EU Energy Pricing Assessment

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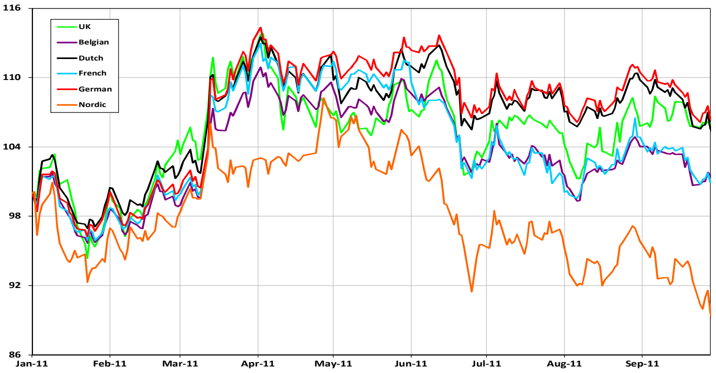
EU Calendar 2012 Power Market Index (100 = first available settlement in 2011)



European Electricity Settlements

	31st Aug-11	30th Sep-11
UK Calendar 2012	€64.88/MWh	€63.92/MWh
Dutch Calendar 2012	€58.64/MWh	€56.11/MWh
German Calendar 2012	€58.80/MWh	€56.45/MWh
Nordic Calendar 2012	€47.70/MWh	€44.10/MWh
French Calendar 2012	€58.40/MWh	€55.35/MWh
Belgian Calendar 2012	€56.81/MWh	€55.01/MWh

Weather Forecast

Temperatures for the upcoming three months are forecast to be below seasonal norms according to Weather Services International, with chilly conditions expected across the UK and western mainland areas. Above normal temperatures are however anticipated in Southeast Europe and most of the Nordic region between October and December.

German Power Market

Benchmark Day-ahead power came under early selling pressure, falling as low as €45/MWh on healthy fundamentals and ample generation margins. A bearish start to the month nevertheless gave way to more upside during the second week of September as weather forecasts pointed to a reduction in wind levels and an increase in demand. The return of the Europipe-1 connection offered the promise of elevated Norwegian gas imports, but this coincided with maintenance on the UK/Belgium Interconnector, depriving Germany of comparatively inexpensive volumes of non oil-indexed gas. Prompt electricity contracts failed to make much headway however and found themselves sliding in value as the review period drew to a close, coming under pressure from an unseasonably warm spell and hence lower consumption. The absence of all pre-1980 atomic reactors this winter has previously played into the hands of the bulls, but the near-curve attracted rigorous selling activity on occasions, leaving Oct-11 and Nov-11 baseload down markedly on the month. Low spot outturns encouraged traders to question the risk premiums built in, leading to losses. Depreciation in the coal market proved influential, but in reality it was equities that had the most pull on longer-dated products. Eurozone debt concerns weighed heavy on the DAX, which in turn caused the yardstick Cal-2012 renewal to dip below its €58/MWh resistance level and carry on falling, with the contract ultimately posting a four per cent net loss.

Outlook: The German electricity grid will come under increased pressure as we move into winter and demand starts to rise, holding out the possibility for some bullishness, whilst the curve will take its lead from EU debt negotiations, in particular talk of expanding the bailout fund and bank recapitalisations.

French Power Market

Prompt electricity values outturned higher than in August, but were kept firmly in check by broadly comfortable supply/demand dynamics, keeping prices consistently at a discount to equivalent products at the German hub. An explosion at a nuclear facility in the south of France briefly gave traders the jitters, but little price reaction was seen as it soon emerged that the blast had taken place at an atomic waste processing site rather than one the country's active power stations. Having started the month around the €65.50/MWh mark, Oct -11 baseload shed 9.5 per cent to finish at €59.25/MWh, fuelling bearish impetus elsewhere on the near-curve. Longer-dated contracts remained closely allied with comparable German products, albeit at a slight markdown, with an annualised Cal-2012 renewal eventually closing out the month at €55.35/MWh.

Outlook: Rising demand and nuclear output will dictate pricing momentum at the front end, whilst the Eurozone debt debacle will impinge on far-curve sentiment.

Nordic Power Market

Reservoir levels hit 85 per cent fullness towards the end of September and an associated influx of hydropower pushed the network long and caused Nordic spot prices to crash fleetingly to their lowest point in over a decade midmonth. Near-curve electricity products shed risk premium, while a Cal-2012 lost some €3/MWh.

Outlook: Renewable energy provisions are healthy, which could limit gains.

Dutch Power Market

Losses at the TTF gas hub exerted downward pressure on the Dutch power curve.

Outlook: Natural gas could again prove pivotal in the month ahead.

Belgian Power Market

A sell-off across the fossil fuel complex saw Belgian power futures recede.

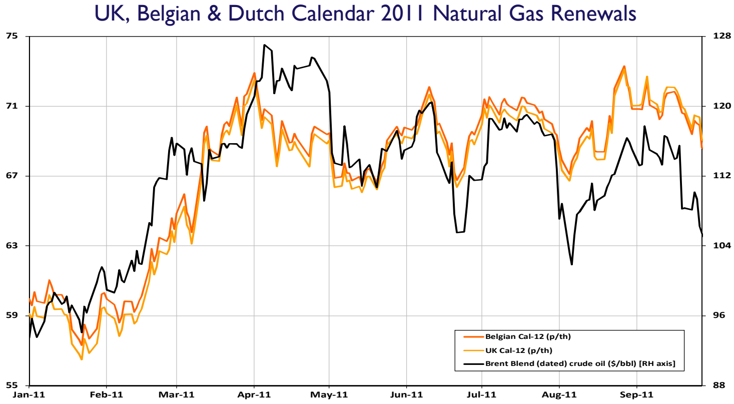
EU Carbon Emissions Market

Macro-economic concerns and an oversupply of permits caused carbon futures to shed notable value last month, leaving front year allowances down by 17.3 per cent come the end of September. The bears had the edge from the outset, but selling really got underway during the penultimate week of the review period after EU finance ministers once again failed to come up with any concrete plans to deal with the region's debt crisis. The IMF also cut its worldwide growth forecast, weighing on equities, while oil and gas prices took a tumble latterly.

Dec-2011 EU Carbon Allowances

31st Aug-11 €12.99/mt *30th Sep-11* €10.74/mt

UK, Belgian & Dutch Calendar 2011 Natural Gas Renewals



European Natural Gas Settlements

	31st Aug-11	30th Sep-11
UK Calendar 2012	72.163p/th	69.075p/th
Belgian Calendar 2012	72.450p/th	68.600p/th

European Gas Market

Prompt: The Bacton/Zeebrügge Interconnector went offline for a two-week spell of maintenance in early September, ceasing UK exports to the continent, although the anticipated glut of supplies failed to materialise at the NBP initially as the Europipe-1 link made a return, seeing Norwegian flows prioritised to Germany. With the network comfortable and stored provisions practically brimming, notable losses were nevertheless seen at the UK hub thereafter, opening up a wide spread between the NBP prompt and equivalent Belgian prices. Spot valuations moved closer to parity when the Interconnector resumed service, with short-term products finding themselves dragged down by a mini-heatwave late on.

Futures: Worries over Qatari LNG maintenance receded somewhat last month with a steady influx of Europe-bound shipments. Risk premium was consequently eroded from the near-curve, helping front month contracts to shed notable value. Eurozone debt concerns saw investors flock to the dollar as a perceived safe haven, which weighed on oil and by extension the gas seasons.

Outlook: Increased demand could bring more of a bullish dimension to the prompt, whilst the financial markets and oil are likely to affect far-curve sentiment.

Crude Oil Market

Dated Brent, the benchmark European oil product, closed out September with a 9.4 per cent month-on-month loss. Despite a move to increase dollar liquidity for European banks, sharp losses were seen as EU officials continued to drag their feet on a plan to address the region's debt crisis, while investors were less than convinced by the Federal Reserve's plan to buy up $400billion in long-term debt.

Outlook: The financial markets are likely to remain key, with developments in the Eurozone debt saga expected to have a strong bearing on crude oil prices.

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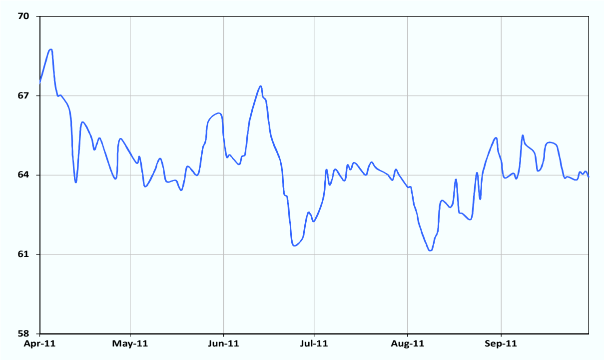
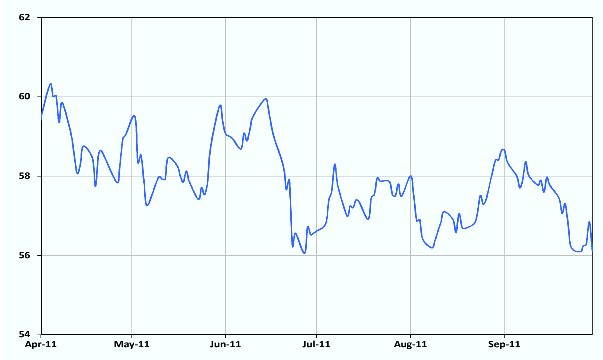
Monthly Snapshot Calendar Renewals

UK Calendar 2012 (€/MWh)



Dutch Calendar 2012 (€/MWh)



German Calendar 2012 (€/MWh)

Nordic Calendar 2012 (€/MWh)

French Calendar 2012 (€/MWh)

Belgian Calendar 2012 (€/MWh)

EU Dec-2011 Carbon Permits (€/mt CO_2e)