



ENGAGE

What happens after Kyoto?

CONTRACTION, CONVERGENCE AND DIVISION

Now that the climate agreement process has stalled, what happens when the first commitment period under the Kyoto protocol ends this year? Full story on page 6.

Summer edition 2010

A Unique Perspective

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UPCOMING EVENTS

A few highlights of events taking place this autumn...

What will be the effect of Europe being pulled by both Eastern and Western influences?



Energy Price Forecasting Conference

6th/7th October, London

October's Price Forecasting Conference will be based around the theme of European energy prices in a global context. Geographically, as well as economically and politically, Europe is sandwiched between two diverse sets of influences pulling in different directions. Seemingly unfettered demand growth in the East contrasts with a range of game changing supply side factors in the West such as gas shale, LNG and declining European production. Understanding both Europe's positioning between these diverse influences and their price effect is now more important than ever before for European energy buyers.

www.energypriceforecasting.com

6-7 October 2010, London



Risk Management and Strategy Workshop

27th October, Barcelona

Following the success of similar workshops in Düsseldorf, Paris, Amsterdam and Brussels in 2009, this intimate workshop returns with leading practitioners in the fields of energy and risk management, hosting a highly interactive session on how to implement a risk management strategy in line with your specific corporate energy structure. This is an essential event for any company who does not currently have a European-wide energy policy in place or whose current energy policy may be outdated given recent market volatility. Places are restricted to 10 participants to allow for maximum participation and interaction from the floor.



The Energy Event

8th/9th September, Birmingham

The Energy Event is one of Europe's largest exhibitions that focuses solely on energy procurement, management and efficiency. We will once again be exhibiting at the event, showcasing our expanded portfolio of services including live trading desk demonstrations from our trading team.

Visit us on Stand 252

Contact our events team to find out more about any of our workshops, seminars and conferences:
Tel: **+44 (0)20 7605 1022** Email: events@energyquote.com

MD'S MESSAGE

Welcome to 'Engage', your first quarterly newsletter under our new brand of EnergyQuote JHA.

We formally launched the brand in mid-July, thereby completing the final stage of the integration process between EnergyQuote and John Hall Associates Limited. Our new brand has been developed with you the customer in mind and so far the feedback we have received has been extremely positive.

Our aim is to offer something fresh and distinctive that sets us apart in the marketplace. Our key strapline 'A Unique Perspective' reflects the broad capability and expertise we are able to offer all of our customers, drawing on more than 35 years experience in the oil, power, gas and carbon markets. That we see things from a unique perspective is further explained through the use of a Swift as our new company logo as well as the aerial photography that you will now see across all of our new collateral.

Amongst other things, you will benefit from our streamlined range of publications that enhance the market intelligence you receive as well as improved reporting templates to help you track developments across your site portfolio. The sheer scale of this project means the rebranding of some items is still being finalised but it continues to be an exciting time for our business and we greatly value your ongoing support over this period.

I hope you find these changes positive and enjoy this issue.

Gary Worby
Managing Director
EnergyQuote JHA

Feedback/Suggestions

Please email us your feedback on our quarterly issues at: marketingcomms@energyquote.com

Our next issue

Our autumn newsletter will be published in October 2010.



CUSTOMER FOCUS

Lisa Dolman, Sourcing Manager at Nuffield Health, talks to us about her company's energy requirements, future purchasing strategy and the impact of increased environmental legislation.

Q Give us some background on Nuffield Health and your energy requirements?

A Nuffield Health is the largest trading charity in the UK and holds a unique position in the health sector. We provide healthcare services across a network of over 200 facilities in the UK including hospitals, clinics, fitness & wellbeing centres and diagnostic units.

In 2009 more than 750,000 people were able to improve or maintain their health through our products and services. As a not for profit organisation, all of our surplus profits are re-invested back into the business.

As an organisation we rely heavily on gas and electricity to power the equipment used in our facilities. Our gas and electricity demand is relatively constant throughout the year but, as per many organisations, has peaks and troughs throughout the day.

Q Has recent market volatility affected your purchasing strategy?

A Energy is a major component of our cost base and, as such, any changes could have a significant effect on our margins. Following on from a thorough review of our energy purchasing strategy and attitude to risk, we decided to move from a fixed price contract to a flexible contract in order to manage our exposure to pricing volatility.

Q What are your major considerations with regards to your energy purchasing strategy over the next two years?

A Our main concern as an organisation when it comes to energy is to have budget certainty as far as possible. As such, we need to ensure that our purchasing strategy is aligned to our financial budgeting periods and that the energy purchasing framework which is set (in conjunction with stakeholders from across our business) is adhered to.

Q How have you been affected by energy efficiency legislation such as the Carbon Reduction Commitment?

A We have recognised that as well as securing cost effective supply contracts, we need to reduce energy consumption within the organisation. As such, we have appointed an Energy and Environment Manager whose responsibilities include ensuring that Nuffield Health is in a good position to comply with all legislation as well as putting in energy saving measures.

Q What advice would you give fellow consumers in relation to energy purchasing?

A My main piece of advice is to set an energy purchasing strategy for your organisation. It is imperative that senior stakeholders from across the business are involved in this decision making process so that they understand and are bought into the strategy. EnergyQuote JHA has been invaluable for me in guiding me through this process as well as providing specialist market advice.



INDUSTRY NEWS

Contraction, convergence and division

A “wait and see” approach is alive and well in the ongoing climate debates that concluded the latest round in Bonn in June.

Thirty months after the Bali Roadmap was put in place to steer the world toward a new climate agreement a new post-Kyoto legally binding climate agreement remains an aspiration. Some commentators argue the fault lies with last December's fractious UN climate summit, yet if Copenhagen was meant to be the endpoint of the roadmap then surely the fault lies with the roadmap itself?

Regardless of where the blame should lie, one fact is indisputable; the climate agreement process has stalled and there will not be a new global agreement at the next annual UN summit in Cancun. Indeed some climate pessimists now fear that a deal at the 2011 summit in South Africa will also not be possible, raising serious questions about what happens when the first commitment period under the Kyoto protocol ends on 31 December 2012.



A measure of the divisions between countries at the Bonn talks was provided by the release of the latest UN draft negotiating text that proposes rich countries cut their emissions between 25-40% by 2020 with developing economies stopping emission increases by the same deadline. The text further outlines a goal of cutting global emissions by at least 50-85% from 1990 levels by 2050, with rich countries having to cut emissions by at least 50-95% relative to 1990 by 2050.

Above: Divisions between developed and developing economies continue to hinder the success of UN climate negotiations.

On paper the proposal seems fair; the argument being that developing nations need to grow their economies, which is best achieved without carbon constraints, while the already-developed economies of the rich nations can afford to apply some emission constraints, yet the worrying lack of trust between the blocs and the legacy of last year's recession suggest this is a non-starter.

At the heart of the climate debate is competition. Developing economies do not want to risk stalling their economic growth through carbon constraints, while the major developed economies have similar economic concerns in the post-recession climate. And if the European economic situation worsens, with more austerity measures introduced by governments to reduce mounting debt, this division between developing and developed economies will likely widen further.

Following the inconclusive end to the Bonn talks a group of climate scientists and campaigners wrote to energy and climate change secretary Chris Huhne, calling on him to stand by the Liberal Democrat manifesto pledge to push for an ambitious international climate treaty based on the contraction and convergence emission reduction model.

The letter calls on Huhne to convene a high-level public meeting to discuss the failure of UN climate negotiations and the extent to which a contraction and convergence model, whereby emission targets are based on an assumption that everyone is entitled to the same level of per capita emissions, could break the current deadlock between developed and developing economies on emission caps.



Above: UK Energy Secretary Chris Huhne is seen by many as a key figure in brokering breakthrough climate talks.

Few could argue against a model of reducing overall emissions while also equalizing emissions between developed and developing nations, which is the principle of contraction and convergence, but this is an ideology that is seemingly almost impossible to implement at the current time.

The latest UN negotiating text will do little to equalize emissions between developed and developing economies and will only harden the divisions between the two economic blocs. There is a growing sense of anger among developing economies that the rich nations are seemingly unprepared to pledge the significant emission cuts, while there is frustration among rich economies that the developing economies want to be exempt from any emission constraints.

Developing economies want emission contraction, with the onus on the rich nations to make the cuts, while the rich nations favour convergence as it supports economic competition. Arguably contraction has to precede convergence, yet this contraction also has to be fair and a 40% cut by the end of this decade with no emission constraints on developing nations is simply not.

Rather than embracing contraction and convergence the market is battling divisions, and only when these divisions can be erased can the forward momentum of climate action re-commence.



THE GREEN ROOM

Government Incentives Increase Wind Power

At the end of June, DECC released Energy Trends which reported on 2009 renewable statistics for the UK, as well as Q1 of 2010. It revealed that 6.6% of electricity was generated from renewable sources in 2009, with 3% of final energy consumption being from renewable sources. Installed capacity for renewable generation reached 8GW at the end of 2009, compared with 6.8GW in 2008.

The UK Government has a target for 15% of final energy consumption to be from renewable sources by 2020. So far the Government's policy focus has been on renewable electricity, with the Renewables Obligation being their main support mechanism. The Renewables Obligation has acted to support a range of technologies and for the 2008/09 year, 33% of ROCs went to onshore wind and 25% to landfill gas. While offshore wind only achieved 8% of the mix, this is the area that has the greatest potential to grow. Installed capacity reached 1GW in April; 40 GW of offshore wind capacity is now in the pipeline, with 30GW expected to come online during the second half of this decade. The Offshore Valuation Group, a collaboration of government and industry organisations, reported earlier this year that by using less than a third of the total available wind resource could generate the electricity equivalent of 1 billion barrels of oil annually.

Incentives are directed towards the generation and supply of green power, rather than encouraging end users to purchase renewable electricity. Indeed, the CRC energy efficiency scheme has a reduction in energy consumption as its aim, rather than encouraging the purchasing of low or zero carbon sources of energy, which is why it was renamed the "energy efficiency scheme" prior to its launch.

Enterprise is encouraged to install its own on-site renewable generation, where appropriate, for which it benefits through either ROCs (Renewable Obligation certificates) or from the FIT (Feed In Tariffs). The Co-operative Bank has reported seeing considerable increased interest in renewable technologies since the introduction of the Feed In Tariff scheme and it is understood that suppliers of renewable technologies, such as solar panels, have seen a dramatic increase in business.

Purchasing green energy does have an important place in terms of a company's Corporate Social Responsibility (CSR) and emission savings can be reported under Environmental Management Systems (EMS), such as ISO14001. Carbon offsets from investment in renewable energy projects can also be used in this respect. The 'greening' of the supply chain is increasingly evident, as purchasers question their suppliers' environmental credentials, with the aim of meeting their own environmental policy requirements. Therefore, accreditations such as ISO14001 can give a company a competitive advantage.

ENVIRONMENTAL TIP

According to The Carbon Trust, it is not uncommon for industrial installations to be operating at power factors of between 0.7 and 0.8, which is relatively poor. This leads to more power being drawn from the network, so costing more to achieve the same tasks. It can also incur a reactive power charge from the supplier. Power Factor Correction equipment has a finite life and if an installation is over 20 years old or if the layout has changed, an overhaul of equipment and having the site resurveyed could highlight potential for improvements.

GREEN STEERING COMMITTEE

May 2010 saw a new Green Steering Committee established at EnergyQuote JHA.

We now have 14 members from across the London, Horsham and Romania offices, 9 of which will be core members and meet on a monthly basis. The Committee is busy working towards energy efficiency targets, recycling objectives and a sustainable purchasing strategy.



SUPPLIER LANDSCAPE



Terry Tippell, Head of Business Sales at Scottish and Southern Energy, talks about the services they provide, working with EnergyQuote JHA and developing Green Policies.

Q Tell us a little about Scottish and Southern Energy and the services you provide?

A With more than 9 million customer accounts, Scottish and Southern Energy (SSE) is one of the leading energy companies based in the UK.

We have teams of experienced Account Managers and customer service support staff across England, Scotland and Wales who are dedicated to meeting the energy needs of business customers, regardless of their size, industry or location. Identifying the businesses key activities and operational constraints then matching them to the right contract and service is our priority.

Through working closely with business customers we've developed a number of services to help them with their energy management, reduce their energy use and hopefully lower their bills. These include:

- AMR/AMT Metering
- CRC advice and support
- Energy Solutions
- Flexible contracts
- Green supply contracts

Q What do you see as the major considerations for professional energy buyers over the next 12 months?

A Energy buyers these days are under enormous pressure, it can be a difficult job to find a balance between the effects of the economic climate and their desire to try and be 'green' in their business operations.

I would anticipate that reduced budgets will certainly be one of the major considerations for energy buyers, meaning they need to be smarter with their purchasing choices, affecting both the type of contracts taken up and the way in which they buy. The need to rely on energy professionals for advice and knowledge of the options available has never been so profound.

Other considerations are likely to relate to the introduction of legislation and government initiatives in order to reduce the nation's carbon footprint. This has meant some businesses either have had, or will need to invest in measures to reduce their CO2 emissions.

Furthermore, corporate reputation plays an important part when businesses are selected for their services these days. The way in which a business uses and purchases its energy demonstrates their commitment to environmental responsibilities, which forms a part of the reputation perceived.

Q What are the advantages of doing business through a company like EnergyQuote JHA?

A We value our relationship with EnergyQuote JHA which has been established and developed over a number of years. It gives us the opportunity to meet with and provide solutions for those customers who choose not to 'deal direct'. With a knowledge of both the customer needs and our available services EnergyQuote JHA are able to match us to customers with whom we can establish a successful relationship

Equally, customer representatives need a high degree of flexibility and adaptability to meet the demands of the customers and the changing market conditions, a skill that EnergyQuote JHA continue to demonstrate by regularly reviewing their products, services and processes.

Q What is SSE's green policy and how are you helping clients to achieve objectives in this area?

A At SSE we generate more renewable electricity than any other energy company in the UK and have committed an investment of £3 billion in renewable energy projects between 2008 – 2013.

We will always encourage our customers to consider options that are more environmentally responsible when it comes to their supply contracts. Also, we have a number of services available to help customers with their own green policies such as:

- A range of 'green' contract options
- Energy Audits tailored to specific contracts
- Energy Efficiency Advice
- Energy Assessment and EPC provision

PREVIOUS EVENTS

Spring was a busy time in our events calendar as we hosted a number of seminars and conferences throughout Europe.

Here are some of the highlights:

Energy Price Forecasting Conference
14th/15th April, London



Our Biannual Price Forecasting Conference presents a five year outlook for energy based on the key factors driving prices changes in oil, coal, carbon, power and gas.

Our April event was centered around the theme of "Global recovery, but will energy prices follow?". Set against a backdrop of wholesale energy price outlooks, a range of issues and scenarios were presented to delegates including the diverging types of economic recovery being seen around the world and how this translates into widely different patterns of demand recovery. This was our largest conference to date with more than 80 delegates attending from some of Europe's most energy intensive organisations.

European Energy Buyers Conference
10th June, Brussels

Now one of the highlights of our events calendar, the Brussels conference highlighted to delegates the broadly based and widely differing issues impacting European energy buyers in the current climate. The price impacts of issues such as the future of oil indexation, cross border energy flows, difficulties in gaining grid access, market liberalisation and wholesale market liquidity all featured prominently in the agenda.



Carbon Reduction Commitment Workshops
May/June, UK-Wide

With phase 1 of the Carbon Reduction Commitment Energy Efficiency Scheme (CRC) now well underway, we continued our popular series of workshops designed to build knowledge on the key compliance features and timelines involved. Attending companies included Orange, Carphone Warehouse and London City Airport.



Contact our events team to find out more about any of our workshops, seminars and conferences:
Tel: **+44 (0)20 7605 1022** Email: **events@energyquote.com**



NEW TO THE MARKET

We have recently launched a market leading Energy and Carbon Intelligence System (ECIS).

ECIS is designed to measure, manage and monitor energy consumption and carbon emissions from every corner of your business. The ECIS platform reduces the costs and time associated with your energy and carbon data capture, and increases the accuracy and effectiveness of your business and Carbon Reduction Commitment compliance reporting.

The insight that ECIS provides will assist your organisation in driving operational cost savings through energy and carbon efficiencies, delivering measurable return on investment and strategic benefits through your environmental initiatives.

As part of our services engagement, we will identify all sources of energy consumption and carbon emissions and work to automate the capture of your source data directly into ECIS where possible. This includes capture of all half hourly and AMR meter readings. ECIS provides multiple stakeholders with the ability to easily access dashboards and reports and manage exceptions via automated report generation and alerts.

The extensive reporting includes a detailed energy management suite, data exception reporting, emissions analyses, benchmarking and compliance reports amongst others. ECIS will also support the tracking of energy efficiency projects, ensuring accountability by tracking payback periods and return on investment.

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