**FIRE SECTOR ENERGY SUPPLY UPDATE – JULY 2022**

In March 2022, the FM & Construction National Strategic Task and Finish Group was tasked to explore the impact of the emerging geopolitical events and continuous significant global economic and financial challenges on the cost of energy supply (gas and electricity).

During April and May 2022, the Task and Finish Group undertook an initial engagement exercise with key energy brokers and public buying organisations such as Crown Commercial Service, Laser Energy and YPO, as well as direct energy suppliers. Following that, and through their continuous support and regular updates, we have been able to paint an (as far as possible) clear picture of forecasted price increases; albeit these are highly dependent upon constantly fluctuating market conditions.

Very early on in the engagement process, we were made aware that there was no intention from the Cabinet Office to lobby Ofgem for the purpose of introducing energy price caps for non-domestic customers. As such, the next step was to investigate current hedging strategies for the purpose of ascertaining whether a change in the trading terms could assist in managing more effectively cost increases and alleviating pressures on revenue budgets.

In April 2022, forecast price increases for the winter 2022 period were estimated as follows:

· Electricity – circa 70%;

· Gas – circa 110%

Further monitoring of trading markets in recent days indicates that energy cost predictions have worsened with an additional forecast percentage (%) increase on the current supply year inflated prices, as follows:

· April 2023 Electricity (L6 energy basket) – circa 58%; and

· April 2023 Gas (L6 energy basket) – circa 75%

Substantial percentage (%) price increases are also expected in relation to the L12 energy baskets as of April 2023.

Current forecasts are influenced by:

a. concerns around the significant reduction of the Nord Stream 1 gas flows (currently operating at just 40% capacity) and the continuous reduction of gas flows into Europe from Russia in response to the economic sanctions imposed by the European Union, expected to be announced as early as Wednesday 27th July 2022;

b. following on from points (a), continuous threat of European gas storages falling below an acceptable level (at some point levels dropped to just 25%). Although the European Union has implemented measures for the purpose of forcing storage operators to inject more gas with the view of reaching a 90% storage capacity by November 2022 and are now looking at additional voluntary energy consumption reduction measures, there are serious concerns around gas availability in the continent. Although we have different gas storages located within the UK, it is thought that these will not be sufficient to fully protect us from the risk of low gas levels during the winter 2022 period;

c. the potential of an industrial action of gas and oil workers in Norway which would have a direct and substantial impact on both UK gas availability and supply costs; and

d. a slow-down in the export of LNG into Europe and the UK.

In addition to the above, the impact on revenue budgets for Fire and Rescue Services will be heavily influenced by the selected energy basket and the hedging strategy implemented by their energy broker (i.e., CCS, Laser Energy, YPO, etc.).

In general, shorter-term baskets have proved to be more susceptible to market fluctuations and a move towards longer-term hedging strategies has started gaining traction. Nonetheless, any change to energy baskets and trading strategies will be highly dependent on the level of demand and the risk appetite of each Fire and Rescue Service.

See Next Steps below:

Laser Energy Benchmarking Project

Laser Energy, working collaboratively with the FM & Construction National Strategic Task and Finish Group in support of the national targets set for the Fire Sector by the Home Office and the NFCC, has offered to assist with the challenge of rising energy costs through the delivery of a benchmarking exercise, looking at the financial benefits that could be derived from the use of different energy baskets and longer-term hedging strategies.

The benchmarking exercise will also explore the potential of a bespoke basket for Fire.

The following Task and Finish Group members (and current Laser customers) have given their consent to participate in the benchmarking exercise:

· Bedfordshire FRS;

· Devon & Somerset FRS;

· Essex County FRS;

· Kent FRS;

· London Fire Brigade; and

· Royal Berkshire FRS

The results of the benchmarking exercise will initially be shared with the participating Fire and Rescue Services and, in the event it is evidenced that specific financial and / or commercial benefits can be achieved through changes to their current contracts, Laser Energy will assist with the onboarding process. For the avoidance of doubt, changes to existing arrangements will be introduced subject to each Service’s discretion.

Following that, benchmarking outcomes will be shared with the wider Fire Sector upon the submission of a duly signed Non-Disclosure Agreement.

Crown Commercial Service – Trading Strategy Review

CCS is currently in the process of undertaking a review of short-term trading strategies by considering whether moving to a longer-term trading strategy would help mitigate the rising market costs. Customers most affected are those in the L6 and V6 baskets as these are more market reflective.

Fire and Rescue Services are strongly advised to explore the benefits that could be derived as a result of making changes to their short term locked or short-term variable strategies. For the April basket customers, CCS requires a notice on or before 15th September 2022 and for October basket notice must be given on or before 12th March 2023. Changes to the trading strategies can be made at any time before then. New strategies would be joined in line with their purchasing windows.

It is also noted that CCS have taken the step to create a L24 energy basket, to be made available to public sector bodies for delivery as of April 2025.

Fire and Rescue Services who are currently purchasing their energy via CCS are strongly advised to contact the CCS Energy Specialist Team by sending an email to info@crowncommercial.gov.uk

For a prompter response, you may copy in the email communication the following two members of the CCS Energy Specialist Team quoting the FM & Construction National Strategic Task and Finish Group to ensure prompt attention. · John Moors – john.moors@crowncommercial.gov.uk · Samantha Turpin - samantha.turpin@crowncommercial.gov.uk

The CCS Energy Specialist Team has been working very closely with the Task and Finish Group members and will continue to do so through regular updates and collaborative working opportunities.

NFCC National Category Lead (FM & Construction) on behalf of the FM & Construction National Strategic Task and Finish Group Members