



Market Update

Flexible Space Association Members - Prepare for your 2022 energy renewal

The past year has been extremely challenging for the business energy marketplace, with prices quickly and constantly increasing from the beginning of 2021. These ultimately culminated in a significant spike in late September, triggering the collapse of many smaller energy providers.

If your energy contracts weren't up for renewal during 2021 then it's likely you have been shielded from the impact of these price hikes and not experienced the worst of the market, so preparation for energy contract renewal in 2022 is critical.

How bad has the market been?

In short - very bad! The UK has seen unprecedented prices for both electricity and gas and we regularly saw increases of 80% - 100% for many businesses.

Companies that had to arrange a contract renewal during or after the late September spike were most affected.

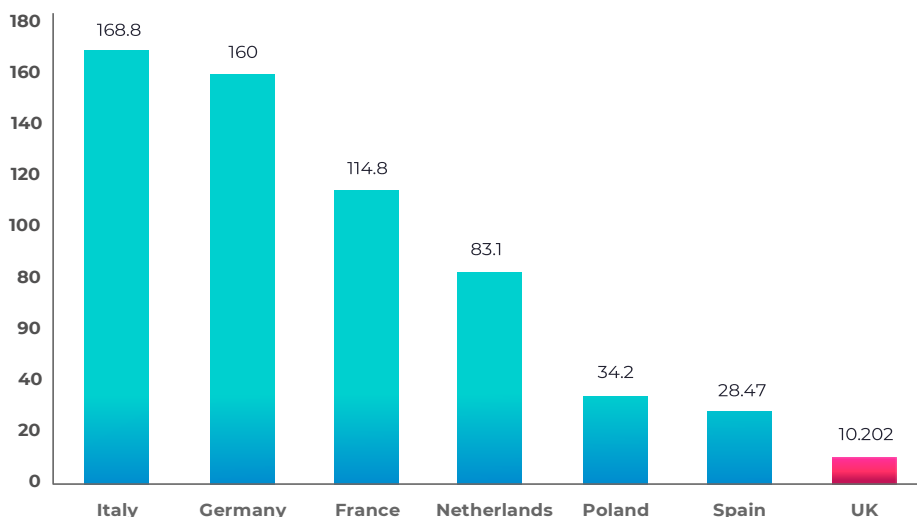
Although there has been some improvement since then, the UK is in the grip of an energy crisis unlike anything experienced in recent years. Prices remain at extremely high premiums and energy suppliers continue to fold under the pressure of price caps.

Having such limited gas storage capabilities means that we are highly susceptible to any supply and demand issues - particularly as Britain is heavily reliant on gas as a means to generate electricity.

This year has seen a revival in the global economy after the pandemic had caused many businesses to temporarily close their doors. This renewed demand for gas came at a time where supply from Russia and Norway had fallen, and this - along with several other smaller factors - has caused prices to rally.



European Gas Storage (TWh)





How to prepare for an energy renewal in 2022

It is likely that any business due for energy renewal in 2022 will see a marked increase in prices, so our main recommendation is to be proactive. Stay aware of the level of increase your business will be facing, to help manage and forecast budgeting. Continue to take steps to reduce energy consumption – even self-generating where possible – to offset the inevitable price increase. When it comes to energy procurement, our advice differs for those with a renewal early in the year and those set to renegotiate in late 2022.

Early 2022 renewals:

If your renewal is in the first half of 2022 then we would recommend securing a new contract as soon as you are able to, before colder temperatures increased demand and therefore inflate prices further.

We would urge you to look for more flexible contract terms, so you have the option to make changes in line with the marketplace. Enexus has access to contract structures that would allow you to secure a traditional fixed price, but with the freedom to renegotiate a new rate if the market price falls. Larger consumers should also consider switching from fixed to flexible contracts and buying energy requirements for single months or set periods. This would allow you to 'ride out the storm' and purchase smaller amounts of energy while the market is high, and track the market downwards as prices become more affordable.

Late 2022:

If you are due for renewal in the latter half of 2022 then we would urge you not to be rushed into a decision. Energy prices are still highly inflated right now, and there may be more cost-effective opportunities available later next year. If the UK experiences a mild winter, for example, prices will likely settle further. Russia has promised to increase flows of gas into Europe, which will

also provide downward pressure to the market if they are able to deliver on this promise.

This still requires action now – it is imperative to track the market as there may only be a small window of opportunity to secure a well-priced contract in 2022. Enexus can track the market on your behalf, alerting you to act when energy prices are at their lowest.

Enexus can help FlexSA members take proactive measures for your 2022 energy contracts. We can track the market on your behalf, source the very best prices and suggest alternative contract structures to ensure you buy energy in the most cost-effective way. We can also help you reduce consumption and guide you to lasting savings on your energy costs.



**To see how we can help,
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