

Energy Index for August

15th September 2015: The Bord Gáis Energy Index in August 2015 stood at 97 as a rise in the price of a barrel of oil was offset by declines in the wholesale price of gas, coal and electricity.

OIL

The price of oil rose in August to US\$54.15 from US\$52.21, with the increase most prominent at month end.

The reality is that OPEC stalwarts Saudi Arabia, Iraq and Iran are still pumping hard, and show no sign of stopping. As a result, global crude oil and product stocks are now at their highest levels since 2009. Saudi Arabia's output in August likely stayed at or above June's level of 10.6m barrels a day.

All other OPEC countries are producing essentially at capacity. Analysts estimate that crude oil export restrictions on Iran will be lifted by March 2016 and will climb from the current 2.85 million barrels per day to 3.4 million barrels per day by the end of 2016. As a result of this robust production the global supply demand differential stood at 2.27 MMb/d in July with supply being recorded at 96.39 MMb/d compared to a demand figure of 94.12 MMb/d.

NATURAL GAS

The average day-ahead price for August was 39.77 pence per therm (p/th), a month-on-month drop of 8% in sterling terms.

Forward prices over the month tracked the softer prompt contracts, with the front season winter 15 contract opening the month at 45 p/th and closing more than 1 p/th lower.

Liquefied natural gas (LNG) in August reached a three-year high of 61mcm. Injections into storage continued with stocks at the end of August 80% full.

UK demand in August averaged 188mcm, 41mcm above seasonal normal demand. The higher than normal demand was partly due to higher interconnector exports to the continent, as maintenance on the Europipe 1 pipeline between the Dutch and German border shut that route for Norwegian gas so it flowed through the UK instead.

COAL

The ICE Rotterdam Monthly Coal Futures Contract continued its decline in August, closing at US\$54.95, a level not seen since early 2009. The crude oil market was the main referent for price direction in the coal market during the month, as coal supply-demand fundamentals remained generally unchanged.

The industry remains concerned over China's economic progress and its increased focus on environmentally sustainable sources of energy.

ELECTRICITY

Month-on-month the average wholesale price of electricity fell by 2% in August. Excluding supplier capacity payments, the average wholesale price for August was €50.29, compared to €51.31 in July.

With day-ahead gas and European coal prices falling in the month, lower production costs fed through to lower wholesale electricity prices.

Wind powered production also declined from approximately 18% in July to 14% in August.

FX

The euro weakened 2% against the US dollar in August and 4% against sterling, as investors continue to assess whether the US Federal Reserve and the Bank of England will raise interest rates. At the most recent ECB meeting, no action was taken but the market is speculating that more support could be offered in the future with Mario Draghi hinting that the European Central Bank stands ready to bolster its QE programme.

The most recent data from the US, the non-farm payroll figures, gave balance to both sides of the debate. While unemployment dropped to 5.1%, wage pressures remained subdued. In addition, the IMF also called on the Fed to keep interest rates low, pointing to subdued inflation and the potential impact on the global economy of a slowdown in China.

The UK's Bank of England voted to keep rates at 0.5% in August.

Ends.

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