PRESS RELEASE

Continued rise in oil and gas prices drives up Bord Gáis Energy Index in October

Index up by 5% month-on-month and by 5% year-on-year

14th November, 2017
October saw another strong month for energy prices, with almost all components of the Bord Gáis Energy Index finishing the month higher. Oil saw the strongest increase - up 8% - as OPEC production cuts drove market tightness and inventory drawdowns. A mild start to the winter season saw gas prices fall by 2% due to lower demand and to more imports reaching Europe. Coal prices continued their rise, finishing the month 5% up on September's close, while electricity prices finished 2% higher.

In October, the Bord Gáis Energy Index stood at 99, up 5% on September.

Darragh Crowley, Energy Trader with Bord Gáis Energy said; *"A rise in the crude oil price was the primary driver of the 5% increase in the Bord Gáis Energy Index for October. OPEC's production cuts have helped to reduce a global oversupply of oil, pushing the oil price over $60 since 2015. It now seems increasingly likely that OPEC will extend or possibly even deepen the cuts, due to end in March 2018, at its upcoming meeting in Vienna at the end of November"*.

Oil prices rose for the second month in a row, albeit at a slightly lower pace....
October saw oil prices continue their upward momentum, as Brent crude, the international benchmark oil price, climbed 8% in euro terms to settle at $61.37 at the end of October. This was mainly as a result of falling inventory levels, as OPEC's production curbs helped to tighten the global market, pushing the oil price over the $60 per barrel mark for the first time since mid-2015. OPEC, Russia and some other non-member producers may extend the end of this agreement past the end of March and for another nine months.

Another factor was the 7% fall in Iraqi exports due to unrest in the Kurdish region, as well as increased global consumption of oil which is seeing oil inventories being drawn down at a growing pace. OPEC, Russia and some other non-member producers are cutting their collective output by about 1.8 million barrels per day (bpd) until next March in an effort to run down a price-sapping supply glut. They are now considering extending this deal beyond the March endpoint and are due to meet in Vienna on the 30th of November to discuss the proposal to roll-over or possibly deepen cuts for another nine months.

Overall oil consumption for 2017 is forecast to increase by a further 1.6 million bpd - and by 1.4 million bpd in 2018 - according to the latest Oil Market Report issued by the International Energy Agency (EIA). In the US, consumption hit a seasonal record high in four of the five months between April and August, and stockpiles have been cut – driven by strong demand as well as record exports to Latin America and elsewhere.

This all supports OPEC's drive to keep oil prices strong, by restraining production and allowing demand growth to absorb excess inventories built during the slump in 2014-2016.

…while warmer October weather caused gas prices to fall…
The NBP day-ahead contract – the price for gas delivered tomorrow - averaged 44.75p in October, a reverse of 2% in the month, but still up 10% over the same month last year.

The main factors behind the drop of over a penny on September's average of 45.83p were, firstly, the mild start to the winter season - with average temperatures in October over a degree above the seasonal norm. Another factor was the increased supply of LNG. Supplies from Norway increased by 13% as resources came back on line following maintenance closures in September, and LNG (Liquefied Natural Gas) flows also increased, with more deliveries to UK as prices in Asia fell and as Europe and the UK received more deliveries.

However, the 2018 Q1 contract, covering the high-demand January to March months, was a penny higher last month. This difference was driven in part by the recovery in oil prices which impact gas prices via oil indexed contracts which link the price of gas to oil via commercial contracts – often with a 6-9 month time lag.

…but electricity prices rose by 2%...
The average wholesale price of electricity was 2% lower in October, while wind output increased month-on-month from an hourly average of 1,034GW up to 1,168GW, an increase of 13%. Irish 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.

Excluding supplier capacity payments, the average wholesale price for October was €45.88/MWh, compared to €46.11/MWh in September - a decrease of €0.29/MWh on the average monthly wholesale price. Irish wholesale electricity prices typically track the cost of imported gas as it is the most significant cost in the production of electricity. The proportion of demand met by wind in October was 38%, up from September's 33%.

…and coal repeated a 5% rise for a third straight month…
Coal prices finished the month at $94.80 per tonne, building further on last month's three-year high. This was 5% higher than September's closing price of $91.40 per tonne in euro terms and was driven by strong Chinese demand, a continuation of concerns around some French nuclear reactors and stronger Brent Crude oil prices.

A significant increase (up 13.7% in the first nine months) in Chinese coal imports came despite their efforts to cut consumption due to air quality issues in some large urban areas. Demand for coal in Asia looks set to increase once the first cold winter spell hits, and this increased demand could also come as seasonal rainfalls disrupt production in the major exporting nations such as Australia and Indonesia. In addition, we are likely to see significant further imports of coal into South Korea as a result of recent nuclear generation issues there.

…and the euro continuing to soften against both the pound and the dollar…
The euro was lower against both the US Dollar and Sterling over the month, falling very marginally against sterling to settle at £0.8775, a drop of around 0.5% on September's close. It also traded lower against the dollar, falling almost two cents to close at $1.1648, a drop of 1.3%.

The euro weakened as the European Central Bank unveiled details of an extension to its Quantitative Easing (QE) plan until at least next September, and as a result of heightened concerns around Catalonian independence from Spain heightened following a referendum in the region.

The dollar hit a three-month high, versus a basket of currencies, in October amid optimism that President. Trump would succeed in implementing US tax reforms and confirmation than Janet Yellen would not be reappointed as head of the Federal Reserve. This increased the possibility that the next fed chair would be filled by someone with a more hawkish outlook, making an increase in interest rates more likely.

Brexit uncertainty continued to stalk sterling and the broader UK economy. However, the pound has been supported by hawkish comments following the Bank of England's most recent meeting. Many observers are anticipating an increase in rates at its next meeting in early November, possibly followed by further tightening over the coming months.

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.

Website: www.bordgaisenergy.ie **Twitter**: @bordgaisenergy