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Catalyst Commercial Services Energy Market Report: May 2011

Any views and recommendations are offered for your consideration, but may be wrong as the market is highly uncertain, with additional risks which are unknown until they arise. Statements in this press release regarding Catalyst's business that are not historical facts are "forward-looking statements" that involve risks and uncertainties. © 2001 - 2011 Catalyst Commercial Services Limited. - All Rights Reserved.

Short -Term Risk Drivers

Although gas and consequently electricity prices have eased in the second part of April they have both been underpinned by continued volatility in the market. With additional supplies of LNG helping ease concerns with wholesale gas prices, along with lower demand on the improved weather outlook, and the prolonged shutdown of companies over the extended Easter break. Without some of these factors it may have been a different story as maintenance and operation issues have impacted on both European imports and our own domestic supply as of recent. Further scheduled maintenance is now expected over the next few weeks and this could impact our ability for importing over the coming month of May. All of this in a background of continued uncertainty in the Middle East as further conflicts and political uprising could escalate into further civil wars. This could lead to further and additional risk premiums on prices and it could even substantially affect crude oil prices if any events happened to be in oil sensitive locations.

Long-Term Risk Drivers

The long term need for significant investment into the UK energy infrastructure will have to be factored into prices at some point, as suppliers will have an increased pressure to update the network to support the UK's long term energy requirements, which will include nuclear and forms of renewable energy. This is highly likely to have a significant impact on energy prices as the total estimated cost for upgrading the system has already been put at over £200 billion.

Views and Recommendations

Prices have softened from previous highs but the market remains volatile at the moment, and we believe it will remain this way until the current geopolitical tension fully subsides. However as we have seen, these events can suddenly increase without prior warning and this would have an immediate impact on market prices again. We believe that you should closely monitor both the gas and electricity markets at the moment, and select an opportunity to secure offers at a time when prices present a good offer for your requirements. As always proceed with caution as long term volatility and unexpected price increases could commence without warning at any time. Our independent approach enables clients to manage their exposure to energy price risk, whilst at the same time benefiting from a first class service from a range of major and independent suppliers. Our procurement solutions make it simple, so contact a member of our team to discuss your requirements.