

Bord Gáis Energy Index falls as global oil prices continue to drop

15 December 2015: The Bord Gáis Energy Index hit an all time low as Brent Crude Oil fell by 6% in November. This, coupled with month-on-month decreases in wholesale natural gas prices, coal prices and electricity prices, resulted in a fall in the Bord Gáis Energy Index by 5% in November.

The price of a barrel of oil had been weak throughout November but news that OPEC decided not to cut its daily production target resulted in prices falling. In November, the Index stood at 90.

Commenting on the Bord Gáis Energy Index for November, John Heffernan, Power Trading Manager at Bord Gáis Energy said:

"Key energy wholesale commodity prices continued to weaken in November and this accelerated in early December following OPEC's decision to abandon all production restrictions. At under US\$40 a barrel, crude oil is trading at seven year lows and given the consistent falls in Brent crude prices in recent months, it is difficult to see a substantial recovery in the short term. Despite an oversupplied oil market and a surplus of crude oil, the risk of price spikes has become greater as OPEC and Saudi spare capacity has fallen. The resurgence of US oil production seems to have decreased all oil supply risks, for now."

The following provides a synopsis of what's happening in each fuel, as per the Bord Gáis Energy Index.

Oil

Month-on-month the front month Brent crude oil price fell from US\$4.95 to close November at US\$4.61. Prices continued to soften in early December following the latest OPEC meeting that ended without any sign of curbs on production.

Gas

In sterling terms the UK's NBP day-ahead natural gas contract posted a hefty 33.9% loss year-on-year in November. NBP spot prices were over one-third lower than the November 2014 average. This is due to increases in indigenous production from the UK Continental Shelf, strong imports from Norway and higher volumes of Qatari LNG arriving weighed on the NBP spot. Export demand from continental Europe for UK gas was much higher year-on-year. Gas for power demand was also weaker due to favourable weather conditions, down 8% year-on-year to 1.246 Bcm in November.

Electricity

In general the wholesale price of electricity can be assessed by examining three components - the UK wholesale cost of gas, the European-wide price of emitting one tonne of carbon and the clean spark (in general terms, the clean spark is what a gas powered generator receives in energy payments from the market once the cost of producing a unit of electricity is deducted).

In line with falling UK prompt gas prices, Irish wholesale prices dropped markedly month-on-month. The average wholesale price of electricity fell by nearly 8% in November to €45.87 compared to €49.72 in October. The falling wholesale electricity price can be attributed to the surging wind levels observed during November.

Coal

Month-on-month there was a modest fall in European coal prices. Concerns over reduced Russian supplies and elevated buying interest supported European coal prices in October. The ICE Rotterdam Monthly Coal Futures Contract fell in price to close at US\$49.95/mt, representing a US\$2.50/mt price drop month-on-month. The price weakness is attributed to elusive spot demand.

FX

In November, the euro weakened against the US dollar and sterling with the news that inflation stayed at 0.1%, below the ECB's goal of nearly 2%.

For more information, please see the full Energy Index report.



For further media information:

Alan Tyrrell, PSG Plus 086 850 8673 or Irene Gowing, Bord Gáis Energy 087 267 3964