

## Rising wholesale gas prices increase the Bord Gáis Energy Index by 4%

The Bord Gáis Energy Index rose 4% in November 2013 as the four key commodities of the Index (oil, natural gas, coal and electricity) increased month-on-month. Both wholesale natural gas and electricity prices increased considerably (+6% and +8% respectively) over the month of November. Colder weather, some minor supply disruptions and a stronger Pound versus the euro combined to raise the month-on-month wholesale prices. Despite these factors, a significant 6% month-on-month increase in the average monthly Day-ahead price for natural gas was surprising as the market remained balanced throughout the month. The upward trend and swift reaction to minor supply issues highlights how sensitive UK wholesale gas prices are to import supply disruptions. These higher gas prices also impacted Irish wholesale electricity prices as the majority of Irish electricity is generated by gas powered stations which acquire gas at UK traded prices. Oil and coal prices increased marginally (+1%) over the month.

The Bord Gáis Energy Index currently stands at 148.



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

*“The movements in wholesale natural gas and electricity prices dominate the Bord Gáis Energy Index this month. Despite healthy UK storage levels, relatively consistent gas supplies and no unexpected increases in demand, the extent of the month-on-month increase wholesale UK gas prices was surprising. The current prices indicate that the market is tense ahead of the remaining four months of winter 13/14. There is concern that the UK gas market is exposed to unexpected supply disruptions as the country grows increasingly reliant on Norwegian and Continental European gas supplies. These concerns exist*

*despite the proven performance of the UK's own supplies, storage and its diverse range of import capacity."*

*"The Brent Crude Oil price increased by 1% this month as the protests in Libya continued to impact on the country's production levels. This month-on-month increase is disappointing given that a historic interim agreement was struck over Iran's nuclear programme on November 24 which arguably eased the geopolitical tension across the Middle East. As sanctions on Iranian oil remain firmly in place, the agreement failed to push oil prices lower."*

### **Oil (+1%)**

Month-on-month the front month Brent crude price was 1% higher as on-going protests in Libya and security incidents in Iraq created further oil supply concerns. Brent, the benchmark grade used to price much of the crude produced by OPEC countries, averaged US\$108.53 a barrel this year and according to a Bloomberg report, is set to record its third-highest level based on data going back to 1988.

### **Natural Gas (+6%)**

In euro terms, the average Day-ahead gas price for November was over 6% higher month-on-month with colder weather and a stronger Pound helping to push up prices. The average Day-ahead gas price for November was 67.64p a therm but significantly, the average for the second half of the month was closer to 70p a therm. During the month, Norwegian supplies were interrupted on three days due to processing plant issues and wholesale prices on each occasion moved higher and failed to retreat.

### **Coal (+1%)**

In euro terms the ICE Rotterdam Monthly Coal Futures contract was 1% higher month-on-month. Given that Columbia is a significant supplier of coal to Europe, the market traded in a very tight range as uncertainty regarding the ability of Columbia to supply coal in the first quarter of 2014 was raised.

### **Electricity (+8%)**

In November the monthly average Irish wholesale electricity price rose 8% month-on-month with the combination of rising wholesale UK gas prices and higher 'clean sparks'\*. The November monthly average clean spark rose with an increased number of gas powered plant starts and rising demand due to colder weather. An increasing number of plant starts applied upward pressure on wholesale prices as the extra cost of starting up large power plants to meet rising demand fed through to wholesale prices. Wholesale UK gas prices have a significant influence on Irish wholesale electricity prices as the cost of producing electricity by burning gas tends to determine the wholesale price of power and the vast majority of this gas is imported from the UK on a daily basis.

\*(the 'clean spark' is the theoretical gross margin of a gas-fired power plant from selling a unit of electricity, having bought the fuel required to produce this unit of electricity and the cost of abating the carbon emitted).

**ENDS**

**For further information please contact:**

James Dunny, FleishmanHillard 086 388 3903