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Catalyst Commercial Services Energy Market Report: September 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

An overreaction to market conditions and a possible late surge to secure half hourly contracts ahead of the October round has added significant volatility and price risk over the last month, with prices finishing on a high, as the month drew to a close. Most of the market reaction was focused around two events, the continuing global financial crisis, and the associated risk of lower than expected LNG deliveries ahead of the winter period. The news that Qatari LNG supplies to the UK could be significantly reduced due to annual routine maintenance and inspection issues sent a shock wave through the wholesale gas and electricity markets. Supply and demand fundamentals continue to underpin the market as we start to enter the winter months where demand is generally higher and with several power stations of line during the last month we have seen a lot of uncertainty and risk return to the market.

Long-Term Risk Drivers

Following the recent announcement that an investment fund of between £100 and £200 billion pounds will be required to upgrade our ageing electrical infrastructure. Suppliers will start to increase profit margins in preparation of this requirement. This investment needs to support the UK's long term energy requirements, which will include nuclear and forms of renewable energy.

Views and Recommendations

We believe that strong supply and demand fundamentals are influencing the market at the moment, and this is being led by the current world financial situation which could escalate at any moment. We believe that prices could fall if demand doesn't meet available supply and the risk of a double dip recession could accelerate our thoughts. If this situation improves further then we may also see an improvement in energy prices as this will also filter down to longer term prices as the risk and uncertainty is removed. However 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 exact requirements and allow for budget certainty. 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.