

Energy Market Trends Newsletter

January 2012

Welcome to the latest Bglobal Energy Market Trends newsletter, a quarterly analysis of our view of the energy industry and the factors that have an impact on energy prices today. We would like to share this information to assist your organisation in making energy buying choices. For more information on procuring, measuring or reducing your energy needs, please get in touch.

Bglobal has recently seen an increase in the number of clients with non-smart metered sites that want to take advantage of the procurement service. In these situations it is possible to build in the price of procuring smart meters into the tariff you pay for energy - reducing the initial capital outlay required and ensuring that you get fully smart as soon as possible.

Q4 2011 - Energy Pricing Trend Analysis:

During the last 3 months of 2011, prices for both Electricity and Gas declined gradually. However, the first few days of 2012 saw a slight increase in the wholesale price of Electricity which took the price back to the level as of November. The wholesale price of Gas has remained in slight decline.

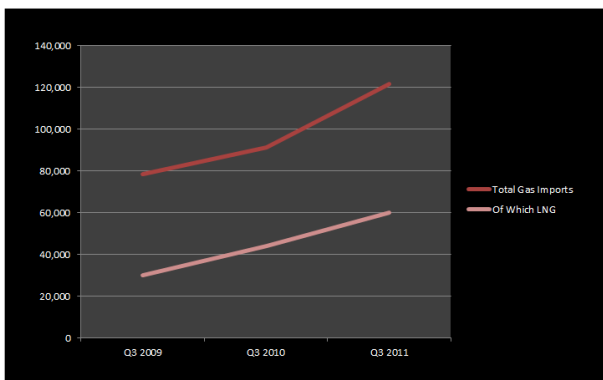
Quarterly Key Event Summary:

Event	Date	Comment
Spikes	7 th , 22 nd , 30 th Nov	Macro peaks on gas prices bucked overall decline trend
Inclines	30 th Dec	Power exhibits price rise in line with indexed oil market
Declines	Q4	Gas and power exhibit overall price decline as expected seasonal demand is not reached
Divergence	4 th Oct – 30 th Dec	Oil Price Trends rose gradually as gas and power displayed gradual decline

Industry Comment

Generation and Imports from Q3 (DECC)

- Gas imports increased by 33.5% compared with a year earlier. LNG accounts for nearly half of all imports;



- Electricity consumption was 2% lower than the equivalent period last year;
- Fossil fuel generation of electricity accounted for 69.5% whilst nuclear accounted for 19%;
- Renewable sources increased production compared to the equivalent period last year. Higher rainfall and offshore wind speed provided 15.5% more generation capacity than the equivalent period in 2010.

Suppliers Retail Prices

- Sustained wholesale year ahead market price did not display the usual decline in summer, preventing retail price reduction;

- Legislative demands upon suppliers to meet and support reduction targets impact their overheads;
- **12/10/2011** SSE announce intention to auction day ahead prices to create retail price savings;
- **31/10/2011** OfGEM fine Npower £2m for breaching regulations on customer complaint handling;
- **09/12/2011** Complaints to 5 of the Big 6 suppliers reported to have risen by 26% on average in q3.

Current Events and Impacts

UK Events Affecting Energy Markets

- **13/10/2011** BP given go ahead for a £4.5bn oil project off Shetland Isles;
- **02/11/2011** The debate on gas extraction via fracking in North West England continues to divide opinion;
- **07/11/2011** Low demand due to mild weather has meant the undersupplied UK gas system has balanced. Outlook for LNG delivery improved for Wk3/4 of November as 4 tankers arrived easing concerns that higher bidding Asian markets were forcing diversions;
- **07/11/2011** Windy conditions and low cost gas help to keep power markets stable;
- **31/12/2011** Continued low demand due to mild weather meant gas and power prices were lower than expected. "It was the mildest December since 2006 and over 5°C warmer than December 2010." (Ref. Met Office).

Scottish Power was the only supplier to exhibit a slight fall in complaints when measuring complaints in Q3 against the previous 3 months;

- **15/12/2011** Energy Market Reform update issued to July's white paper. The policy is set to commit suppliers on their consumption reduction targets and pave the way for a low-Carbon energy future.

European Events Affecting Energy Markets

Over the last quarter, the Eurozone crisis has had a significant destabilising effect on *all* markets within Europe, including the gas and oil sectors.

- **07/11/2011** Increased tension over the disputed gas fields in eastern Mediterranean while Israel feuds with Turkey;
- **14/12/2011** German Chancellor Merkel addressed the Bundestag (Parliament) stating the UK remains "An important partner the European Union" despite being "Unable to join us" on the path to fiscal union;
- **28/12/2011** The EU power regulatory agency's new electricity wholesalers EU law begins. The new law imposes requirements on wholesalers to identify market manipulation and insider trading.

World Events Affecting Energy Markets

- **08/10/2011** Oil tanker spill off New Zealand coast;
- **07/11/2011** A shortage of oil in China and an increased reliance on fossil fuels by Japan to pick up the shortfall in energy since their lost nuclear power.
- **28/12/2011** Iran threatens to block the Strait of Hormuz oil route if international sanctions are widened.

Summary

This newsletter is intended to be a very brief overview of some of the many factors that are having an impact on the UK energy supply market, and as a result, the price that your business pays for its energy. Please don't hesitate to email me for more information or analysis.

Thanks for reading!

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