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Market Update
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In brief...

Day ahead contract closed at Stg35.2p/th

Storage levels boosted by gas injections

Summer 09 contract may see further losses

Winter 09 contract "overvalued" at current level

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OVERVIEW

Prompt Market

The prompt market remained relatively unchanged this week. The arrival of lower temperatures was offset by healthy supply levels to the market and an improved storage situation for the remainder of winter. The UK Met Office has predicted mild weather for the next few weeks, with little chance of another prolonged cold snap.

Strong Norwegian flows continued this week, with the Langeled pipeline flowing at its maximum rate. Average daily LNG flows increased by 50% this week with three further cargoes due to arrive before March 9th. Coupled with the current LNG storage levels, traders have commented that this points to a well-supplied market heading into the start of summer.

In addition, gas injections into storage sites on several days this week have created a cushion to deal with a potential increase in demand. EU exports to the UK through the Interconnector pipeline since Monday have also freed up gas for injection into storage.

Futures Market

Several traders have commented that the front-summer contract may see further losses upon delivery, as reduced Asian LNG demand will result in plenty of spare cargoes for UK and US markets. The contract closed just under Stg35p/th on Tuesday.

The front-winter contract made small gains of 3% this week, despite a drop-off in oil prices on Monday. With the average daily price for winter 2008/09 currently at Stg55p/th – 37% below the expiry price last September – some analysts believe the winter 2009/10 contract is overvalued at its current Stg54p/th level. Buying activity from a number of firms pushed the forward curve higher during the week.

Outlook

Prompt market may fall before April as supply outlook remains healthy.

Winter 2009 contract looks set to remain at the Stg55p/th level, and is unlikely to move lower in the near future.

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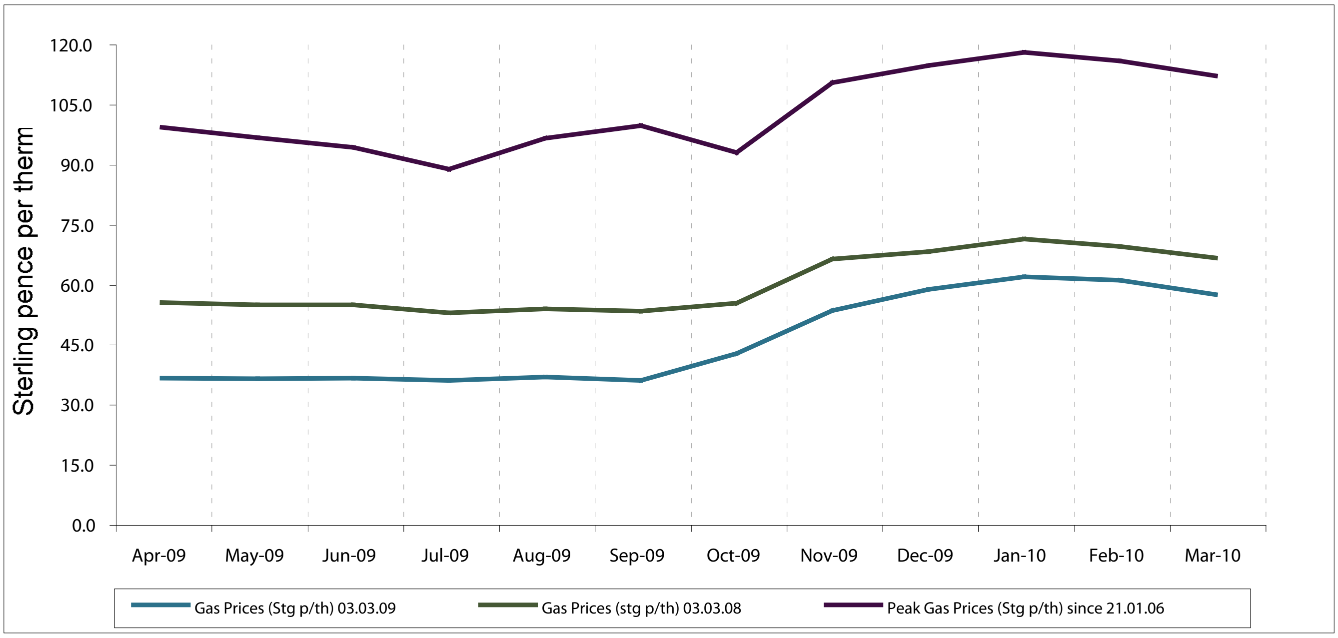
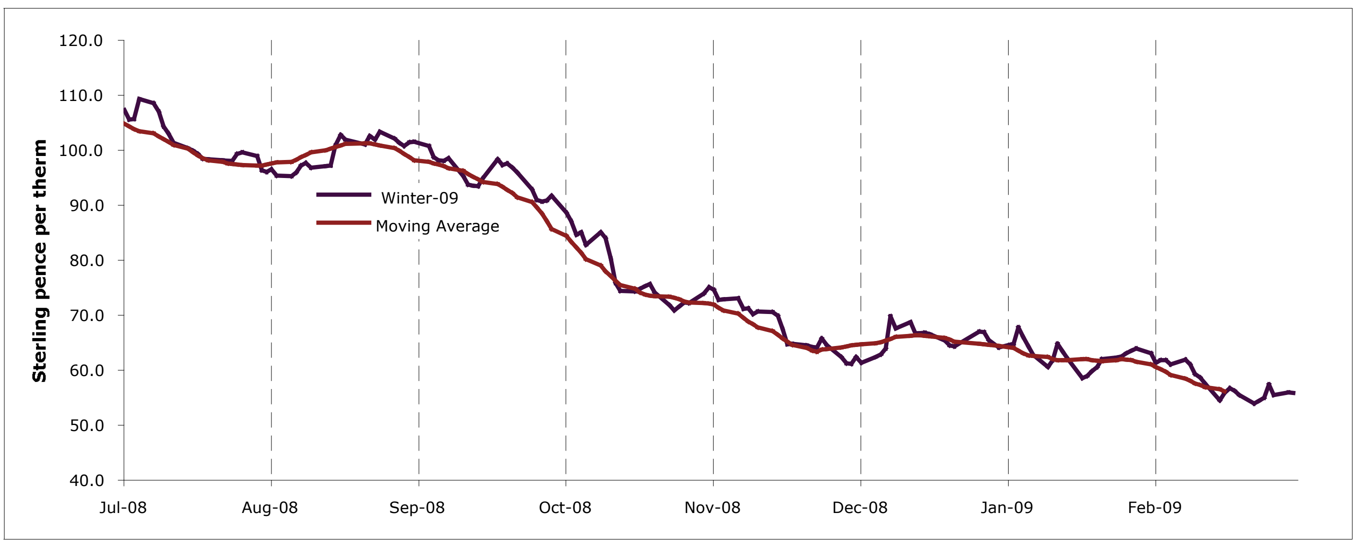
Twelve month forward curve

Current curve prices marginally higher week on week



Winter 2009 15 day moving average

W-09 contract rangebound Stg 53-55p/th



Oil Market

Crude oil traded just above $40/bbl on Tuesday after dropping 10% in the previous session amid continued concerns over the global economic crisis pushed equity prices lower.

OPEC will meet on March 15 and are expected to announce a further cut in global production.

Since September 2008, the organisation has made pledges to cut 4.2million bbl/day (~5% of global demand) and has cut about two-thirds of this amount to date in a bid to push up oil prices. Oil is currently trading at ~$43/bbl.

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Electricity Market

This week the market demand peaked at 4,302 MW. The amount of wind generated on the system was at 243 MW. This represents a 25% reduction when compared to the average amount of wind that has been generated from week 1 to week 8 of 2009. Export flows to the UK from the Irish market, continue on exporting mode with an average export of 206 MW. Outturn wholesale market prices (c/kWh) for this week are shown in the table to the right.

Day Weekday	5.28 c/kWh
Peak Weekday	7.60 c/kWh
Day Weekend	4.51 c/kWh
Night	3.40 c/kWh

FX Commentary

"Because ~ 90% of all gas delivered to Ireland is traded in Sterling, Vayu looks to inform our Customers about trends in the Euro:Sterling foreign exchange rates. If you have Sterling receivables, Vayu can offer a multi-currency option when invoicing; meaning the commodity cost will be invoiced in Sterling and the other costs in Euro. This mitigates any risk attached to large fluctuations in the foreign exchange rates".

World equity markets hit fresh 12 and 15 year lows last week on foot of concerns that the authorities still haven't come to terms with the enormous extent of the stimulus packages being proposed.

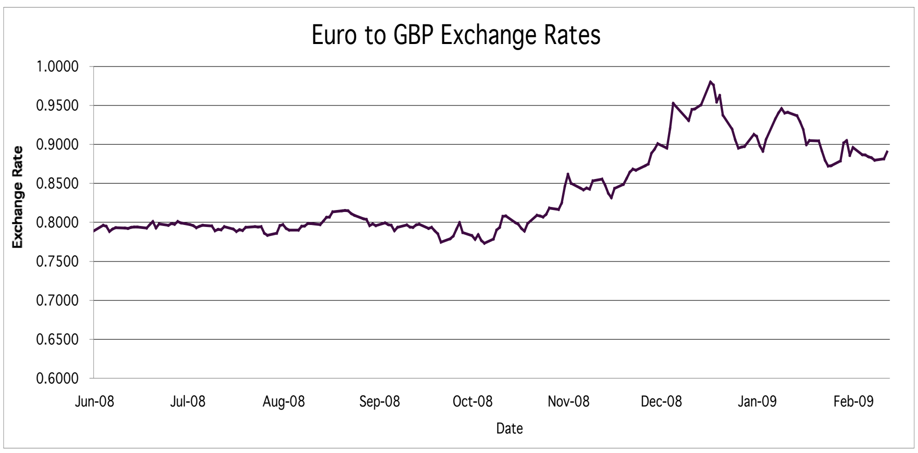
As a direct result currency markets have lacked direction and both Euro and Sterling have been side-tracked all week with the exchange rate hovering around 0.8900; well within the 0.8750 - 0.9050 range of the past month.

All eyes are now turning to Thursday 5th March when interest rate announcements are due from the Bank of England and the European Central Bank. Expectations are that both will cut by 50 basis points; Sterling to 0.5% and Euro to 1.5%. Reactions in the currency markets are likely to continue to support Sterling with the markets believing that the Bank of England is in a better position to resuscitate the UK economy while the ECB struggles with the diverse interests of a variety of national economies.

Market sentiment points to the euro/sterling rate remaining in a narrow range below 0.9000 with a move closer to 0.8500 in the coming weeks.

By: Gerry Lawlor MMPI

FX Movements



Did you know?

Vayu now operates a daily text alert service on the UK gas market. To subscribe, email services@vayu.ie with your contact number.

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