

Energy advice crucial as political and geographical unrest exacerbates market volatility, warns leading broker

A leading international energy broker has advised UK businesses they must prioritise energy strategies after recent political unrest and global natural disasters have increased market volatility.

In the immediate aftermath of the Japanese earthquake and tsunami, independent experts at Bergen Energi UK said the energy market had been in turmoil.

The company said now, more so than ever, was the time to ensure business were seeking expert energy procurement and risk management advice.

Simon Firth, Key Account Manager at Bergen Energi UK, said: "The world has been faced with a humanitarian tragedy on a scale that few could really comprehend. Money and markets pale into insignificance next to what has happened – but work must continue and we must examine the economic implications of these geopolitical issues.

"It will take years for Japan to recover from the disaster and we could be witnessing the impact on energy markets for some time, too.

"The majority of markets rose directly after the Japan disaster – we saw great price leaps in the coal market – but in contrast the crude oil market fell substantially as a result of Japan's reduced demand.

"By the end of that week it had gained strength again, predominantly due to the Libyan situation and tensions in the Middle East, which are continuing to spread to new countries.

"This is clear example of how world events both in isolation and combination have a huge impact on the energy decisions businesses must make. Expert advice has never been more crucial.

"Uncertainty remains in the market. The big question in the wake of the Japanese tragedy is the extent that gas or coal will be used to fuel the country's consumption in the future to replace lost nuclear capacity.

"Exchange rates have so far favoured the Euro after heightened expectations that the central bank in Europe will need to raise interest rates. In addition we saw central banks intervening to support the Yen in the aftermath of the quake which has introduced greater uncertainty.

"The sharpest gain in the fuel markets has been in gas. Japan is typically an importer of LNG and market sentiment reflected this with significant price rises.

"In line with other fuels, carbon gained strength with the expectation that Japanese nuclear capacity will have to be replaced with fossil fuels.

"The rising coal, carbon and gas complex meant that the power markets increased significantly with the biggest increase in countries such as the UK who are most dependent on gas for generation.

"The energy markets are notoriously volatile and recent global events have certainly shown this to be the case. It is clear that to successfully navigate the UK's market businesses must ensure they are using an advisor that has international expertise and who will make recommendations on a daily basis."

Beth Leonard Account Manager Adessi 1 Coal Hill Lane Farsley Leeds LS28 5NA Tel: +44 (0) 113 256 9999 Fax: +44 (0) 113 256 9989 E-Mail: beth.leonard@adessi.co.uk Web: www.adessi.co.uk