

Trayport Euro Commodities Market Dynamics Report

Trayport Analysis Team
October 2014



Legal disclaimer

DISCLAIMER

The content may not be copied, reprinted, published, transmitted, transferred, disseminated or distributed in any manner without prior written approval by Trayport Ltd.

The contents of the report are provided AS IS. Trayport does not make any representation or warranty as to the accuracy, reliability, fitness of purpose, completeness, and or merchantability of the contents of the report or any part thereof and Trayport expressly liability of any kind whether statutory or implied whatsoever whether arising of and or in relation to the report or any part thereof. Nothing contained in the report shall be construed as legal, technical or other professional advice or be relied upon as such advice. Any clause of this disclaimer that is declared invalid shall be deemed severable and not affect the validity or enforceability of the remainder.

Trayport and the names of Trayport's products are Trademarks and Service Marks of Trayport Limited, and where relevant have been registered as such.

Other products, services, or company names mentioned herein are the property of, and may be the service mark or trademark of, their respective owners.

© Trayport Limited 2014. All Rights reserved.

Editorial summary

October 2014

CME achieves record market share in Euro Coal, brokers regain share in largest market, volumes mixed

This month sees a steadying of volumes and market dynamics across most Euro Commodity markets, as we settle into the new gas year and the new winter season. Volumes were mixed for the month, with the largest month on month change being a drop of 11% in UK Power, while UK Gas and Euro Power recorded increases of 7%. Euro Gas recorded a drop of 5% in traded volumes, while Emissions were up 3% and Coal up just 1% for the month.

UK Gas recorded a significant shift back to the brokers – broker bilateral market share increased 6% to 53% during October. This gain was mainly at the expense of exchange executions, which dropped from 46% last month to 41% this month. Euro Gas on the other hand saw a drop in broker bilateral market share of 2% to 85% of the market, as the cleared market gained to 15%. The TTF market contributed the most to this change at the Euro Gas grouping level, with broker bilateral share dropping to 81% in October, down 4% vs. September 2014. TTF dropped back to 72% of the NBP market this month, as TTF volumes declined 8% this month relative to NBP's 7% growth. What's driving this shift in fortunes for TTF relative to NBP?

CME achieved a new record cleared market share in European Coal in October – breaking through to 85% of the cleared market, at the expense of ICE. CME held 82% of the API2 cleared market, up 3% vs. September 2014, and 96% of the API4 cleared market, up 5% vs. September 2014. Volumes in coal have been mixed, with API2 showing a drop of 12% YTD 2014 vs. YTD 2013, and API4 showing a 2% drop over the same period.

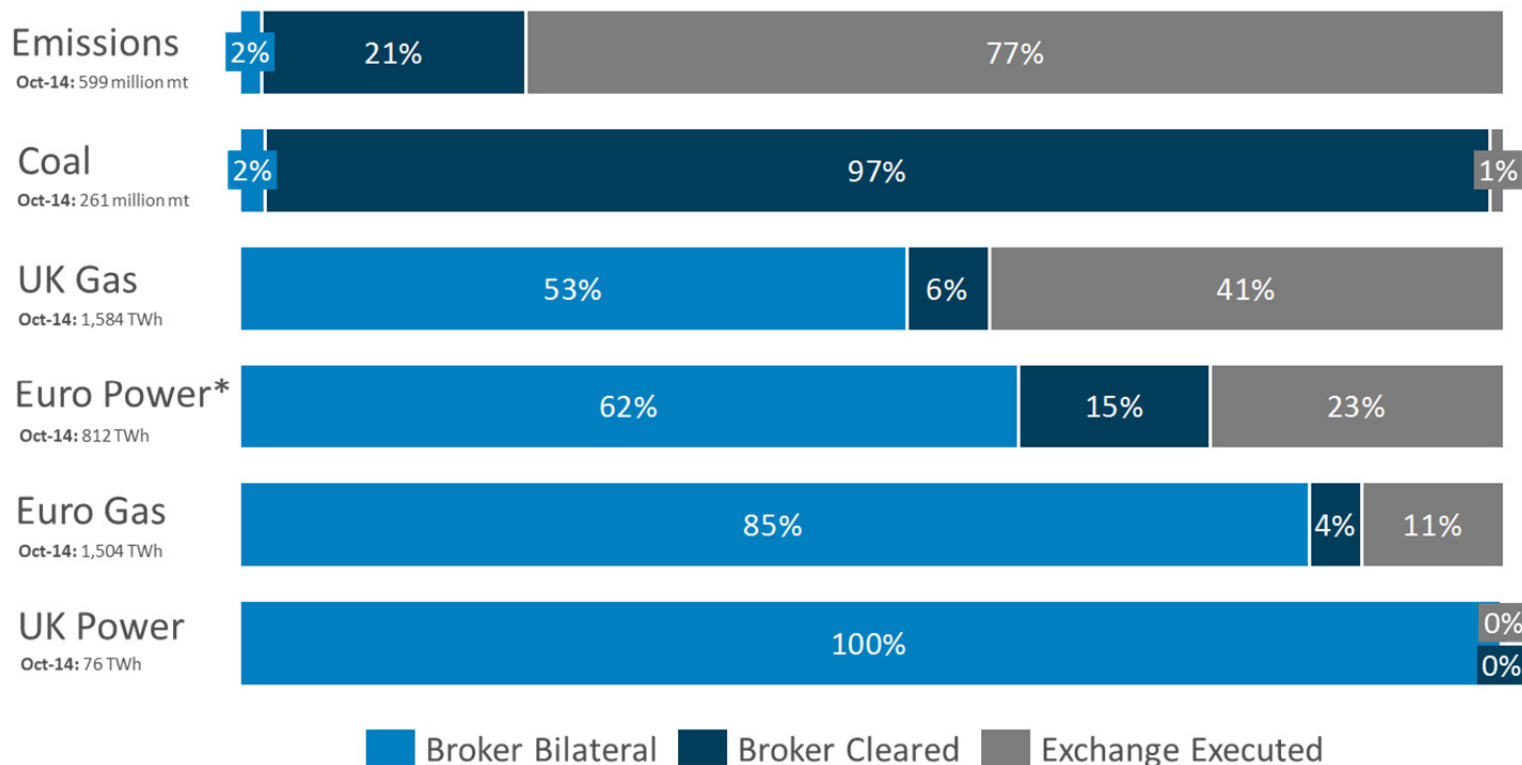
High Level Market Summary

- NCG volumes were up 17% for the month, and broker bilateral share increased back to 98% from 96% last month.
- Gaspool volumes were down 10% for the month, but are up 17% YTD 2014 vs. YTD 2013.
- Volumes in PEG were flat as exchange executions grew 2% to 13% market share for the month.
- German Power volumes were flat, broker bilateral share grew to 72%.
- French Power volumes were up 44% for the month, as the cleared market grew 2% to 11% this month.
- Nordic Power volumes fell back from the 2014 monthly peak of 159 TWh last month, down 3% vs. September.
- Italian Power volumes were up 16% for the month, as the cleared market dropped back to 17% market share.
- Spanish Power volumes were up 10% for the month. OMIP and MEFF together have 97% of the cleared market, with EEX's trade registration offering taking the remaining 3% of the cleared market.
- EUAs and CERs saw increases in volume of 3% and 59% respectively for the month.

European Energy Markets Composition: Broker Bilateral, Broker Cleared and Exchange Execution

Information as at: 31 October 2014

Estimates based on Trayport analysis and market research



Note: Data sources on page 6.

Table 1: Key Term Definitions

Term	Definition	Calculation (UK & Euro Gas & Power)	Calculation (Coal & Emissions)
Broker Bilateral	Total volume executed at a broker and cleared bilaterally, without the involvement of a clearinghouse	LEBA published total volume minus aggregated clearinghouse reported broker cleared volume	LEBA published total volume minus LEBA published cleared volume
Broker Cleared	Total volume executed at a broker and given up for clearing to a clearinghouse	Aggregated clearinghouse reported broker cleared volume	Aggregated clearinghouse reported broker cleared volume
Exchange Execution	Total volume executed directly on exchange and cleared with the relevant clearinghouse	Aggregated exchange reported executed volume	Aggregated exchange reported executed volume
Cleared Market	Total volume cleared at a clearinghouse	Broker cleared plus exchange execution	Broker cleared plus exchange execution
Total Execution	Total executed volume, at a broker or an exchange	Broker bilateral plus broker cleared plus exchange executed	Broker bilateral plus broker cleared plus exchange executed

NB: Brokered volumes include spot volume while exchange volumes do not. We are currently addressing this.

European Energy Markets Composition: YTD Trends

Information as at: 31 October 2014

Estimates based on Trayport analysis and market research

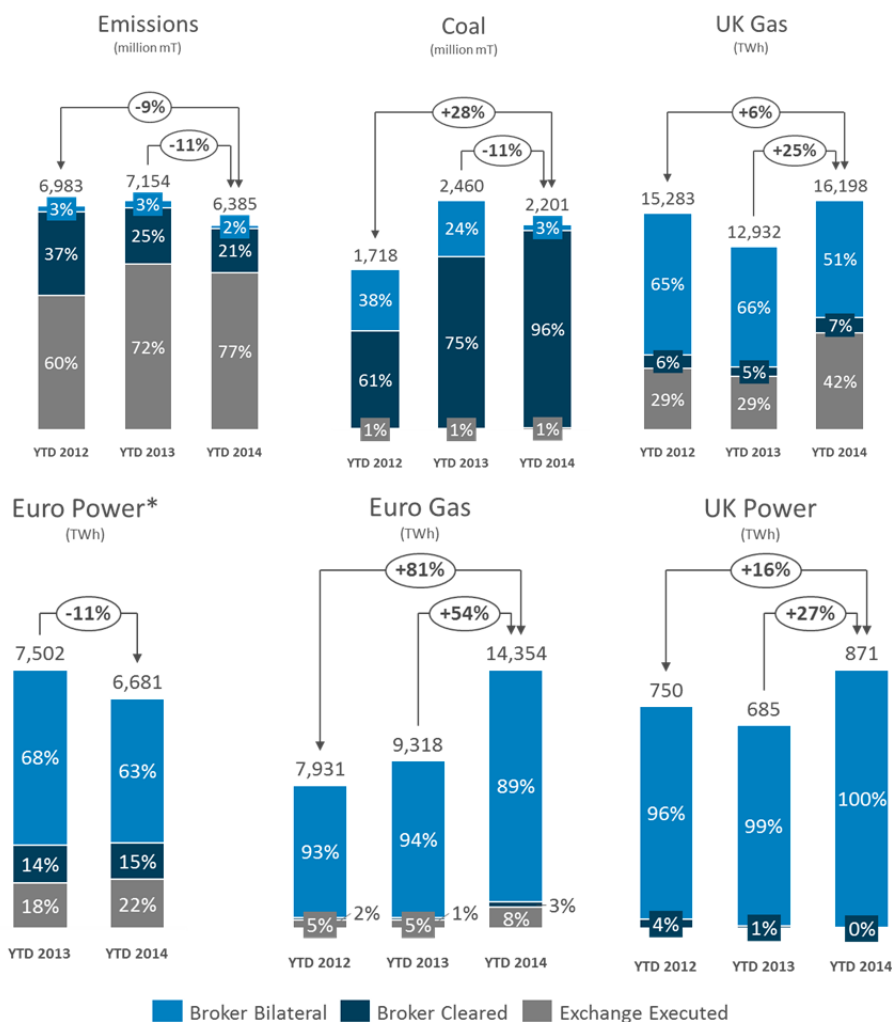


Table 2: Volume Traded Change

Commodity Class	MoM	YoY	YTD	Term	Definition
Emissions	+3%	-14%	-11%	MoM	Current month volume versus previous month volume (e.g. October 2012 vs. September 2012)
Coal	+1%	-27%	-11%		
UK Gas	+7%	+20%	+25%	YoY	Current month volume versus same month last year volume
Euro Power	+7%	+4%	-11%		
Euro Gas	-5%	+42%	+54%	YTD	Total volume YTD 2014 versus total volume YTD 2013 (e.g., Jan – Oct 2014 vs. Jan – Oct 2013)
UK Power	-11%	-3%	+27%		

Note: Data sources on page 6.

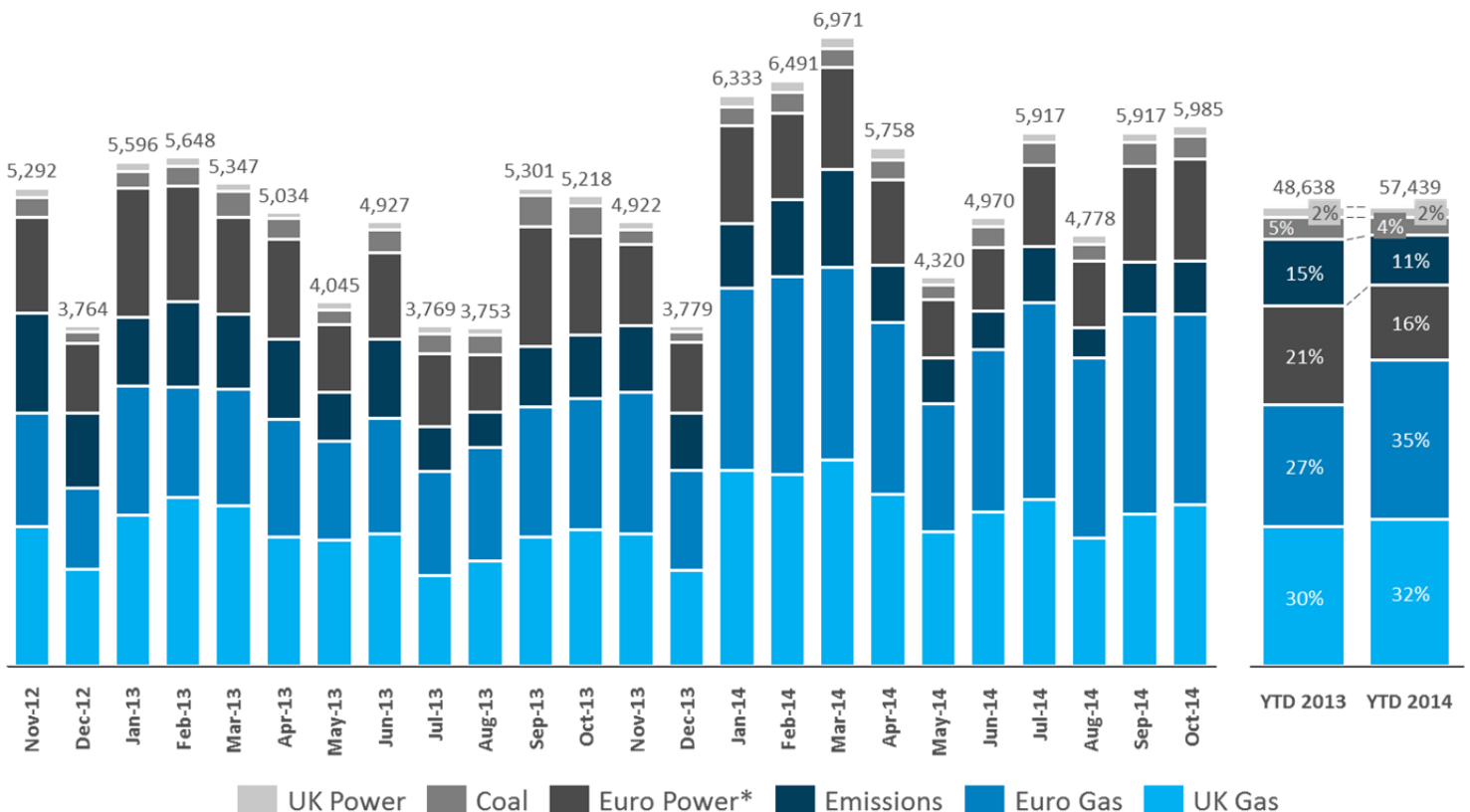
NB: Brokered volumes include spot volume while exchange volumes do not. We are currently addressing this.

European Energy Markets Composition: Total Euro Commodity Market Volumes

Information as at: 31 October 2014

Estimates based on Trayport analysis and market research

(Monthly Contract Equivalents* 000's)



Note: Data sources on page 6.

*Monthly Contract Equivalents calculated as total volume divided by a standard monthly contract lot size (30 day month):

Commodity Class	Volume Unit	Standard Monthly Contract Lot Size	Monthly Contract Equivalent Calculation
Emissions	Metric tonnes	1,000 tonnes	Total volume in metric tonnes divided by 1,000 tonnes
Coal	Metric tonnes	1,000 tonnes	Total volume in metric tonnes divided by 1,000 tonnes
UK Gas	Therms / MWh	30,000 therms / 879 MWh	Total volume in MWh divided by 879 MWh
Euro Power	MWh	720 MWh	Total volume in MWh divided by 720 MWh
UK Power	MWh	720 MWh	Total volume in MWh divided by 720 MWh
Euro Gas	MWh	720 MWh	Total volume in MWh divided by 720 MWh

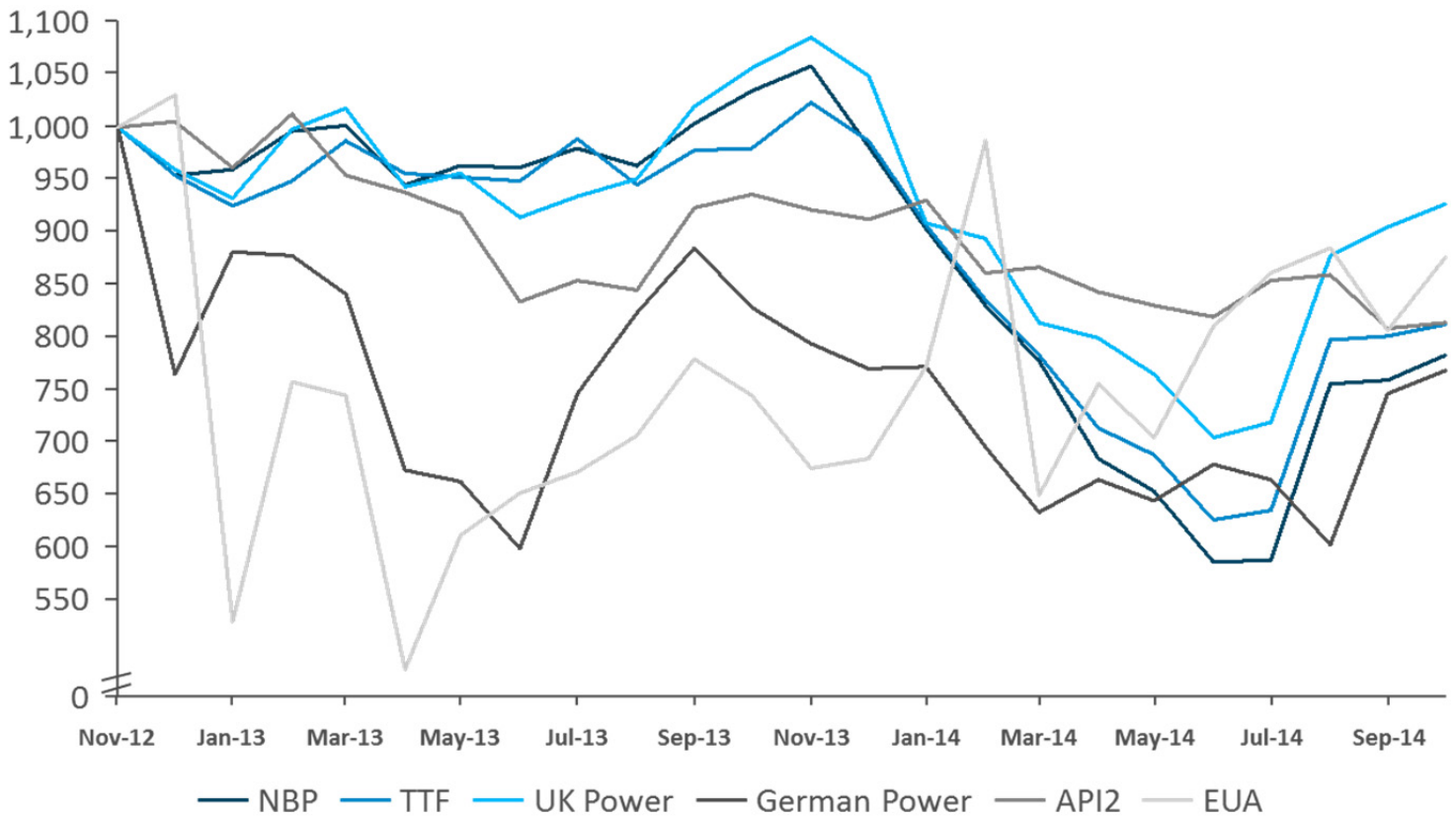
Monthly Contract Equivalents allow us to compare trading volumes across commodity classes that are traded in different volume units.

NB: Brokered volumes include spot volume while exchange volumes do not. We are currently addressing this.

European Energy Markets Composition: Rebased Price Trends over Time

Information as at: 31 October 2014

Estimates based on Trayport analysis and market research



All prices are Front Month, except EUAs, which are Front Vintage.
Prices rebased 24 Months previous

Note: Data sources on page 6.

Data Sources

OTC brokers data

LEBA www.leba.org.uk

Exchange data

APX-ENDEX Data source Jan 2011 – Oct 2013; source no longer available
CME <http://www.cmegroup.com>
EEX <http://www.eex.com/en/Download>
NYMEX <http://www.cmegroup.com>
ICE www.theice.com
N2EX www.N2ex.com
NASDAQ OMX www.nasdaqomxcommodities.com
BMEClearing <http://www.meff.es/aspx/DerEnergia/HistoricoResumen.aspx?id=ing>
OMIP <http://www.omip.pt/Downloads/tabid/104/language/en-GB/Default.aspx>

Clearing house data

LCH www.lchclearnet.com