

July 08

ENERGY UPDATE

Fears of recession drive shares and oil prices down.

July 16

Oil prices tumbled by the biggest amount in three-and-a-half years yesterday as dealers sold on fears that the world's leading economies are facing a sustained economic downturn.

US crude futures slumped by over \$10 at one point to just below \$136 a barrel, having earlier traded as high as \$146.73- less than \$1 a barrel below the recent record high. It later recovered to above \$137, however, London Brent fell \$6.60 to \$137.31 a barrel.

Coal-fired power stations will lock UK into a high-emissions future, say MPs.

July 22

The government will come under increased pressure today to ban new coal-fired power stations such as the one planned for Kingsnorth in Kent unless they are equipped to trap and store carbon pollution underground, as a committee of MPs publishes a critical report.

The environmental audit committee urges ministers to make it clear that coal power plants that do not fit carbon capture and storage (CCS) equipment will be closed down. It says the government must set a deadline, after which the operation of unabated coal-fired power stations should not be permitted.

Scottish site for Europe's largest windfarm.

July 22

Europe's largest windfarm is to be built alongside the M74 in south-west Scotland after Scottish ministers approved plans to erect more than 150 turbines on surrounding moors. The £600m project is likely to produce enough electricity to power more than 250,000 homes by the time it is completed in 2011.

'Oil from algae' promises climate friendly fuel

July 31

A liquid made from plants that is chemically identical to crude oil but which does not contribute to climate change when it is burned or, unlike other biofuels, needs agricultural land to produce sounds too good to be true. But a company in San Diego claims to have developed exactly that-a sustainable version of oil it calls "green crude". Sapphire Energy uses single-celled organisms such as algae to produce a chemical mixture from which it is possible to extract fuels for cars or airplanes. When it is burned, the fuel only releases into the air the carbon dioxide absorbed by the algae during its growth, making the whole process carbon neutral.



The Outlook

Maintenance work on the Vesterled pipeline and the Unity Riser platform will see gas supply margins tighten, but this will only have an effect on prices if demand increases.

As rough storage capacity reaches 90% the outlook is for demand to dip as injection rates slow ahead of capacity being reached by mid-September.

The same can not be said for electricity generation with supply surplus predicted at 4400MW's with an estimated consumption of 4200MW's, prices on the prompt market are set to remain volatile.

Power

Power Baseload Wholesale Price	30 Day High	30 Day Low	30 Day Mean
Oct Ann Contract	£88.29/MWh	£77.77/MWh	£82.03/MWh

Forward curve.

Recent losses on coal, carbon, gas and oil were the fundamental drivers for the curve losses on the power market.

Prompt.

With several generators going offline in recent weeks volatility was high but prompt prices took direction from the bearish gas market.

Gas

Gas NBP Wholesale Price	30 Day High	30 Day Low	30 Day Mean
Oct Ann Contract	97.70p/th	83.48p/th	92.03p/th

Forward curve.

With low liquidity on the curve prices, movements were led by the strong direction on the prompt market. Additional support was gathered from bearish oil-sentiment continuing to direct prices. The front months saw collapses in value over the recent weeks.

Prompt.

Firm flows from Norway and little or no rise in UK demand saw prices fall slowly through the month. The low NBP price triggered exports to Europe on Wednesday with interconnector exports estimated at around 41.2Mm3. The increased demand from the continent provided support to prices