Week 15

PriceFocus

News in brief…

Speculation over who will bid for nuclear operator, **British Energy** [BE], was rife last week, with Sweden's Vattenfall being touted as the latest utility to launch a possible takeover bid. Vattenfall is Europe's fifth-largest electricity generator and has operations in Denmark, Finland, Germany and Poland. Meanwhile, the *Financial Times* has reported that German giant, **RWE**, has approached BE with a €14 billion offer… Chancellor Alistair Darling has demanded an urgent review into the international use of **biofuels** should take place. At a G7 summit, the Chancellor argued that the growing use of crops for fuels was increasing risks of a global food shortage. Chancellor Darling's comments follow the UK's recent enforcement of producing 2.5 per cent of the country's transport fuel from biofuels… European oil giant, **Royal Dutch Shell**, has warned that the European Union's [EU] plans to implement a new carbon permits purchasing strategy, may prevent it from investing in the region. As part of the EU's Emissions Trading Scheme, heavy-polluting companies will need to buy carbon credits at auction from 2020 which, according to Shell, would be costly and make Europe unattractive for further investment.

Out-turn - Average Day-ahead Gas Price (p/therm)

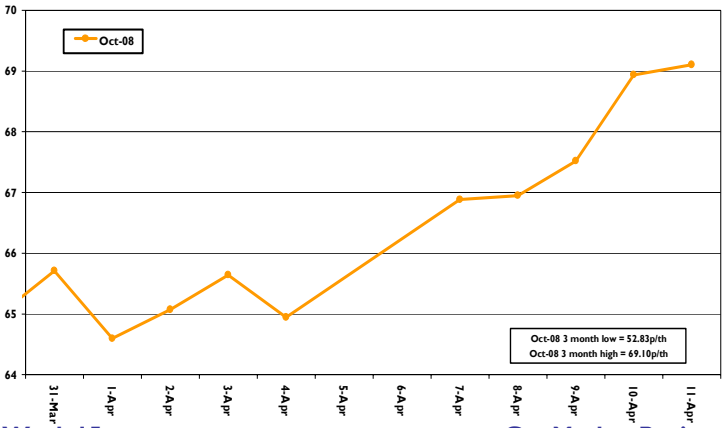
Week 14 58.85 *Week 15* 60.15

Average May-08 Front-month Power Price (£/MWh)

Week 14 57.77 *Week 15* 58.60

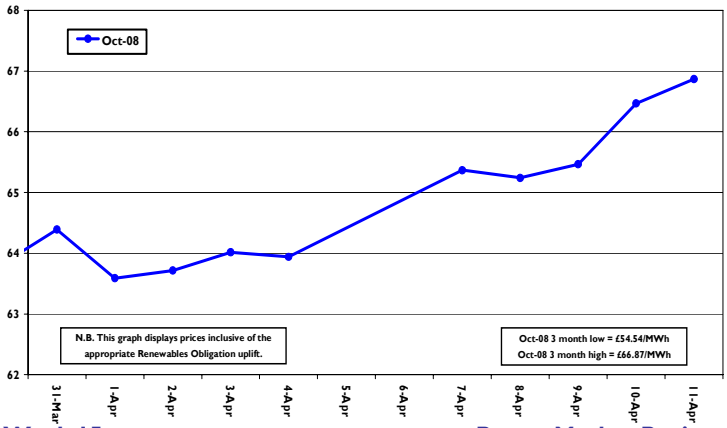
Gas: Oct-08 12 M Contract Renewal Settlement (p/therm)

Week 14 64.95 *Week 15* 69.10



Power: Oct-08 12 M Contract Renewal Settlement (£/MWh)

Week 14 63.94 *Week 15* 66.87



Week 15 Gas Market Review

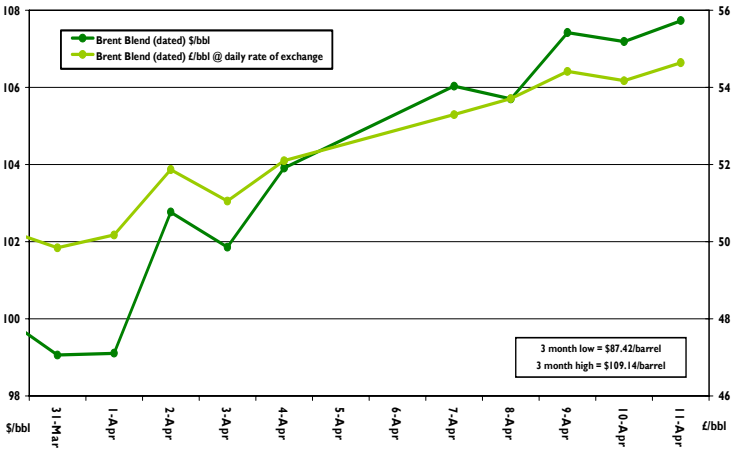
Another bullish week on the UK exchanges saw the **October 2008 gas renewal** gain 6.4 per cent to settle at 69.10 p/th. Increases were registered across all products Monday with the prompt boosted by an outage at the Marathon-operated Brae gas fields in the North Sea. Futures took direction from a buoyant fuel mix and the October contract added almost two pence as a consequence. Movements were limited in the subsequent trading day; marginal gains in Sum-09 were almost entirely negated by a softer winter component. Marathon announced the return to service of the Brae fields mid-week to ease values at the front-end of the market, although a late surge in world oil prices was translated into an advancement on the curve. Whilst withdrawals from the medium-range storage site at Hornsea were used to balance the system Thursday, deliveries via Langeled and flows into Bacton Shell were once again volatile – leading to spot market uncertainty. Forward prices continued to ascend into the final two sessions with no sign of players closing long positions any time soon.

Week 15 Power Market Review

Bullish sentiment characterised all but one trading day of Week 15, as the **October 2008 power renewal** came to rest 4.6 per cent higher at £66.87/MWh. UK electricity futures advanced in the opening session; a near £1.50/MWh increase in the contract was largely attributed to strength at the NBP as well as buoyant crude oil markets. Physical supply tightness caused by further plant outages pushed up prompt prices Tuesday, however, the power curve was pulled down by bearish sentiment in continental primary fuel sectors, which caused the contract to tick lower. In a change of direction, a spike in Brent oil filtered through the utility markets and amidst very thin liquidity, the renewal quickly resumed its upward path mid-week. The ascent gathered pace in the penultimate session, an almost $3 rise in coal together with carbon permits advancing to 10-month highs brought about a £1/MWh rise in the 12-month renewal. Gains registered across the energy sectors saw the contract post its fourth consecutive lifetime high on Friday.

Week 15 Oil Market Review

It was another record-breaking week for the oil markets, which saw US crude futures hit a fresh intra-day record above $112 a barrel. Europe's benchmark physical contract, **Brent Blend (dated)**, eventually settled the period $3.82 higher at $107.73 a barrel. Continental oil values commenced Week 15 on a bullish footing after a fire at a major refinery in Finland unnerved the market, whilst comments from Opec's secretary-general that there was no need for the cartel to pump more crude, added support. Prices eased Tuesday as the dollar gained some ground against other major currencies, before worse-than-expected US inventory data caused unparalleled levels on the American exchange mid-week. Evidence of increasing demand in Asia did little to quell traders' anxieties; oil imports to China were 25 per cent higher in March compared to a year previous. A spell of profit-taking dragged oil contracts lower on Thursday, prior to a rise Friday on suggestions that Opec was quietly reducing oil production.



Brent Blend Crude Oil : Dated Contract Settlement ($/bbl)

Week 14 103.91 *Week 15* 107.73

Zeebrügge Gas Calendar-09 Renewal (p/therm)

Week 14 64.90 *Week 15* 69.05

German Power Calendar-09 Contract (€/MWh)

Week 14 64.35 *Week 15* 65.35

French Power Calendar-09 Contract (€/MWh)

Week 14 66.15 *Week 15* 67.60

EU 2009 Carbon Allowances (€/mt CO_2e)

Week 14 23.90 *Week 15* 25.10