

E.ON Monthly Market Report

January 2014

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Market summary for January

Power prices weakened last month as high wind power output boosted supply and reduced costs of generation

Gas prices fell as mild temperatures reduced demand for heating, allowing inventory levels to increase gas reserves

Oil prices tended downwards as oil production was boosted by easing tensions in the Middle East

Carbon prices slightly increased as available allowances are likely to tighten

Direction of commodity prices (Dec 2012 to Dec 2013)

Power price



Gas price



Oil price



Carbon price



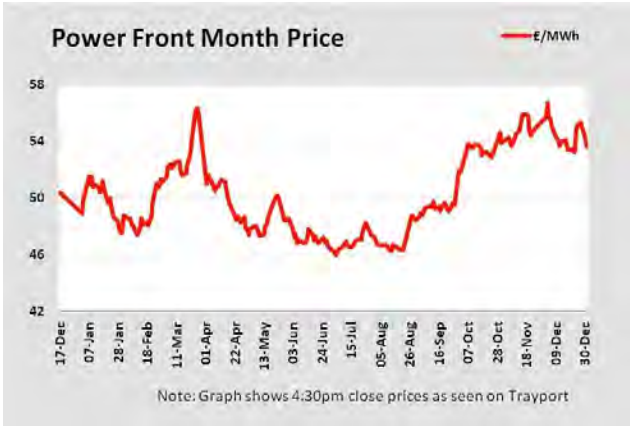
Power

High wind output and low demand drive prices down

UK power prices fell during the month of December as high wind output and relatively low demand prevented the use of costly forms of generation.

Temperatures have been consistently above average for this time of the year and due to the festive holiday, demand for heating was notably lower throughout the month.

Lower than average demand and a well supplied system added downward weight on power prices.



Gas

Mild temperatures ease demand for heating



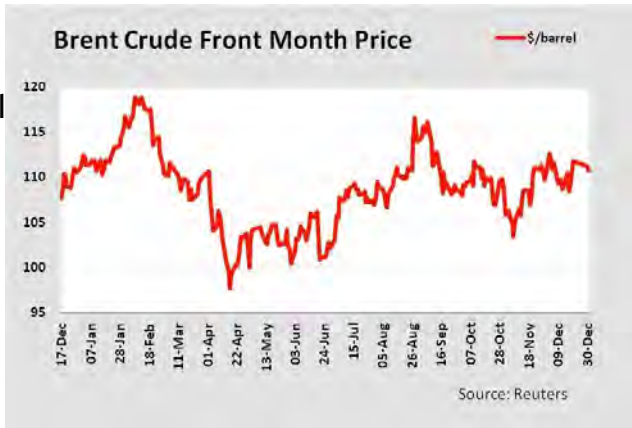
Gas prices weakened throughout December as mild temperatures reduced heating demand and high wind speeds minimised the use of gas in power generation. Supplies were healthy during the month with high imports from Norway and Netherlands. This helped to keep inventory levels well stocked, increasing flexibility and making the UK gas system more robust for the remaining winter period.



Oil

Oil prices fall as supplies are likely to increase

Oil prices eased away from the gains made during last month as the unrest in Libya (which has previously added risk to oil production) looks to have calmed, with higher oil supplies expected into the market. Recent economic news confirmed that Chinese activity has slowed during the last quarter of the year which has reduced expected demand for oil. The expectations of higher supplies and falling demand are starting to impact on oil prices.



Carbon

Lack of news keep prices flat



Carbon prices slightly increased in December as the European Parliament voted for market intervention to help solve the current oversupplied market. Market intervention will involve restricting the amount of available supply of allowances and reissuing the allowances at a later date. The market only reacted marginally as this vote was expected and already factored on prices. Otherwise, due to the festive period and mild temperatures, market activity was relatively low last month.



Things to watch out for in January

- **9 January:** Bank of England Interest rate decision. Signs of when interest rates may increase will have an affect on energy prices through currency movements.
- **14 January:** UK CPI inflation is released. Potential impact on currency markets which may affect gas and power market prices.
- **22 January:** ILO unemployment rate is released. Impact on when the market expects interest rates to increase.

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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