

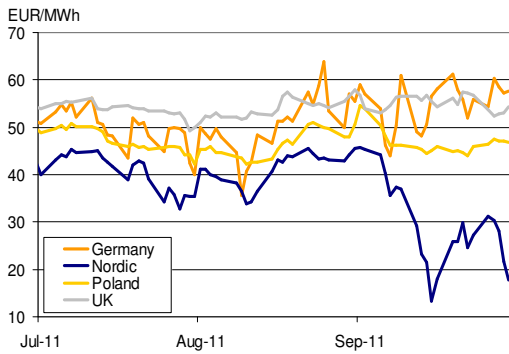
Commodity Markets at a Glance

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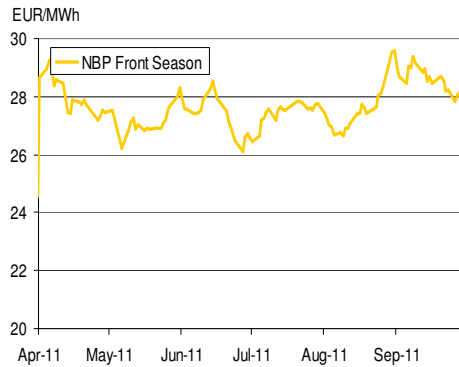
Market Letter by Vattenfall Energy Trading

European Power

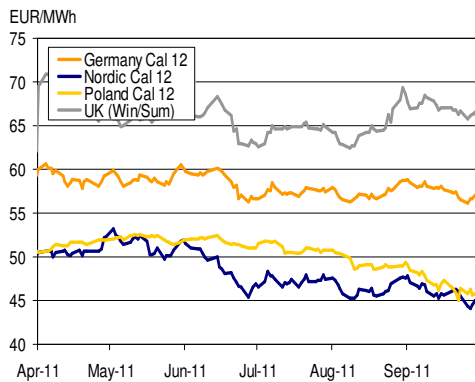
Spot markets: Decline on abundant supply



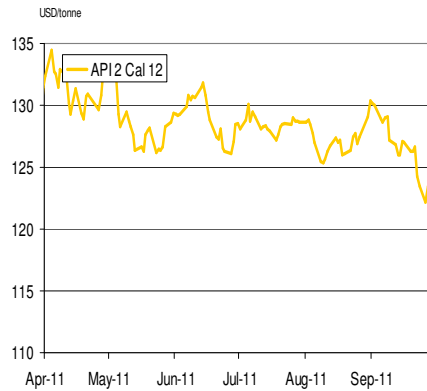
Gas Trading: October contracts falls by 3 EUR/MWh



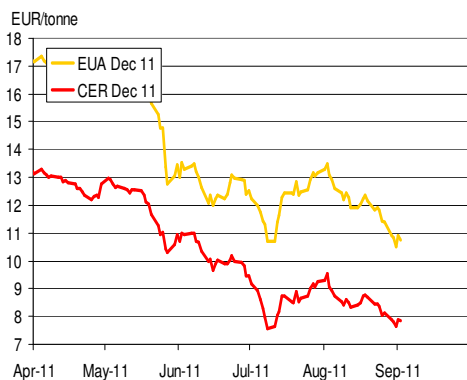
Power derivative markets: Weak term contracts



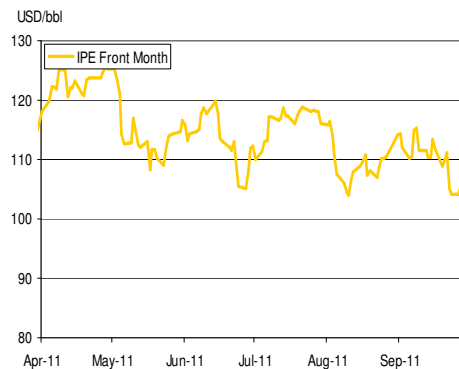
Coal Trading: Coal weakens by 6%



CO₂ Trading: EUAs and CERs decline with other commodities



Oil Trading: Oil loses 15 USD/bbl



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1. EUROPEAN POWER

Spot markets: Decline on abundant supply

Spot prices on European electricity markets closed lower than in August. The average Nordic system price even plummeted 11.20 EUR/MWh. Even though the German spot price traded at a higher average level, the closing was also down 1.50 EUR/MWh. Both the Polish and the UK spot market were more stable, averaging 1 EUR/MWh above last month's value.

[EUR/MWh]	Germany	Nordic	Poland	UK
Current month av.	52.64	28.94	46.66	54.57
Last month av.	48.57	40.14	45.65	53.35
Difference	4.07	-11.20	1.01	1.22

Continental Europe

Even though German day-ahead base averaged 4 EUR/MWh higher in September than in August, the contract closed almost 1.50 EUR below its opening and was thus weaker than expected. Since the German nuclear moratorium removed 8,000 MW generation capacity from the market, traders had expected the supply situation to worsen in autumn. However, relatively low demand and abundant supply from renewables relieved the situation. Baseload opened at 59.01 EUR/MWh, exceeded 60 EUR/MWh three times during the month and closed at 57.60 EUR/MWh at 30 September.

Average temperatures in Germany reached 18 °C, one degree above a five-year average for September. Wind and run-of river generation as well as precipitation were at average levels but solar production was once again quite high. Solar panels produced around 5,100 MW in peak hours. Thus, for the first time in more than four months, Germany exported to France, though the average amount of 23 MW was rather negligible.

In Holland, day-ahead baseload fell to close at 52.50 EUR/MWh on the back of bearish weather inputs and healthy power plant availability throughout the month. Very healthy wind production, good solar production and a high nuclear output in France put a lot of

pressure on spot clearings, as well as normal temperatures and healthy net border flows with surrounding countries.

Holland turned from a net importer to a net exporter with Germany as strong imports from Belgium, Norway and the UK made the Dutch system oversupplied, and the overall coal and gas plant availability remained healthy.

Overall, September delivery was around 3 EUR/MWh lower than the OTC trading.

Nordic

A strengthening hydro balance and high inflows put pressure on the spot during September. The system price came down from about 45 EUR/MWh in the beginning of the month to about 10 EUR/MWh in the middle of the month. A short period with less precipitation lifted the system price back to over 30 EUR/MWh, but the weather turned wetter, inflows increased and the system price came down again in the end of the month. Moreover, the month was 2 °C warmer than normal. Nuclear power plants in Sweden produced at 40% due to maintenance. In Finland all plants are running.

During September the hydrological balance improved. The precipitation outcomes in Norway and Sweden were approximately 27 TWh during September which is 7 TWh more than normal. Swedish reservoirs stood at 90.4% of maximum by the end of week 39, which is 6% above normal at this time of the year. Norwegian reservoirs stood at 86.1% of maximum, which is 1.5% lower than normal.

Poland

Like last month, Polish spot prices differed in EUR and PLN as the exchange rate changed significantly throughout the month. In PLN they were bullish and in EUR they were rather bearish as a result of a strong PLN depreciation. The average spot price for baseload amounted to 201.70 PLN/MWh, representing a 5.58% increase from September 2010 and a 7.34% increase from the previous month. In EUR, Polish spot prices only increased by 2.39% from last month, averaging at 46.66 EUR/MWh, as the Euro cost about 4.33 Polish Zlotys.

September temperatures averaged at 15.4 °C, which is almost 2 °C above the normal September level and

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3 °C above September 2010. Domestic demand also rose, both compared with the previous year and the previous month. The maintenance level was 1,000 MW lower than in August as the new Belchatow unit increased supply by up to 856 MW for some days.

Like in August, Poland exported an average of 760 MW to the Czech Republic, Slovakia and Germany.

The average balancing market outcome was slightly lower than in the previous year.

UK

The prompt failed to collapse as anticipated before entering the month as gas prices remained resilient at the start of the month. Eventually, the full storage of gas and the interconnector outage weighed heavier on the gas prices pushing the power down mid-month. Due to maintenances, the power remained a bit stronger than the gas and sparks moved up. UK day-ahead started the month at 56.66 EUR/MWh and closed the month at 54.23 EUR/MWh.

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Derivative markets: Weak term contracts

After the stronger notations in August, longer-term contracts all over Europe lost value and momentum again in September.

Continental Europe

The German Cal 12 lost its momentum from August and declined from 58.79 EUR/MWh on 1 September to close at 56.46 EUR/MWh at the end of the month. Longer-term trading was mainly influenced by the stable German spot prices. A technical support line around 55 Euros, which had existed since Fukushima, was tested several times by the end of September. In addition to the German spot market, the weakening CO₂, coal and oil prices also dragged the Cal 12 down amid continuing worries on the EU debt crisis. The traded volume ranged at 1,000 MW per day, which is still below the average at 1,500 MW.

Also, the back end contracts in the Benelux countries were bearish in September, put under pressure by low spot deliveries and a pessimistic macro-economic outlook in Europe. The Dutch Cal 12 lost around 2 EUR/MWh throughout the month, from around 58 EUR/MWh to 56 EUR/MWh. Thus, the contract stayed at a discount of around 0.50 EUR/MWh to its German counterpart.

Nordic

Most Nordic long-term contracts followed the trend of the spot market. They decreased during the month, recovered in the middle of the month when the weather was drier and started to fall again at the end of September. The Cal 12 contract closed at 44.10 EUR/MWh on September 30, down from 47.75 EUR/MWh on 1 September. The Nordic Quarter 1/2012 closed at 46.95 EUR/MWh, down from the opening at 51.10 EUR/MWh in the beginning of September.

Poland

The Polish front month and front quarter contracts followed a downward trend, reaching 206.00 PLN/MWh and 204.67 PLN/MWh respectively at the

end of the month. This meant a decrease of about 1%. The Cal 12 contract was more stable, decreasing only 0.2% to reach 203.00 PLN/MWh at the end of the month.

The curve's move to the downside was even stronger when represented in EUR. October 11 decreased by 7.1% to close at 46.66 EUR/MWh, Quarter 4/2011 by 7% to 46.36 EUR/MWh and Cal 12 by 6.4% to 45.98 EUR/MWh. The Euro cost 4.14 PLN at the beginning of the month and 4.42 at the end of the month.

UK

The curve suffered the same extreme volatility experienced during the last few months. Low volumes and sharp moves on the gas have left few players in the market other than for hedging purposes and trading spreads. After a strong opening, the bears prevailed and the market descended on the back of the weaker gas. The winter 11 contract started the month at 67.74 EUR/MWh and closed at 65.48 EUR/MWh.

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2. CO₂ TRADING: EUAs and CERs decline with other commodities

CO₂-prices declined in September on the back of weak commodities and economic data.

In line with most other commodities, European Union Allowances (EUA) lost more than 2 EUR/tonne amid lacklustre trading in September. While EUAs had opened at 12.91 EUR/tonne on 1 September, they closed at 10.74 EUR/tonne at the end of the month. They were dragged down by low gas, oil and coal quotations and by the continuing fears of a recession. Moreover, both EUAs and Certified Emission Reduction (CER) certificates had a strong good supply side. In Greece and in the UK, EUAs were auctioned, so new supply entered the market. Options were much less over-signed than before and the Greek auction did not even sell all available amounts. CO₂ trade was rather calm and did not pick up as much as expected after the summer holidays. The traded volumes were around 15 Mio tonnes per day.

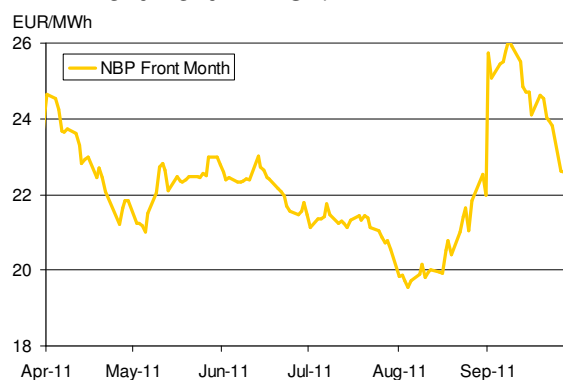
3. GAS TRADING: October contract falls by 3 EUR/MWh

NBP gas prices lost value on the back of decreasing demand.

After a 1 EUR/MWh drop in the first two September days, down from a high at 26.25 EUR/MWh at the end of August, the October contract rebounded to trade at a high at 26.55 EUR/MWh on 9 September. Shortly after the start of the Interconnector maintenance period, the front month entered a continuous downward trend as demand was at the lowest level for more than two years in the UK. Subsequently, the short-term and the October contracts lost considerable value, also after the return of the Interconnector from maintenance with significantly lower export volumes than observed in August. The reduction in continental demand for UK gas can be traced back to increased Russian flows (+10% compared to August), but also an improved LNG supply in the UK paired with warm weather. Furthermore BP restarted its Teesside terminal

adding to the bearish momentum. October settled at 22.83 EUR/MWh at the end of September.

NBP Front Month in EUR/MWh



Source: Vattenfall Energy Trading

4. COAL TRADING: Coal weakens by 6%

Like all commodities, the coal market was cautious amid macro-economic worries.

Macroeconomic issues continued to grip the markets in September as global stock indices, crude oil, gold and other commodities headed south. The Cal 12 API2 contract fell from 130.50 USD/tonne at the start of September to end the month at 122.50 USD/tonne, a drop of 8 USD or 6%. Coal stockpiles in Europe and South Africa continue to rise whilst stockpiles in India and China have been drawn. Due to the decline in European and South African coal prices and with Chinese domestic prices increasing, the South Africa to China arbitrage opened, so that delivered prices were cheaper than domestic Chinese prices and six capsize vessels of coal made its way into China

5. OIL TRADING: Oil loses 15 USD/bbl

Continuously weak macro-economic data drag the barrel down.

Brent traded in a 15 USD/bbl range, with the high of 116.60 USD/bbl recorded at the beginning of the month and the low of 101.66 USD/bbl at the end, in line with the decreasing sentiment across the globe over the course of the month. Worries over employment and economic growth, in combination

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with disappointing macro-economic data from Europe and the US established a bear trend. Fundamentally, oil trading was mixed: short term shortages in (sweet) crude triggered decent backwardation on the front end of the curve but the third downgrading of 2012 demand in a row by the International Energy Agency, the US Energy Information Administration and OPEC helped the market to cool off from its highs. The market remained very volatile intraday, with traders focusing on macro-economic news.

6. FX TRADING: Declining FX rate

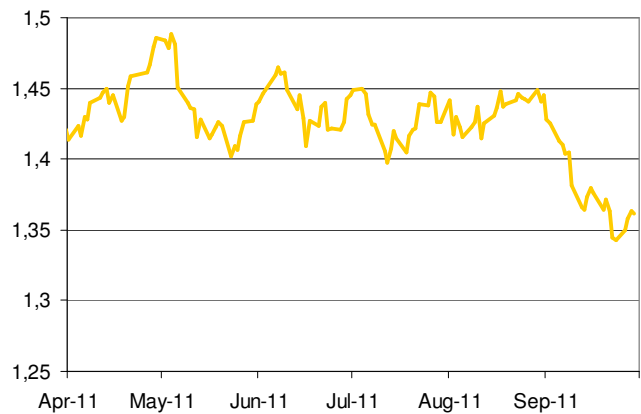
The EUR/USD exchange rate fell in September amid the ongoing economic crisis.

On the European side, the EUR/USD exchange rate was influenced by the clash between International Monetary Fund and the EU over European banks' balance sheets. Also the turn-around at the European Central Bank pointed to a potential downside risk to growth as the chief analyst, Jürgen Stark, announced he would leave at the end of 2011. Moreover, French, Greek and Italian banks were downgraded as Greece and Italy missed their budget goals. The next tranche to Greece is being delayed.

In the US, the economic report "Beige Book" showed slower growth, stock market volatility and economic

uncertainty. President Obama launched a jobs and deficit reduction plan equivalent to 3% of the gross domestic product and the Federal Bank launched 'Operation Twist', meaning they replace short-dated bonds by long-dated bonds in order to boost the economy and flatten the yield curve. The EUR/USD exchanges rate dived also on the back of disappointment that the Fed did not issue more money. The exchange rate EUR/USD fell from 1.4285 to 1.3503 at the end of September.

Exchange Rate EUR/USD



Source: Vattenfall Energy Trading

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ABBREVIATIONS

API2	All Publications Index at the Amsterdam-Rotterdam-Antwerp Range
API4	All Publications Index for South African free on board (FOB) coal
ARA	Amsterdam-Rotterdam-Antwerp, major coal-importing ports in north-west Europe
C4	Voyage freight rate between Richards Bay and ARA
CCGT	Combined cycle gas turbine
CDM	Clean Development Mechanism
CHP	Combined heat and power plant
CER	Certified Emission Reduction, resulting from an emission-reducing project in developing countries that has been certified
Dark spread	Spread between the fuel and power price for a generator
ECX	European Climate Exchange
EEX	European Energy Exchange, Leipzig
EPEX Spot	European Power Exchange, German-French spot exchange, Paris
ETS	European Union Emissions Trading System
EUA	European Union Allowance Unit
FOB	Free on board: a shipping term which indicates that the supplier pays the shipping costs from the point of manufacture to a specified destination
IMF	International Monetary Fund
IPE	International Petroleum Exchange, London
IUK	Interconnector UK – gas pipeline connecting the UK and Europe
LNG	Liquefied natural gas
MCM/D	Million cubic metres per day
NBP	National Balancing Point, gas hub in Great Britain
NCG	NetConnect Germany – German gas market area
N ₂ O project	CDM project to reduce nitrous oxide (N ₂ O)
OECD	Organisation for Economic Co-operation and Development
OPEC	Organization of the Petroleum Exporting Countries
OTC	Over-the-counter trading
PPX	Polish Power Exchange, Towarowa Gielda Energii S.A.
Spark spread	Difference between the price of electricity sold by a producer and the price of the used fuel
TSO	Transmission system operator
TTF	Title Transfer Facility: virtual gas trading hub in the Netherlands
UNFCCC	United Nations Framework Convention on Climate Change

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