

Commodity Markets at a Glance

April 2009

Market Letter by Vattenfall Trading Services

Content

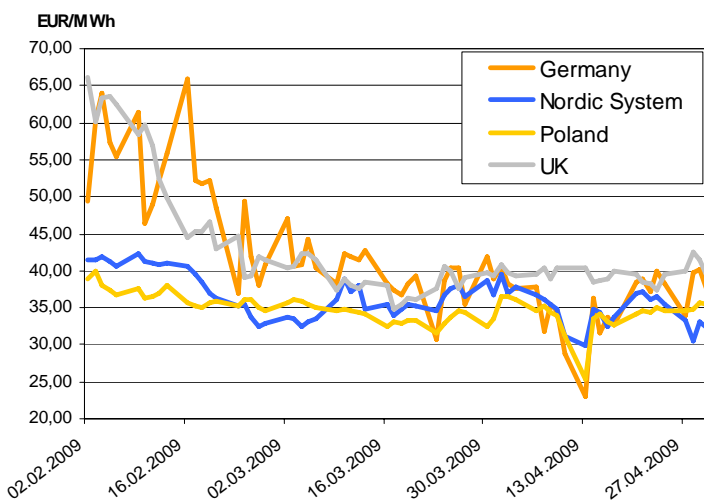
1. EUROPEAN POWER	1
Spot markets: Lower demand keeps prices down	1
Term markets: Correlation with equity markets increased	2
2. CO2 TRADING: Cautiously upwards	3
3. GAS TRADING: Healthy supply situation	4
4. COAL TRADING: Coal and freight market well-supplied	4
5. OIL TRADING: Oil recovers	5

1. EUROPEAN POWER

Spot markets: Lower demand keeps prices down

Weak demand from the industrial sector and mild temperatures kept prices on European spot markets on a low level. German spot market lost 4.10 EUR/MWh compared to the average price of March, the Nordic system spot went down by 1.40 EUR/MWh, the average base load price in Poland lost 0.33 EUR/MWh while the UK spot price increased by 0.88 EUR/MWh on average.

Figure 1: European power spot markets in EUR/MWh



Source: Vattenfall Trading Services, EEX, Nord Pool

Germany

Day-ahead Base opened at 40.57 EUR/MWh on 1 April and traded sideways until 6 April. With Easter approaching, spot prices went even lower trading around the 30 EUR/MWh level until 20 April also on mild temperatures. At the end of the holiday season, prices moved up again levelling off at 37.18 EUR/MWh on 30 April on the back of less wind, stronger load and the outage of the nuclear power plant Grafenrheinfeld. Main driver of the spot market was a decreasing industrial consumption which was temperature-adjusted 3,000-4,000 MW below last year's in Germany and France. Wind generation averaged 3,000 MWh which was normal. Power plant availability was at a stable level both in Germany and France despite strikes. Inflows from the Alps started to pick up in April on a normal level.

On monthly average, Day-ahead Base was delivered at 33.05 EUR/MWh, almost at the same price the month went into delivery. The daily traded average volume slightly decreased to 375,413 MWh.

Nordic

During April the system price continued down despite a weakening hydrological balance. Inflows were well above normal in both Sweden (212 %) and Norway (178 %) but precipitation outcomes in Norway and Sweden amounted only to 6.9 TWh in April (72 % of the normal). The month was 3.2 degrees warmer than normal and the snow melting started earlier than normal in the Nordic region. Especially the southern parts were quite warm with a temperature surplus of

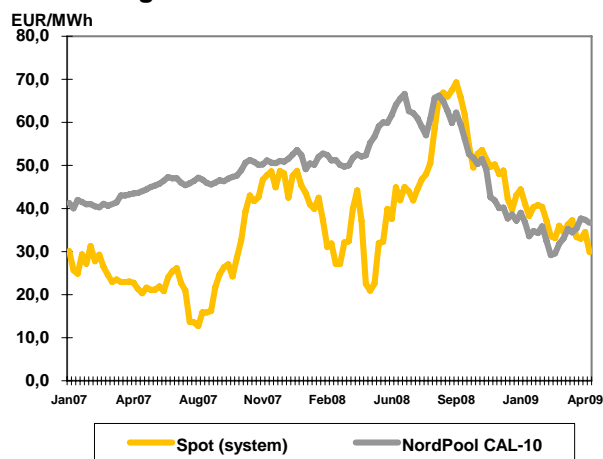
Commodity Markets at a Glance

more than 5 degrees above the normal. This in combination with the economical slowdown had a large effect on the consumption, which was much lower compared to previous years. During the month, 2 reactors were offline for yearly maintenance, Oskarshamn 3 and Ringhals 1. Forsmark 2 went off the grid in the mid of April for a fuel change instead of beginning of May. The production capacity stood at 70 % in Sweden while Finnish reactors were running at full capacity. Swedish reservoirs stood at 12.5 % of

	2009 Apr.	2009 Mar.	2008 Apr.
Avg system spot (EUR)	33.6	35.0	38.4

Source: NordPool

Figure 2: Spot price and Cal 10 in the Nordic region



maximum by the end of week 17, which is much lower than normal. At the same time, Norwegian reservoirs stood at 31.1 % of maximum, which is also below normal.

Poland

April 2009 brought warm and sunny days across Poland. Average temperatures accounted for 11.2 °C, which was almost 2.5 degrees higher than the previous year as well as the historical outcome. System monthly demand dropped by 10% year-to-year. The low demand supported the grid's stability and influenced healthy flows on daily capacities. A monthly capacity of 500 MW was offered. For May monthly auction 600 MW of export capacities were available.

The average spot price in April amounted to 32.93 EUR/MWh for Base Load, 37.90 EUR/MWh for Peak Load and 29.08 EUR/MWh for Off-peak Load.

UK

The Day-ahead market in the UK opened slightly above previous month's prices at 40.28 EUR/MWh and stayed stable on this level for the rest of the month. Spot prices ranged on a relatively low level between 38 and 43 EUR/MWh on the back of the good supply-demand situation. The supply margin continued to be stable at a high level of 10,000 MW. At the same time, demand continued to be low. The grid operator expects a reduction of 1.5% of peak capacity for 2009, indicating a decreasing industrial demand. In the last week of April, prices moved up on some LCPD plants going off the grid while some nuclear capacity was not back in production yet.

Term markets: Correlation with equity markets increased

The European long-term markets lacked a clear direction in April in an overall bearish energy power market environment. Major impetus came increasingly from equity markets.

Germany

Cal 10 started at 49.30 EUR/MWh on 1 April and moved up to 54.20 EUR/MWh on 17 April. This uptrend was driven by stronger equity markets, which traded on good news while bad news like worse than expected unemployment figures were largely ignored. In the course of the month, Cal 10 kept on following developments in equity markets going down to 51.70 EUR/MWh on 20 April and rising back to 52

Commodity Markets at a Glance

EUR/MWh on 24 April. Volatility during the whole month was high at low trading volumes. Correlation between Cal 10 and equities was higher than correlation between power and the energy markets. Cal 10 closed at 51.40 EUR/MWh, up 3 euro compared to the last of March.

Nordic

On April 30, the Nordic Cal 10 closed at 38.4 EUR/MWh (+5.1 EUR/MWh compared to the last of March) on the back of weaker hydrological balance and higher commodity prices. The consumption in the Nordic is down more than 20 TWh year-on-year and during the same time the hydrological balance has weakened by more than 30 TWh. The Cal 10 contract is more correlated with coal, oil, CO2 and global economy than with the hydrological balance right now.

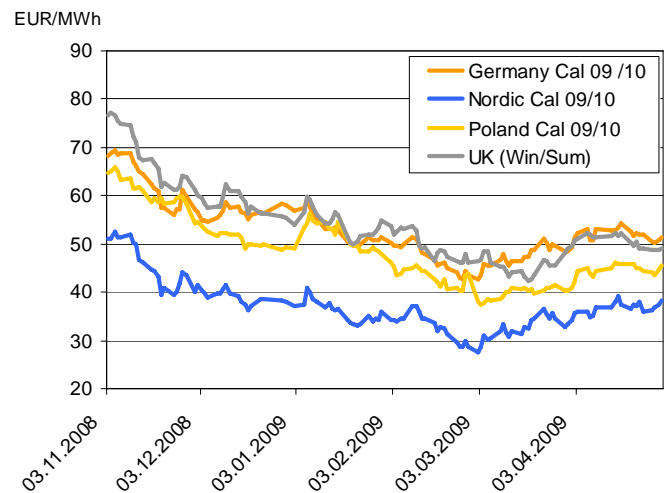
Poland

During the whole month, liquidity of Cal 10 contracts was relatively weak with the market still waiting for supply to start actively trading on the forward market. Contracts for Q3 and Q4 were also illiquid and remained in a horizontal trend with some downwards potential. Cal 10 gained 4 euro at the beginning of the month before pegging slightly below 45.50 EUR/MWh. In general, the situation of Cal 10 contracts was driven by hazy expectations about economy recovery in 2010.

UK

The Cal 10 marched sideways disengaging from the fundamental supply and demand situation. Equity markets and also oil gave some upside support in an overall bearish power market environment. At the end of the month, Cal 10 traded at 49.19 EUR/MWh, up 0.9 euro compared to the last of March.

Figure 3: European long term markets in EUR/MWh



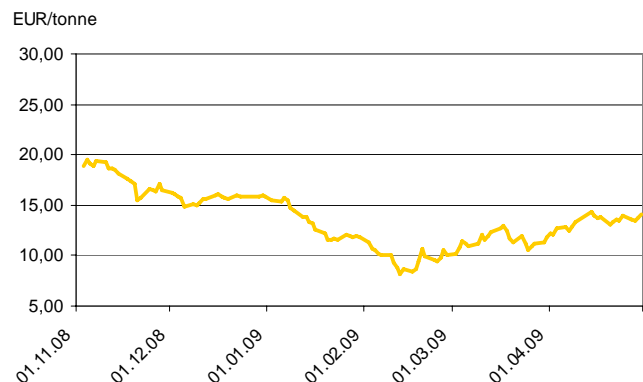
Source: Vattenfall Trading Services, EEX, Nord Pool

2. CO2 TRADING: Cautiously upwards

The CO2 market regained to the price level from beginning of this year, before strong industrial sell-off at spot exchanges brought prices down.

CO2 gained slightly to 12.14 EUR/tonne on 1. April following the release of verified emission data for 2008, which showed a small shortage of certificates. On the back of increasing interest in the back-end of the curve the carbon market went up further to 14.29 EUR/tonne until 14 April. This also led to increasing time spreads between the vintages. Until 20 April, the CO2 contract was dragged down to 13.07 EUR/tonne

Figure 4: European Union Allowances in EUR/tonne on forward market



Source: Vattenfall Trading Services

Commodity Markets at a Glance

by weakening energy markets. Towards end of the month, bullish impetus from the firmer oil market as well as increasing buying interest moved up carbon despite pessimistic prognosis that corrected emission and prices further downwards. At the end of the month, CO₂ was set at 14.14 EUR/tonne having

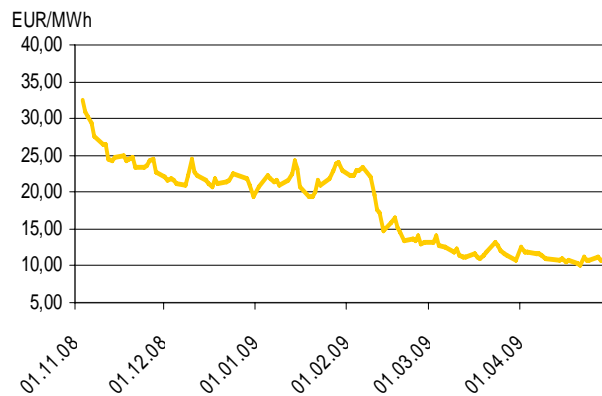
gained 2.33 EUR/tonne compared to the last of March. The spread between EUAs and CERs increased to a year's high of 3.33 EUR/tonne on 14 April. Driven by the spread, market players swapped EUA for CER which also led to the spread descending below the 2 euro level again.

3. GAS TRADING: Healthy supply situation

The gas market traded down to a year's low before it stabilized on the back of higher storage injections and exports.

NBP front month opened at 12.49 EUR/MWh on 1 April and moved down to this year's low of 10.13 EUR/MWh on 21 April. The first half of the month was characterized by a weakening demand due to economic contraction and mild weather. Even the outage of Langeled did not affect the extremely good supply situation. In the course of the month, the gas market stabilised on high storage injections and interconnector exports to the continent. Further LNG arrivals added to the good supply situation. End of the month, NBP front month levelled off at 10.75 EUR/MWh, down 0.79 EUR/MWh compared to the previous month.

Figure 5: NBP front month in EUR/MWh



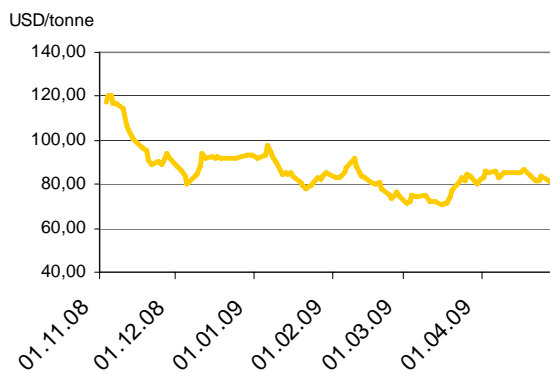
Source: Vattenfall Trading Services

4. COAL TRADING: Coal and freight market well-supplied

Equities, oil and the fundamental oversupply especially on the spot were the main drivers for coal.

Having opened at 82.94 USD/tonne, coal prices shifted up by more than 3 dollar until 6 April on firmer equities, stronger energy markets and a weaker US Dollar. In the course of the month coal traded range bound in the channel 83-87 USD/tonne until 20 April. Bearish impetus came from the current oversupply situation in the coal market and healthy stocks excluding India. On the freight market, there are more ships than cargos. Force majeure declaration of a coal producer in

Figure 6: API 2 Cal 10 in USD/tonne



Source: Vattenfall Trading Services

Commodity Markets at a Glance

Colombia mid of April and production cuts in Russia could not ease the situation. Stocks have fallen on Chinese ports due to a recovery of the economy which has been growing at relatively healthy rates. Towards

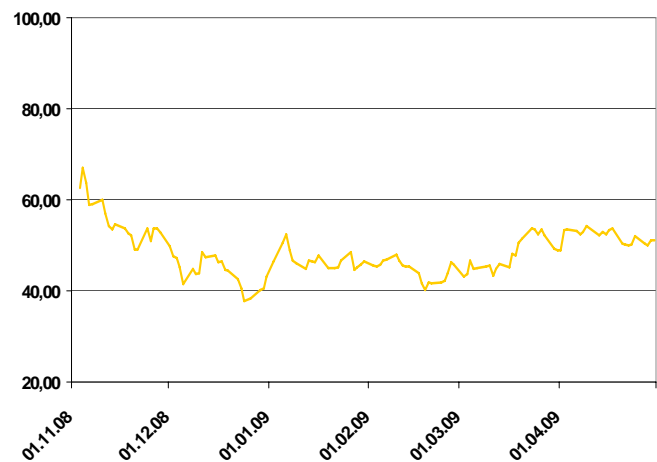
end of the month, coal followed the oil market declining to 82.09 USD/tonne on 30 April.

5. OIL TRADING: Oil recovers

The G20 meeting and better than expected economic data dominated the oil market in April.

Crude oil started at 48.94 USD/bbl on 1 April and moved up to 53.49 USD/bbl until 3 April. The outcome of the G20 meeting was perceived fairly positive by stock markets and oil markets followed. From there on, the market traded sideways within the 52-55 dollar range in expectation of the upcoming earnings releases of the US banking sector. In the last few trading days, oil slightly weakened on the back of global oil demand forecasts being corrected downwards by all leading energy institutions and concerns about swine flu. Positive expectations on China's economic growth, a weaker US Dollar and economic data better than expected gave some upwards support to the oil market. On 20 April, oil closed at 51.13 USD/bbl, up 2.19 dollar compared to the last of March.

Figure 8: IPE Dated Brent Oil in USD/bbl (front USD/bbl)



Source: Vattenfall Trading Services

ABBREVIATIONS USED

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 northwest Europe
BRIC	Acronym for the economies of Brazil, Russia, India and China combined.
CRB	Commodity Research Bureau, commodity index which covers energy, grains, industrials, livestock, precious metals, and agricultures.
CHP	Combined Heat and Power Plant
CER	Certified Emission Reduction, resultant of an emission-reducing project in developing countries that has been certified
ECX	European Climate Exchange
EEX	European Energy Exchange, Leipzig
EUA	European Union Allowance
LCPD	Large combustion plants directive, places limits on emissions from the combustion of coal, oil and natural gas in the UK
LNG	Liquefied natural gas

Commodity Markets at a Glance

NBP	National Balancing Point, gas hub in Great Britain
OPEC	Organization of the Petroleum Exporting Countries
OTC	Over-the-counter trading
PPX	Polish Power Exchange Towarowa Gielda Energii SA
TSO	Transmission System Operator
TTF	Title transfer Facility, virtual gas trading hub in the Netherlands
WTI	West Texas Intermediate, crude oil used as benchmark in oil pricing

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E-Mail: trading@vattenfall.de

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