

## **MEDIA RELEASE**

### **Cold snap results in 4% increase in Bord Gáis Energy Index**

The Bord Gáis Energy Index for February is up 4%, primarily due to the “Beast from the East” which brought freezing temperatures and record demand. The impact of this was exacerbated by supply outages and disruptions, all hitting a market under intense pressure and sending within-day gas prices to multi year highs. **In February, the Bord Gáis Energy Index stood at 111 (+4%).**

Darragh Crowley, Energy Trader with Bord Gáis Energy said, *‘In February the Bord Gáis Energy Index saw a rise of 4%. The unprecedented inclement weather, which swept across Europe during the month, drove record demand for gas and led to significant pressure on the market. This heavily contributed to the 7% increase in gas prices and a 14% increase in electricity prices. Other components of the Index fell; as demand declines in Asian market coal fell by 7% and oil saw a decrease of 3% as concerns continued over rising US shale production.’*

#### **Oil**

Having rallied for much of the last six months the price of Brent crude, the global benchmark, struggled to break the \$70 dollar per barrel mark in February with prices finishing the month at \$65.78. This was a fall of 3% in euro terms.

Concerns over rising US shale production halted the recent rally and market participants fear that the overhang of oil supply may last longer than previously expected. There have also been reports that the jump in US production has become a source of division among members of OPEC.

US output has reached record levels and the forecast for average US crude production in 2018 has risen by 800,000 b/d in just six months. This has led many commentators to suggest that OPEC would need to maintain current supply cuts well into 2019 as the recent rise in demand is being met by US shale oil. In fact, the International Energy Agency sees the growth of US shale and production from non-OPEC countries, such as Brazil and Canada, meeting almost all demand growth up to 2020.

#### **Gas**

The NBP day-ahead contract, the price for gas delivered tomorrow, averaged 54.54p/th in February, an increase of 7% on the January average of 50.38p/th and over 3p above the comparable period last year.

As the “Beast from the East” swept across western Europe there was increased heating demand for gas and prompt prices also rose. The impact of the freezing temperatures and record demand was exacerbated by supply outages and disruptions, reducing Norwegian flows through the Kollsnes gas processing terminal, continental flows through the BBL interconnector and production at a number of UKCS gas fields, all hitting a market already under intense pressure to balance.

Gas demand in the UK hit a six-year high, over 400mcm, on 28 February and the rush to secure supplies saw within-day gas price soar to a 12 year high of £1.90 on that day.

Activity further out the curve was far more muted as the squeeze was relatively concentrated, and temperatures were due to recover by the first weekend in March. The Summer 18 contract finished the month 0.28p higher at 42.46p/th, while the following winter 18 closed 0.7p lower at 50.21p/th.

### **Coal**

Coal prices fell another 7%, in euro terms, in February to settle at \$81.55 a tonne from the previous month's close of \$89.6 a tonne. Coal prices are almost 16% lower, in dollar terms, since the start of the year as we move beyond the colder winter months and demand declines in key Asian markets.

Chinese energy policy remains the key driver for coal prices. However, the National Energy Administration of China, announced that China has set a 2018 target to reduce coal consumption to around 59% of the nation's primary energy mix, while raising natural gas consumption to 7.5%.

### **Electricity**

Excluding supplier capacity payments, the average wholesale price for February was €57.86/MWh compared to €50.65/MWh in January – an increase of €7.21/MWh. When supplier capacity payments are included, wholesale electricity costs rose by 14% 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 €7.84 in January to €11.99 in February. The price of gas was 7% higher over the month, while wind output decreased month on month from an hourly average of 1863GW to 1443GW – a decrease of 23%. The proportion of demand met by wind in February was 33%.

### **FX**

The dollar rebounded somewhat versus the euro in February, gaining 2% against the single currency to settle the month at \$1.2194. It was the opposite case with sterling as the euro outperformed the pound by 1% finishing the month at £0.8862p.

For more information, see the full Energy Index at [bordgaisenergy.ie/energyindex/](http://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.