

## Bord Gáis Energy Index: Embargoed until 00:01, 7<sup>th</sup> February 2011.

### ENERGY INDEX FALLS 1% DESPITE OIL TRADING ABOVE \$100 FOR THE FIRST TIME SINCE SEPTEMBER 2008

The Bord Gáis Energy Index (BGEI), an Irish-specific index designed to measure the prices in the wholesale energy market, decreased by 1% in January to 135.

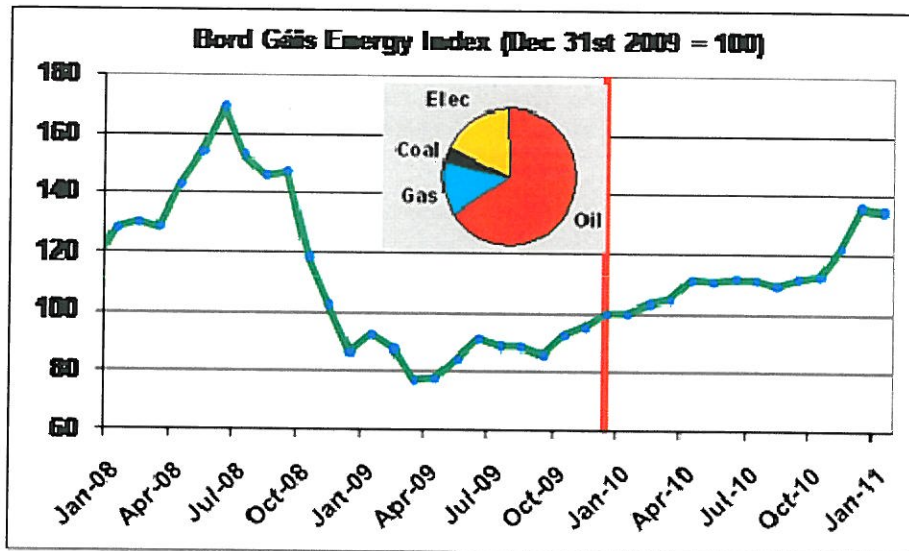
The Index fell despite oil trading above \$100 a barrel for the first time since September 2008. This was due to a combination of lower natural gas, coal and electricity prices, and a strengthening of the Euro versus the US Dollar which helped to offset a \$6.26 rise in oil prices. Had oil prices remained unchanged, the Index would have dropped below 130.

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 2010, the new Energy Index is the first initiative of its kind in the Irish market.

The following are the key trends recorded for the month of January:

- **Oil:** Brent crude prices settled at \$6.26 per barrel higher for the month of January. This rise is attributed to political unrest in Egypt, which led to nervousness surrounding the safe passage of oil tankers carrying 8% of the world's oil from the Middle East through the Suez Canal to the West. This compounded an already strong upward trend in prices due to increasing emerging economy oil demand.
- **Natural Gas:** Natural gas prices stabilised at an average of 56.57p per therm for January, a decrease of 8% from last month's average of 61.76p per therm. This is as a result of a rise in temperatures in the first week in January in the UK and Ireland, after the coldest December in over 100 years and record Liquefied Natural Gas cargo arrivals.
- **Coal:** Coal prices closed in January at \$118.50 per tonne, due to the northern hemisphere spring season approaching and rising temperatures expected. This is down 7% from last month. Prices initially rose to over \$130 per tonne early in the month as flooding in Queensland, Australia impacted 48 of 57 coalmines in the state. Derailments of trains transporting coal to Richards Bay in South Africa also drove prices higher as stocks at the terminal were drawn down to 1.5 million tonnes from their usual level of 2.4 million tonnes.
- **Electricity:** The average system marginal price (SMP) for January was down €7/MWh (or 8%) from the previous month to €64/MWh. This was due to milder weather and the availability issues of generators in the previous month being

resolved. Wind peaked at 1,254MW which resulted in some thermal generators being turned off in the middle of January. Despite the average SMP decreasing, prices over the peak time between 5pm and 9pm were seen to increase as more expensive peaker plants were called on to the system to meet higher demand.



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

“Rising oil prices suggest that the commodity has found a new, long run trading range. The recent higher prices are not due to supply and demand fundamentals but rather the social unrest in Egypt and the surrounding region. While OPEC is keen to avert any danger posed by higher oil prices to the global economic recovery, they say that releasing spare capacity will not ease prices in the current circumstance.”

“Natural gas prices could see further falls as we come out of the winter season. Coal prices will continue to be influenced by the extent of flood damage in Australia. Electricity prices remain closely linked to gas and coal prices and the amount of wind on the system.”

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