



Press Release – 14.03.2011

Japan ‘quake pushes UK gas and power prices to record levels

The impact of the Japanese earthquake boosted UK gas and power prices further on Monday morning, as concerns persist over possible liquefied natural gas (LNG) diversions to Japan.

Both UK gas and power prices for delivery this year have traded at their highest levels since 2008.

The Summer ‘11 NBP contract traded up to 64.60 pence per therm (p/th) shortly after the open, a rise of 7% from Friday’s close. This was the highest level the contract has traded at since October 2008, according to ICIS Heren data. This level is 59% higher than last summer’s average system price.

The key Day-ahead contract, for gas delivered the next day in the UK, also traded 7% higher than Friday’s closing price, to trade at 64.25p/th.

Gas for delivery in April dealt up to 64.53p/th – 8% higher than Friday's close.

Japan is expected to boost LNG demand to cover its electricity production with several nuclear plants out of action. This demand could mean vessels are diverted from elsewhere in the world, including the UK.

LNG now covers around 20% of the UK’s daily gas needs and is a growing part of the country’s supply mix.

High gas prices have also had an impact on power, with typically around 35–40% of the UK’s power demand met from gas-fired generation.

Power for delivery in the UK in April has traded at record levels on Monday morning, with the Baseload contract reported opening at £53.75 per megawatthour (MWh), and reaching £53.85/MWh.

UK power April ’11 Baseload opened at a £53.75/MWh – up 5% from Friday’s close. By 10:00 London time, the contract had traded as high as £53.85/MWh.

The highest level is £2.70/MWh higher than power delivered for April this year has ever traded previously.

ICIS Heren data shows that these are the highest prices for power delivered during the month of April since 2008.

“UK power takes a strong lead from gas prices because gas-fired plants are the most flexible and able to respond to supply and demand signals from market pricing,” said Zoe Double, editor of European Daily Electricity Markets.

Notes for editors:

Baseload power refers to power delivered continuously over that period – 24 hours a day, seven days a week.

LNG is natural gas that has been converted temporarily to liquid form for ease of storage or transport.

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