

ENERGY UPDATE

AUTUMN 2022

ENERGY COSTS



Domestic Electricity & Gas

The government has published its response to the recent hikes in electricity costs. The latest quotes clients have seen suggest the commercial (unrestricted price) of electricity has now reached 87p/kWh, up from 14p prior to the Russian Invasion of Ukraine.

Standard variable tariff

Government has announced the average unit price for dual fuel customers paying by direct debit will be limited to 34.0p/kWh for electricity and 10.3p/kWh for gas, inclusive of VAT, from 1 October.

These unit prices have been passed to suppliers to ensure that they are used to calculate bills on time for 1 October. Energy suppliers will adjust standard variable tariffs automatically. Customers on standard variable tariffs do not need to take any action to get the benefits of this scheme.

If you're on a fixed tariff

If you're on a fixed tariff at a higher rate caused by recent energy price rises, your unit prices will be reduced by 17p/kWh for electricity and 4.2p/kWh for gas.

These unit prices have been passed to suppliers to ensure that they are used to calculate bills on time for 1 October.

Energy suppliers will adjust fixed tariffs automatically. Customers on fixed tariffs do not need to take any action to get the benefits of this scheme.

Standing charges

Average standing charges will remain at 46p per day for electricity and 28p per day for gas, for a typical dual fuel customer paying by direct debit.

Support to businesses

While the majority of UK non-domestic customers are on fixed price energy deals, some are not. Businesses did not benefit from the Ofgem price cap and there was a risk that some would fall through the gap, unable to fix their energy price and unable to access the kind of support we are making available to households.

A new 6 month scheme for businesses and other non-domestic energy users (including charities and public sector organisations like schools) will be offered support as is being provided for consumers.

After this initial 6 month scheme, the government will provide ongoing focused support for vulnerable industries.

There will be a review in 3 months' time to consider where this should be targeted to make sure those most in need get support.

S&P comment:

We welcome the support for domestic consumers but question the lack of targeting and the consequent overall costs of the scheme. Views of the strategy will probably come down to personal views on the existing energy industry. If you think that the current system works well, then you will probably support the strategy. As many commentators have said, it is largely a status quo without a change to the fundamentals. If you – like Dieter Helm – think that significant change is needed, then you are likely to be very disappointed.



Large scale solar

Strutt & Parker are working on many solar farm proposals for clients across the country.

We regularly secure the best returns for land managers in the industry and are proud of our record. Recent deals agreed include rents of £1150 to £1200/acre (but dependent on grid connection costs and other factors).

We are also advising on large scale self-build solar projects, working with trusted experts on grid connection and bringing Strutt & Parker's expert planning team to assist in securing consent.

We have recently looked at the relative energy density of land used for energy production which conclusively shows that solar farms are a significantly better use of land than either wheat or oilseed rape grown for biofuels, in terms of both energy delivered as well as wider environmental benefits.



Biomass boilers – now profitable without subsidy

The recent increase in oil and LPG prices has awakened interest from clients who were not in a position to take advantage of the Renewable Heat Incentive. Biomass technology is robust and reliable (subject only to the supply of fuel being assured as to consistency and moisture). We have developed a spreadsheet that can determine the likely benefits of switching to woodchip or wood pellet heating on your farm or estate. For more details contact **Oliver Harwood**



Farm and commercial rooftop solar

The electricity price has now generated profitable opportunities for smaller rooftop schemes, and Strutt & Parker's team is busy with many projects to supply the farm's own needs or more widely to meet the needs of commercial occupiers in rural areas. Landlords now have an opportunity to assist their business tenants by supplying discounted electricity while still making a substantial return on investment.

We have developed a client offer, with fixed price options for reviews to assess the opportunity and scope out the potential. For more details contact Lauren Gibson Green, Strutt & Parker's head of Renewable Energy.



Gas

Most clients will be using LPG (save where the National Grid gas network reaches rural areas). Over the past 12 months the wholesale cost of LPG has doubled. In addition, it's also becoming more expensive to transport the gas due to the need to recruit drivers amidst a national driver shortage. This has pushed LPG prices from 62p/Litre to 86p/Litre from the beginning of 2021. Invasion of Ukraine.



Oil

Land managers with oil heating will have faced substantial increases in their costs. Since December 2021, UK heating oil prices had an upward trend. According to the Office for National Statistics, the average heating oil price was 61.406 pence in December 2021 and, just three months later, this rose by 64% to 100.989 pence in March 2022. It now stands at £1.073/litre – a 66% increase.

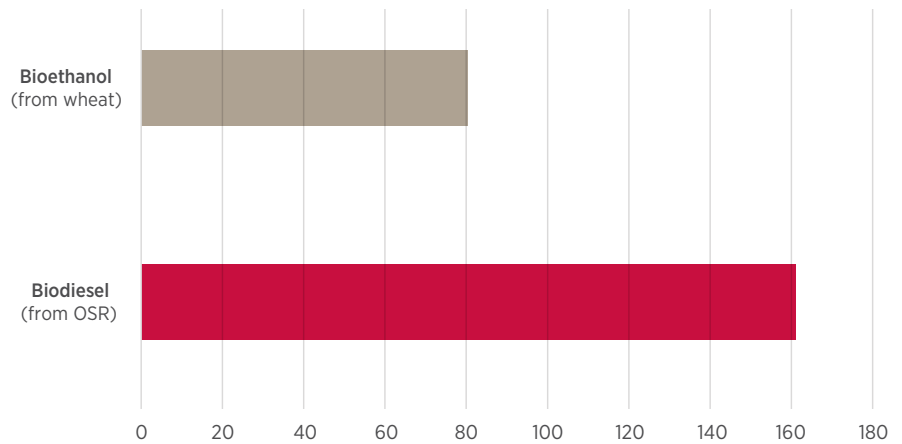
The Strutt & Parker Energy team is regularly instructed in Energy Reviews for Estates.

It can be enormously helpful to have an expert view on what is feasible and practical to do to address the current energy crisis and build sustainability for the future.

Starting from the estate assets and the existing energy use (both in house and by tenants) our team can offer insights and advice on a solution tailored to your needs, guiding you through the regulatory barriers and identifying opportunities.

If required this report can be backed up by a Sustainability Appraisal and Carbon Audit for the estate.

Number of hectares needed to produce the same energy as one hectare of solar panels



S&P comment:

There has been a lot of debate recently about whether farmland should be used for solar panels. It is more efficient in terms of energy production - our calculations are that one hectare of solar generates the equivalent energy of 80 hectares of bioethanol (from wheat) and 161 hectares of biodiesel (from OSR). But despite this, biofuel production currently uses more than 50 times more land than solar. If solar is scaled up in line with the UK's net zero target, it would still only cover around 0.5% of the UK farmed area. This is smaller than the area covered by golf courses! And, if an 'agrivoltaic' system is used, the land produces solar energy and crops or livestock or pollinator habitat.

FOR MORE ADVICE CONTACT YOUR LOCAL TEAM:



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