

High wind generation and mild weather result in 5% decrease in Bord Gáis Energy Index

The Bord Gáis Energy Index dropped 5% in February due to month-on-month falls in wholesale gas and electricity prices. In February, approximately 23% of Ireland's electricity demand was met by wind which displaced more expensive gas powered plants and this helped lower Irish wholesale electricity prices. In addition, UK gas stocks are robust following a mild winter and the probability of a significant storage overhang has decreased wholesale gas prices.

While protests in Kiev failed to have an effect on wholesale gas prices in February, the subsequent international crisis resulted in a short term spike in early March. Any further escalation or de-escalation of the Ukrainian crisis is likely to influence wholesale energy prices over the coming days and weeks. There is currently no evidence of any reduction in Russian gas flows to Western Europe.

The Bord Gáis Energy Index currently stands at 140, which is 7% lower than February 2013.

Commenting on the Bord Gáis Energy Index for February, John Heffernan, Gas & Power trader at Bord Gáis Energy said:

"February saw a decrease in the cost of wholesale electricity and gas. This is as a result of a number of factors, including the unseasonably mild weather, significant volumes of electricity produced by wind in both Ireland and the UK and very weak coal prices. Since the beginning of March the Ukrainian crisis has had an impact and pushed wholesale gas prices higher. This highlights Europe's dependency on fuel imports, which exposes the continent to price volatility and places its industries at a competitive disadvantage.

Looking ahead in terms of oil, influential forecasters expect demand will likely rise more than previously anticipated this year due to a pick-up in European and US economic activity. Both the International Energy Agency and OPEC have increased their expectation of global oil demand and interestingly, global oil consumption in January was 1.1 million barrels per day higher than the same time last year. Ongoing geopolitical concerns, diminishing global commercial stocks and an erosion of OPEC's spare capacity contributed to a tight oil market in February which nudged Brent crude prices higher in Dollar terms."

Oil (no change)

Brent crude prices were unchanged month-on-month in euro terms, although they rose close to USD\$3 month-on-month closing at USD\$109 dollars per barrel. However, the euro's gain versus the Dollar protected eurozone buyers this month. Geopolitical risks particularly in Libya, Syria and Venezuela remain a concern and there is now an estimated 3 million barrels of oil per day remaining offline. Conflict, rising demand and falling global commercial inventories are supporting oil prices.

Natural Gas (-10%)

On 3rd March, Russian intervention in Crimea created an anxiety that European gas supplies through Ukraine were threatened and this initially pushed gas prices 10% higher. However in February, events in Ukraine were largely viewed as a domestic matter and did not influence European gas markets. Instead, high wind generation, uninterrupted Norwegian gas supplies, robust stocks and reduced demand pushed wholesale gas prices lower month-on-month. Wholesale prices were historically high entering winter 13/14 on concerns of a repeat of the extended cold spell of winter 12/13. However above average temperatures during this winter eroded these anxieties.

Coal (-9%)

At the end of February, the ICE Rotterdam Monthly Coal Futures fell to a 2014 low of \$77.10. This is despite US miner Drummond's ship-loading operations remaining suspended on environmental grounds. It is expected that European prices may fall further due to the reasonably high stock levels, a lack of demand in Eastern Europe and falling demand as spring arrives.

Electricity (-13%)

In February, wind turbines met 23% of Irish electricity demand, the second highest percentage on record (all-time record of 24% in December 2013). This helped to displace gas fired generation which fed through to wholesale prices. In addition, average 'clean sparks' in February fell over €7/MWh to €7/MWh month-on-month. A key factor in this was the return of more efficient gas powered plants that were unavailable in January due to maintenance and increased coal-fired production.

ENDS

For further information contact:

James Dunny, FleishmanHillard 086 388 3903