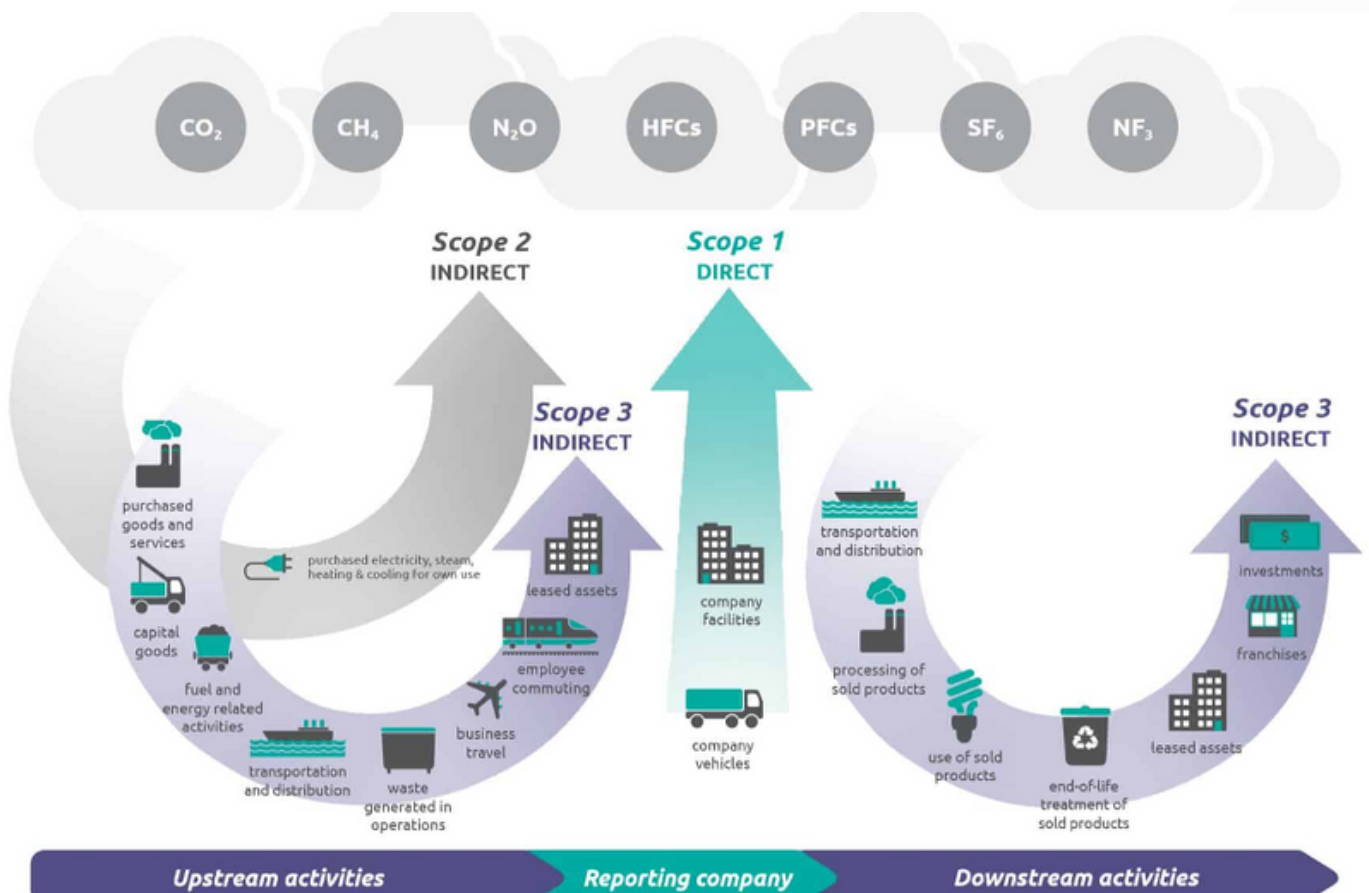
HOW WILL THE 'CAP' POSITIVELY INFLUENCE NET-ZERO SOLUTIONS?

The Issue:

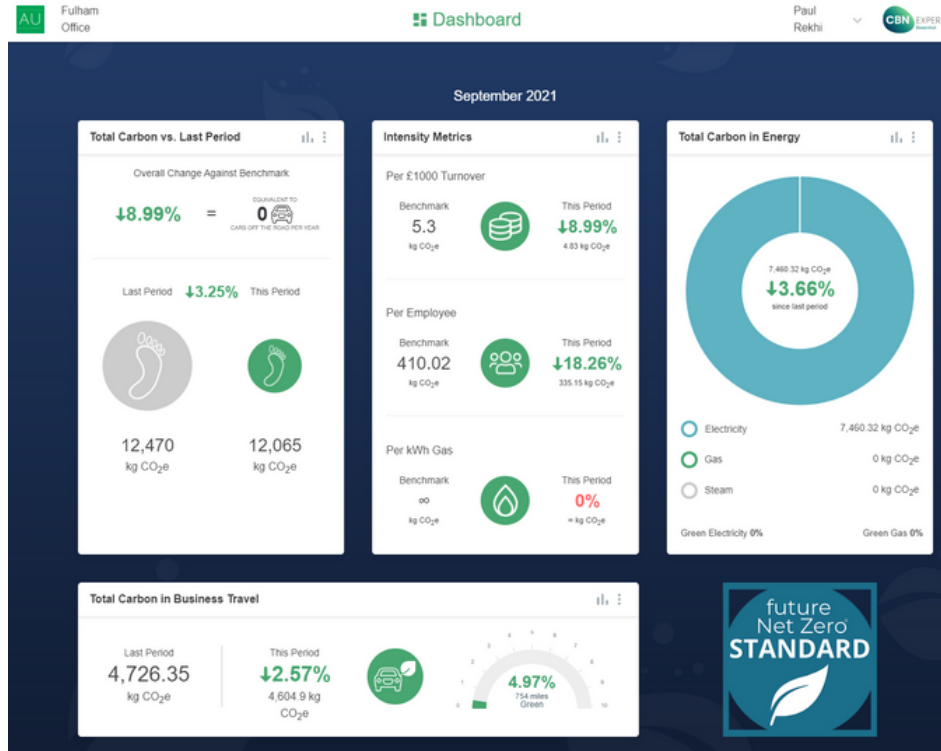
Aside from energy costs, pressure on businesses from various sources to be environmentally aware and manage their carbon footprint has never been greater. A trend that is almost certain to continue and we are seeing a huge uptake in demand from businesses wanting to address their Scope 1, 2 and in many cases Scope 3 emissions.

The Solution:

We offer a full range of services to address this requirement from monitoring and reporting your scope 1,2 and 3 carbon emissions through to certification and offsetting to complete your journey. Our customer journey begins with monitoring and measurement – “If you can’t measure it, you can’t manage it”



BN Expert Professional is an international Carbon Accounting platform in which users can create and report multiple sites across different countries or locations as needed.



Powered by UK and Internationally published Carbon Conversion Factors, CBN Expert Professional adds:

- Full Scope 3 reporting
- SECR reporting capability
- Customisable emissions categories aligned to individual businesses
- Analytics suite to generate fully bespoke reporting
- Customisable carbon intensity metrics
- Create, track and report specific projects
- Track and report the financial impact of saving carbon
- Upload data directly from excel
- Carbon Footprint Action Tracker to show what's driving changes in your emissions



It's important for reporting and receiving companies to demonstrate that the GHG Emissions being reported, as well as the amount and route taken to reduce emissions is robust, in line with Science Based Targets and correct.

The future Net Zero Standard is an independent validation of an organisation's carbon accounting and enables an organisation's stakeholders to understand how the carbon data was collected, the processes used, how the carbon calculations were undertaken and to ensure a valid representation of an organisation's carbon impact.

The future Net Zero Standard is working towards BS EN ISO/IEC 17029:2019 and its seven principles – Impartiality, Competence, Confidentiality, Openness, Responsibility, Responsiveness to complaints and Risk-based approach.

The combination of Carbon Accounting and Annual Auditing both aligned to the GHG Protocol reporting standard ensures that users can provide robust reporting which their stakeholders can rely on being correct.

Thereafter, if desired, Advantage Utilities buy in bulk Gold Standard, Verra VCS and UNFCCC verified carbon credits, widely renowned as being World leaders in the field and sell them at competitive prices to clients wishing to offset emissions as part of their commitment to reduce the environmental impact of their respective business activities.

Our credits typically range from £5 - £20 per credit and each credit equates to 1 tonne of Carbon.



DRIVERS

BEARISH

- LNG arrivals to Europe and UK
- Current mild weather
- Potential mild winter
- EU and UK acceleration of projects and extra supplies
- Carbon Price
- Oil Price



RANGEBOUND

- Coal Price
- Nordstream current status



BULLISH

- Russia/Ukraine on-going crisis
- Poor £ Sterling performance
- Harsh winter
- Asian LNG demand



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