

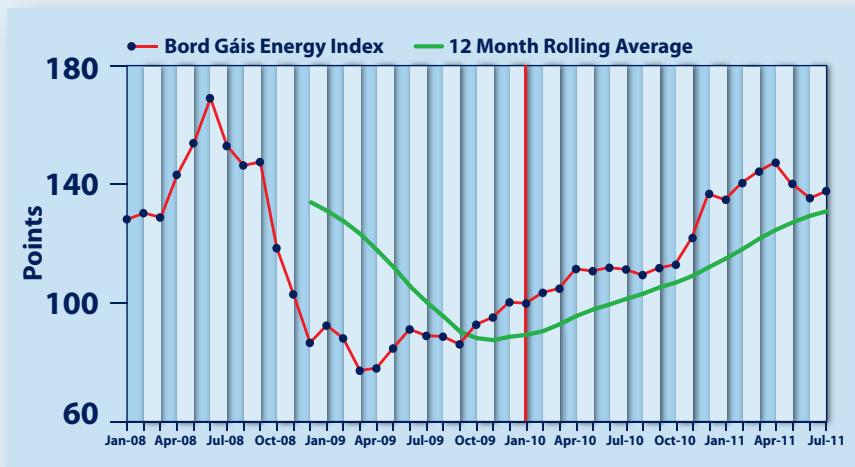


# Bord Gáis Energy Index

JULY 2011

## ENERGY INDEX UP 2% IN JULY INDEX'S 12 MONTH YOY ROLLING AVERAGE UP 24%

Bord Gáis Energy Index (Dec 31st 2009 = 100)



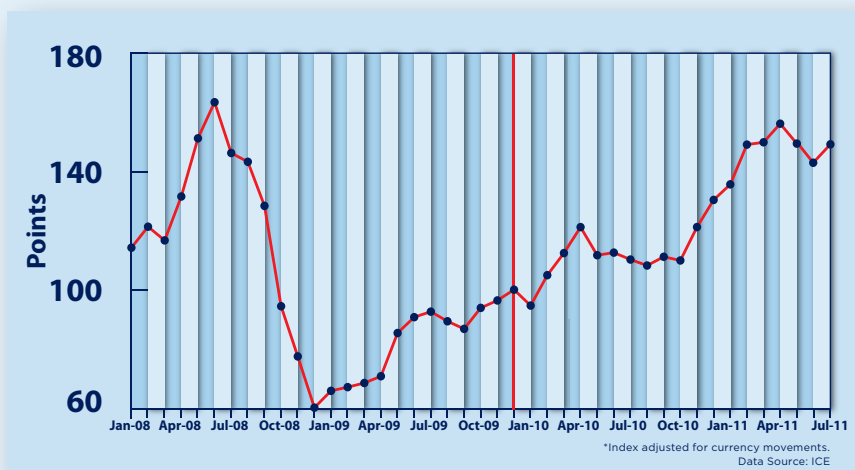
### OVERALL SUMMARY:

A rise in oil prices and a weakening of the euro versus the US Dollar, combined to push the Bord Gáis Energy Index 2% higher for the month of July.

Economic and geopolitical issues were the main drivers of oil prices and currency movements in July.

Despite worries surrounding US and European economic growth oil moved higher on the back of strong Chinese demand and continuing Middle Eastern instability. Natural gas and electricity prices fell slightly in July but this was counterbalanced somewhat by a small rise in coal prices.

### Oil Index



### OIL

Brent crude oil prices rose 6% in the first week of July as the commodity recovered from the lows hit in the wake of the International Energy Agency's June 23rd release of 60 million barrels onto the market from its strategic reserves.

Prices then stabilised between \$116 and \$119 for the remainder of the month, eventually closing up 5% at \$116.74.

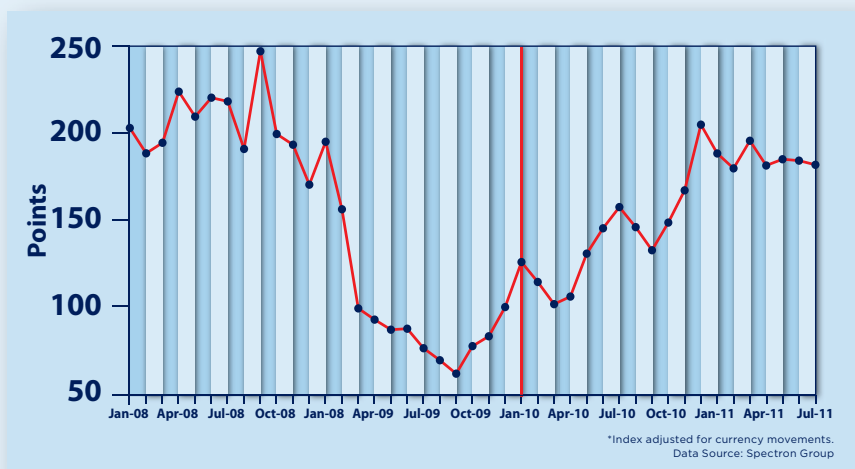
Sovereign debt issues in both the EU and the US contributed to uncertainty in oil prices in the latter part of the month as the markets became increasingly concerned about the outlook for the global economy.

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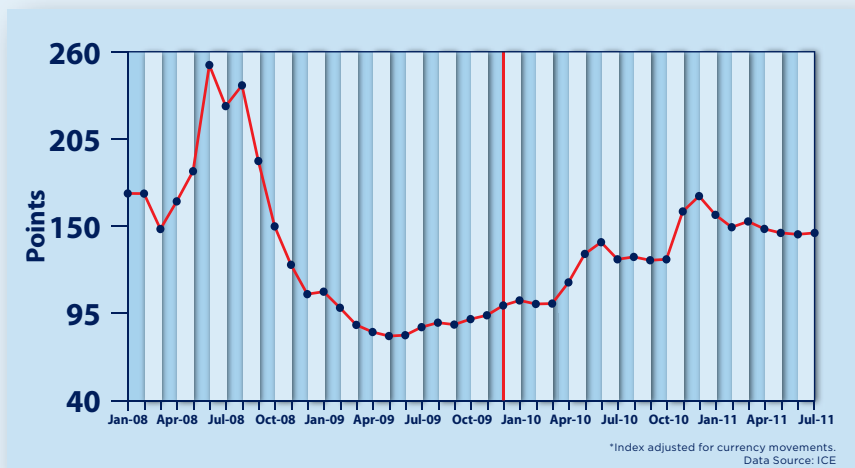


## Natural Gas Index



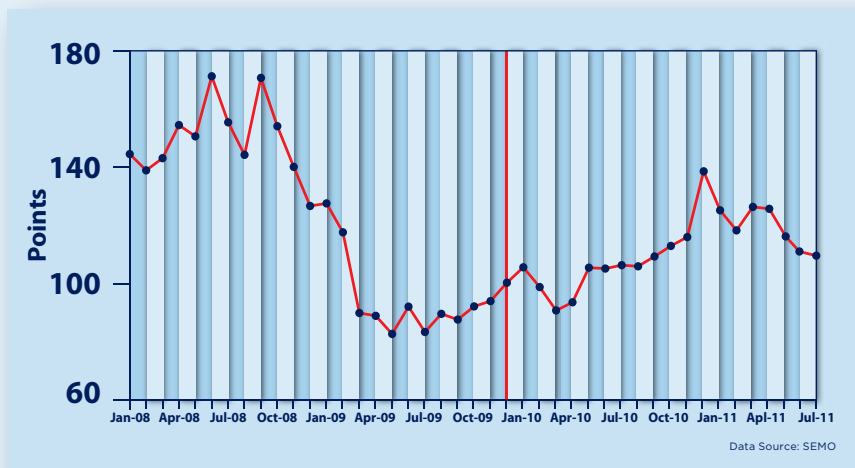
1 Mth **-2%** 3 Mth **-1%** 12 Mth **14%**

## Coal Index



1 Mth **2%** 3 Mth **0%** 12 Mth **21%**

## Electricity Index



1 Mth **-2%** 3 Mth **-14%** 12 Mth **4%**

## NATURAL GAS

Natural gas prices fell steadily in July to finish the month at an average price of 55 p/therm. Below seasonal average demand levels combined with steady LNG arrivals to the market to drive prices lower. In addition, storage facilities in the UK and on the continent are filling faster than in previous years, reducing the demand for gas during July. This also contributed to the softening of prices.

## COAL

Coal prices were little changed in July due to low summer demand combined with plentiful stock piles at Amsterdam, Rotterdam and Antwerp ports. Scandinavian hydro generation levels improved due to heavy rains, which further diminished the demand from the power generation sector. A week long mass strike by some 150,000 workers in South Africa's coal sector had little effect on European coal prices due to the market being well supplied from other sources such as Colombia, Russia and the US.

## ELECTRICITY

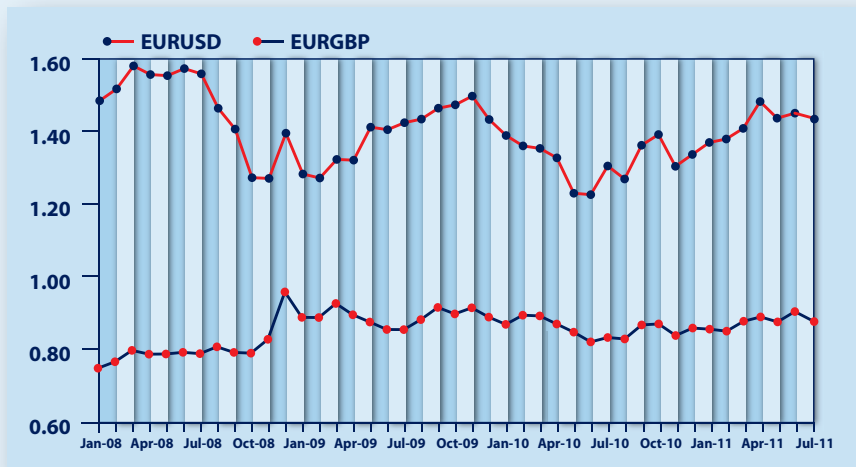
July saw a further drop in Irish power demand as is usual during the summer period due to the warmer weather. Despite a 25% fall in wind generation, wholesale Irish electricity prices fell 2% in July, as there was a good availability from efficient, lower cost generators. However current future gas prices are significantly higher this winter than last, and therefore the electricity element of the index is expected to increase in Q4.

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## FX Rates



1 Mth	-1%	3 Mth	-3%	12 Mth	10%	EURUSD
1 Mth	-3%	3 Mth	-1%	12 Mth	5%	EURGBP

## FX RATES

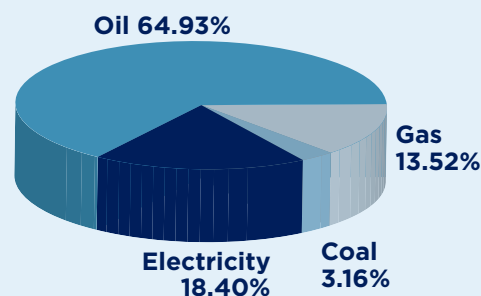
The Euro fell versus the US Dollar in the first half of July to trade below 1.40 for the first time since mid March. This was driven by the by the market perceived inability of EU leaders to get to grips with peripheral sovereign debt issues. The trend was reversed in the back half of July as focus switched to the impasse in Washington in raising the debt ceiling and with the US subsequently facing the potential of a sovereign default. The Euro quickly retreated from over 0.90 versus Sterling to trade in a narrow range around 0.88 in the back half of the month.

## MARKET OUTLOOK:

Currently futures markets continue to point to an increase in the Energy Index in Q4 despite continuing threat to the Eurozone economy due to sovereign debt issues. This would indicate that futures markets are placing more emphasis on fundamental issues such as increasing Chinese oil demand and the potential for increased Natural gas demand from Germany due to the nuclear power generation shut down plans. Prospects of further Middle Eastern unrest is also lending support to higher future oil prices.

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



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