

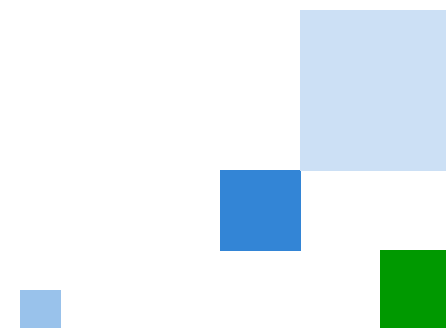
RWE Trading



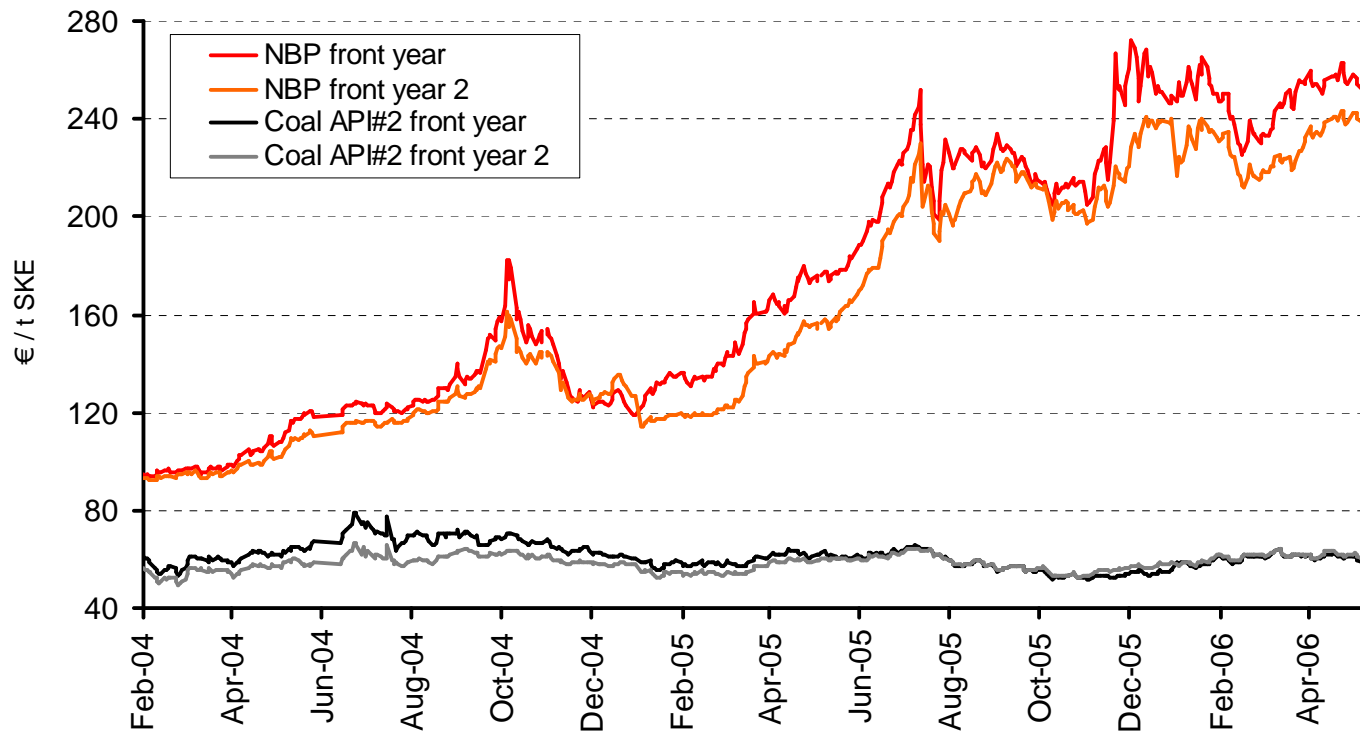
Strategic Panel: Gas to Power Europe

World Gas Conference - June 6th 2006 - Amsterdam

RWE Trading GmbH
Stefan Judisch
Managing Director



High gas prices are a synonym for competitive advantage of coal !*



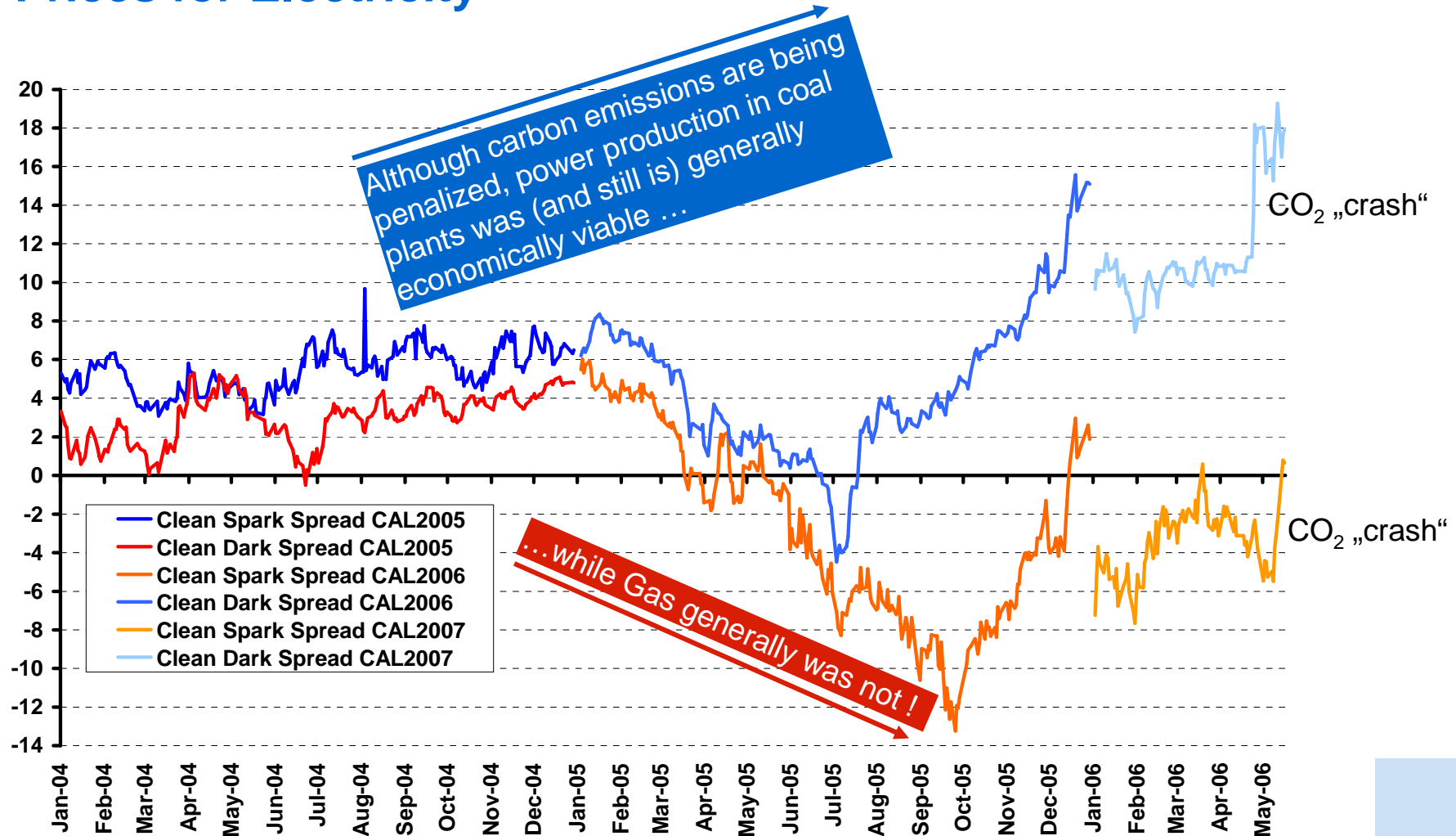
← And this is, what high gas prices look like ...**

← ... compared to low coal prices !***

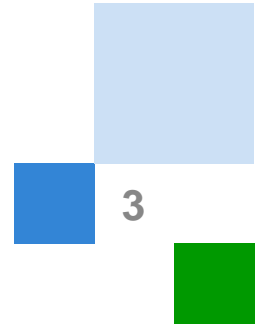
* in terms of the fuel of choice for a power plant operator
 ** NBP front year and 2nd front year price, converted to € (@ spot rate) per ton of SKE (coal equivalents)
 *** API#2 (CIF ARA) forward and two year forward price converted to € (@spot rate) per ton of SKE



How Fuel and Carbon Emission Prices translate into Prices for Electricity



Electricity production from coal has never been more attractive !



About the Adequacy of Gas Consumption Forecasts ...



Figure 1: U.S. EIA Gas Consumption Forecasts

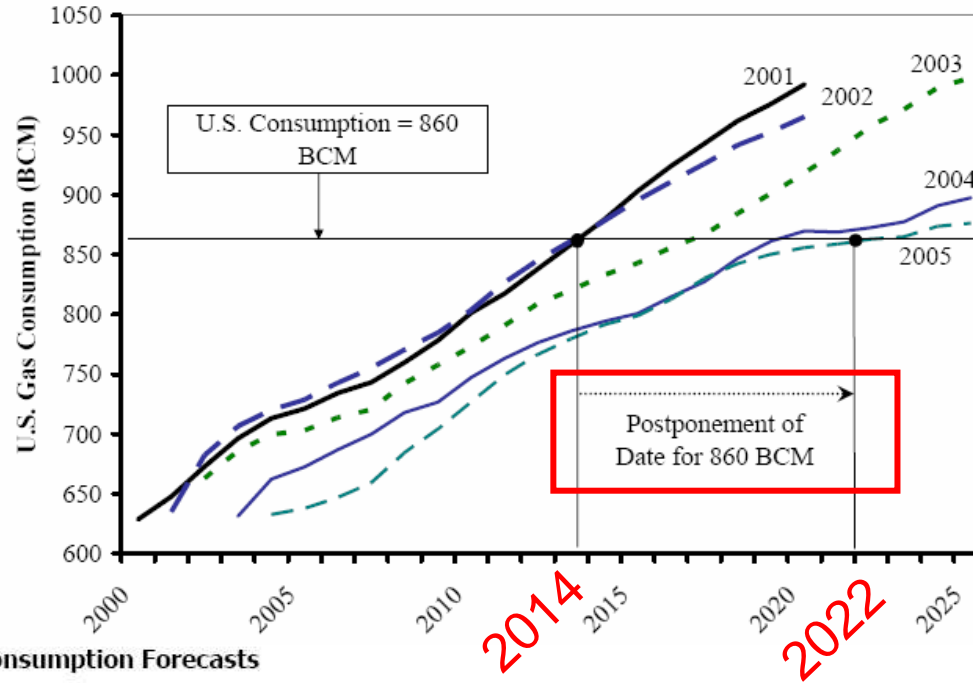
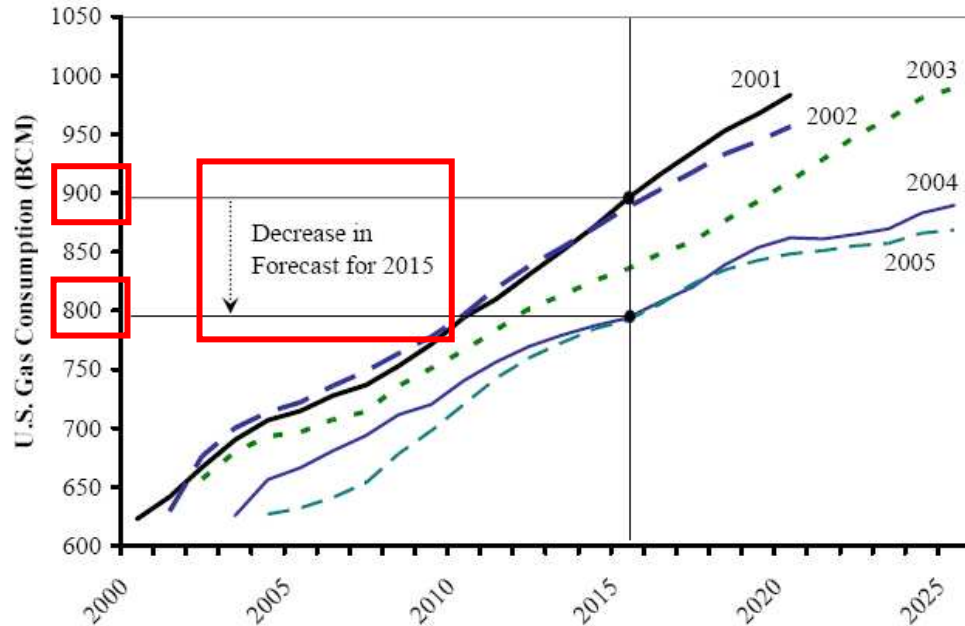


Figure 2: U.S. EIA Gas Consumption Forecasts



Source: EIA

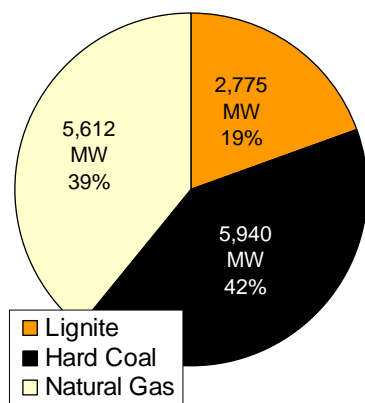
Conclusion



- While diversity of fuels is a key element of success for a power plant operator, switching from coal to gas currently does not make economic sense
- Electricity production from gas power plants is economically only viable where flexible power plant behaviour is required and where market prices for electricity reflect the high primary fuel prices → peak load production
- At current electricity price levels and with ongoing (or increased) CO₂ penalization, fuel efficient new builds become feasible and attractive
- This is reflected in almost 32.500 MW of additional capacity that is announced for the German market; but the sentiment towards the fuel of choice is slowly changing:

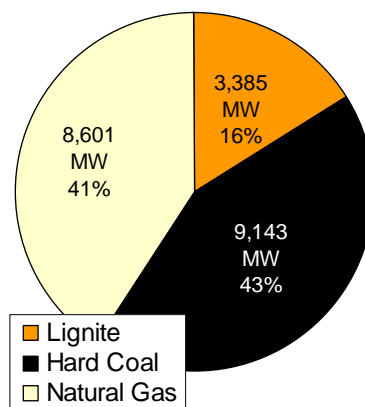
October 2005

Total: 14,327 MW



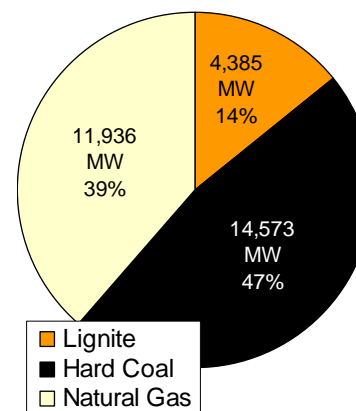
January 2006

Total: 20,413 MW



May 2006

Total: 32,493 MW



Source: RWE Trading analysis of public announcements of any new build for Germany. New build includes “upgrading” activities and de-mothballing of theoretically available units for permanent use. Lignite, Hard Coal, Natural Gas and Hydro plants only.

