

10th January 2011

ENERGY INDEX HITS 27 MONTH HIGH IN DECEMBER
- BORD GÁIS ENERGY INDEX INCREASES 12% FROM PREVIOUS MONTH

The Bord Gáis Energy Index (BGEI), an Irish-specific index designed to measure the prices in the wholesale energy market, increased by 12% in December, to 137.

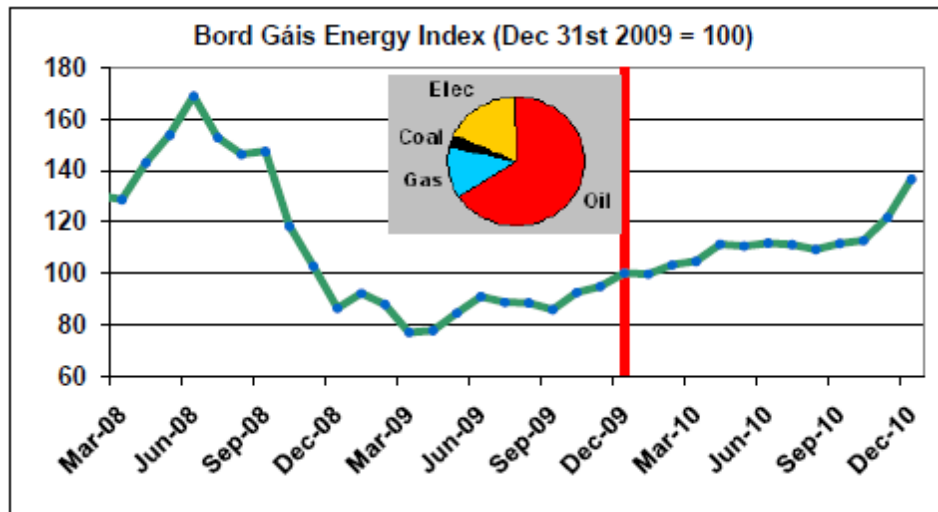
This increase was due to increased global demand for oil, coal and natural gas as a result of extreme weather and a global economic recovery.

The index is designed to track movement in the wholesale energy market and comprises the four key energy commodities of **oil, gas, coal and electricity**. The index tracks the monthly price movements of these commodities, factoring in any currency shifts, and producing an overview and insight into the energy sector. Launched in May of last year, the Energy Index is the first initiative of its kind in the Irish market.

The following are the key trends recorded for the month of December 2010:

- **Oil:** Oil prices settled at \$94.75, \$8.83 higher for the month of December. This was the largest monthly increase in crude oil prices since May 2009. Expectations of continued strong Chinese demand following on from November's all time record high of 9.3m barrels per day supported higher prices. Also, US oil demand in December posted a year-on-year increase above one million barrels per day and averaged above 20 million barrels per day for December, the strongest demand of 2010. Brent crude oil closed out 2010 averaging just over \$80 per barrel, only 2008 had a higher average price of \$98.50 per barrel.
- **Natural Gas:** Natural gas broke above the 60p per therm level on December 2nd for the first time since February 2009. The average price for the commodity for the month was 61.76p per therm on the back of the prolonged spell of cold weather. Long range storage stocks fell to almost 30% below the five year average.
- **Coal:** Cold weather in Europe has been a major driving force behind the move higher in coal prices from \$114 to \$124 per tonne during December. Flooding in Australia and Indonesia has greatly reduced the export capacity of these countries. This resulted in European and Asian buyers competing for coal at South Africa's Richards Bay Terminal. Another cold snap could lead to a further reduction of coal stocks in Europe which have already fallen steadily over the past few months.

- **Electricity:** The average system marginal price in December was €71/MWh an increase of €14/MWh on November. This was driven by two main factors. Firstly, the cost of the two dominant price setting fuels, gas and coal, increased in consecutive months. Secondly, the average price was also driven by unusually high prices during the week beginning the 20th December. This was largely due to plant availability issues with three large CCGT units on the island. This drove the need to run expensive peaker plants.



Commenting on the Bord Gáis Energy Index for December, Michael Kelleher, Energy Trading Analyst at Bord Gáis Energy, said:

“Oil prices surged higher on increased emerging market demand in Q4 as well as a recovery in US demand, as evidenced by large draws on crude oil stocks. UK natural gas prices were up 23% as the coldest December in over 100 years gripped the UK and Ireland lifting demand to new highs and depleting storage levels significantly below seasonal averages. Coal prices also moved higher on the back of an extended cold snap in Europe and flooding shutting mining operations in Australia and Indonesia.”

“Oil demand is expected to remain strong in 2011 and could post record levels in developing economies. This could result in short term spikes towards and beyond the \$100 per barrel level, however OPEC appears to be committed to keeping long run average prices around \$90 per barrel and has over four million of spare capacity to manage this.”

“In the shorter term weather will have major effect on natural gas prices. Further out on the time horizon, increasing oil prices could move the long run average price of gas higher.”

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Notes to Editors:

1. Re-weighting of Bord Gáis Energy Index:

Following the SEAI's 2009 review of energy consumption in Ireland, released in Q4 2010, there was a 9.3% drop in overall energy consumption.

The most notable drop of 1.39%, was in oil consumption in the form of gasoline and diesel. This reflects the economic downturn experienced at the time. The share of natural gas and electricity increased by 0.63% and 0.57% respectively.

An increase in the use of renewables, peat and natural gas at the expense of coal was also observed. As a result the Bord Gáis Energy index has been reweighted to reflect the latest consumption data. This had a minimal effect on the overall shape of the Index, but may indicate future trends.