

e.on

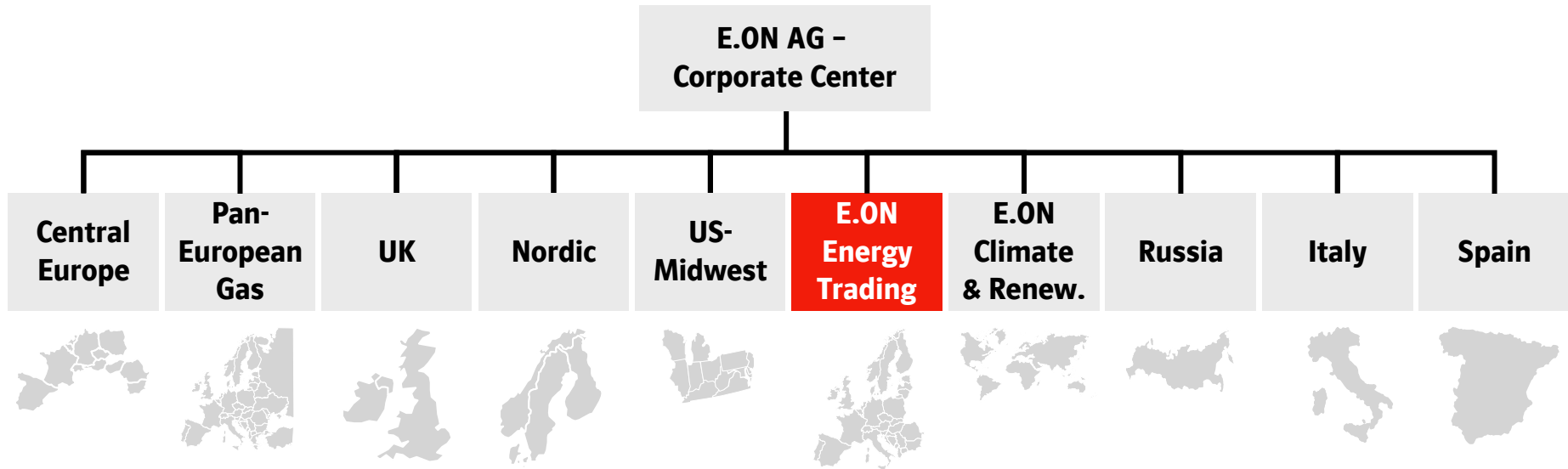
Energy
Trading

Opportunities & challenges in European gas trading

Dr Tony Cocker

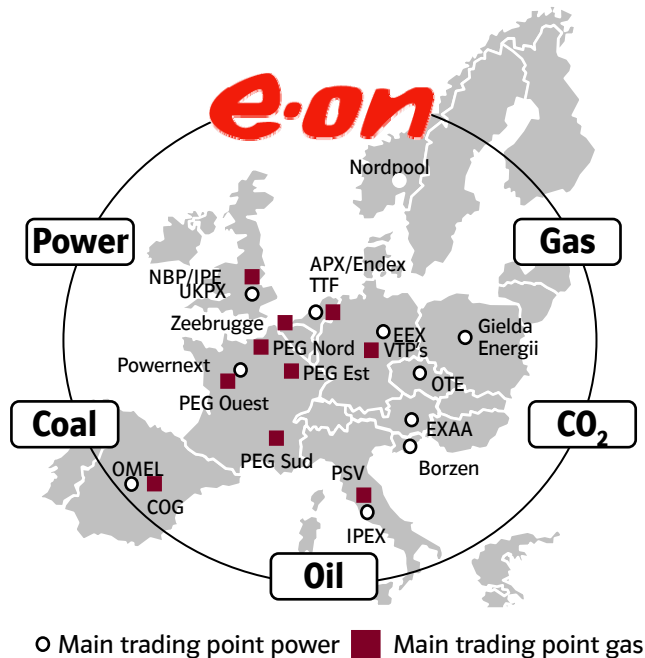
FLAME, Amsterdam, March 2009

E.ON is organized in 10 market units – E.ON Energy Trading is the commercial heart of the business



E.ON Energy Trading is the central commodity risk manager for the Group

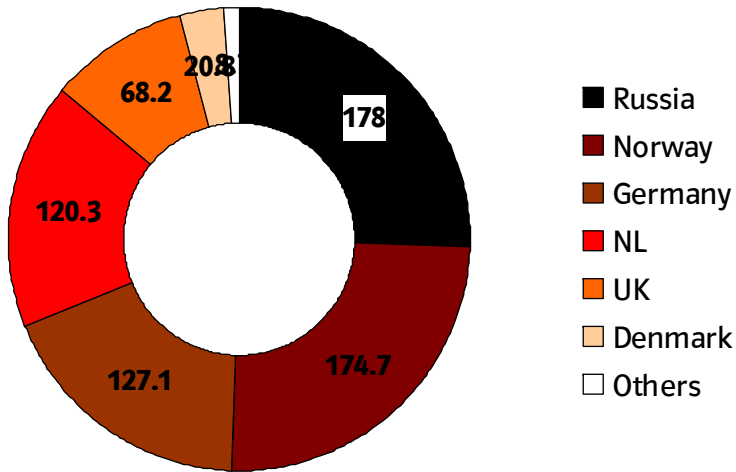
E.ON Energy Trading is strongly positioned to create significant value from Europe's integrating energy markets



- Market developments
 - Increased convergence of European energy markets
 - Increased competition
 - Financial markets turmoil – volatile commodities
- E.ON
 - Excellent asset and contract base
 - Belief in markets and liberalization
 - Strong european footprint
- E.ON Energy Trading
 - Deep heritage from separate units
 - Focus on cross commodity and cross border optimization
 - Managing group risks with a holistic view

Strong upstream/midstream base, and further investments planned

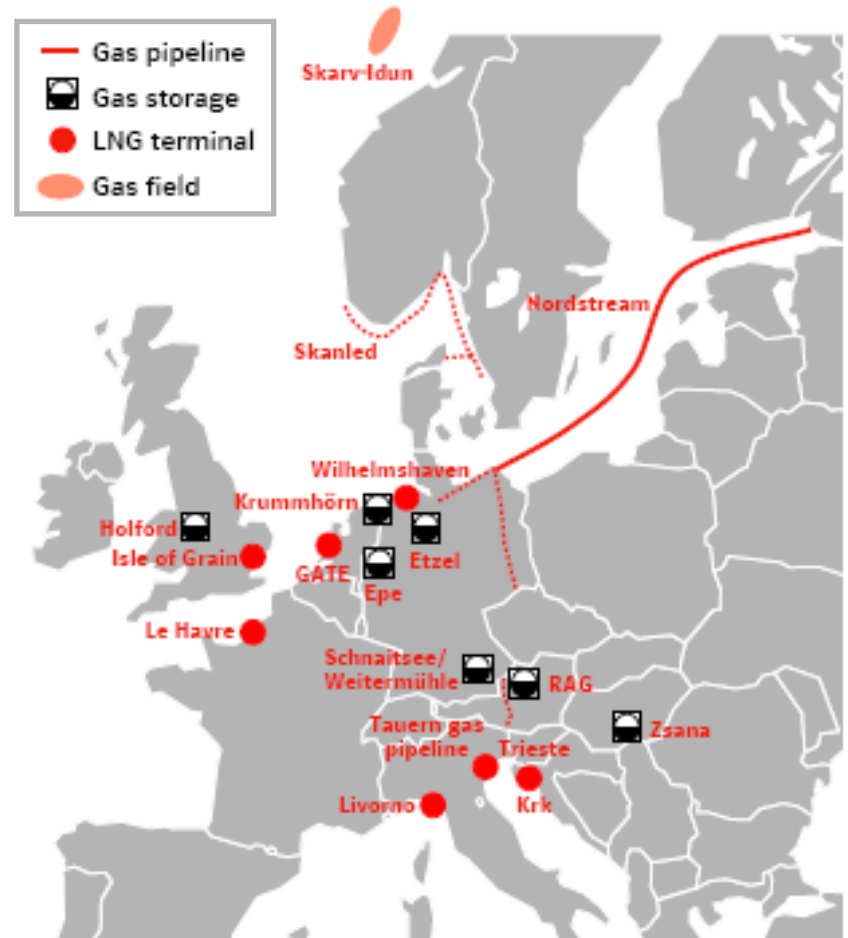
Gas supplies by country



Total: 697.8 billion kWh

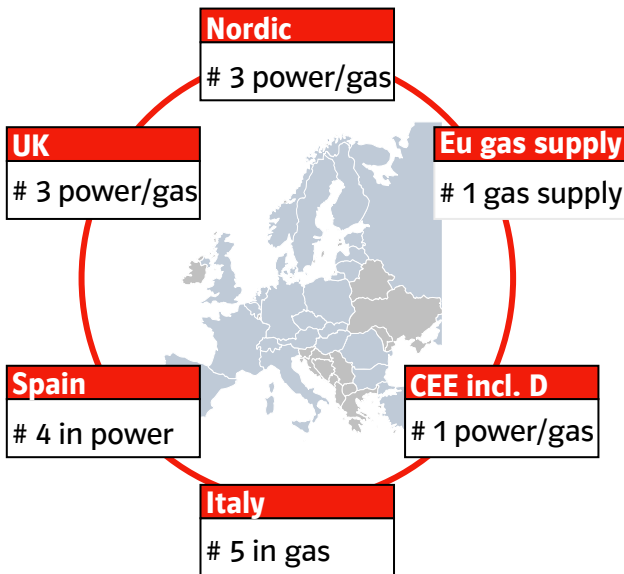
- European view of investments
- Upstream, pipeline capacity, interconnectors, LNG import terminals, gas storage
- Ensuring continued development of the European supply capability

New investments

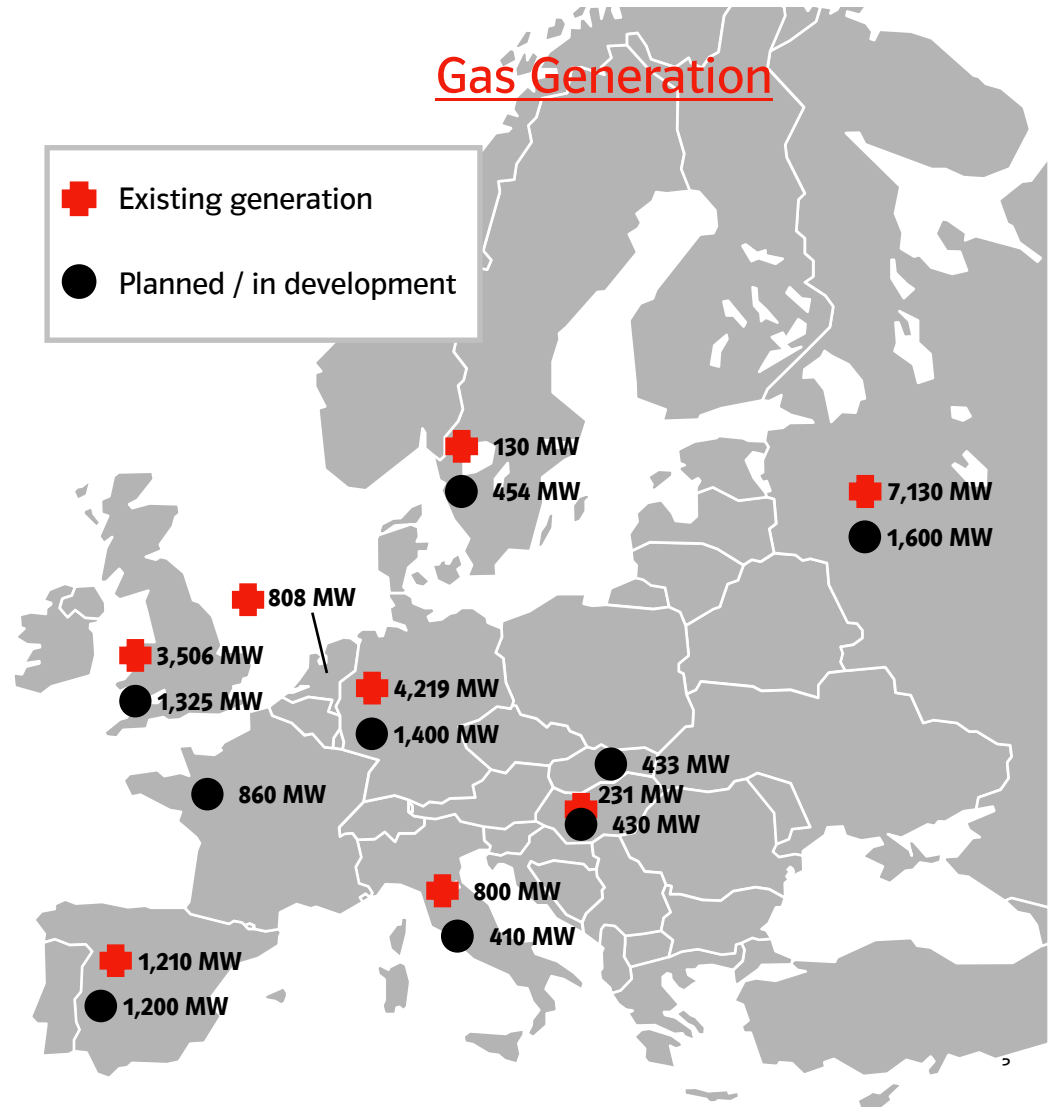


Strong retail position, and investing in gas power plants

Retail/supply

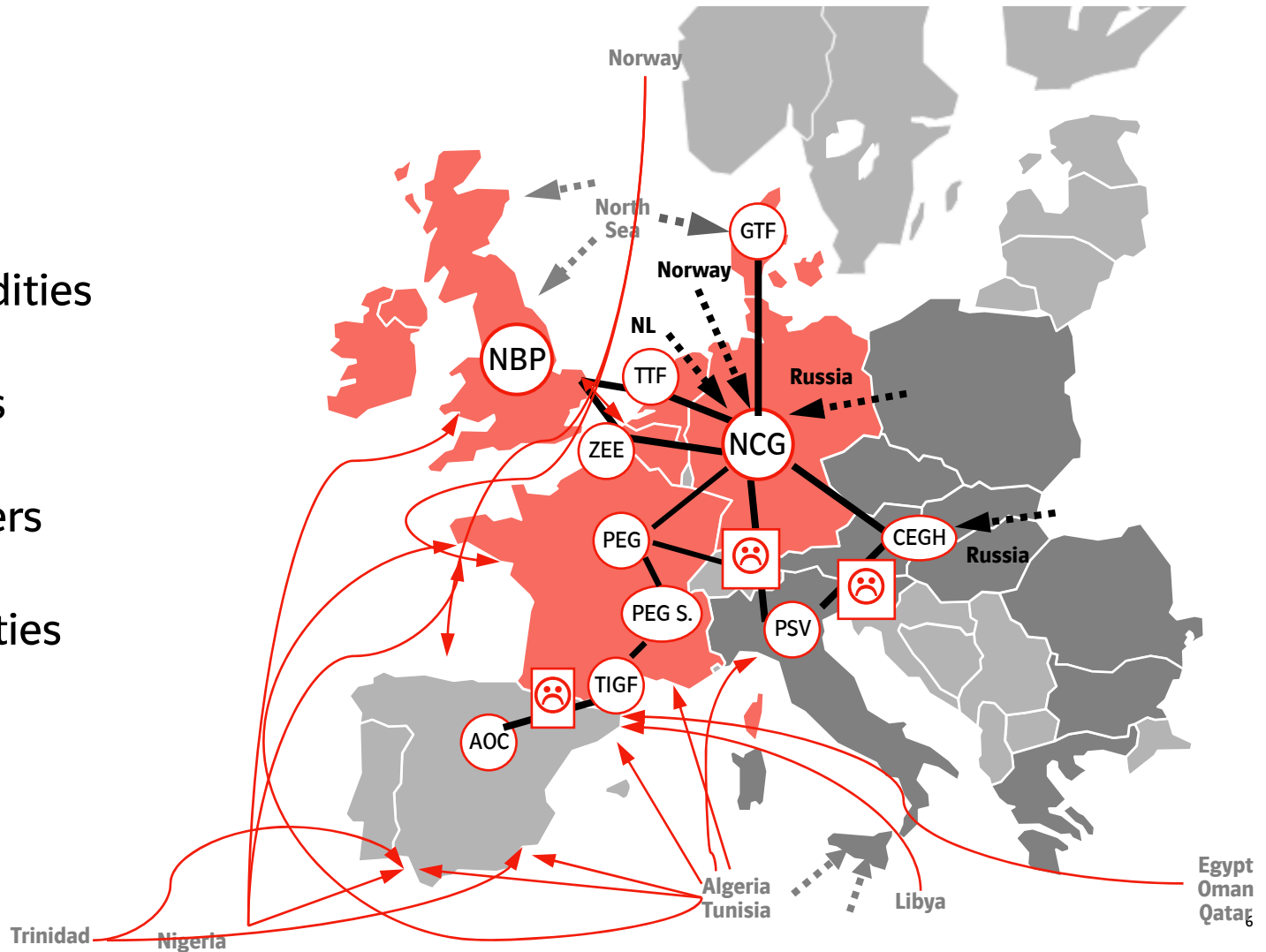


Gas Generation



EET approach: "connecting" markets and assets

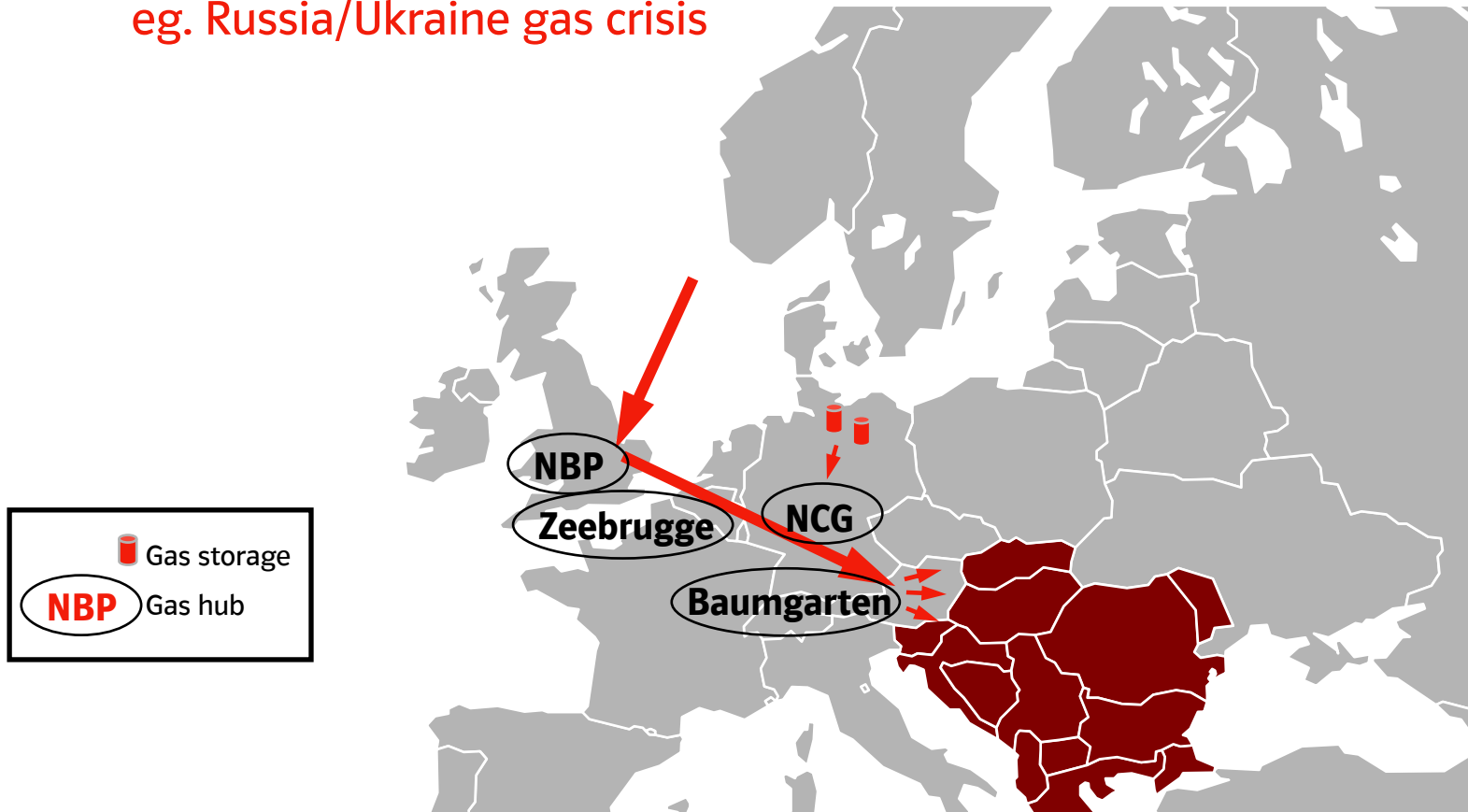
- Markets
- Commodities
- Products
- Customers
- Capabilities



Example

- Connecting across E.ON's portfolio to create value
- Connecting across Europe to defend security of supply

eg. Russia/Ukraine gas crisis



Financial crisis creates challenges for individual players and industry

Liquidity

- Liquidity development less certain
- Requires trust in markets and trading

Volatility

- Sustained volatility due to supply/demand side uncertainty
- Counterparty status

Risk Management

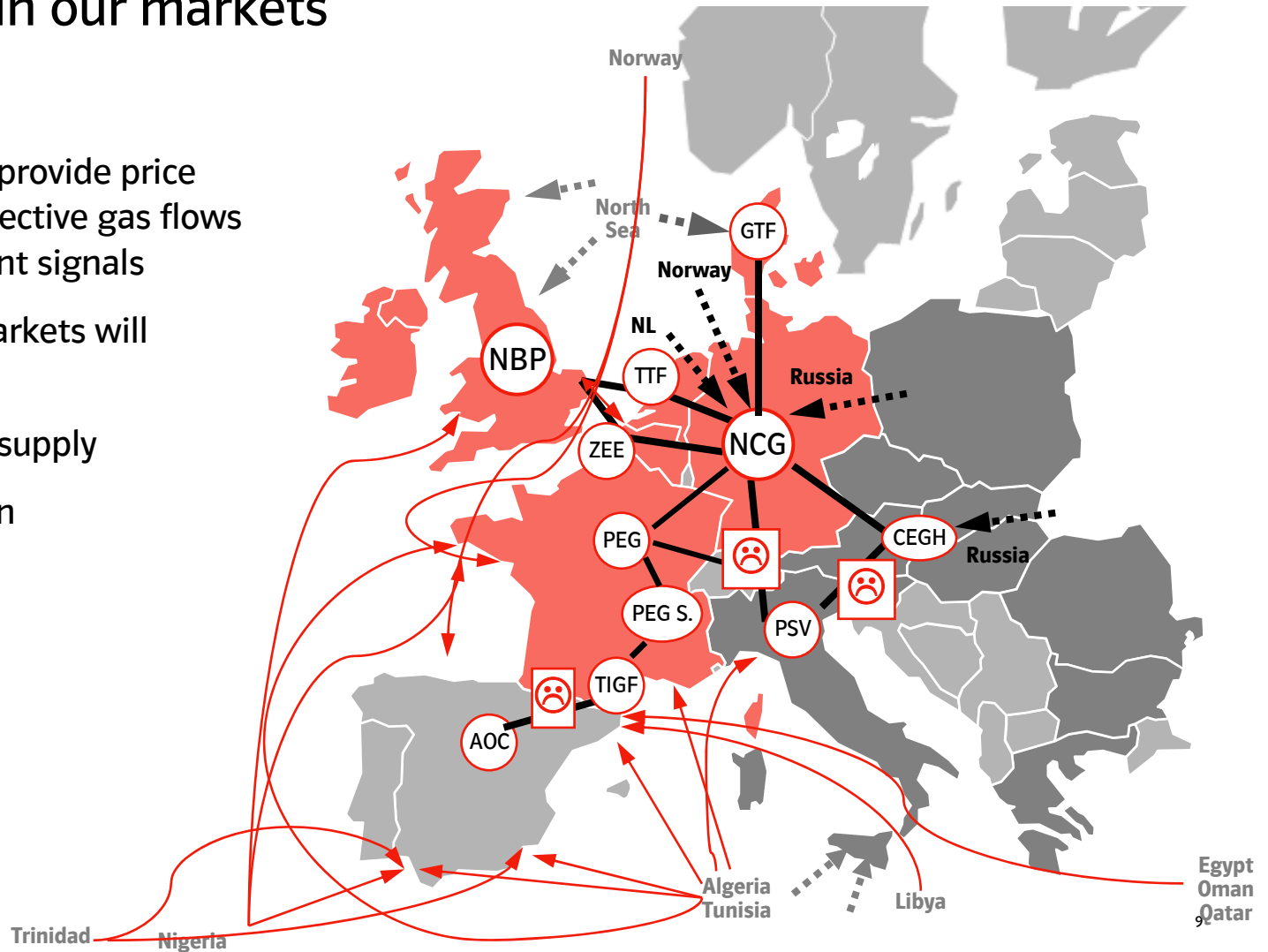
- All risks are higher and need proactive risk management
- Creativity required for trade-offs between risk-types

Regulation

- EU agenda on competition and integration continues, but ...
- Risk that National protectionism drives divergence in state support

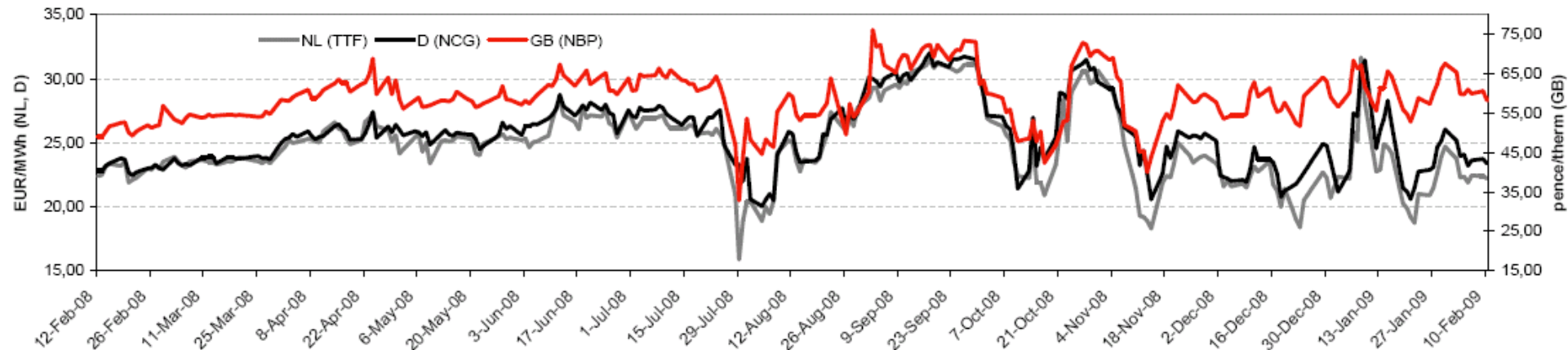
Further development of trading hubs is an opportunity and is imperative in our markets

- Trading hubs provide price signals for effective gas flows and investment signals
- Integrated markets will increase:
 - Security of supply
 - Competition
 - liquidity



Challenges and Opportunities ...

Day Ahead Gas Prices



LNG?

Summary

- Strong gas and power portfolio and investing to develop further
- Opportunity to create significant value around the asset position
- Clear focus on connecting markets: cross commodity and cross region
- Financial crisis creates challenges across industry
- Imperative to promote and develop competitive and liquid markets
- Also opportunities