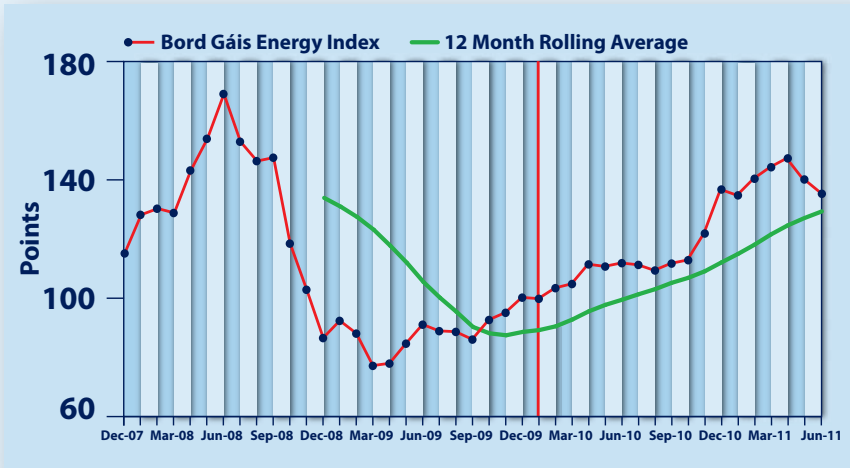


# **Bord Gáis Energy Index**

**JUNE 2011**

## ENERGY INDEX DOWN 5% IN JUNE BUT 12 MONTH RISING TREND REMAINS INTACT

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



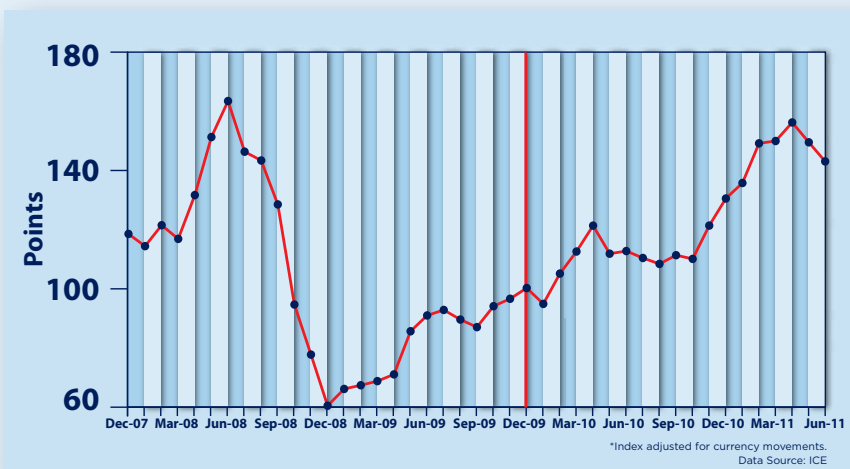
1 Mth **-5%**    3 Mth **-8%**    12 Mth **20%**

### OVERALL SUMMARY:

A sharp sell off in Brent crude oil pushed the Bord Gáis Energy Index 5% lower for June. The announcement on June 23rd by the International Energy Agency of its intention to release 60 million barrels of oil from its stockpiles helped caused a major drop in prices. However much of the losses were regained and the Index remained above the 12 month rolling average and still up 20% since June 2010.

Natural gas and coal were little changed during June but electricity prices were 6% lower. The fall in electricity prices was linked to the drop in demand during the summer months. Currency movements also had a beneficial effect on wholesale energy prices in Ireland with the Euro strengthening versus both the US Dollar and Sterling making oil, natural gas and coal relatively cheaper for Irish buyers.

### Oil Index



1 Mth **-5%**    3 Mth **-6%**    12 Mth **27%**

### OIL

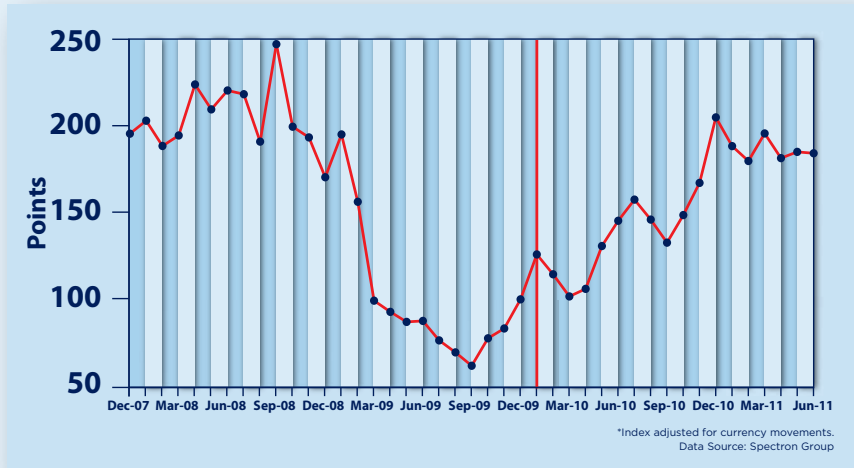
Oil prices rose steadily in the first half of June to trade over \$120 /bbl by mid month. However, prices began to retreat on the back of global economic concerns. This fall in prices was compounded by the June 23rd announcement by the International Energy Agency that it would release 60 million barrels of oil over a 30 day period from emergency stockpiles in response to the ongoing disruption in supplies from Libya. This is only the third time in its history that the IEA has taken such action. Oil traded down to \$103 /bbl but recovered to close the month at \$112 /bbl.

# Bord Gáis Energy Index

JUNE 2011



## Natural Gas Index



1 Mth **-1%**    3 Mth **-6%**    12 Mth **26%**

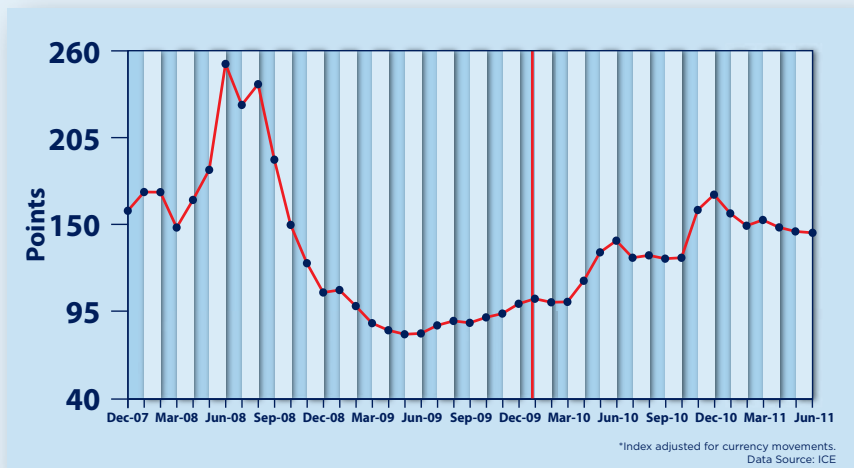
## NATURAL GAS

Maintenance at a number of natural gas fields coupled with increased German powered demand due to the nuclear shutdown supported prices above 58 p/therm during June, up 1 p/therm on May.

However, the appreciation of the Euro versus Sterling during the month resulted in a net 1% drop in natural gas prices in Euro terms.

Prices had fallen along with the drop in oil prices after the IEA announcement on June 23rd but quickly recovered back over 58 p/therm by the end of the month.

## Coal Index



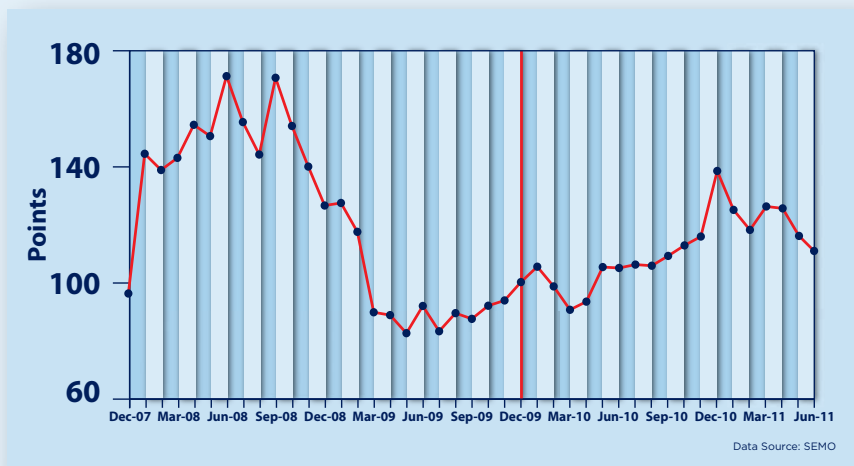
1 Mth **-1%**    3 Mth **-6%**    12 Mth **10%**

## COAL

Coal remained little changed in June, continuing to trade in the \$120 to \$130 per tonne range seen so far in 2011, eventually settling at \$123.

Buying interest from China prevented prices from dropping below \$120 while weak demand due to comfortable European stock levels coupled with strong supplies from Colombia and the US capped prices at \$130. The expected increase in demand due to the shutdown of German Nuclear plants did not materialise in June.

## Electricity Index



1 Mth **-6%**    3 Mth **-14%**    12 Mth **6%**

## ELECTRICITY

Low demand associated with the summer period coincided with the steady availability of low cost generators in June. These factors combined drove a 6% decrease in wholesale electricity prices.

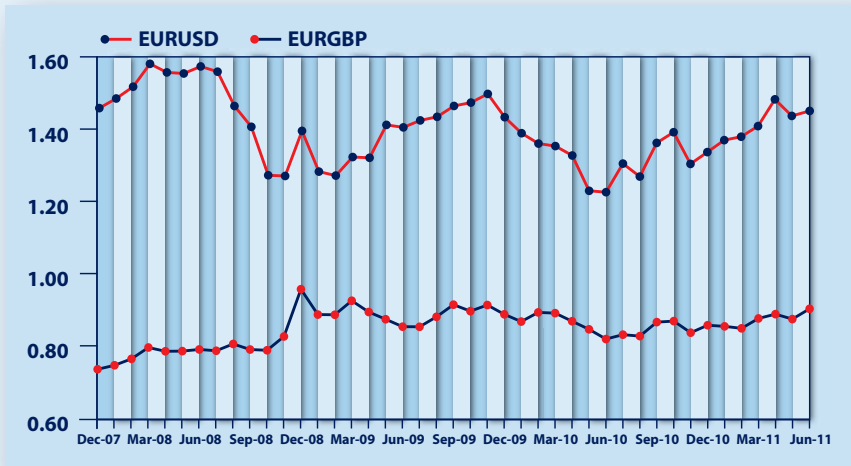
The lower the demand on the system the more efficient and cheaper plant setting the price in the Single Electricity Market in Ireland.

# Bord Gáis Energy Index

JUNE 2011



## FX Rates



1 Mth	1%	3 Mth	2%	12 Mth	18%	EURUSD
1 Mth	3%	3 Mth	2%	12 Mth	10%	EURGBP

## FX RATES

The Euro strengthened against both the US Dollar and Sterling in June adding to the overall decrease in the Energy Index in June.

The Euro closed out June at a 15 month high versus Sterling as steps taken to deal with the Greek fiscal crisis and continuing ECB signals that it will raise interest rates sooner rather than later got priced into the market.

On the UK side, the continuing sluggish economic outlook weighed on Sterling against most other major currencies.

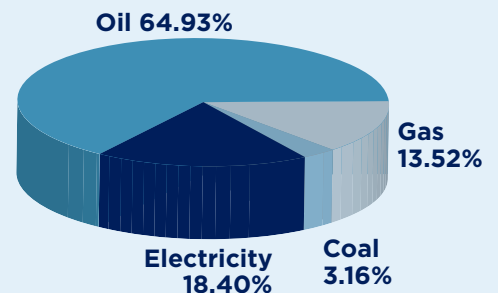
## MARKET OUTLOOK:

Futures market indicate an increase in the Energy Index in Q4, reflecting a number of concerns in the markets at this time, including:

- (I) continued concerns about EU's ability to deal with the debt crisis that some of its members are struggling with and the pressures it might put on the value of the Euro
- (II) the belief that the IEA's actions are a very short term solution to the problem of growing demand for oil against a shrinking production capacity cushion of the product
- (III) the possibility of a large increase in the natural gas requirements of German power generators in the wake of the country's announcement of nuclear power plant decommissioning plans.

## 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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