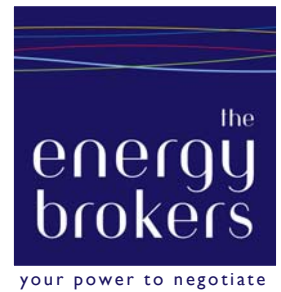


Weekly Market Update

Monday 22nd February 2010

Week 7



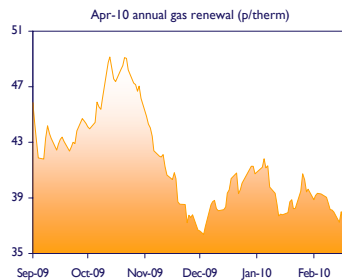
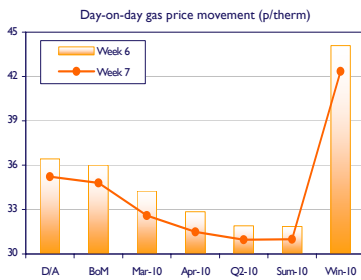
Natural Gas

Prompt: After a quiet start to the week, short-term gas contracts jumped markedly higher on Tuesday, as maintenance at the Kårstø processing plant curtailed Norwegian flows and strike action looked likely at Milford Haven – home to the UK's South Hook and Dragon LNG import terminals. A High Court injunction ultimately prevented walkouts on the South Wales coast, however, whilst storage withdrawals and Interconnector imports helped offset volatile Norwegian supply. Prompt contracts consequently eased lower as the week progressed, cancelling out initial gains.

Near-curve: Traders continued to shave value off the front-months, especially Mar-10.

Far-curve: Longer-dated contracts found direction from weaker prompt sentiment and the US gas sector (rather than crude oil), with the most pronounced losses registered by the winter seasons.

Settlement Prices (p/therm)			
Contract	Price	Weekly Change	
Day-ahead	35.225	-1.200	-3.3%
BoM	34.800	-1.200	-3.3%
Mar-10	32.600	-1.660	-4.8%
Apr-10	31.490	-1.370	-4.2%
May-10	30.740	-0.760	-2.4%
Q2-10	30.960	-0.940	-2.9%
Q3-10	31.020	-0.800	-2.5%
Q4-10	39.110	-1.630	-4.0%
Sum-10	30.990	-0.870	-2.7%
Win-10	42.350	-1.750	-4.0%
Sum-11	38.030	-0.970	-2.5%
Win-11	48.190	-2.140	-4.3%
Sum-12	42.450	-0.330	-0.8%
Apr-10 Renewal	36.670	-1.310	-3.4%



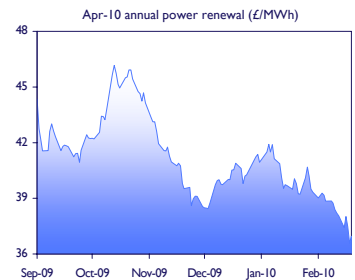
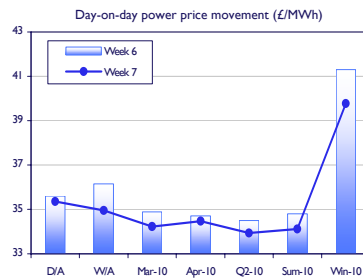
Electricity

Prompt: Cold weather inspired modest gains among near-term electricity contracts at the start of Week 7. For the most part, however, the physical power network coped admirably with the low temperatures and blizzards that engulfed many parts of the UK. The bearish supply outlook was also helped by the return of British Energy's 555-megawatt Dungeness B22 nuclear reactor after a near three-month outage. The UK electricity prompt therefore softened during the latter half of the review period.

Near-curve: Despite a strong start, near-month power products were sold repeatedly lower, resulting in week-on-week losses.

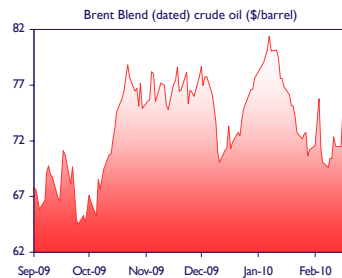
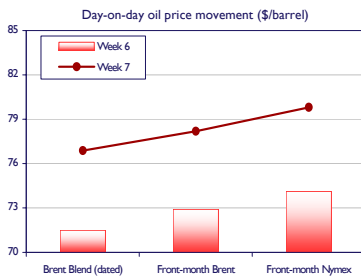
Far-curve: Pulled lower by carbon and equivalent gas market losses, seasonal electricity futures dropped to fresh lifetime lows last week, exemplified by Win-10 falling – for the first time – below the £40/MWh resistance level.

Settlement Prices (£/MWh)			
Contract	Price	Weekly Change	
Day-ahead	35.35	-0.25	-0.7%
Week-ahead	34.95	-1.20	-3.3%
Mar-10	34.23	-0.66	-1.9%
Apr-10	34.47	-0.23	-0.7%
May-10	33.50	-0.68	-2.0%
Q2-10	33.93	-0.57	-1.7%
Q3-10	34.30	-0.80	-2.3%
Q4-10	39.77	-1.54	-3.7%
Sum-10	34.12	-0.68	-2.0%
Win-10	39.77	-1.54	-3.7%
Sum-11	37.66	-0.46	-1.2%
Win-11	44.34	-0.99	-2.2%
Sum-12	40.68	-0.36	-0.9%
Apr-10 Renewal	36.95	-1.11	-2.9%



Crude Oil

Trading activity was subdued during the opening session of Week 7, as many participants were sidelined by public holidays in Asia and the US. Oil prices jumped substantially higher on Tuesday, however, after European finance ministers urged the Greek government to take stronger measures to tackle its hefty budget deficit, causing the euro to gain against the dollar. Reports of robust industrial activity and 'housing starts' in America helped prop the market up midweek. Another strong performance was witnessed on Thursday, as traders disregarded bearish US inventory data and instead focussed on the Federal Reserve's announcement that it was upping the interest rate it charges banks for emergency loans, citing an improvement in financial market conditions. Growing tensions over sanctions against Iran resurfaced on Friday, offering geopolitical support, while strike action at French oil refineries raised supply concerns.

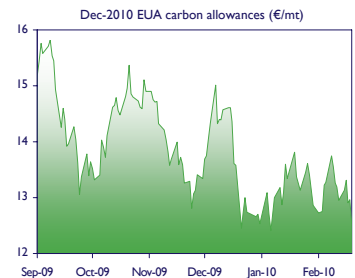
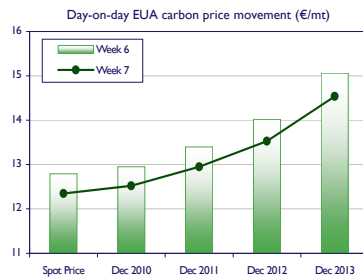


Settlement Prices (\$/barrel)			
Contract	Price	Weekly Change	
UK Brent Blend (dated) spot price	76.88	5.39	7.5%
UK Brent front-month futures	78.19	5.29	7.3%
US Nymex front-month futures	79.81	5.68	7.7%

Carbon

The carbon market got off to a bullish start to the review period, tracking German power and the wider fossil fuel complex. Buying interest was also supported by news that Poland was seeking a substantially smaller increase in its carbon emission quota than its original proposal to the European Commission. With the German electricity curve and forward gas prices easing repeatedly lower thereafter, selling activity took off in the carbon sector, however, more than erasing early gains.

Settlement Prices (€/mt)			
Contract	Price	Weekly Change	
Spot Price	12.35	-0.44	-3.4%
Dec 2010	12.52	-0.43	-3.3%
Dec 2011	12.95	-0.45	-3.4%
Dec 2012	13.53	-0.49	-3.5%
Dec 2013	14.54	-0.52	-3.5%



Latest Trades

Norwegian gas flows have moved back up to more familiar levels, whilst storage withdrawals have also been prevalent, culminating a comfortable gas network this morning. Near-term gas NBP contracts have therefore softened, which has set a precedent along the curve. Oil and carbon prices are little changed from Friday's settlement.

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Settlement prices sourced from the Inter-Continental Exchange [ICE]

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