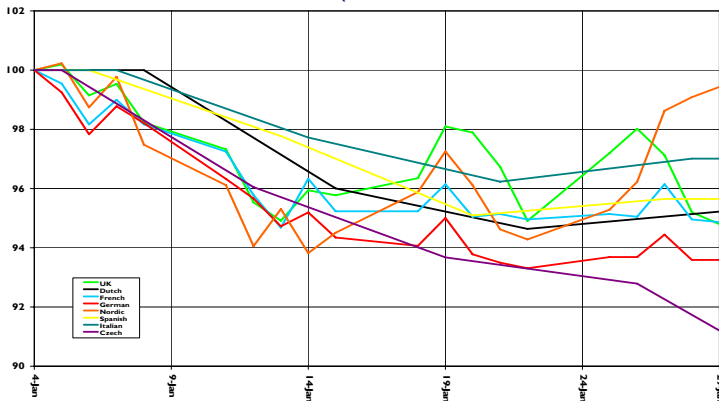
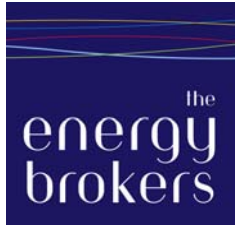


EU Energy Pricing Assessment

EU Calendar 2011 index (100 = first available settlement in 2010)



UK Calendar 2011 31 st Dec-09 €51.10/MWh 29 th Jan-10 €48.09/MWh	Dutch Calendar 2011 31 st Dec-09 €51.25/MWh 29 th Jan-10 €48.80/MWh
German Calendar 2011 31 st Dec-09 €52.20/MWh 29 th Jan-10 €49.65/MWh	Nordic Calendar 2011 31 st Dec-09 €43.25/MWh 29 th Jan-10 €43.45/MWh
French Calendar 2011 31 st Dec-09 €54.05/MWh 29 th Jan-10 €51.70/MWh	Spanish Calendar 2011 31 st Dec-09 €44.25/MWh 29 th Jan-10 €42.85/MWh

Weather (Source: www.theweatheroutlook.com)

N & C France, the Benelux region, W Germany, Denmark and Britain are all likely to be on the cold side during February, with the chance of some snow. The Scandinavian countries will experience wintry conditions, but often remain dry, whilst Eastern Europe will be chilly at times. Spain, S France and Italy will be rather unsettled, although temperatures will remain close to seasonal norms.

German Power Market Drivers

German prompt electricity contracts were well supported during the first week of January, as bitterly cold weather engulfed mainland Europe, boosting heating demand. Gains were nowhere near as lofty as in neighbouring markets though, which was ascribed to the German market's comparatively diverse generation mix. Spot power products eased lower mid-month as the freezing temperatures abated, but regained ground during the final few sessions, with forecasters pointing to yet another cold spell for early February. Front-month traders also looked to the weather for direction and it was hence unsurprising to see Feb-10 baseload build a risk premium prior to expiry; eventually finishing just shy of €46/MWh. A German Cal-11 renewal bore a strong resemblance to the coal market, starting strongly but then sliding repeatedly lower as the month progressed. The annualised contract fell under €50/MWh latterly, culminating in a monthly loss of 5 per cent.

Outlook: Low temperatures will continue to prop up the German power prompt. Many participants still regard Cal-11 as overvalued and having fallen below the €50/MWh resistance mark lately, there could be more downside on the horizon.

French Power Market Drivers

Plunging temperatures applied notable pressure on France's baseload heavy nuclear production fleet at the beginning of 2010, with grid operator RTE drawing attention to record-high power demand. To help alleviate the burden on the French electricity network, incumbent generator EdF resorted at times to load-shedding, opting to deliberately curtail electricity supply to some consumers in a bid to avoid more widespread outages. The result on prompt valuations was overwhelmingly bullish, causing Day-ahead baseload to peak fleetingly at €91/MWh. Meanwhile, a French Cal-11 generally moved in lockstep with its German counterpart, the former depreciating by over 4 per cent on the month.

Outlook: With another bout of cold weather expected early February, short-term products will be hard pushed to fall from their current levels, whilst the French electricity curve will seek impetus from the larger German market.

Nordic Power Market Drivers

A combination of record power demand, Swedish nuclear plant outages and a sizeable drawdown in reservoir levels saw spot Nordic electricity prices soar to unprecedented highs last month. A Cal-11 was largely unchanged on the month.

Outlook: Hydro reserves and cold weather will impinge on Nordic power prices.

Dutch Power Market Drivers

Dutch spot power products were kept firm by cold weather and intermittent wind generation, while Feb-10 baseload displayed a strong correlation with its German equivalent. The far end fell in tandem with bearish sentiment along the gas curve.

Outlook: Forward electricity prices will seek direction from the gas sector.

Spanish Power Market Drivers

The Spanish Day-ahead electricity contract recovered from the rock bottom lows recorded in late December, but was kept in check by robust hydro-power capacity. Despite a lacklustre start, longer-dated products were eventually sold off.

Outlook: Fossil fuel movements will impact on the Spanish power curve.

Italian Calendar 2011 31 st Dec-09 €70.25/MWh 29 th Jan-10 €68.15/MWh
Czech Calendar 2011 31 st Dec-09 €50.25/MWh 29 th Jan-10 €46.15/MWh

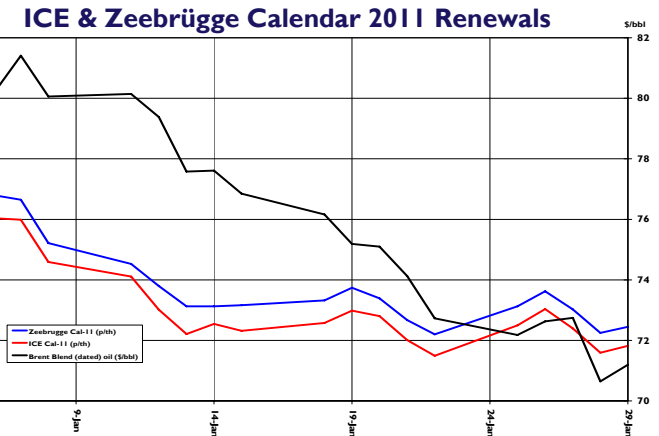
EU Carbon Emission Allowance Price Drivers

Carbon allowances zigzagged in value, but ultimately firmed during the opening fortnight of the New Year. Crude oil had a strong start to 2010, whilst freezing weather across Europe caused spot gas prices to surge and necessitated a shift towards more coal-fired power generation – implying increased CO₂ emissions. Robust bid interest in the UK generation's latest carbon auction also promoted upside. A weak energy complex took its toll on carbon prices during the latter half of January, however, with oil, gas and German electricity futures all softening.



Dec-2010 EU Carbon Allowances

31st Dec-09 €12.55/mt
29th Jan-10 €12.88/mt



Zeebrugge Calendar 2011 Renewal

31st Dec-09 49.05p/th
29th Jan-10 44.45p/th

European Gas Market

Prompt: Freezing weather and Norwegian supply disruptions caused short-term European gas contracts to surge in value during the opening few sessions of 2010. Icy conditions reaped havoc on Norway's offshore infrastructure, causing the Troll field and Kollsnes processing plant to cease operations unexpectedly at the turn of the New Year, whilst Ormen Lange and the associated Kårstø station went down at the beginning of Week 2. The import reliant UK market was particularly affected, forcing spot values above those on the continent. Driven by the commercial opportunity to send gas to the higher priced NBP, Interconnector flows from the continent to the UK thus reached their highest level since February 2006. An improved supply/demand ratio saw near-term gas contracts ease lower in the latter half of Week 2, before being bid notably higher during the remainder of the review period on expectations of a return to sub-zero temperatures.

Futures: A significant upward shift on the prompt failed to fully translate to the curve during the first week of January, with the front-months moving up only marginally by comparison and the seasons actually being sold off. Longer-dated products continued to tail-off on the back of a softer US gas sector and downside in crude oil. A Belgian Cal-11 gas renewal depreciated 9 per cent on the month.

Outlook: Weather forecasts and storage levels will prove pivotal to price movements at the front end; below average temperatures are likely to support the prompt, whilst strong storage withdrawals could apply upward pressure to Mar-10. Forward products are increasingly following developments with US natural gas.

Crude: Oil advanced to a 15-month high at the beginning of 2010 as plummeting temperatures across the Northern Hemisphere implied increased heating fuel demand. Crude futures were sold off extensively thereafter, however, with traders looking apprehensively towards efforts by Beijing to tighten its monetary policy and Barack Obama's proposals for a sweeping reform of the US banking system.

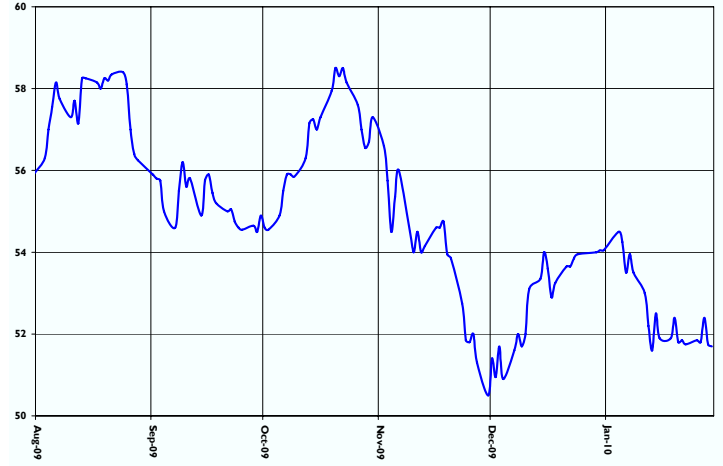
Outlook: The oil sector continues to be fundamentally weak, but prices continue to be driven by sentiment, deriving impetus from wider economic headlines.

Monthly Snapshot Calendar 2011

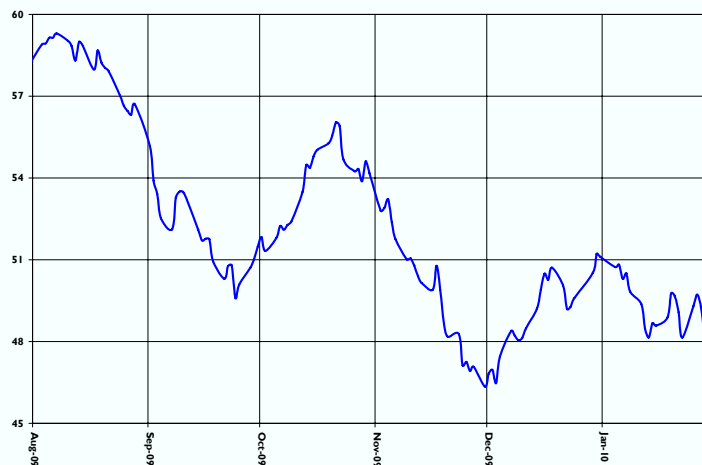
 **German Calendar 2011 (€/MWh)**



 **French Calendar 2011 (€/MWh)**



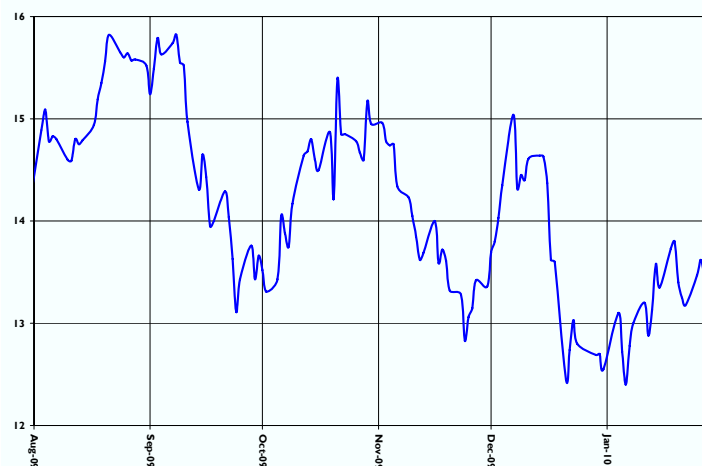
 **UK Calendar 2011 (€/MWh - ex-RO)**



 **Nordic Calendar 2011 (€/MWh)**



 **EU Dec-2010 Carbon Permits (€/mt CO₂e)**



 **Dutch & Spanish Cal-2011 (€/MWh)** 

