BORD GÁIS ENERGY INDEX RISES 4% IN AUGUST AS OIL PRICES REACH RECORD HIGH

Ongoing concerns about oil supply together with increased optimism that Central Banks would act to stimulate growth and secure the euro, combined to drive oil prices to record highs, resulting in a 4% increase in the Bord Gáis Energy Index for August. Small improvements in the strength of the euro versus the US dollar rate helped in part to suppress the increase in oil price rises which rose 7% in euro terms and over 9% in US dollar terms. Future gas prices for the coming winter rose by over 3% in August as a result of rising Brent crude oil prices. European gas prices for the coming winter and summer are closely linked to the international price of a barrel of oil. .

As a result, the Bord Gáis Energy Index now stands at 151, an increase of9% on August 2011.

Commenting on the Bord Gáis Energy Index for August, John Heffernan, power trader at Bord Gáis Energy, said:

The ongoing tensions in the Middle East and a tightening global oil market are dominating sentiment and have resulted in significant oil prices increases in recent months. The improvement in the euro in the month has only partially insulated Ireland from the worst effects of this increase. Given the recent announcement from the ECB to agree an unlimited bond-purchase programme the market's assessment of European progress to deal with the debt crisis could dictate the future movement of oil prices in the months ahead. Other factors that could dominate sentiment include the ongoing geopolitical tensions, including those between the West and Iran. In turn, oil prices, supply/demand dynamics and currency movements will continue to influence forward gas prices as will increased demand for gas as we progress toward Winter 2012/2013.

The following are the key trends recorded for the month of August:

Oil: The oil element of the index was up 7%. The price of Brent crude oil has increased by over 25% in euro terms since June and at over €90 a barrel, the price is now similar to the levels seen during the food and fuel crisis of 2008.

Other factors that supported the rise in oil prices included Hurricane Isaac which shut 93% of the Gulf's oil output at one point; expectations that maintenance in the North Sea in September would reduce global oil supplies; better than expected economic data from the US; and increasing speculation that the world's Central Banks will act to stimulate economic activity and oil demand.

Natural Gas: The natural gas element of the index was down 4%. In euro terms, the average monthly Day-ahead UK gas price in August was 4% lower than its July equivalent which which is attributable to short-term currency fluctuations and declining UK demand for gas during the peak summer month. Looking forward, the Winter 12/13 gas price, in euro terms, rose over 3% in the month and is over 5% higher since the start of the year. Forward gas prices are sensitive to movements in oil which has risen aggressively in recent months and which are trading at historical highs.

Coal: The coal element of the index was down 3%. This period of relative stability follows a sharp increase in July due to an unexpected industrial dispute which restricted Colombian coal shipments to Europe.

The global thermal coal market has been weak over the last 12 months, falling 14%, with softening demand from Asia due to Chinese economic issues, weak Chinese domestic coal prices and high inventories in China, India and Europe. With a slowdown in the Chinese economy, coal-fired power plants are running at only 60% of their designed capacity, and global coal demand is being depressed.

Electricity: The electricity element of the Index was flat. A 4% fall in the monthly average UK Day-ahead price for wholesale gas in August due to currency fluctuations was offset by the outage of efficient power producers for maintenance, depriving the wholesale market of their relatively cheap power.

In addition, the intermittent nature of wind during August meant thermal generators were forced to stop and start which increased cost. Rising carbon prices were also a factor that pushed up the cost of power production in Ireland. Rising coal generation and uncertainties over nuclear availability in Europe supported carbon prices. European equities also gained in the month and this positive sentiment provided a tailwind for carbon.

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