



## **Coal leads surge in European energy exchange trading in first half 2016 - study**

By Vera Eckert

FRANKFURT, September 5 2016 (Reuters) - Coal led a surge in trading volumes on west European energy exchanges in the first half of this year as traders took advantage of low commodity prices, Prospex Research Ltd said on Monday.

Wholesale trading of coal on the exchanges soared 46 percent from a year earlier to 3.5 billion tonnes, according to research company Prospex.

"Low coal prices mean a fixed amount of trading capital will buy higher volumes than it did in the past," said Prospex Research director Ben Tait.

"In fact, many traders seeking to hit absolute profit targets have indeed ramped up volumes," he said.

Prospex's data covers volumes on what traders call the paper market, where two parties agree deals in the over-the-counter (OTC) market and have them cleared by an exchange.

In coal, this type of business accounts for 98 percent of volumes changing hands in Europe.

Prospex said commodity trading houses remain keen on coal, with some holding extensive physical coal interests that play out on the dominant Amsterdam-Rotterdam-Antwerp (ARA) region of ports that serve Europe's power stations and steelmakers with raw material.

Prospex analysed western European bourses CME, Nasdaq, EEX and ICE.

Trading volumes for power also rose sharply in the first six months of this year, but not by as much as coal.

Prospex said there is now a focus on increased credit risk as wholesale energy prices have fallen to multi-year lows, putting leading utility groups under severe financial pressure.

Consequently, the total in January through June trading volumes of power, gas and carbon emissions rights contracts combined increased, helped by operators' preference for regulated markets.

There is rising pressure from regulators to use clearing as one of the best ways to make trading safer, and avoid the risk of counterparty defaults.

Trading of power contracts on the four exchanges jumped 36 percent in January-June from a year earlier to 3,737 terawatt hours (TWh), while trade in gas rose by 24 percent to 11,069 TWh and emissions' trading increased by 5 percent to 3.08 billion tonnes, Prospex said.

The value of all four markets put together declined by 2 percent from a year earlier to a rounded figure of 416 billion euros (\$464 bln) but the value of coal trading rose 15 percent to 150 billion euros and the value of power trading increased 10 percent to 101 billion euros.

Trading of gas fell 20 percent by value to 147 billion euros and trading of carbon emissions contracts dropped 17 percent to 17 billion euros, according to Prospex.

(Reporting by Vera Eckert, editing by Susan Fenton)