

MEDIA RELEASE**Rise in gas prices drives up Bord Gáis Energy Index in December
Index up by 5% month-on-month and by 4% year-on-year**

The Bord Gáis Energy Index for December is 5% higher as the wholesale price of oil, gas, coal and electricity all rallied during the month. Gas prices jumped by 8% as news broke of a shutdown of the key Forties pipeline which brings oil and gas to the UK from the North Sea. This was followed by reports of an explosion at a key European gas hub in Baumgarten, Austria. Oil prices also continued the march higher in December as strong demand and political tensions in Iran helped push prices towards \$70 per barrel. **In December, the Bord Gáis Energy Index stood at 113 (+5%).**

Darragh Crowley, Energy Trader with Bord Gáis Energy said, *'All components of the Bord Gáis Energy Index rose during December with gas prices rallying by 8% due to a leak on a key pipeline. Higher gas prices also fed through to electricity prices which gained 6% in the month. Oil saw a strong end to the year as geopolitical tensions in the Middle East ratchet higher and OPEC continues to restrict oil supply.'*

Oil prices had a strong finish to the year....

Oil finished 2017 on a bullish note with Brent crude, the international benchmark, settling at \$66.87. This marked a 4% rise on the month and a 3% rise over the year in euro terms. The rise has been tempered by the weakness in the U.S. dollar. Brent crude has rallied more than 50% since June as strong demand combined with OPEC and Russia's production cuts have tightened supply. As well as a tightening of fundamentals, geopolitical risks have also helped to support prices. Political protests in Iran have also caught the market's attention.

Looking ahead, US shale and non-OPEC supply is expected to grow and the US Energy Information Administration (IEA) is forecasting that US shale output will increase by 780,000 barrels per day in 2018. This is more than double the 380,000 barrels per day it expanded by last year. Total supply from outside OPEC is expected to grow by about 1.6m barrels per day in 2018 according to the IEA.

...while volatility in gas continued due to a number of outages.....

The NBP day-ahead contract, the price for gas delivered tomorrow, averaged 57.14p/th in December, over 8% on the November price.

There was heightened volatility over the month as a number of outages impacted gas flows into the UK and further afield. The January contract hit an Intraday high of 88p/th in the middle of the month on news

of a shutdown of the Forties pipeline. This was followed by reports of an explosion at a key European gas hub in Baumgarten, Austria which halted gas flows across Austria and cut off a key route for Russian gas to Italy. Both events happened against a backdrop of outages to key Norwegian infrastructure and this saw market participants rush to cover short positions, pushing prompt prices to multi-year highs.

However, over subsequent trading sessions Norwegian and Baumgarten flows recovered, helping calm market fears and prices retreated. This retracement continued toward the end of the month with news that the Forties pipeline outage had ended and we had a benign weather forecast for the coming month.

In terms of curve prices, price movements were relatively muted as prompt strength and higher oil supported seasonal contracts. The Summer '18 contracts finished the month 0.78p higher at 45.13p/th, while the Winter '18 contract settled at 53.09p/th, an increase of 1.3p/th.

...which helped to drive electricity prices up...

Excluding supplier capacity payments, the average wholesale price for December was €56.88/MWh compared to €55.55/MWh in November – an increase of €1.33/MWh. When supplier capacity payments are included, wholesale electricity costs rose by 6% 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 decreased from €11.88 in November to €8.72 in December. The price of gas was 8% higher over the month, while wind output also increased month on month from an hourly average of 1,122GW down to 1,373GW – an increase of 18%. The proportion of demand met by wind in December was 32%.

....and a 1% increase in coal prices...

Coal prices settled at \$94.80 a tonne in December, which is an increase of 1% in euro terms compared to November. The strength in coal prices continues to follow stronger than expected Chinese industrial activity. Coal prices have also been tracking the overall strength in the global economy and strong sentiment in the broader commodity market, with Brent Crude continuing its bullish movement.

China's efforts to tackle air pollution were dealt a blow in December, as some regions were told to revert to burning coal after shortages of natural gas left people without heating due to freezing winter temperatures.

According to the International Energy Agency's Coal 2017 market report, despite China's efforts to move away from coal, India and other Asian nations will ensure the dirtiest fossil fuel continues to

supply more than a quarter of the world's energy. The IEA predicts that global coal consumption is still expected to rise by 0.5 percent a year to 2022.

....with the euro finishing the year on a strong note

The euro continued the trend and finished the year on a strong note versus both sterling and the US dollar posting a 1% gain against both currencies. The single currency settled at £0.8889 versus sterling and €1.2022 against the US dollar.

The strength in the euro has been helped in the final quarter of year by the ECB announcement in October that it will reduce its monthly quantitative easing purchases down to €30bn per year. This lower pace of purchases will start in January and last until at least September 2018. The euro also continued to strengthen against sterling even as the Bank of England increased interest rates in November for the first time since 2007.

For more information, see the full Energy Index at <https://www.bordgaisenergy.ie/energyindex/>.

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About Bord Gáis Energy

Bord Gáis Energy is a gas, electricity and energy services supplier in the Republic of Ireland. The company has been in operation since 1976 and currently supplies energy and services to over 690,000 business and residential customers. In 2014, Bord Gáis Energy became part of the global Centrica plc Group.