

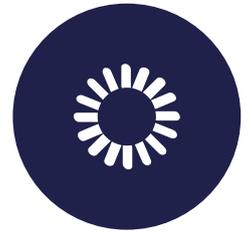
**Bord Gáis
Energy Index**
Understanding energy

MAY 2017

BGE/EI/UE/0617

Bord Gáis Energy Index

May 2017



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



Summary

The Bord Gais Energy Index fell 6% in May. The index remains 6% higher over 12 months.

The drop in the index was broad-based, as oil, gas, coal and electricity all registered falls during May. Oil dropped 6% as the extension of the OPEC production cuts didn't live up to market expectations. Wholesale gas prices were 4% lower, as the supply picture to Europe remains strong and as summer temperatures warm up, which reduces demand. Electricity prices were lower by 6%, in line with lower gas prices, while coal was down by 2%. A stronger euro over the month versus both sterling and the dollar also weighed on prices.

In May, the Bord Gais Energy Index stood at 88. (-6%)

Bord Gáis Energy Index

May 2017



Oil Index



Index adjusted for currency movements.

Data Source: ICE

Oil

It was another bearish month for the Brent crude benchmark as prices finished the month \$1.42 lower at \$50.31 a barrel, despite an agreement between OPEC and some key non-OPEC - now colloquially referred to as NOPEC - producers to rollover production cuts agreed at the end of November 2016. The agreement, ratified at OPEC's May 25th meeting in Vienna, continues to keep 1.8mbd of production out of the market in an effort to eradicate a supply glut which has hung over the global oil market since 2014.

The initial production agreement, at the end of November 2016, saw oil prices rally over 15% in the days following the announcement. However, prices have given up much of these gains as production from a resurgent U.S. shale sector and stubbornly high inventory levels, particularly in consumer economies, have negated the impact of the cuts. The U.S. shale industry has increased production, in response to higher oil prices, by almost 700,000 barrels a day since the end of November.

Saudi Arabia's Oil Minister Khalid al-Falih signalled to the market that they would "do whatever it takes" to rebalance the global oil market. The phrase - taken directly from Mario Draghi's playbook at the height of the euro financial crisis - raised hopes that OPEC would deliver deeper cuts to help rebalance the oil market.

The final agreement, however, failed to deliver further cuts, extending the existing agreement until March 2018. Oil prices, which had traded up to \$54 ahead of the meeting, sold off following the announcement. The influential Energy Administration in the US has signalled that it believes the market is rebalancing. However, the OPEC agreement has taken off some excess supply - not capacity - and many wonder how long consensus between among key players such as Saudi Arabia, Iran and Russia, will last. In addition, OPEC's restraint supports prices emboldening its competitors while it loses market share!

Bord Gáis Energy Index

May 2017



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 39.17 pence a therm (p/th) over May, a marginal fall on the previous month's close of 39.49p but 4% lower in euro terms, as sterling weakened over the month. Wholesale prices remain 14% higher than the comparable period last year.

Prompt gas prices were, on average, steady in May as seasonal temperature-driven demand began to fall as would be expected over the summer months. Early in the month saw the first large production outage of the summer as a large Norwegian processing plant and gas field went down for maintenance. This outage had a limited impact on prices as there was adequate gas in storage and increased gas flows from the North Sea to fill the gap.

North West Europe and the UK continued to see high levels of liquefied natural gas (LNG) imports during the month and it is notable that the first cargo of U.S. LNG is expected to berth in Rotterdam in June. This would be the first U.S. cargo which has been sent to Northern Europe, and could be a sign of things to come. Gas exports from the UK to continental Europe continued apace in May as traders sent gas through the IUK pipeline, connecting the UK to Belgium, to be put into storage and used over the colder winter months. The technical difficulties at the UK's largest storage site Rough, means that storage sites on the continent are being used as an alternative storage facility for UK gas.

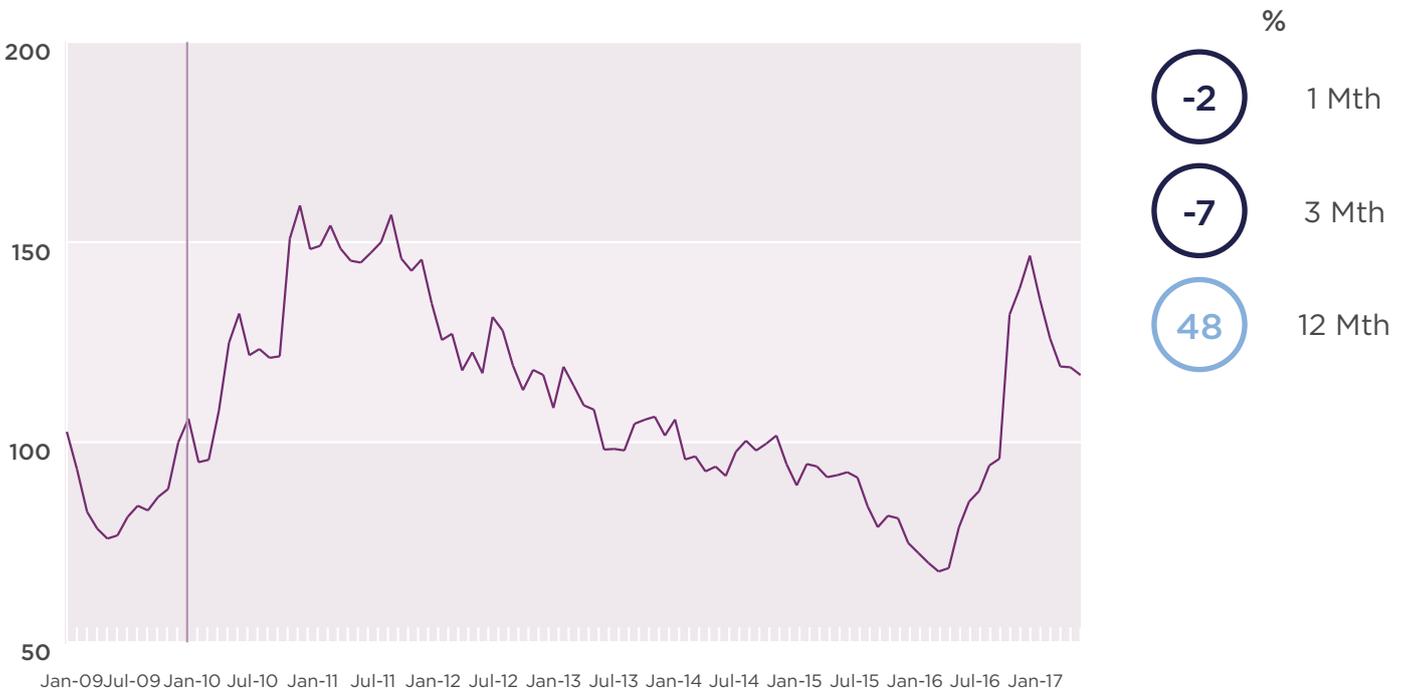
On the curve, in contrast to the prompt market, seasonal contracts posted marginal gains. The benchmark Winter '17 contract was higher by 0.05p to 45.9p a therm, while the Summer '18 contract gained 0.5p to settle at 39.9p. This could be attributed to the crude oil rally in the run-up to the OPEC meeting on May 25th. Gas contracts further out on the curve are less influenced by physical supply and demand factors and can often track other commodities such as oil and coal.

Bord Gáis Energy Index

May 2017



Coal Index



Index adjusted for currency movements.

Data Source: ICE

Coal

Coal prices settled the month at \$76.55 per tonne, a 2% decrease in euro terms.

China's coal imports dropped as deliveries from Australia were delayed by cyclone damage and the world's biggest producer and consumer raised production. Imports in May were estimated to be 13% lower than in April.

Imports may have been impacted by disruptions in exports from Australia after cyclone Debbie, which swept through Australia's east coast in late March, shut rail lines and caused coal deliveries to export terminals to be halted. Queensland, the eastern state most impacted by the cyclone, is Australia's biggest coal producing state.

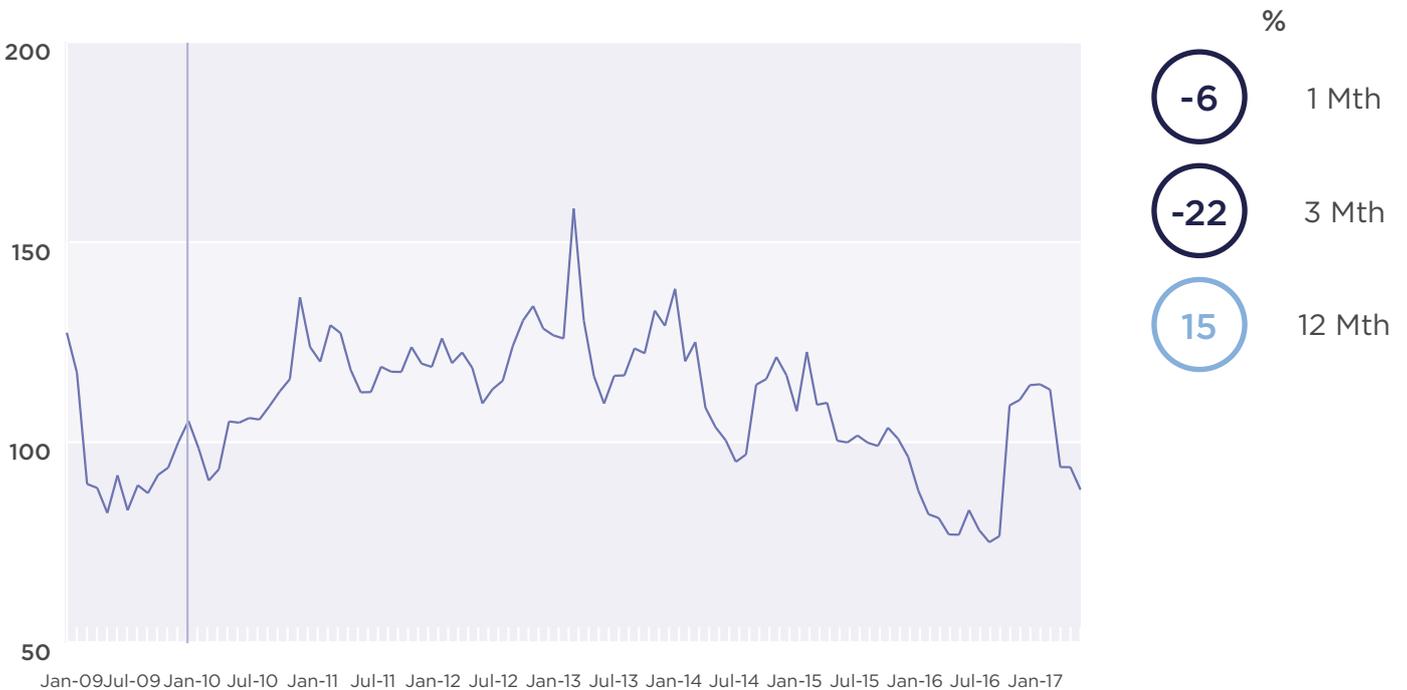
China's shipments were also affected by rising domestic coal production, which hit a four-month high in April after the government said most suppliers would be exempt from the widespread restrictions introduced last year.

Bord Gáis Energy Index

May 2017



Electricity Index



Data Source: SEMO

Electricity

The average wholesale price of electricity was lower by 6% in May.

Excluding supplier capacity payments, the average wholesale price for May was €42.02/MWh compared to €45.41/MWh in April, a decrease of €3.39/MWh on the average wholesale monthly price.

Irish wholesale electricity prices typically tend to track the cost of imported gas as it is the most significant cost in the production of electricity. However, it can vary on a month-to-month basis.

An average monthly clean spark of approximately €8.44/MWh was recorded in May, which decreased 27% from the €11.49 observed in April.

The proportion of demand met by wind in May was 22.6%.

Bord Gáis Energy Index

May 2017



FX Rates



EURUSD %	
3	1 Mth
6	3 Mth
1	12 Mth
EURGBP %	
4	1 Mth
2	3 Mth
14	12 Mth

FX Rates

The single currency strengthened over the month, climbing 4% versus the pound and 3% versus the U.S. dollar. The single currency finished the month at 0.8718 versus sterling and 1.1237 versus the dollar.

The euro put in a strong performance as a combination of better euro zone economic data and increased uncertainty around U.K. and U.S. economies and politics weighed on the pound and dollar. As we headed towards the General Election in the UK, the consensus that the ruling Conservative government would receive a greatly enhanced majority, helping strengthen Prime Minister Theresa May's hand in negotiating a softer Brexit, shifted. The Conservative Party's initial 20-plus point lead in the opinion polls has been whittled away with some opinion polls indicating a possible hung parliament.

In the United States, the soap opera surrounding the new Trump administration continued with the sacking of the FBI Director James Comey, amid accusations that the President had attempted to curtail the FBI's investigation into his campaign's links to Russia. The dollar has weakened as the market takes the view that these on-going issues could delay or derail Trump's infrastructure spending, tax cutting and regulatory reform agenda.

Bord Gáis Energy Index

May 2017



For more information please contact:

Bord Gáis Energy

Pressoffice@bordgais.ie

Alan Tyrell 086 850 8673 or Simon Fullam 086 417 7260

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.