

MEDIA RELEASE

Bord Gáis Energy Index up 57% year on year

The Bord Gáis Energy Index for June is up 3%. Year-on-year, the Index increased 57%, the highest 12-month increase seen since the Index was developed. Oil prices rose 2% in euro terms, despite the agreement by OPEC and Russia to increase oil production immediately. Coal prices continued to make fresh highs in June, with Asian demand supporting prices, and electricity prices rose by 3%. Gas prices ended the month unchanged, but are 56% higher year-on-year. In June, the Bord Gáis Energy Index stood at 125 (+3%).

David Grainger, Energy Trader with Bord Gáis Energy said, "In June, the upward trend continued with most components of the Bord Gáis Energy Index increasing. The key driver was Brent crude with coal and electricity prices also showing positive gains. While there was only a negligible change in gas prices, the annual increase was significant and is reflective of higher oil and coal prices and a worsening supply picture."

Oil prices rose 2% during the month....

With a minimum price of \$73.05, Brent crude traded within a broad range in June ending the month at \$79.44. This was a rise of 2% in euro terms. Prices moved lower through the first three weeks of June in the run up to a crucial OPEC meeting on 22 June. Prices rallied after the meeting, despite the decision to increase production to bring output back to late 2016 (pre-cut) levels.

Even after OPEC announced a production increase, the price of Brent crude oil rose. Worries about production issues in Venezuela, a production outage in Canada and a hardline approach from the US, in respect of Iranian sanctions, pushed prices higher.

....while gas increased 56% year-on-year

The NBP day-ahead contract, the price for gas delivered tomorrow, averaged 55.0p/th in June. This was unchanged from the average price in May and 56% above the comparable period last year. Gas prices fell throughout June from highs of 58.8p/th early in the month to lows of 52.2p/th by the third week, recovering towards the end of the month to 55p/th.

The main factor driving prices during the month was the planned maintenance on the IUK pipeline that connects the UK to Europe. This pipeline typically exports gas to Europe in the summer and the outage had the effect of dampening gas demand from the UK to Europe from 13-27 June. Very warm weather towards the second half of the month saw demand increase. A combination of high pressure and related low wind

power generation led to increased gas fired generation and higher gas demand as a result.

Prices recovered towards the end of the month as the IUK outage ended and demand increased once again. Another supporting factor for gas prices during June was gas storage. European storage levels continue to increase but storage stocks remain well below average and 2017 levels.

Coal prices rose 19% year-on-year

Coal prices settled at \$96 a tonne, rising 1% in euro terms over the month and 19% in the last year. Prices managed to make fresh 12-month highs for the second consecutive month reaching \$97 during the middle of the month.

Coal prices traded in a relatively narrow band throughout June moving from \$94.8 to a high of \$97. Prices were influenced by the broader energy complex while several smaller supply related stories also influenced the price. Demand from Asia remains a key driver and warmer than usual weather across parts of China and India increased coal fired power generation there.

while electricity prices saw an increase of 3% for the month

Excluding supplier capacity payments, the average wholesale price for June was €60.19/MWh compared to €58.49/MWh in May – an increase of €1.70/MWh. When supplier capacity payments are excluded, wholesale electricity costs increased by 3% over the month. Wholesale electricity prices typically track the cost of imported gas as it is the most significant cost in the production of electricity. However, this can vary on a month-to-month basis.

The clean spark increased from €9.26/MWh in May to €11.08/MWh in June. The price of gas was unchanged over the month, wind output decreased significantly month-on-month from an hourly average of 803MW to 465MW – a decrease of 42%. The average proportion of demand met by wind in June was 12%.

.....and euro remained relatively unchanged

The euro gained 0.8% versus sterling in June settling at £0.885p while it was unchanged against the US dollar settling at \$1.167.

Factors affecting the euro during June were ongoing concerns relating to the new Italian government and worries about how Brexit will impact the strength of the EU. Later in the month the migration crisis was another factor that influenced traders view on the relative strength of the euro in general. The dollar came under some pressure as mounting fears over a global trade war between the US and its trading partners affected sentiment.



For more information, see the full Energy Index at bordgaisenergy.ie/energyindex/.

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About Bord Gáis Energy

Bord Gáis Energy is a gas energy and services supplier in the Republic of Ireland. The company has been in operation since 1976 and currently supplies energy and services to over 730,000 business and residential customers. In 2014, Bord Gáis Energy became part of the global Centrica plc Group.