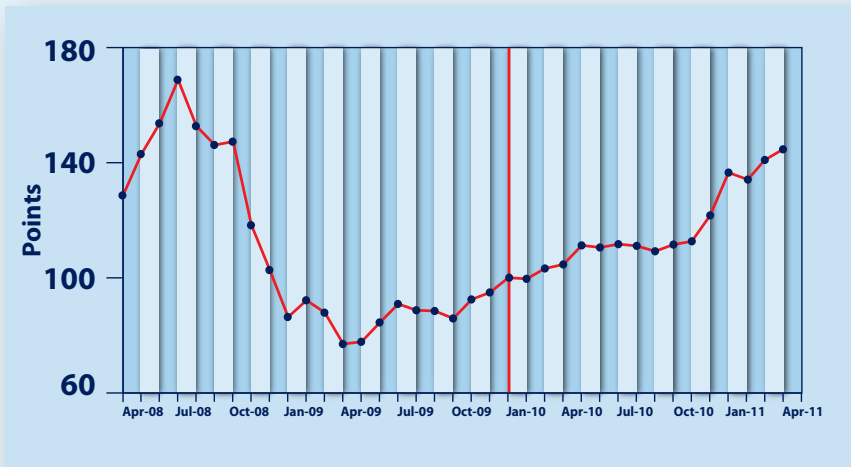


# **Bord Gáis Energy Index**

**MARCH 2011**

## ENERGY INDEX CONTINUES TO RISE AS LIBYAN CRISIS AND JAPANESE EARTHQUAKE IMPACT ENERGY PRICES

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



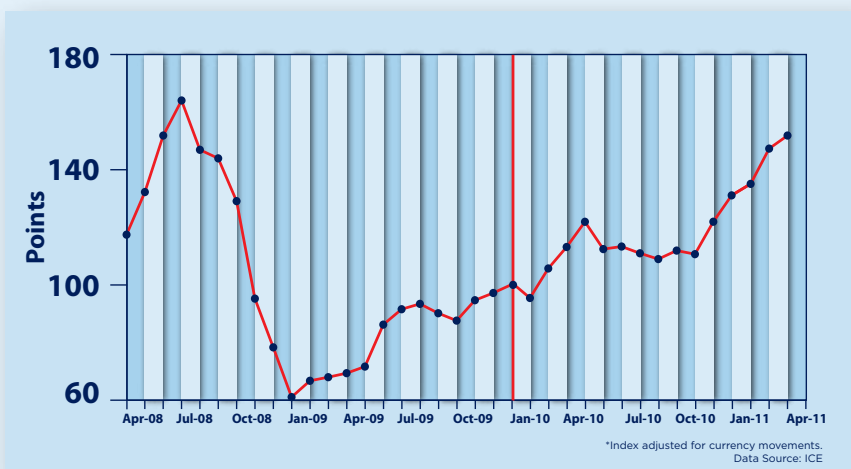
1 Mth **3%**    3 Mth **7%**    12 Mth **39%**

### OVERALL SUMMARY:

The Bord Gais Energy Index rose 3% in March to 146. The Index has risen in 5 of the last 6 months and is up 31% over the period, driven initially by increasing demand as the global economy recovered in Q4 2010. More recently prices have risen due to the unrest across the Middle East and North Africa, particularly Libya, and the earthquake and subsequent tsunami in Japan on March 11th.

Continued conflict in Libya and unrest in other Middle East and North African countries has supported Brent crude oil prices above \$112 for the majority of March eventually closing at \$117 per barrel. Natural gas prices continued to be relatively stable at the beginning of March only to rally strongly on news of the Japanese earthquake eventually averaging 60p/therm for the month. Coal prices also rallied on the Japanese earthquake but did retreat towards the end of the month to close at \$127 per tonne.

### Oil Index



1 Mth **2%**    3 Mth **17%**    12 Mth **35%**

### OIL

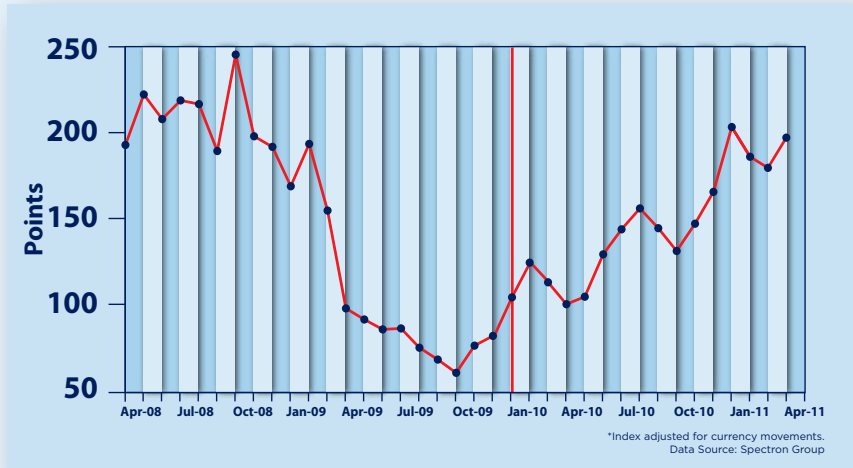
Brent crude rose 17% in the first quarter of 2011, its biggest quarterly gain in almost two years as war, revolutions, and unrest across the Middle East and North Africa thrust supply constraints to the forefront of investors minds. Saudi Arabia has covered the production shortfall caused by the conflict in Libya but concerns are rising about the long-term implications for the oil industry should Gaddafi retain power or the country be split in two. OPEC had hinted that \$90 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 the organisation will intervene to cool prices.

# Bord Gáis Energy Index

MARCH 2011

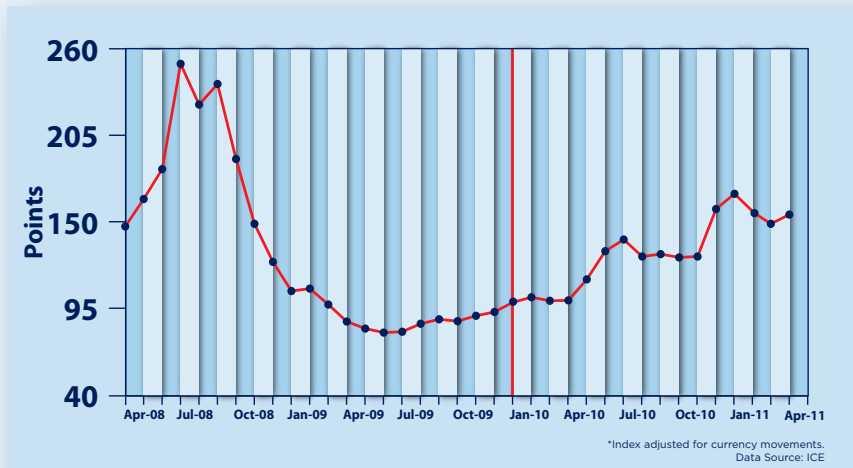


## Natural Gas Index



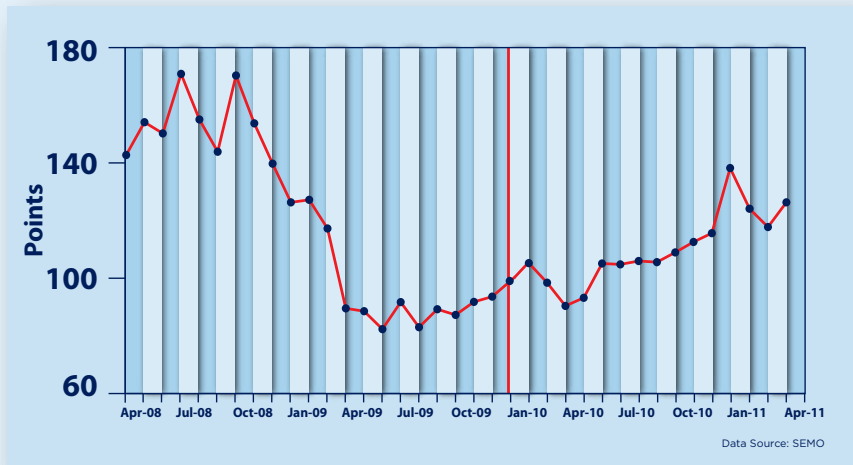
1 Mth **8%**    3 Mth **-5%**    12 Mth **91%**

## Coal Index



1 Mth **3%**    3 Mth **-3%**    12 Mth **61%**

## Electricity Index



1 Mth **5%**    3 Mth **-7%**    12 Mth **40%**

## NATURAL GAS

Natural gas prices started the month at 55p/therm but rose to trade above 65p/therm for the first time since December when Ireland and the UK experienced their coldest pre Christmas weather in over 100 years. The increase in prices was in response to the earthquake in Japan which caused the shutdown of over 25% of all nuclear powergen capacity for the foreseeable future. With little damage to LNG infrastructure, natural gas demand is expected to fill the generation gap raising concerns that cargoes will be diverted away from the UK market to the higher priced Japanese market.

## COAL

Coal prices rallied to over \$130 per tonne in the wake of the Japanese earthquake on expectation that coal fired power plants would fill the generation gap caused by shut down nuclear plants. However this theory was quickly dispelled as 6 coal plants were also damaged by the earthquake reducing Japanese coal demand by 18 million tonnes. Germany's announcement of a three month closure for stress testing of seven of its oldest nuclear plants leant support to coal prices towards the end of the month as coal is expected to pick up the generation slack.

## ELECTRICITY

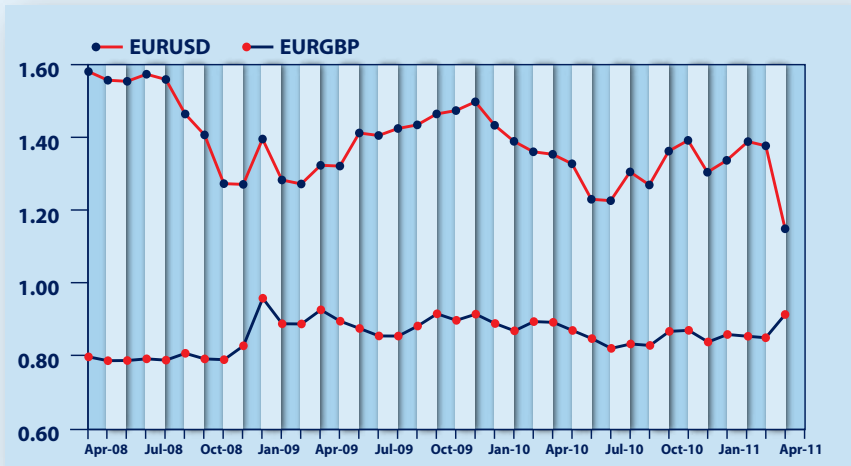
Wholesale electricity prices have risen 5% to €81/MWh. The majority of this increase was due to increased fuel prices as natural gas and coal prices increased on the back of the Japanese earthquake and subsequent tsunami. The remainder of the increase is largely due to decreased wind output and plant availability issues.

# Bord Gáis Energy Index

MARCH 2011



## FX Rates



## FX RATES

The euro rose versus the US Dollar in March as inflation data firmed expectations the European Central Bank would raise interest rates. Euro zone estimates showed inflation jumped 2.6 percent year-on-year in March, up from 2.4 percent in February driven by surging oil prices. The euro rose to a five-month high against sterling, boosted by expectations that interest rates in Europe will rise faster than in the UK.

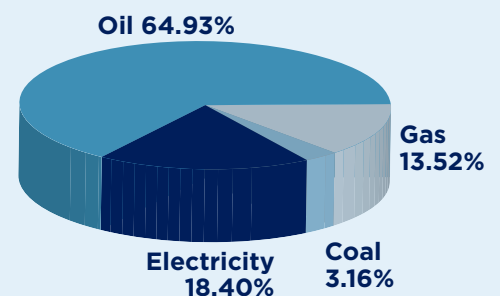
1 Mth	3%	3 Mth	6%	12 Mth	5%	EURUSD
1 Mth	4%	3 Mth	3%	12 Mth	-1%	EURGBP

## MARKET OUTLOOK:

Saudi Arabia has been able to meet the shortfall in Libyan oil production and there is an expectation that demand from Japan, the worlds third largest oil user, will drop in the wake of the March 11th earthquake. Despite this, oil prices remain at the mercy of supply concerns in the face of the unrest seen right across the Middle East and North African region. Natural gas prices could rise 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. Coal prices could fall should the drop in Japanese demand see more cargoes diverted into European markets however increased demand from Germany could counter balance this.

## 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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