

**Bord Gáis Energy Index: Embargoed until 00:01, 4<sup>th</sup> April 2011.**

## **ENERGY INDEX RISES 3% IN MARCH**

**- INDEX UP 31% IN LAST SIX MONTHS -**

The Bord Gáis Energy Index (BGEI), an Irish-specific index designed to measure the prices in the wholesale energy market, continued to rise in March, increasing by 3% to 146.

The increase in energy prices is attributed to conflict in Libya and other North African and Middle Eastern countries, along with the Japanese earthquake and the subsequent tsunami on March 11<sup>th</sup>. These issues, along with increasing demand in Q4, 2010 are responsible for a rise in the index in five of the last six months, and of 31% over the period.

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.

**The following are the key trends recorded for the month of March:**

**Oil:** The oil element of the index is up 2% to 152.09. Brent crude oil prices closed at \$117 per barrel, more than \$5 per barrel higher than in February. As a result of political unrest in North Africa and the Middle East, Brent crude oil prices rose 17% in the first quarter of 2011, its biggest quarterly gain in almost two years.

**Natural Gas:** The natural gas element of the index is up 8% to 194.03. Natural gas prices were stable at the beginning of March but rose to above 65p per therm for the first time since December 2010. It closed at 60p per therm. The price of natural gas was impacted by the earthquake in Japan, which caused the shutdown of over 25% of all nuclear powergen capacity for the foreseeable future.

**Coal:** The coal element of the index is up 3% to 153.91. Coal prices rallied to over \$130 per tonne following the Japanese earthquake because of expectations that coal fired power plants would fill the generation gap caused by shut down nuclear plants. These prices retreated at the end of the month, closing at \$127 per tonne, as six coal plants in Japan were damaged, reducing demand by 18 million tonnes. Germany's announcement of a three month closure for stress testing of seven of its older nuclear plants leant further support to coal prices towards the end of the month.

**Electricity:** The electricity element of the index is up 5% to 126.59 System Marginal Price rose to €81 MWh in March from €60 MWh in February. This is largely due to increased fuel prices as natural gas and coal prices increased on the back of the Japanese earthquake and tsunami. Decreased wind output and plant availability issues account for the rest of the increase.

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

“Oil prices continue to rise as a result of conflict in Libya and other countries. Although Saudi Arabia has covered the production shortfall arising from the situation in Libya, concerns are being raised about the long term implications for the oil industry. OPEC had hinted that \$90 dollars would be a fair price for oil in 2011, but with oil averaging over \$105 so far this year, it remains to be seen if OPEC will intervene.”

“Natural gas prices experienced a sharp rise in March and could see further increases as Japanese LNG imports increase to meet the demand from gas powered generation as it ramps up to fill the gap left by nuclear and coal plant shutdowns. This raises concerns that cargoes will be diverted away from the UK market to the higher priced Japanese market.”

“Coal prices are likely to fall if the drop in Japanese demand sees more cargoes diverted into European markets. However increased demand from Germany could offset this. Consumers are likely to see an increase in energy prices as the rise in wholesale energy prices is expected to push up domestic energy prices.”

**ENDS**

**For further information please contact:**

Aidan McLaughlin, Fleishman-Hillard: 01 618 98425 / 085 749 0484

Stiofáin MacDhaibhead, Bord Gáis Energy: 01 602 1116/ 087 799 1206