<u>Bord Gáis Energy Index</u>

Embargoed until 00:01am Monday 13th October

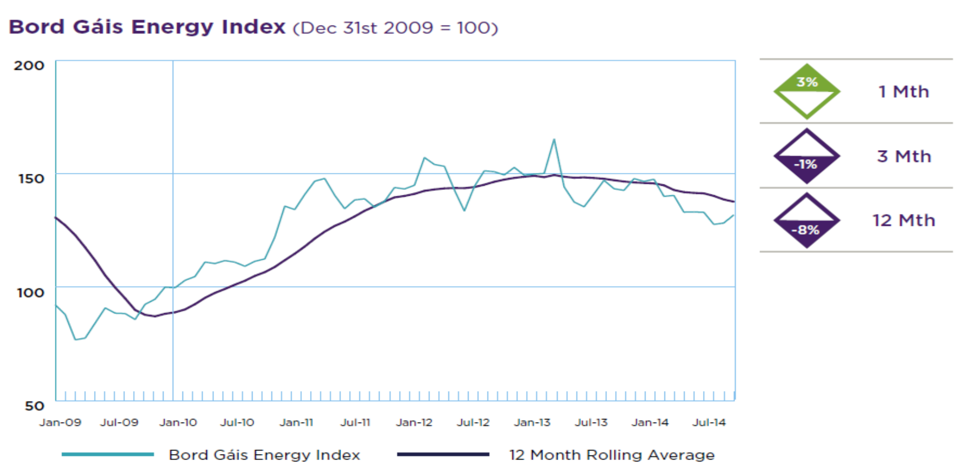
Significant increase in Natural Gas (21%) and Electricity (17%) wholesale prices mostly offset by fall in Brent Crude Oil as Bord Gáis Energy Index rises by 3%

Monday 13th October: The Bord Gáis Energy Index rose 3% in September as wholesale natural gas (+21%) and electricity prices (+17%) increased month-on-month. These increases were offset by what is being described as a “collapse” (-5%) in Brent crude oil prices as a new wave of oil supply is flooding the market amid weak demand.

This increase in wholesale UK natural gas and Irish electricity prices were as a result of the UK gas system being frequently undersupplied throughout the month. Higher wholesale gas prices in turn pushed Irish wholesale electricity prices higher as imported UK gas is used to produce the majority of Ireland’s electricity.

Despite significant month-on-month increases in both wholesale gas and electricity prices, the collapse of the Brent crude oil price in September and in the early part of October has been dramatic and of most significance. Due to years of turmoil in the Middle East North Africa region since the Arab Spring, the effect of the so called “tight oil revolution” in the US has been to stabilise global oil prices. Significant geopolitical sifts and tensions in the Middle East has eclipsed this revolution for the last number of years. However, in recent months this so called revolution is realising its full potential and is starting to be felt around the globe in the form of dramatically falling prices. Thriving US production is now forcing down global oil prices as weak global demand struggles to digest this new wave.

In September 2014 the Index stood at 132.



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

"In terms of gas prices it is expected that the dominant issue for the coming winter will be the security of Europe's gas supplies that are still threatened by the failure to reach an interim agreement on the gas dispute between Russia and Ukraine. Since June, Ukraine has been without Russian gas supplies due to a dispute over gas prices. Ukraine is now relying on domestic gas extraction, imports of European gas and underground storage facilities to offset increasing demand this winter. The EU did propose an interim solution to the gas dispute in late September in the hope that it would guarantee stable gas deliveries and avoid price shocks this winter. However both sides failed to reach an agreement and it is being reported that the European Commission has now proposed October 21 in Berlin for the next round of talks to resolve the Russian-Ukrainian gas debt and price dispute."

"Due to the mild winter last year, the UK has a large volume of gas in storage. These reserves and a mild start to this winter have the potential to somewhat curtail significant price increases over the first half of the winter if the dispute results in a disruption of gas flows to Western Europe as a result of Ukraine siphoning off gas destined for Western Europe in order to meet domestic demand. According to Russia's energy minister, without additional supplies Ukraine does not have enough gas to meets its winter requirements. This potential gas shortage hangs ominously over European prices. However, if an agreement is reached, prices have the potential to soften if other supply sources remain robust and if this winter's weather fails to deliver severe cold spells."

Oil (-5%)

Month-on-month the front month Brent crude price fell 5% in euro terms amid rising global supplies and falling demand. Remarkably, the benchmark grade for more than half of the world's oil closed at US$94.67 a barrel. The front month Brent crude price has not closed at this low a level since June 2012 when a bout of risk aversion rattled the oil market with the European sovereign debt crisis at its peak. The falling price has been described as a "collapse" with sellers of oil having to work harder in a market "awash with oil". In early October the collapse continued as Brent crude oil prices hit a four year low of US$88.11 a barrel. As well as increasing non-OPEC and OPEC supplies, prices suffered with weak demand. In September the global oil market was jolted by news of weaker Chinese oil demand in particular. In recent years China has emerged as a larger oil importer than the US, helped in part by the tight oil revolution which is curbing US demand for non-US oil. However, this year it is expected that China's oil demand is likely to grow by less than 300,000 barrels a day. This is much lower than the average of 560,000 barrels a day of growth since the recession due to signs of third quarter deceleration.

Natural Gas (+21%)

In euro terms the average Day-ahead gas price for September was 21% higher month-on-month as the price rose from a monthly average of 40.51p a therm to 48.15p a therm. Despite the month-on-month rise, at 48.15p a therm the September 2014 average price was the lowest average Day-ahead September price since 2010 and compares favorably to the 65.64p September 2013 price. Twelve months ago wholesale prices reflected significant trader anxiety due to low stock levels heading into winter 13. With stocks now at record highs, the market is comfortable in advance of winter 2014 and this is being reflected in prices.

During the month a frequently undersupplied system supported prompt prices. Numerous minor supply disruptions due to maintenance, cooler temperatures towards the end of the month, news that EDF's three nuclear plants would not return to the grid until after winter and a reduction in flows from the UK's LNG terminals combined to push prompt prices higher month-on-month.

Coal (-2%)

The front month European wholesale coal futures contract fell 2% month-on-month to close at US$72.20/mt compared to the August close of US$76.95/mt. At US$72.20/mt it was the lowest closing monthly front month European wholesale coal futures price since September 2009. Market sources cited thin demand from European buyers amid ample supply (there are reports of a lot of coal being offered from Colombia and Russia currently) and a weak euro. Uncertainty concerning the European economy is adding an additional bearish element.

Electricity (+17%)

In September the monthly average Irish wholesale electricity price rose by 17% month-on-month. Similar to last month, the increase is associated primarily with rising wholesale gas prices in the UK (as gas powered generation dominates the generation mix on the island of Ireland, the price of imported gas from the UK has a significant influence on Irish wholesale electricity prices). In September "baseload" gas powered plants set the wholesale price approximately 60% of the time. The year-to-date (YTD) level is 56%. Another significant factor that influenced wholesale electricity prices was the low monthly production volume from the island's fleet of wind farms. In September wind met over 6% of the island's power demand. This compares negatively to the YTD average of 15% as September's clement weather conditions were accompanied by low wind speeds. Plant and interconnector outages also contributed to higher prices.

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