

Bord Gáis Energy Index

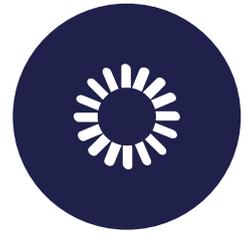
Understanding energy

APRIL 2017

BGE/EI/UE/0517

Bord Gáis Energy Index

April 2017



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



Summary

The Bord Gáis Energy Index fell 4% in April but remains higher by 14% over 12 months. Oil dropped 4% in April, further erasing the gains seen since OPEC agreed a deal to cut supply last November. Wholesale gas prices were 3% lower as temperatures continued to rise and there was plentiful supply to the market. Electricity prices also fell by 3%, while coal was unchanged after falling over the last three months.

In April, the Bord Gáis Energy Index stood at 92. (-4%)

Bord Gáis Energy Index

April 2017



Oil Index



Index adjusted for currency movements.

Data Source: ICE

Oil

The price of Brent crude fell again in April, further erasing the gains seen since OPEC agreed a deal in November 2016 to curb supplies in an effort to reduce stubbornly high inventory levels and boost prices. Brent crude, the international benchmark, finished the month at \$52 a barrel, a drop of 4% from March's price.

Sentiment turned negative on oil over the second half of April as market participants began to lose faith in OPEC's ability to overpower a revitalised US shale industry and reduce a global glut of oil. Higher prices at the start of the year has encouraged greater production of oil from the US and there is some evidence that although OPEC producers have cut production, export levels have been higher than expected. This has led some speculative players in the oil market that had bet on prices going higher to liquidate their positions.

Crude oil production in the US continued to creep higher over the month, reaching almost 9.3 million barrels per day according to data from the EIA (Energy Information Association), its highest level since August 2015. This is an increase of over 500k barrels per day since the beginning of the year and ties in with the higher levels of active oil rigs in the US which totalled 697 at the end of April according to the Baker Hughes rig count data, a rise of 172 since January. Hopes of US oil inventory rebalancing have been thrown into doubt as stock levels remain stubbornly high.

The response of OPEC and non OPEC countries, including Russia, will be key to the future direction of prices. Oil ministers are due to meet in Vienna on May 25th to discuss extending the cuts agreed last November when supply was cut by about 1.8 million barrels per day. It appears that the most likely outcome is that the cuts will be extended but the key questions of who cuts how much and for how long remain to be decided. The recent fall in price is evidence that market participants believe the current level of cuts, which although sizeable, are not enough to rebalance the market in the face of higher US shale production.

Bord Gáis Energy Index

April 2017



Natural Gas Index



Index adjusted for currency movements.

Data Source: Spectron Group

Natural Gas

The NBP day-ahead contract, the price for gas delivered tomorrow, averaged 39.49 pence a therm (p/th) over April, a drop of almost 3% in euro terms on the previous month's close. This compares to 29.31p/th for the comparable period last year, an increase of 26%.

Short-term prices fell as temperatures continued to rise and we saw strong indigenous, Norwegian and LNG flows in April.

The prompt weakness was replicated on the curve as seasonal contracts traded lower. The front season Winter contract traded almost 0.4p lower to 45.85 pence a therm, while the Summer 18 contract gave up 1.3p/th to finish the month at 39.43p/th. The weaker Summer 18 performance is the consequence of two key announcements during the month.

The Dutch government announced, following a review, its intention to reduce gas production at the key Groningen gas field from 24bcm to 21.6bcm from October 2017. This is the latest in a series of reductions following seismic activity, which most accept is the result of gas extraction in the region. The UK in the colder, higher demand months of winter imports gas via the BBL interconnector from the Netherlands. The announcement that production will be lowered was supportive of winter prices.

In addition, there was a significant development with regard to the Rough storage facility, the UK's largest long term storage facility, with Centrica announcing that the facility will be unavailable until April 2018. Gas is injected into Rough storage during the lower demand summer months for withdrawal and use in the higher demand winter months. Rough's removal, until April 2018, is negative for gas prices this summer and supportive of prices for next winter as it increases the UK's reliance on LNG and continental pipeline imports winter prices.

Bord Gáis Energy Index

April 2017



Coal Index



Index adjusted for currency movements.

Data Source: ICE

Coal

The recent decline in coal prices, from multi-year highs of \$90 a tonne seen in early 2017 stalled in April as coal closed the month unchanged in euro terms at \$75.50.

A key driver was a supply disruption caused by Tropical Cyclone Debbie. The Cyclone lashed the eastern Australia state of Queensland, a key producer and shipper of coal, with destructive winds of more than 160 miles an hour, causing floods and landslides and forcing the closure of many port-and-mining operations.

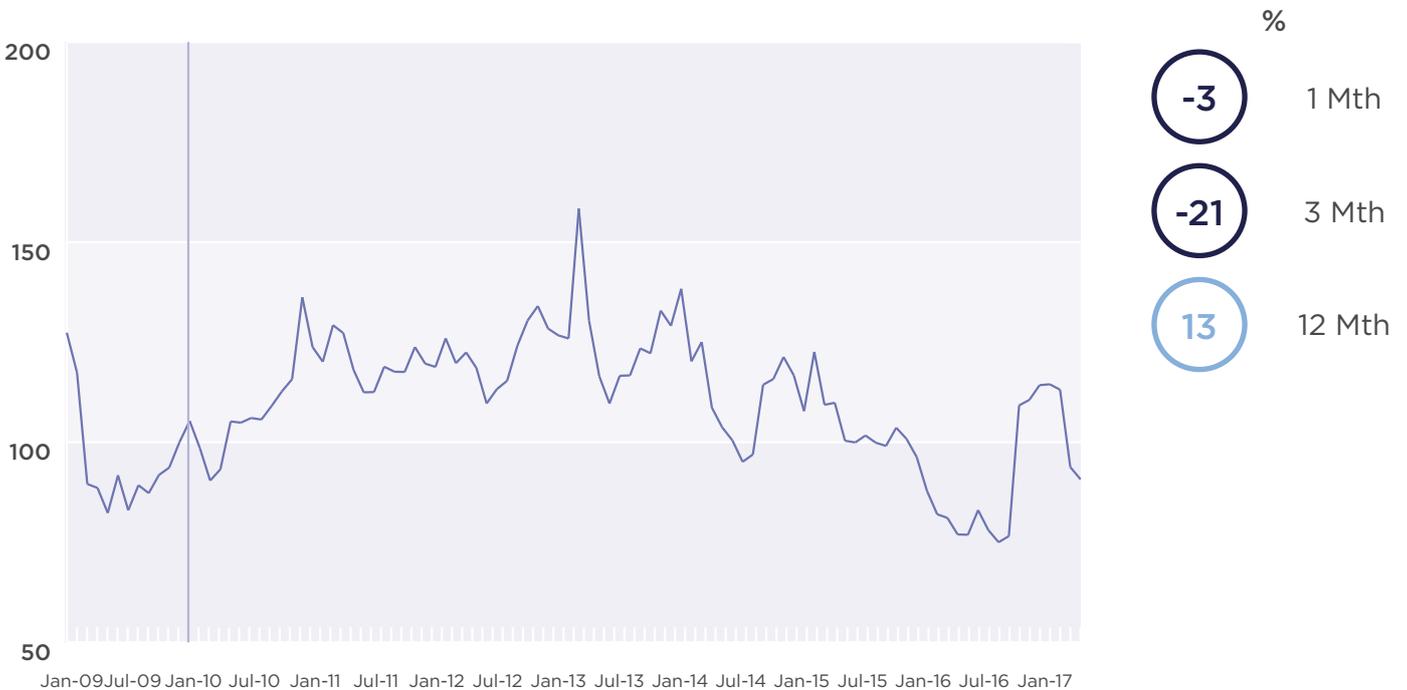
BHP Billiton declared force majeure for all coal products from its joint venture projects in response to damage sustained by the rail network and prices rallied to around \$78 in early April. We have started to see some of these gains dissipate as key infrastructure starts to return.

Bord Gáis Energy Index

April 2017



Electricity Index



Data Source: SEMO

Electricity

The average wholesale price of electricity in Ireland was lower by 3% in April. Prices remain 13% higher than April 2016.

Excluding supplier capacity payments, the average wholesale price of electricity for April was €45.41/MWh compared to €45.14/MWh in March, a marginal increase of €0.27/MWh on the average monthly wholesale price.

Irish wholesale electricity prices typically tend to track the cost of imported gas as it is the most significant cost in the production of electricity. However, it can vary on a month-to-month basis.

An average monthly clean spark of approximately €11.28/MWh was recorded in April, which is up from €10.23/MWh observed in March (an increase of 10.25%). The proportion of demand met by wind in April decreased to 14.43% from 22.15% in March.

Bord Gáis Energy Index

April 2017



FX Rates



EURUSD %

- 2 1 Mth
- 1 3 Mth
- 5 12 Mth

EURGBP %

- 1 1 Mth
- 2 3 Mth
- 8 12 Mth

FX Rates

It was a mixed month again for the euro, as the single currency gained in strength versus the dollar and lost ground against the pound. The euro finished the month down 1% at 0.8418 versus the pound and gained almost 2% versus the dollar settling at 1.0901.

Geopolitics were front and centre in April as gains in the euro came on the back of a positive global market reaction to the outcome of the first round of the French presidential election, which was regarded as being supportive of the on-going European recovery. After an initial round on April 23rd, centrist candidate Emmanuel Macron and far right candidate Marine Le Pen made it through to final round of voting of May 7th.

In the UK, the pound strengthened sharply as Prime Minister Theresa May called for a snap general election in June. Much of the market commentary has suggested that if she and her Tory government are returned to office with a greater number of MPs as is expected, this will give her greater scope to negotiate a softer Brexit as she won't have to pander to the Euro sceptic element of the party. This is seen as a positive for the UK economy.

Bord Gáis Energy Index

April 2017



For more information please contact:

Bord Gáis Energy

Pressoffice@bordgais.ie

Alan Tyrell 086 850 8673 or Irene Gowing 087 267 3964

The contents of this report are provided solely as an information guide. The report is presented to you “as is” and may or may not be correct, current, accurate or complete. While every effort is made in preparing material for publication no responsibility is accepted by or on behalf of Bord Gáis Energy Limited, the SEMO, ICE Futures Europe, the Sustainable Energy Authority of Ireland or Spectron Group Limited (together, the “Parties”) for any errors, omissions or misleading statements within this report. No representation or warranty, express or implied, is made or liability accepted by any of the Parties or any of their respective directors, employees or agents in relation to the accuracy or completeness of the information contained in this report. Each of the Parties and their respective directors, employees or agents does not and will not accept any liability in relation to the information contained in this report. Bord Gáis Energy Limited reserves the right at any time to revise, amend, alter or delete the information provided in this report.