

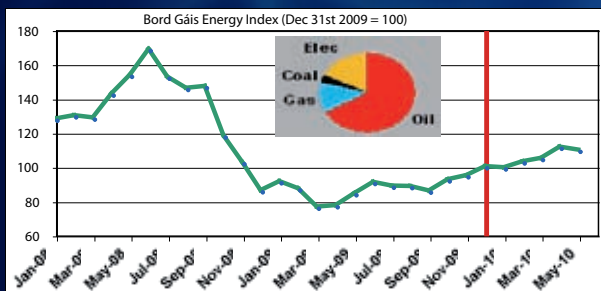
# Bord Gáis Energy Index

MAY 2010



## THE BORD GÁIS ENERGY INDEX FELL 1% IN MAY AMID INCREASED VOLATILITY ACROSS COMMODITY AND CURRENCY MARKETS.

1 Mth **-1%**    3 Mth **7%**    12 Mth **30%**



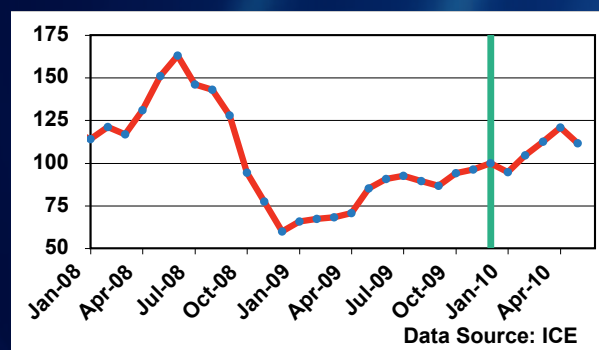
### KEY POINTS:

The energy index fell 1% in May 2010 and now stands at 109.8. This represents the first noteworthy drop since September 2009 when the index stood at 85.8.

May saw a stark contrast between price movements in oil and the other components of the index.

Gas, coal and electricity prices rose during May and these price rises were compounded by a weakening Euro pushing the Bord Gáis Energy Index higher. However, oil prices fell 8% in Euro terms during May, more than offsetting the rise in other commodity prices given oil's weighting in the index. Oil comprises 66% of the energy mix in Ireland giving the commodity greater influence in changes to the Bord Gáis Energy Index over time.

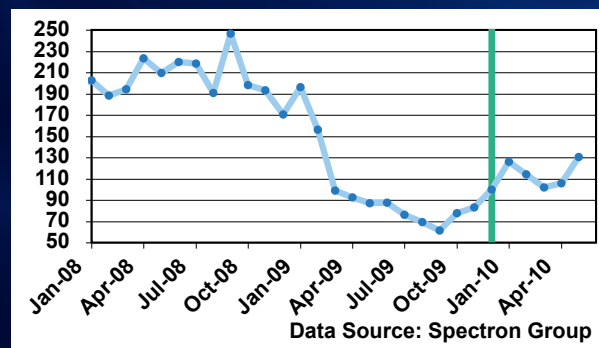
1 Mth **-8%**    3 Mth **7%**    12 Mth **31%**



## OIL

Oil prices fell from \$87 to \$74 per barrel, a 15% drop in prices. When converted to Euros the drop in prices was 8%. Continued unease over the sovereign credit problems in Europe and uncertainty surrounding changes to financial regulations, especially in the US saw prices drop below \$70 on May 25th. Prices recovered somewhat by months end but remained well below the high of the month.

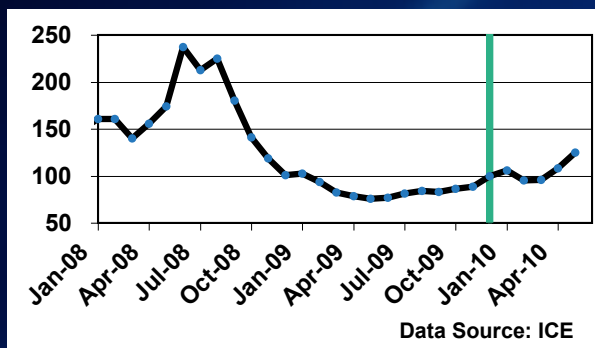
1 Mth **24%**    3 Mth **14%**    12 Mth **50%**



## NATURAL GAS

May started with higher demand and lower flows of Norwegian gas and a resultant high price. Numerous infrastructural problems contributed to a continuation of these higher prices throughout the month including a power cut at the Kollsnes facility followed by a suspected gas leak at the same facility. Heavy storage injections, strong export demand to the continent and a decrease in LNG cargo deliveries to the UK also kept the prices high.

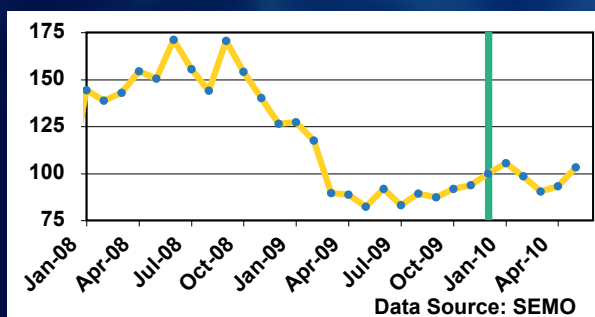
1 Mth 16%    3 Mth 31%    12 Mth 64%



## COAL

Coal prices continued their uptrend as European based coal users realised that less South African coal is coming to the continent. An ever increasing number of cargoes are going to Asia, particularly China (China's y/y coal imports increased 47% in April). A transport strike in South Africa is also contributing to worries about the availability of coal supplies to Europe.

1 Mth 11%    3 Mth 5%    12 Mth 25%

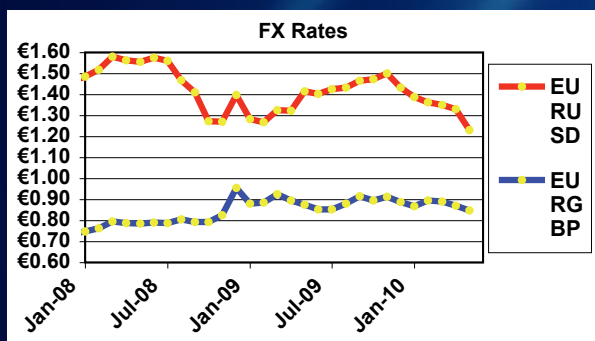


## ELECTRICITY

The average price in May rose by €7/MWh on the previous month. Demand on average was lower in May when compared with April but some plant outages in May caused some large spikes in the price as less efficient peaker units were scheduled in their place.

1 Mth -7%    3 Mth -10%    12 Mth -13%

1 Mth -3%    3 Mth -5%    12 Mth -3%



## EURO

The EURO weakened considerably versus all of the worlds' major currencies as concerns about Greek sovereign debt, contagion into other markets such as Spain, Portugal and Ireland and the lack of a coordinated Eurozone response hit the currency hard. The EURUSD FX rate traded at levels not seen since Q2 2006. Speculators were emboldened in their selling down of the single currency by the view that Europe is happy to see its currency weaken thereby increasing the competitiveness of the region.

## MARKET OUTLOOK

The forward curves on the four components of the Bord Gáis Energy Index remain in contango (front of curve prices lower than further out along the time line). This indicates that the Bord Gáis Energy Index may resume its upward trend in the short term to medium term. Some of this reflects the normal "cost of carry" of the relevant commodities but it also reflects confidence that the world economy may be emerging from the current recession.

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