

**MEDIA RELEASE**

## **Bord Gáis Energy Index up over 40% year on year**

The Bord Gáis Energy Index for May is up 7% as all components of the Index traded higher over the month. Brent crude prices increased 7%, while gas prices had another strong month increasing 9%, an increase of almost 40% year on year. The bullish tone in energy carried through to electricity and coal markets which increased 5% and 16% respectively. In May, the Bord Gáis Energy Index stood at 123 (+7%).

Joe Egan, Energy Trader with Bord Gáis Energy said, 'All components of the Bord Gáis Energy Index rallied over the past month, building on strong momentum in energy prices which have seen significant increases over the past year.

The main driver of the Index, oil prices, jumped 48% over the last year as the OPEC and Russian production deal has helped rebalance the market. In recent months, the recovery in oil prices has accelerated following the US withdrawal from the Iranian nuclear deal, falling Venezuelan production and heightened geo-political tensions in the Middle East. The broad commodity rally has also impacted wholesale gas prices which have increased 40% on the comparable period last year due to the cold winter, reduced LNG and low storage levels. It's a similar picture with electricity and coal which have seen increases over the year of 33% and 19% respectively.

### **Oil prices hit a four year high.....**

Brent crude continued to rally in May, rising 7% in euro terms to settle at \$77 per barrel. Oil prices started the month on the front foot after US President Donald Trump announced he was pulling out of the nuclear deal with Iran and re-imposing sanctions on the country. The full effect of the sanctions won't become clear for another six months but the decision introduces further uncertainty into an already bullish oil market. The new round of US sanctions may prove less effective than previous UN sanctions given that the five other signatories to the deal namely the UK, France, Germany, Russia and China continue to back it.

During the month Brent crude hit a new four year high as the US unveiled fresh sanctions on Venezuela following the re-election of President Nicolás Maduro. However, towards the end of May, oil prices dropped back to \$75 per barrel as Russia and Saudi Arabia hinted that they would consider increasing production by 1 million barrels a day. Concerns over the loss of Iranian and Venezuelan production, coupled with worries about the demand impact of higher oil, have prompted a review at the next OPEC meeting scheduled for 22 June in Vienna.

### **....while gas increased almost 40% year-on-year**

The NBP day-ahead contract, the price for gas delivered tomorrow, averaged 55.01p/th in May, an increase of over 9% on the April average of 50.45p/th and almost 40% above the comparable period last year.

The bullish tone to gas markets remained in place over May despite rising temperatures as a sharp reduction in LNG regasification and declines in both UK indigenous and Norwegian imports kept the gas system tight and supported prices.

We continue to see lower LNG flows as relatively few cargoes arrive into the UK. LNG send out in May was over 60% below the levels seen in 2017. Injection demand on the continent remains robust, driven by the requirement to replenish storage stocks after the heavy withdrawals in March. Given the tighter UK system, exports from the UK to the continent fell 37% from the comparable period last year.

Further out the gas curve, continued strength in oil, coal and carbon combined to support contracts. The Winter 18 contract, for gas to be delivered over the winter months of October 2018 to March 2019, gained over 5p (8%) to close at 64.65p/th. The Summer 19 contract finished the month 2.65p (5.8%) higher at 48.2p/th. The cost of purchasing the front winter contract has increased by over 40% versus the comparable period in 2017.

#### **....coal prices are at highest level since January 2018**

Coal prices remained volatile in May as the start of Asian's summer season, low Chinese hydro levels and tightening Indonesian supply of thermal coal boosted prices. Prices settled at \$95 a tonne, rising 16% in euro terms over the month and 20% in the last year.

An earlier than expected start to the summer air conditioning season required higher coal consumption from power plants, compared to the same time last year. Weather data, on Thomson Reuters, forecasts that China's largest cities, Beijing and Shanghai, will experience a hotter-than-usual summer this year indicating cooling demand may increase. Chinese hydro levels have also fallen for six consecutive months and are at their lowest level since August 2017.

Coal prices were also supported during the month by a continued bullish momentum in the oil market.

#### **....while electricity prices saw an increase of 5%.....**

Excluding supplier capacity payments, the average wholesale price for May was €58.44/MWh compared to €55.79/MWh in April – an increase of €2.70/MWh. When supplier capacity payments are excluded, wholesale electricity costs increased by 5% 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 €10.17/MWh in April to €9.26/MWh in May. The price of gas was 9% higher over the month, while wind output decreased slightly month on month from an hourly average of 1161MW to 803MW – a decrease of 30%. The average proportion of demand met by wind in May was 21%.

#### **.....euro stays flat versus sterling but falls against the US dollar**

The euro was flat versus sterling in May settling at £0.878p while it fell 3.5% against the US dollar to settle at \$1.1671.

In May, the euro slipped further versus the dollar as Italy was thrown into political crisis following the Italian President's refusal to ratify the incoming Five Star and Northern league coalition nominee for Finance Minister due to the nominee's Eurosceptic views.

It was another month of little progress on Brexit as internal battle waged within the Conservative party on an acceptable course of action, while the European Union awaits concrete proposals. The Bank of England left rates unchanged at its May meeting while the US fed indicated that we may see another rate increase as early as June.

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.