

E.ON Monthly Market Report

February 2014

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Market summary for February

Power prices decreased last month due to a combination of lower demand, high wind output and lower gas prices.

Gas prices also decreased due to sluggish demand and healthy supplies.

Oil prices decreased due to concerns over economic performance of emerging markets which may limit the expected demand for oil.

Carbon prices increased as a proposal to limit available carbon allowances is set to be implemented.

Direction of commodity prices (Jan 2013 to Jan 2014)

Power price



Gas price



Oil price



Carbon price

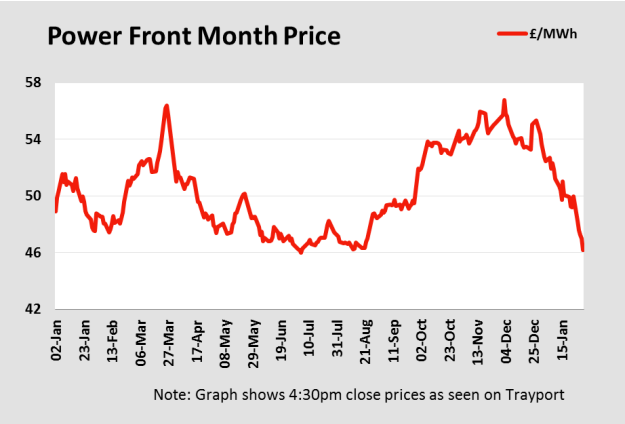


Power

Cheap generation costs and low demand push prices down

UK power prices decreased last month as weather temperatures have been relatively mild for this time of year, which has kept demand low.

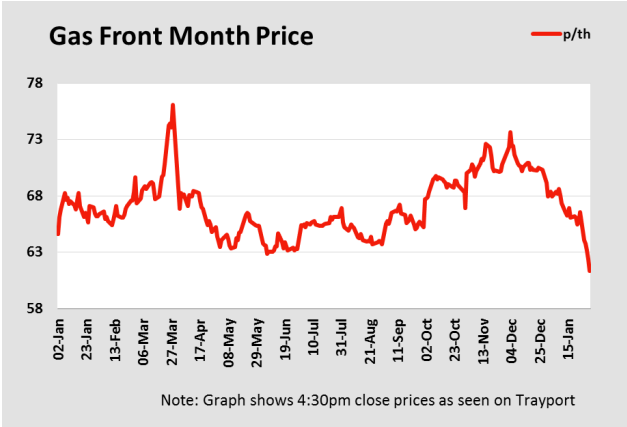
In addition, wind output has been consistently high, even hitting a UK record, which has reduced the need for more expensive gas in power generation. With gas prices trading lower this month, the costs to produce power reduced in January and this was consequently reflected on prices.



Gas

High gas storage inventory levels boost flexibility

Gas prices decreased last month due to lower demand. This was because temperatures have been above seasonal averages and due to higher wind output the demand for gas in power generation has also been low.



The system remains healthily supplied. Gas storage facilities have relatively high inventory levels and supplies have been plentiful in the absence of any major outages.

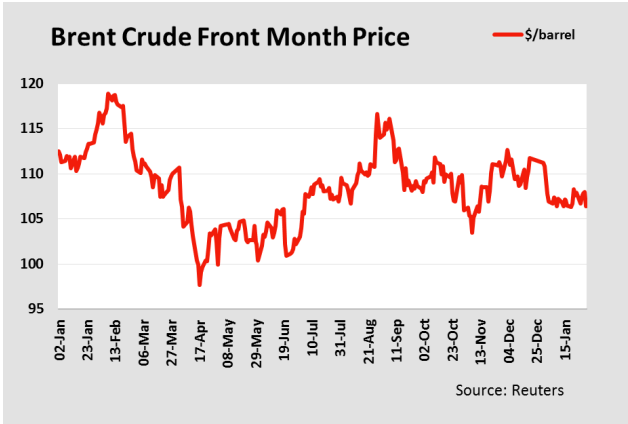


Oil

Oil prices decrease as economic worries creep into the market

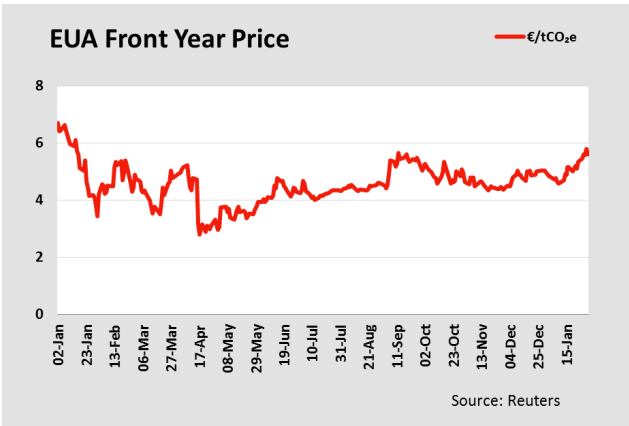
Oil prices decreased in January as economic data results from China and the United States disappointed expectations for Q4 2013. In addition, the United States Federal Reserve decided to continue with their plan to reduce their monetary stimulus programme, which is expected to reduce foreign investment in the emerging economies.

Poor economic performance reduced the expected demand for oil and forced prices to go down.



Carbon

Lower future supplies force prices to increase



Carbon prices increased last month. European powers have decided to support the proposal to tackle an oversupplied market by reducing available allowances. The idea of lower supplies caused prices to increase.

The proposal has not been officially implemented, but market participants generally believe that it will be some time this year.



Things to watch out for in February

- **8 February:** Two large nuclear units in Torness and Hartlepool are due to return to operation, boosting power supply.
- **9 February:** Rough, UK's largest gas storage site, will be unable to inject gas Reserves, reducing the UK gas system's flexibility.
- **20 February:** UK Retail Sales data is released and will give a good idea of the UK economic performance so far this year.

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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