



Market Intelligence

October 2021

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GAS REVIEW



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Gas Review

The gas market is still feeling the effects of last month's extreme volatility but the gains during October have been less significant, although it is too early to claim prices may have hit a ceiling.

The main focus now is on Russia, with Moscow claiming that Europe will not receive any additional gas unless the controversial Nord Stream 2 pipeline is given regulatory approval. An increase in supply from Russia may be the continent's best option in terms of avoiding a supply crisis but opposition against the pipeline remains. In addition to this, daily flows from Russia have also dropped during October as Gazprom looks to refill its domestic storage facilities before the sites it operates in Europe.

An agreement with Russia is still some way off and we are unlikely to see any major downturn in prices before this happens.



ELECTRICITY REVIEW



Electricity Review

The fortunes of power are strongly linked to gas and movement on wholesale markets has been almost a mirror image.

Experts have amended their European carbon market average price forecasts upwards, as the majority of nations have increased reliance on coal-fired power generation, resulting in strong demand for carbon permits.

EU Carbon Allowances are expected to average €55.88/tn in 2021 and €69.87/tn in 2022.



OIL REVIEW



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Oil Review

Crude oil prices reached a 7-year high at the beginning of October and have continued to climb throughout the month, reaching a high of around \$86/b.

Oil markets have found strong support from reduced global oil drawbacks and of course the current energy supply picture in Europe.

In the US, fuel demand has recovered to pre-pandemic levels which has seen a significant decline in inventories. However, facilities in the Gulf of Mexico are almost entirely back online following Hurricane Ida, boosting production.



MARKET INFO



Market Info

Scottish Power has warned of a supplier 'massacre', predicting that a further 20 suppliers could go out of business if the government does not review the energy price cap. 13 suppliers have already gone bust since September following the dramatic rise in wholesale costs.

Scottish Power Chief Executive, Keith Anderson, said: "We expect, probably in the next month, at least another 20 suppliers will end up going bankrupt."

"There is a significant risk you could see the market shrink all the way back to five to six companies."



Energy Matters – TP5



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Don't be scammed by false EII Compensation claims

Recently there have been calls for government to introduce measures to alleviate the problems faced by industry in the face of the current energy crisis. Hit by four-fold increases in the cost of electricity and natural gas over the course of the past year, it goes without saying these are difficult times for businesses so any help is welcome.

Capping business energy bills, the temporary removal of VAT and the short-term suspension of non-commodity costs (in particular green taxes) have all been mentioned as possible options.

Another option is to open up eligibility for EII Compensation Scheme, which awards exemptions to eligible Energy Intensive Businesses for up to 85% of the costs in their electricity bills due to the Contracts for Difference, Renewables Obligation and small-scale Feed-in Tariffs.

At present, a business must pass a 20 per cent electricity intensity test to be considered for the scheme. Eligible sectors are defined by a four-digit NACE (Nomenclature des Activites Economiques dans la communaute Europeenne) Code.

As things stand, however, the Department for Business, Energy and Industrial Strategy (BEIS) have rejected proposals to reduce this threshold and 'capture' more companies, which makes a mockery of wild claims by some unscrupulous energy brokers that your company could be set to save anything up to £200,000.

The reality is that very few EII companies qualify for the scheme – based on the latest figures published by BEIS – so it is prudent not to be drawn in by the headline figures, and risk giving your energy data away without due diligence, says Energy Management National Account Development Manager Ian Scattergood.

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“Don’t be scammed into providing contract or energy supply information without sense checking the details with us first,” he advised

“From the applications we have processed so far it would appear that those businesses that are run profitably and efficiently are less likely to be successful.”

You may also be approached about other schemes introduced by the government to encourage the decarbonisation of the economy.

One is the Industrial Energy Transformation Fund (IETF) which is now in Phase 2 and provides around £220 million in funding between Autumn 2021 and 2025. It is designed to support the development and deployment of technologies that enable businesses with high energy use to transition to a low carbon future.

Meanwhile, certain companies operating mineralogical and metallurgical processes (MinMet) will be exempt from the Climate Change Levy (CCL). This measure was introduced in April 2014 to ensure a competitive playing field exists across the European Union for manufacturers of glass and concrete, for example.



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But it is important to note that this scheme is run through HMRC, who must be notified of your participation and require annual assessments. Any mis-claims are treated as fraud and it would be you, the business, not the consultant who signed you up to the scheme claiming eligibility, that would have to pay all money back plus interest and run the risk of a wider HMRC audit.

“We have heard of some cold calls of this nature where businesses have been signed up to schemes, they aren’t eligible for. It is the responsibility of the business to ensure they are happy the claim is appropriate,” added Mr Scattergood.

Energy Management, as the preferred knowledge partner to the Energy Management, provides you with independent, unbiased advice on all aspects of energy cost control including any exemption claims you may be eligible for.

For further information please email Ian Scattergood (is@energymanagementltd.com) or call on 01225 867722'