

APRIL 08

ENERGY UPDATE

Tidal generator gets go-ahead

John Hutton granted planning permission for a prototype tidal stream generator to be tested in the Humber Estuary. The technology works by extracting energy from underwater currents in a manner similar to wind turbines. The prototype will have a capacity of 0.15MW and is being developed by Pulse Tidal, with the support of £878,000 government finance. If successful it will develop larger 1MW units which could be deployed in arrays each generating up to 100MW.

The technology will benefit under the new banding of the Renewables Obligation and will receive two ROCs (Renewables Obligations Certificates) for every 1 MWh of generation, unlike onshore wind which will only receive one ROC for every 1MWh.

Defra launches £4m bio energy fund.

The Climate Change Minister Phil Woolas announced on Wednesday 9th April the launch of a £4 million bio-energy fund, to support biomass fuelled heating and CHP (Combined Heat and Power) projects, including anaerobic digesters. This comes as part of the government's attempts to tackle the source of carbon emissions that accounts for almost half of total emissions in the UK – space and water heating.

The bio-energy fund forms part of the governments Environmental Transformation Fund set up to support emerging low carbon technologies. Applications are welcome from industrial, commercial and community sectors and projects can be awarded funding for up to 40% of the difference in the cost of the low carbon option compared with a fossil fuel alternative.

Crude oil rally continues to new high.

Crude oil prices hit new highs during week ending 21st April, with WTI for May delivery surging more than \$/bbl across the week to \$115.21 on 16th April. Brent oil mirrored the same movements trading to a high of \$112.83. Recent crude prices have also been buoyed by the weakening US dollar. The G7 have not indicated any immediate intervention plans to stabilise the dollar. In addition, OPEC has not indicated any plans to increase production and an unconfirmed report did suggest that OPEC might have reduced outputs slightly.

China's diesel imports rose by 49% in March while crude inflows rose by 25% due to re-stocking ahead of colder weather.

Reports also suggested that the Russian oil outputs fell by 1.3% in March compared with the same period last year.



BRIGHT IDEAS
A window left open overnight in winter will waste enough energy to drive a small car over 35 miles.

The Outlook

The strike at the 60mm³/day Grangemouth oil refinery had the biggest influence on prices over the last weeks but market participants are expecting a lower demand as temperatures improve and this could minimise any bullish affects. On the electricity forward curve the driving fundamentals remain unchanged. Any movements on the oil, coal and carbon markets could be mirrored in the power market.

Power



Forward curve prices took the majority of their direction from the bullish gas market, carbon and oil prices. The strike at Grangemouth served only to inflate the existing bullish curve. Market news of a possible new power interconnector with France failed to gather any influence on prices. Generally the fundamentals remain unchanged over the later week's conditions.

Gas



A bullish prompt market along with rising oil prices pushed curve contracts to record highs over the month. At one stage winter 08 contracts looked set to smash the 80p/ft barrier, but encountered technical resistance as speculators bought up the contract and natural players tried to take some value out of the contract. The strike at Grangemouth depleting already low reserves another driving fundamental was storage as the summer maintenance season picks up momentum, this together with low exports from Norway made for tight system volumes.