

Paris, September 22nd 2014

Electricity, Natural Gas and CO₂ market observatory (data as of June 30th 2014)

Electricity: the mild winter has affected the market prices on the downside, as well as the use of generation and interconnection infrastructures; the traded volumes on the wholesale market decreased from the first quarter 2014, but remain strongly above those of the same quarter last year

Temperatures were mild during the 2nd quarter 2014, resulting in an electricity consumption 6% lower compared to the same quarter in 2013. On the electricity spot market (day-ahead and intraday), negotiated volumes amounted to 25 TWh during the 2nd quarter 2014, i.e. a 9% increase from the previous quarter and a 6% increase from the same quarter last year. On the future market, trading volumes dropped by 26% from the previous quarter, with more than 158 TWh registered. The drop in traded volumes from the previous quarter is due to decreasing volumes on M+1 maturity (-54%). Meanwhile, these volumes remain strongly above those of the 2nd quarter 2013 (+36%).

Baseload Day-Ahead price on EPEX SPOT averaged at €31.5 /MWh, i.e. a 17% decrease from the previous quarter and a 6% drop compared to the 2nd quarter 2013. **The baseload day-ahead price spread between France and Germany significantly reduced on quarterly average**, from €4.3/MWh to €0.2 /MWh. On the future market, the price spread with Germany continued to grow in a context where calendar baseload prices reduced less in France (€-0.9 /MWh) than in Germany (€-1.7 /MWh), respectively establishing at €41.9 /MWh and €34.4 /MWh.

During the second quarter 2014, the average nuclear generation rate settled at 68.5%, as in Q2-2013. The average availability rate of nuclear power plants was 72.2% over the quarter, and increased steadily as of May 2014. **Hydro storage level increased to 72% at the end of June 2014 compared to 55% at the end of March 2014.**

For a second consecutive quarter, peak-hours power plants have been rarely requested, and especially coal and gas power plants which have been functioning for fewer hours than dams, for a second trimester.

During the 2nd quarter 2014, imports decreased by 25% compared to previous quarter reaching 5.6 TWh, and exports maintained at 21.5 TWh. Therefore, the net exportation balance increased by 8% during the quarter, to 15.8 TWh.

Natural gas: spot prices down sharply during the quarter; the situation in Ukraine supports prices in the curve

Wholesale natural gas prices in Europe continued their declining trend during the 2nd quarter 2014. From around €21/MWh at the end of March, spot prices dropped to levels below €20/MWh and set at the end of the second quarter around €17/MWh (their lowest level since 2010). The main factor explaining this price drop is the weak consumption resulting from an exceptionally mild winter.

The PEG Nord/PEG Sud spread narrowed but levels are still high: after tightening to levels close to €1/MWh at the end of March, the spread widened back in the 2nd quarter at an average level of €3.6/MWh.

Regarding forward prices, the Summer/Winter 2014 spread increased, fostering storage injections all across Europe: French storages were 56 percent full at the end of June against 35 percent last year. While

prompt prices fell during the quarter, contracts with delivery during next winter remained stable, finding support from the geopolitical tensions in Ukraine.

On the supply side, the arrival of LNG in France continued its downward trend during the 2nd quarter 2014. French terminal send-outs remained at the lowest levels since 2009.

The traded volumes in the intermediated French wholesale markets declined sharply compared to the previous quarter. This decline, observed in the same proportions on the exchange and the brokers, affected both spot (-33%) and forward (-27%) maturities. Compared to the 2nd quarter of 2013, volumes are respectively down -17% and -11%.

CO₂

EUA spot prices decreased during the second quarter 2014 with an average price of €5.3/tCO₂, i.e. a decrease of 9% versus the previous quarter. Within the framework of the back loading of 400 million of quotas, stated by the European Commission for year 2014, more than 100 million of quotas were not submitted during auctions in Q2-2014. Besides, **the CER spot prices decreased to €0.14/tCO₂ during the second quarter**, which represented a 53% fall compared to previous quarter.

Total volume of EUA traded noticeably decreased during the second quarter 2014, by 43% (at 1,885 Mt) versus the previous quarter and by 35% versus the 2nd quarter 2013. Volumes traded via exchanges and brokers decreased respectively by 39% (at 1,638 Mt) and by 59% (at 247 Mt) versus the previous quarter. Exchanges and brokers accounted respectively for 87% and 13% of EUA traded volumes during the second quarter 2014. **CER traded volumes decreased of 56% during the second quarter** versus the previous quarter (at 60 Mt).

Overall, it was noticed that an even higher share of CO₂ trades occurred on exchanges versus brokers compared to usual for both EUA and CER products.

During the first quarter 2014, EUA volumes traded on exchanges were mainly term contracts – around 160 Mt were spot contracts, 995 Mt were Dec. 2014 contracts and 205 Mt were Dec. 2015 contracts.

Press contact:

Anne MONTEIL : 01 44 50 41 77 – anne.monteil@cre.fr