

E.ON Monthly Market Report

March 2014

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Market summary for March

Power prices decreased last month due to low demand and high available wind output.

Gas prices also decreased as demand remains low and supplies remain high.

Oil prices increased as tensions in Ukraine create concerns of possible disturbances with the distribution of oil.

Carbon prices increased as a proposal to limit available carbon allowances were approved by EU legislators.

Direction of commodity prices (Feb 2013 to Feb 2014)

Power price



Gas price



Oil price



Carbon price

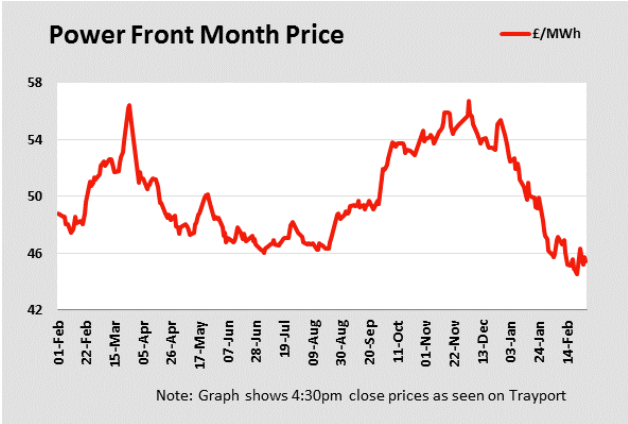


Power

High wind speeds and mild temperatures push prices down

UK power prices have continued to decrease in February as milder temperatures keep demand for heating down and high wind output reduces the cost of generation.

Weather temperatures have been above seasonal average last month and weather forecasts suggest temperatures will remain above average over this coming month. Wind generation has been consistently high which has reduced the need for more expensive gas in power generation, keeping costs down.

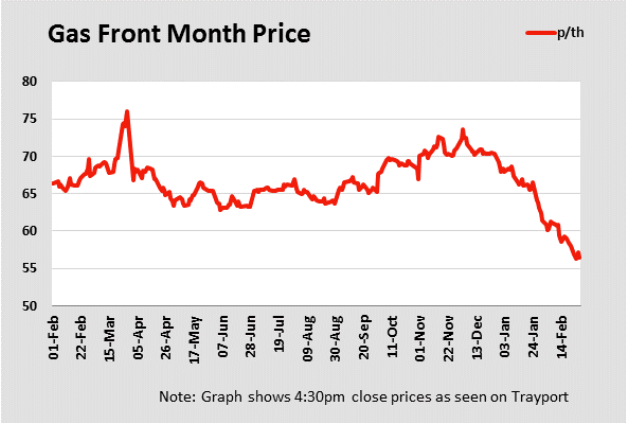


Gas

Gas prices continue to head south as demand remains low

Gas prices decreased last month as a result of relatively low demand and high inventory stock levels.

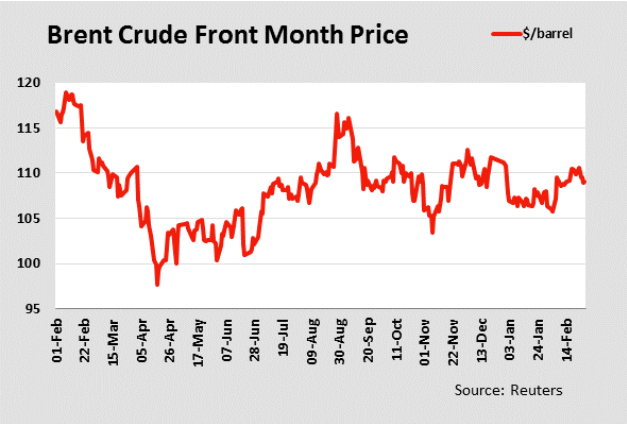
Temperatures have been mild for this time of the year and are expected to remain mild over the next 14-day forecast period, which has reduced expected domestic gas demand. In addition, with low demand and the absence of any gas field outages, gas storage facilities stock levels remain high, boosting supply availability.



Oil

Oil prices increase as supply fears creep into the market

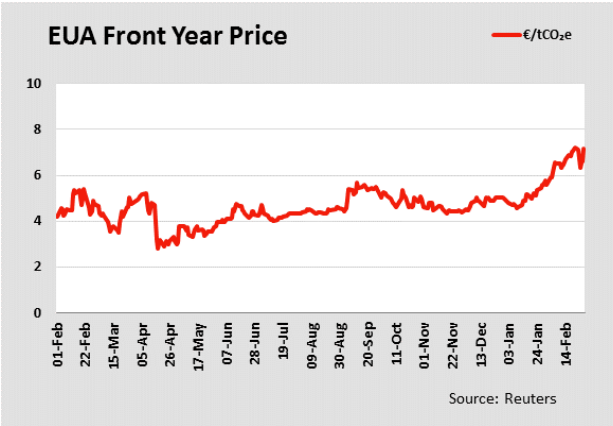
Oil prices have increased slightly over the course of February as tensions between Russia and Ukraine created concerns that the distribution of oil may be affected. This caused the price to increase late on in the month. In addition, adverse weather conditions in the United States have increased the demand for heating oil. These have helped to offset the effect of the current slowdown in the Chinese economy.



Carbon

Final approval leads to a sharp rise in carbon prices

Carbon prices have continued to increase in February as the proposal to reduce supplies of allowances over the short-term was given the official approval by EU legislation.



The carbon market has an oversupply issue and the recent news has forced market participants to procure their carbon allowances in the market before supplies are cut.



Things to watch out for in March

- **During March:** The current political development between Ukraine and Russia, potential sanctions with Russia may impact on energy prices.
- **During March:** Prices remain vulnerable to weather forecast changes. In particular any downgrade to temperature forecasts.
- **6 March:** Bank of England Rate Decision: Insight on when interest rates might be raised. This might effect the currency market and consequently energy prices.
- **26 March:** 2013 Q4 final GDP figures are released. Insight into the UK economy.

Jargon buster

CCGT:	Combined Cycle Gas Turbine
LDZ:	Local Distribution Zones
LNG:	Liquefied Natural Gas
MCM:	Million Cubic Meters
NBP:	National Balancing Point
NTS:	National Transmission System
OFGEM:	Office of Gas and Electricity Markets
OPEC:	Organization of the Petroleum Exporting Countries
RO:	Renewables Obligation
CPI:	Consumer Price Index
ILO:	International Labour Organisation

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