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Macro Economics

<table>
<thead>
<tr>
<th>Currency</th>
<th>Closing Rate</th>
<th>% Change</th>
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<tbody>
<tr>
<td>EUR</td>
<td>1.3898</td>
<td>2.45%</td>
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<tr>
<td>USD</td>
<td>1.5264</td>
<td>0.95%</td>
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United States Dollar

Data released yesterday showed that Q1 UK GDP was revised down to 0.3% vs. forecasts for 0.4%. This put the pound on the back foot throughout most of the morning. Throw in prevailing dollar strength – fuelled by better than expected US pending home sales released earlier – GBP/USD fell through support at 1.53 to a low of 1.5265. Good demand for EUR/GBP also weighed on the pair. Expect some consolidation in GBP/USD next month around the 1.53 figure ahead of US Prelim GDP and Chicago PMI due for release later in the day. There’s no data due from the UK.

Blizzard anticipates a range of 1.5260 to 1.5400

Euro

There was still a lot of rhetoric around a potential Greek deal. The Greek government said it was close. Data wise, Spanish GDP beat expectations and showed that the Spanish economy grew at its fastest pace in seven years. Oddly, EUR/USD fell on the news but as EUR/GBP demand kicked in the pair recovered. It consolidated through Asia and opened month end at 1.0950. Better than expected German Retail Sales released should lend some support to the single currency over the med-term. Meanwhile, GBP/EUR is back below 1.40, largely a result of the soft revision to UK GDP and it trades at 1.3975.

Blizzard anticipates a range of 1.3955 to 1.4050
Oil Market: Brent $63.10/bbl, WTI $57.68/bbl

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<tbody>
<tr>
<td>Brent ICE (USD/b)</td>
<td>63.10</td>
<td>↑</td>
</tr>
<tr>
<td>Gasoil ICE (USD/t)</td>
<td>578.00</td>
<td>↑</td>
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<tr>
<td>Fuel 1% Fob cg (USD/t)</td>
<td>578.00</td>
<td>↑</td>
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Close to close: Up at $ 62.58/bbl for Brent ICE MAY15

Why?
Crude markets rebounded +1% after 4 negative sessions. The positive move was fuelled by another drop in US inventories but it was also a technical rebound following the strong losses. Brent is back around $63/b and WTI trades above $58/b. Brent is heading towards strong losses, almost -$2.5/b, while the transatlantic spread narrowed $1.5/b as demand supports US demand while oversupply situation put constant pressure on global markets.

Main events:
Data from the EIA showed that crude oil inventories fell by -2.8 Mbd, down for the fourth week ahead of the Memorial Day holiday, which unofficially kicked off the peak summer driving season in the US. More surprisingly, US output jumped +300 kbd to reach 9.57 Mbd, the highest in records going back to 1983: but this gain is the combination of an upward revision of the figures (as EIA weekly production numbers are based largely on forecast models and historical data rather than realtime information - unlike data on inventories or refinery operations) and the end of the maintenance in Alaska that caused last week’s drop. Baseline revision accounts for two thirds of the gain while Alaskan incident for one third. An OPEC meeting will take place next month in Vienna but suspense has vanished as there is almost no chance of a policy change and the organization should be rolling over its 30 Mbd quota for another 6 months at least. OPEC members see rival producers boosting oil output despite weak prices, they can observe the better than expected resilience of US shale industry and E&P firms are also raising investments and rig hiring… Some analysts of Bank of America Merrill Lynch estimated, in a report, a more than 50 percent chance of repealing the 40-year-old ban
on Iranian domestic crude oil exports over the next 24 months, reopening this decade long debate. The analysts found "a surprising amount of support to remove the ban across members of the House and Senate" and said a potential return of Iranian oil to global markets makes it an easier measure for politicians to support. After negotiations with Tehran that should end up next month, this could be the next global game changer on crude markets as OPEC does not make the headlines anymore…

**Outlook:**
The fall could resume ahead of the weekend but with limited amplitude; main mover will be the US GDP revision with a potential upward risk, we see a first support at $62.3/b. Next month, all eyes will turn to Vienna for the OPEC meeting despite the expected outcomes.

**European Gas Market NBP Price:** 1.496 pence/kWh

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<tbody>
<tr>
<td>Day Ahead (p/therm)</td>
<td>43.25</td>
<td>u</td>
</tr>
<tr>
<td>June 2015 (p/therm)</td>
<td>42.23</td>
<td>u</td>
</tr>
<tr>
<td>Winter 2015 (p/therm)</td>
<td>47.90</td>
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**Close to close:** Down at 4.325 GBP/MWh

**Why?**
European spot and near curve prices were mixed this month. Expectations of lower temperatures in the UK and some technical outages on Norwegian supply supported NBP day-ahead prices, while prices softened in some continental markets, the TTF in particular due to lower exports. On the near curve, the major support for prices came from storage demand. At the close, NBP ICE June 2015 prices increased by 0.22 p/therm (+0.52%), to 42.130 p/therm

**Main Event:**
The main focus will be the interim ruling by the Netherlands’ top administrative court about gas production quotas. The court will decide whether or not gas production should be halted at the 2
Bcm/year Eemskanaal sector of the giant Groningen field. However, whatever the outcome, it seems the Council of State will hold hearing in September to consider the various appeals against the Groningen production quotas. Therefore, we believe the risk premium linked to Dutch supply will not totally disappear in the near future.

**Outlook:**
On the far curve, we favour a stable to slightly bearish outlook for cal 2016 prices as we expect oil prices to weaken.

**UK Electricity Market Average Buy Price: £41.00/MW**

<table>
<thead>
<tr>
<th>Day Ahead (p/kWh)</th>
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<tbody>
<tr>
<td>June 15 (p/kWh)</td>
<td>4.100</td>
</tr>
<tr>
<td>Q3 2015 (p/kWh)</td>
<td>4.075</td>
</tr>
<tr>
<td>Winter 2015 (p/kWh)</td>
<td>4.570</td>
</tr>
<tr>
<td>Summer 2016 (p/kWh)</td>
<td>4.225</td>
</tr>
<tr>
<td>Winter 2016 (p/kWh)</td>
<td>4.670</td>
</tr>
<tr>
<td>Summer 2017 (p/kWh)</td>
<td>4.260</td>
</tr>
<tr>
<td>Winter 2017 (p/kWh)</td>
<td>4.745</td>
</tr>
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**Close to close: Up at 4.1000 GBP/MWh**

**Why?**
Near-term Belgian and French power prices moved sharply higher. The BE June baseload contract was traded at €37.74/MWh at the close, €0.99/MWh higher day-on-day after strong losses from last week. FR equivalent contract also gained €0.48/MWh to be traded at €28.88/MWh at the close.
Main Event:
Near-term prices corrected upwards probably due to the following: 1) These contracts dropped heavily as the new flow-based market coupling system was bearish; French spot prices failed to go higher despite higher exports. Besides, French fundamentals were bearish too. But earlier this month, hourly spot prices in Belgium reached €77/MWh which was probably not completely expected (market players still try to assess gradually the global impact of the new market coupling mechanism); June contracts needed an upward correction so close before delivery. 2) Clean dark spreads on these maturities were very narrow which might also have prompted prices to recover. 3) Two nuclear assets came offline during the day, lifting 2GW of nuclear generation. Regarding the evolution on near-term prices,

Outlook:
We would recommend keeping an eye on import/export flows within the NWE area and the hourly level of spot prices. Under unfavourable conditions, we would not be surprised to see some upward correction for winter prices.

On the far curve, the higher prompt resulted in strong prices and was traded at €43.76/MWh, 2.4% higher.

Coal Buy Price: £29.95/tonne
Carbon Buy Price: €7.30/tonne

News

SSE to up Norwegian gas supply by five times current levels

SSE is set to dramatically increase its dependence on Norwegian gas supplies, by increasing its current supply contract with Statoil by five times its current levels.

Cut energy prices Rudd tells big six

Energy secretary Amber Rudd has demanded the big six energy suppliers cut their energy prices now the threat of a Labour price freeze has been lifted.

Electricity market price falls 11 per cent from last year

Wholesale power market prices fell almost 11 per cent in May compared to the same month last year, despite the carbon tax doubling over the same period.

Water companies face growing bad debt pressure, warns CCWater

The water companies are facing the threat of increasing levels of bad debt because customers are not aware of the support available to them, the Consumer Council for Water (CCWater) has warned.

Ofgem warns PPM installation under warrant is ‘last resort’

Regulator Ofgem has warned energy suppliers that pre-payment meters (PPM) should only be installed under warrant as a “last resort” to prevent disconnection.
MOSL and Ofwat take control of water market opening

Ofwat and Market Operating Services Limited (MOSL) have taken control of the programme to open up the non-domestic water market to retail competition.

Energy Company SSE confirms Ferrybridge power station closure

A coal-fired power station deemed as "no longer economical" will close, an energy company has confirmed.

Magnox to cut up to 1,600 jobs at nuclear power sites

Magnox has said it plans to cut up to 1,600 jobs across 12 of its nuclear power sites by September 2016.

Russian gas industry looks east to strengthen position

Just two years ago, Gazprom spent a reported $1bn on its 20th birthday celebrations, with Sting and the Bolshoi ballet entertaining President Putin and company executives in a lavish gala dinner hosted at the Kremlin. There was much to celebrate. Russia was the undisputed king of gas - the world's biggest producer with the biggest reserves and the biggest exports. But the party has since fallen rather flat. Weaker demand in Europe and plunging natural gas prices have hit revenues, while US and EU sanctions over the country's actions in Ukraine are targeting Russia's energy sector.
Terminology

- All oil prices: in US dollar
- Oil product: Brent crude or West Texas Intermediary (WTI)
- Mb/d – Million Barrels per day.
- Freight rates: US dollar per tonne.
- Natural gas prices quoted as pence per therm.
- Power prices quoted as Pounds Sterling per MWh.
- CO2 market: EURO

Information & Data Sources

1. Total Gas & Power
2. GdF Suez
3. Haven Power
4. Coal spot.com
5. FT
6. Utility Week

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