

MEDIA RELEASE

Plummeting temperatures cause further rise in Bord Gáis Energy Index

The Bord Gáis Energy Index rose by 9% in March, led by increases in gas and electricity as cold weather swept across Europe in late February and early March. UK gas demand hit levels not seen since 2010 as the arctic blast hit Europe sending temperatures plummeting and pushing prices to multi-year highs. Brent crude oil also posted a positive month as supplies tightened and geopolitical risks continued to rise. **In March, the Bord Gáis Energy Index stood at 120** (+9% from last month).

Darragh Crowley, Energy Trader with Bord Gáis Energy said, *‘Continuing and unprecedented freezing conditions across Europe have contributed to the latest rise in the Bord Gáis Energy Index, with rises recorded across gas, oil, and electricity – coal fell by just 3%. Gas prices rose sharply as freezing conditions from the Beast from East resulted in increased demand and damage to infrastructure. Additionally, ongoing geopolitical unrest and tension is playing a factor in keeping oil prices high.’*

Oil

The price of Brent crude oil posted another positive month in March, rising by 6% in euro terms to settle at \$70. The global benchmark gained in value in four of the last six months as global demand for crude oil continued to rise while the supply outlook tightened due to OPEC supply cuts.

It is unsure whether the market can sustain prices above \$70 per barrel. Brent has traded within a \$10 range this year, hitting a high of about \$71 per barrel but has failed to consistently hold levels above \$70 per barrel for very long. As well as lower supplies due to the OPEC cuts, geopolitical risks have also been driving oil prices. There are fears of renewed sanctions on Iran's oil exports should President Trump decide to withdraw from a nuclear deal agreed with six western governments in 2015.

Rising tensions in the middle east pose a threat to the oil market and supplies from that region.

Gas

The NBP day-ahead contract, the price for gas delivered tomorrow, averaged 62.22p/th in March, an increase of over 15% on the February average of 55.54p/th and almost 21p/th above the comparable period last year. Within-day gas traded as high as £4.50 on March 1st, a multi-year high, as supplies were squeezed due to freezing conditions.

Prompt gas prices were sharply higher at the start of the month as a cold snap and significant infrastructure outages combined to send prices rocketing higher across Northwest Europe. UK gas demand hit levels not seen since 2010 as the arctic blast hit Europe. The freezing temperatures also ravaged ageing infrastructure resulting in disruptions to key supply assets across Europe as gas hubs

engaged in a grab for scarce gas resources. The National Grid was forced to issue a rare gas deficit warning in response “to a series of significant supply losses resulting in a forecast end of day deficit”.

Coal

Coal prices fell 3%, in euro terms, in March to settle at \$79.5 a tonne from the February close of \$81.55 a tonne. Coal prices have fallen since the start of the year as we move out of the colder, higher demand winter months. However, this follows an increased coal burn in Europe towards the end of the winter as Europe was hit by a severe cold snap, while coal demand in Asia was also higher due to the cold winter.

We saw carbon prices increase over 30% in March as the European Union’s Emissions Trading System, the policy to tackle global warming by charging for the right to emit carbon, underwent structural reforms. The scheme has long proved ineffective due to excessive permits keeping the cost of burning carbon too low. The EU implemented changes, passed by the European parliament in February, to increase the rate at which the scheme’s Market Stability Reserve (MSR) soaks up excess allowances beginning in January 2019.

China has begun a move from coal to gas, largely to address air quality issues in its large cities - China is currently the key global market for coal as it accounts for over half of global consumption.

Electricity

Excluding supplier capacity payments, the average wholesale price for March was €66.74/MWh compared to €57.86/MWh in February – an increase of €8.88/MWh. When supplier capacity payments are included, wholesale electricity costs rose by 12% 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 average proportion of demand met by wind in March was 28%.

FX

The Euro fell by 1% versus the pound in March settling at £0.8782p while the opposite was the case against the US dollar where the single currency gained in value by 1% to settle at \$1.2327.

The US dollar weakened marginally against the Euro in March. Many market commentators highlight the risk that the greenback may gain in value over the coming months as investors are tempted to buy the dollar in the short term because of interest rate differentials with the Euro. The US Fed is likely to be the only major central bank to raise rates this year. Counterintuitively, the prospect of a trade war may also be bullish in the short term for the dollar as investors seek out haven assets such as the dollar and yen.

The pound gained in value against the Euro in March as a member of the Bank of England's Monetary Policy Committee signaled that he was likely to vote for an interest rate rise soon. This has fueled expectations that the central bank may raise rates as early as May. The remarks by Gertjan Vlieghe, who was previously seen as one of the most dovish members of the MPC, are a significant shift in stance.

For more information, see the full Energy Index at bordgaisenergy.ie/energyindex/.

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About Bord Gáis Energy

Bord Gáis Energy is an 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.