



Bord Gáis Energy Index

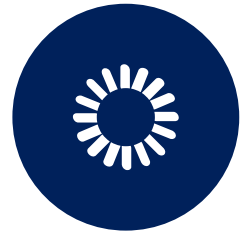
Understanding energy

May 2018

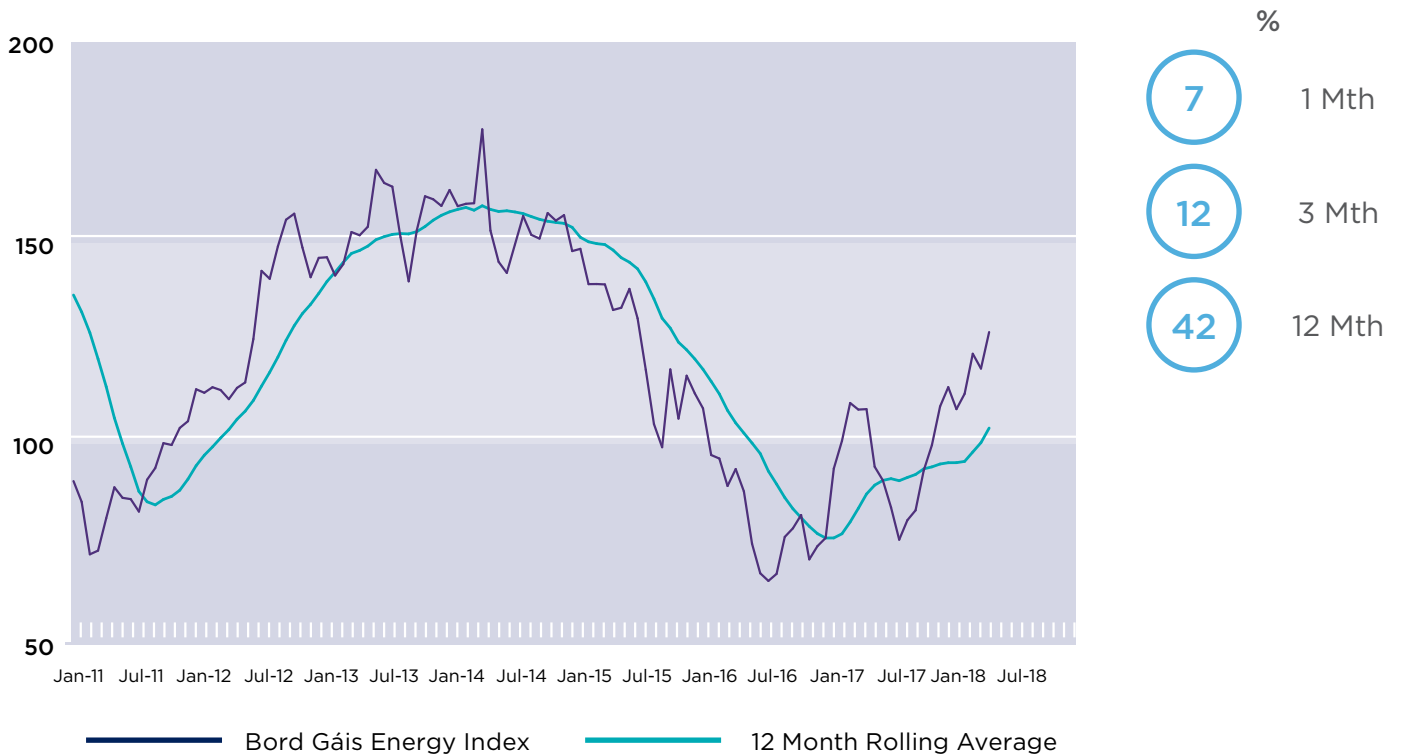
BGE/EI/UE/0518

Bord Gáis Energy Index

May 2018



Bord Gáis Energy Index (Dec 31st 2009 = 100)



Summary

The Bord Gáis Energy Index for May is up 7% as all components of the Energy Index traded higher over the month. Brent crude prices increased 7% as the US withdrew from the Iranian nuclear deal and re-imposed sanctions on the key oil producer. Gas prices had another strong month, despite rising temperatures, increasing 9% on lower supply due to low LNG and unplanned maintenance to key fields. Gas prices are now over 40% above the comparable period last year. The bullish tone in energy carried through to electricity and coal markets which increased 5% and 16% respectively.

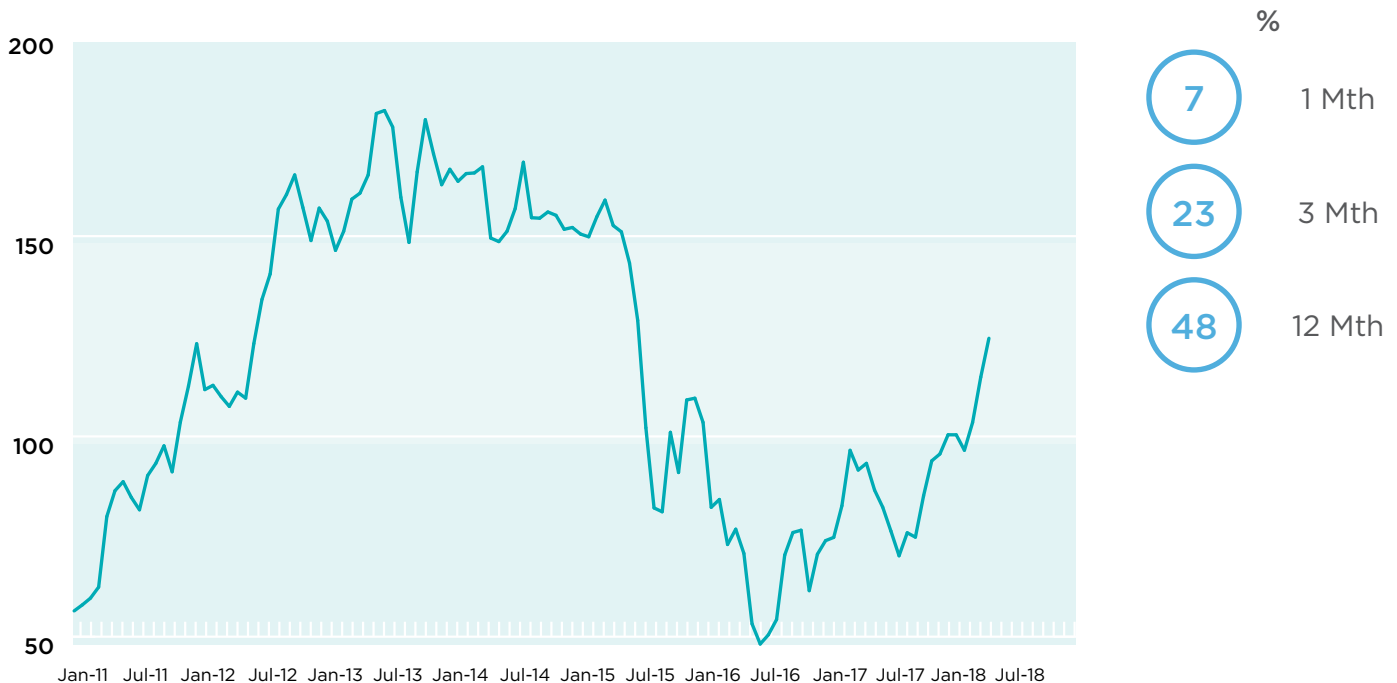
In May, the Bord Gáis Energy Index stood at 123 (+7%).

Bord Gáis Energy Index

May 2018



Oil Index



Index adjusted for currency movements.

Data Source: ICE

Oil

Brent crude continued to rally in May on a tightening production picture, 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. Iran's oil exports currently stand at more than 2.5 million barrels a day or about 3% of global demand. 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. Another important factor to note is that the new round of US sanctions may be less effective in blocking Iran's oil exports given that the five other signatories to the deal continue to back it, namely the UK, France, Germany, Russia and China.

In the third week of May Brent crude hit \$80 per barrel, a new four year high as the US unveiled fresh sanctions on Venezuela following the re-election of President Nicolás Maduro. The incumbent won a fresh six-year term in the election, with the White House describing the election as "a sham – neither free nor fair". The Venezuelan economy is in meltdown with an inflation rate running at over 13,000% due to rampant corruption and economic mismanagement. Oil output in the country has fallen by over 450,000 barrels per day in the last six months. It is expected to drop to 1.1 million barrels per day, from 1.5 million currently, by the end of the year. Venezuela was the world's fourth-largest exporter of crude to the US last year. However, sales have hit their lowest level in almost three decades and are continuing to fall.

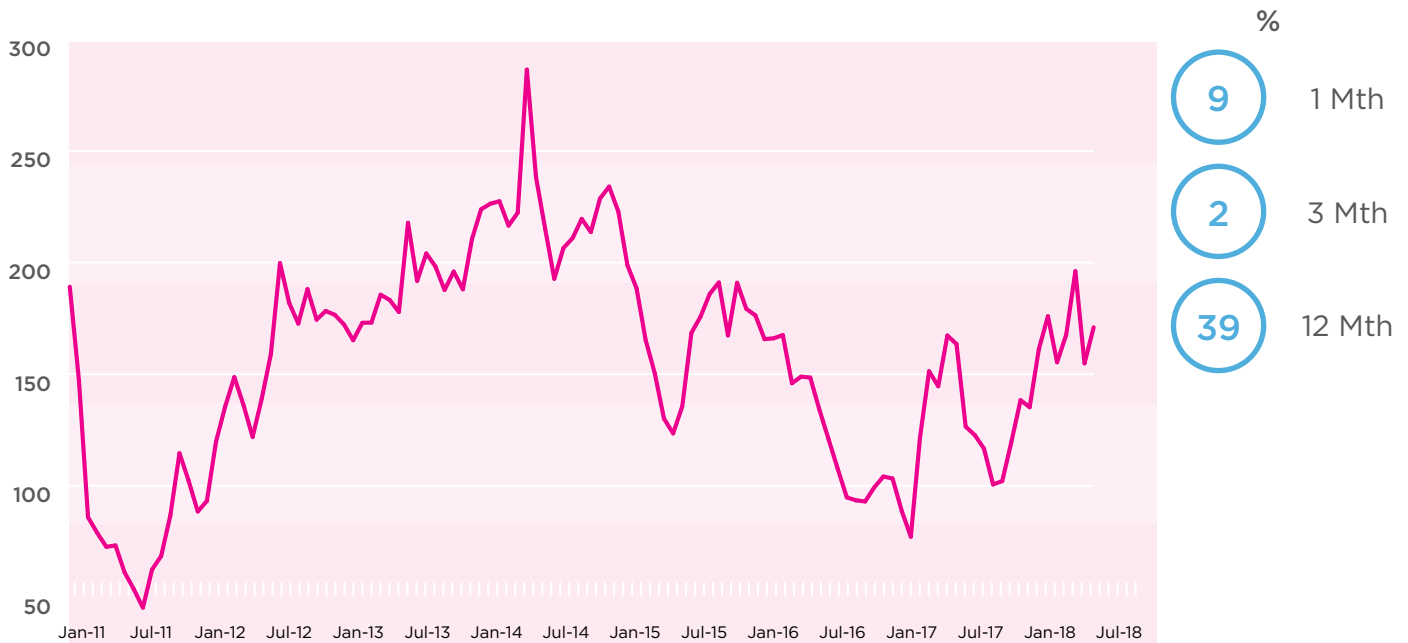
Towards the end of May, oil prices dropped back towards \$75 per barrel as Russia and Saudi Arabia hinted they would consider increasing production by 1 million barrels a day. OPEC and Russia are considering loosening the 17-month production deal which has been instrumental in rebalancing the oil market and boosting oil prices from historical lows. 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.

Bord Gáis Energy Index

May 2018



Natural Gas Index



Index adjusted for currency movements.

Data Source: Spectron Group

Natural Gas

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, 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. In addition, we reduced indigenous and Norwegian flows due to unplanned maintenance at key fields.

Injection demand on the continent remains robust. This is driven by the requirement to replenish storage stocks after the heavy withdrawals in March, which pushed storage levels in key European markets to ten year lows. Given the tighter UK system, exports from the UK to the continent fell 37% from the comparable period last year. However, we had strong injections into storage over April and May as lower demand and strong Russian flows into western Europe helped close the storage deficit.

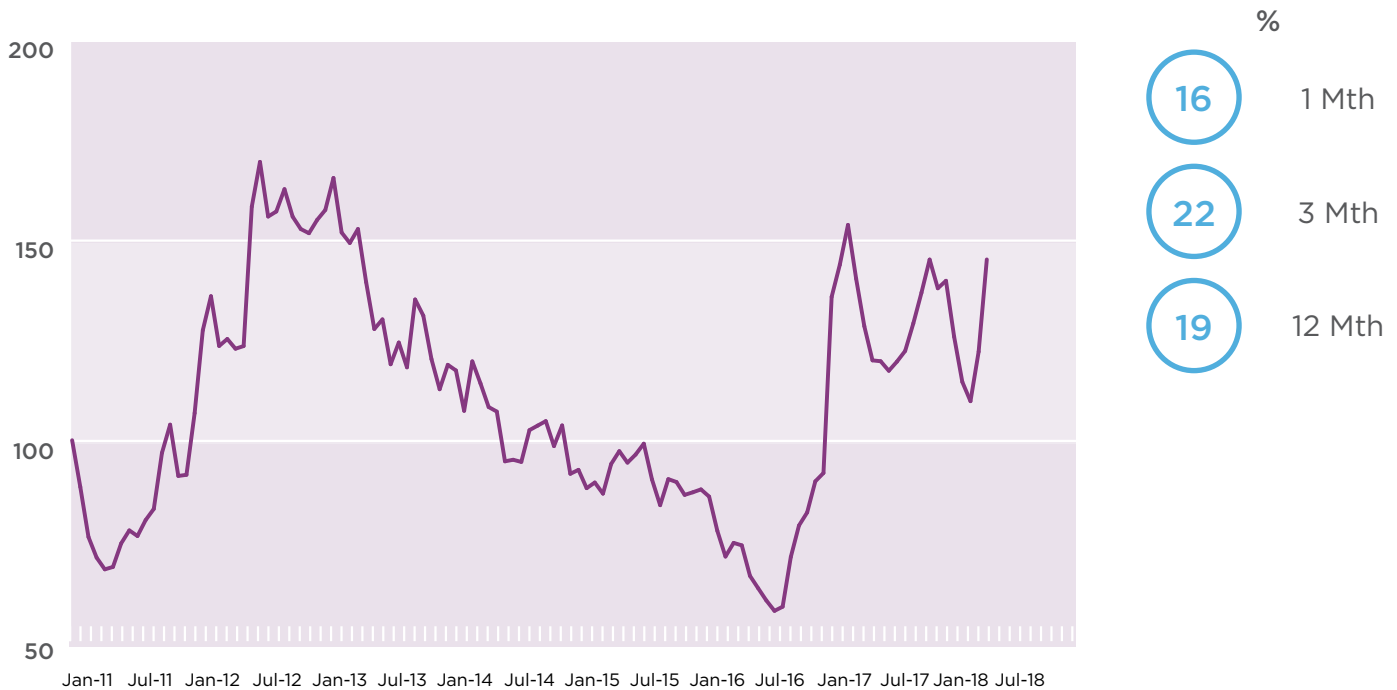
Further out the gas curve, continued strength in oil, coal and carbon combined to support contracts. The Winter 18 contract, for gas to be delivered over the winter months October 2018 to March 2019, gained over 5p (8%) to close at 64.65p/th. The Summer 19 contract finished the month 2.65p (5.8%) higher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

Bord Gáis Energy Index

May 2018



Coal Index



Index adjusted for currency movements.

Data Source: ICE

Coal

Coal prices settled at \$95 a tonne, rising 16% in euro terms over the month and 20% in the last year. This is the 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. An earlier than expected start to the summer air conditioning season has 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.

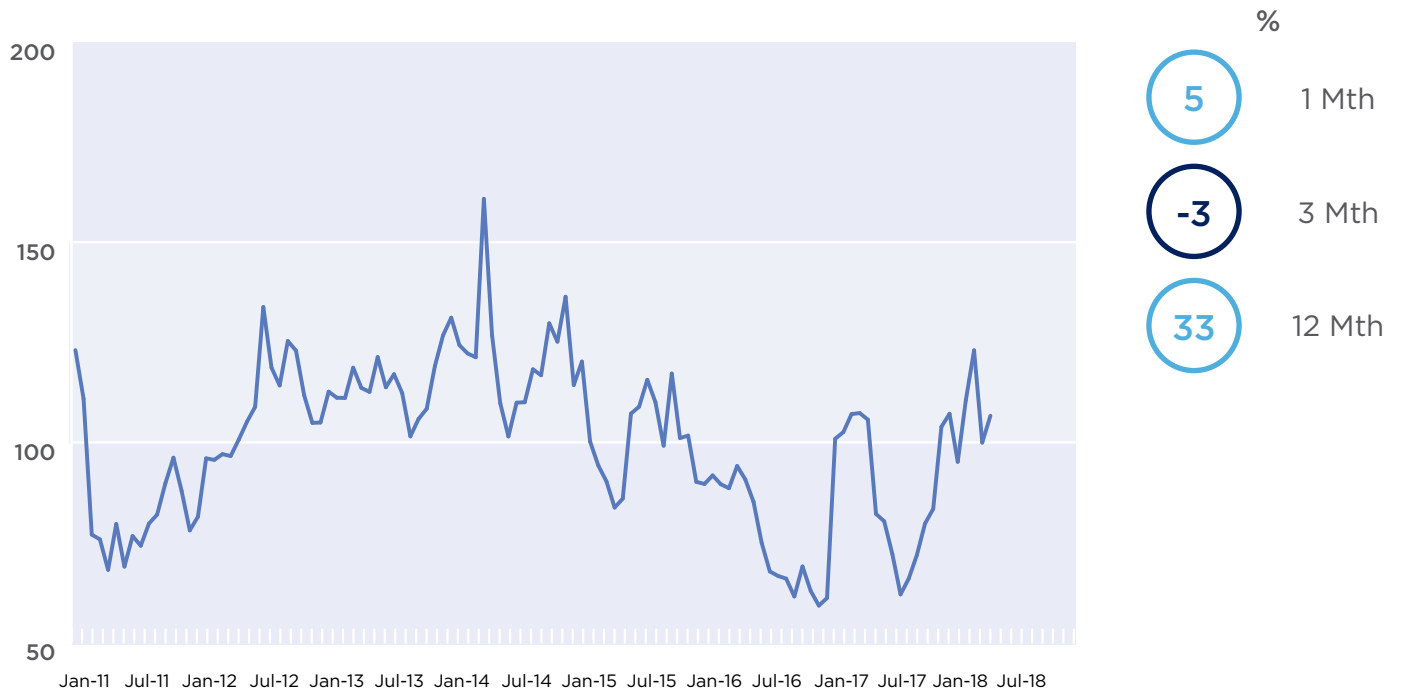
Demand for US coal exports has been strong due to Asian demand, particularly from India. The Indian government is considering a ban on the use of pet coke by various industries in a bid to curb air pollution. This has pushed solid fuel buyers into the coal market. Production issues in South Africa has also seen Asian buyers increasing US purchases.

Bord Gáis Energy Index

May 2018



Electricity Index



Data Source: SEMO

Electricity

Excluding supplier capacity payments, the average wholesale price for May was €58.44/MWh compared to €55.79/MWh in April - a 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-on-month basis.

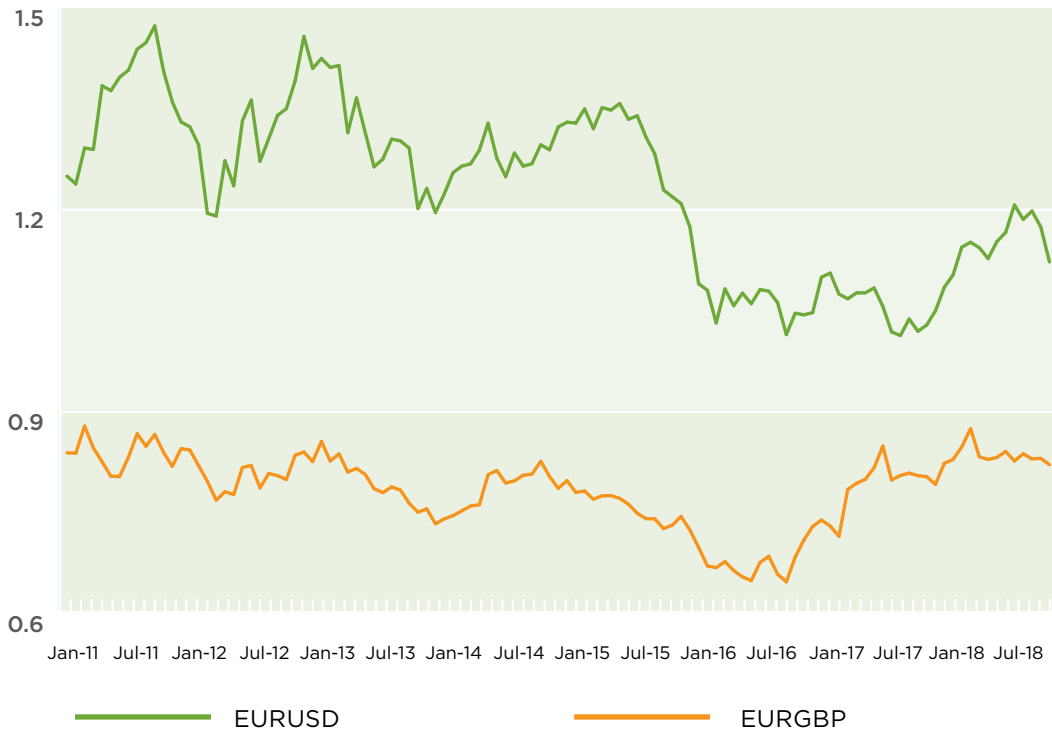
The clean spark decreased from €10.17/MWh in April to €9.26/MWh in May. The price of gas was 9% higher over the month, while wind output decreased slightly month on month from an hourly average of 1,161MW to 803MW - a decrease of 30%. The average proportion of demand met by wind in May was 21%.

Bord Gáis Energy Index

May 2018



FX Rates



EURUSD %



EURGBP %



FX Rates

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. Expectations for another general election with the potential for improved Northern League outcome and renewed calls for debt restructuring, initially weighed on the euro. However, toward the end of the month, news of a more acceptable nominee for the finance portfolio removed the threat of an imminent election and helped calm concerns, for now!

It was another month of little progress on Brexit as internal battle waged within the ruling 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.

Bord Gáis Energy Index

May 2018



For more information please contact:

Bord Gáis Energy Pressoffice@bordgais.ie
Rachel McFaul 085 782 7230 or Claire Smith 086 027 9075

The contents of this report are provided solely as an information guide. The report is presented to you “as is” and may or may not be correct, current, accurate or complete. While every effort is made in preparing material for publication no responsibility is accepted by or on behalf of Bord Gáis Energy Limited, the SEMO, ICE Futures Europe, the Sustainable Energy Authority of Ireland or Spectron Group Limited (together, the “Parties”) for any errors, omissions or misleading statements within this report. No representation or warranty, express or implied, is made or liability accepted by any of the Parties or any of their respective directors, employees or agents in relation to the accuracy or completeness of the information contained in this report. Each of the Parties and their respective directors, employees or agents does not and will not accept any liability in relation to the information contained in this report. Bord Gáis Energy Limited reserves the right at any time to revise, amend, alter or delete the information provided in this report.