

PRESS RELEASE

**Continued rise in oil and gas prices drives up Bord Gáis Energy Index in September
Index up by 11% month-on-month and by 19% year-on-year**

18th October, 2017

Continued rises in oil, gas and electricity prices during the month led to an 11% increase in the Bord Gáis Energy Index for September 2017. Oil prices continued to recover, up 11%, while lower temperatures and fewer LNG deliveries into Europe resulted in a 13% increase in gas prices. Coal rose by 5% and the higher gas prices fed through to an 11% increase in electricity prices.

In September, the Bord Gáis Energy Index stood at 95, up 11% on August.

Darragh Crowley, Energy Trader with Bord Gáis Energy said; *“September saw a further jump in wholesale energy prices as all components of the Energy Index rose, with gas being the standout category registering a 13% increase versus August and a 62% rise over the same period last year. This was due to lower temperatures and fewer LNG deliveries into Europe. Oil was a close second with an 11% rise as the market has restored its faith in OPEC’s ability to drain the world market of the glut of oil that has depressed prices since 2014. As we enter the last quarter of the year, we expect energy prices to remain volatile as temperatures drop and geopolitical tensions continue to ratchet higher”.*

Oil prices reversed their August set-back to gain 11%....

Despite the continued surge in US production, speculation among the analysts’ community - warning of a tighter market next year as excess inventories decline globally - has kept an upward pressure on prices. However, there is a possibility that the price rises could eventually lead to further production increases from US shale producers, potentially keeping prices within the \$40-\$60 range for the foreseeable future. The recent talks between Saudi Arabia and Russia have also led to speculation that an extension to the OPEC deal is possible, which could see the current global oil production cuts extended beyond the deal’s intended end of March 2018.

...while gas continued to rise...

The NBP day-ahead contract – the price for gas delivered tomorrow - averaged 45.83p in September, a strong 62% increase in euro terms over the same month last year, and up 13% on August’s 4.3p average.

The increase was primarily due to increased demand as temperatures fell. Other contributing factors were maintenance to key Norwegian gas infrastructure ahead of the winter period, which led to a reduction in supplies from Norway, and fewer supplies to the UK (and Irish) market due to LNG deliveries heading east instead on the back of higher Asian demand and prices.

...pushing up electricity prices by 11%...

The average whole sale price of electricity rose by 11% in September, with wholesale prices now 23% higher than the same time last year. Irish wholesale electricity prices typically track the cost of imported gas, as it is the most significant cost in the production of electricity.

Excluding supplier capacity payments, the average wholesale price for September was €46.15/MWh, compared to €42.14/MWh in August - an increase of €4.01/MWh on the average monthly wholesale price. An average monthly clean spark of approximately €8.41/MWh was recorded in September, which increased 6% from the €7.90/MWh observed in August. The proportion of demand met by wind in September was 33%, up from August’s 24%.

...with coal repeating its recent 5% monthly rises...

Driven by rising carbon and power prices, as well as supply concerns from the Asia-Pacific region, coal prices ended the month at \$91.4 a tonne in September – a three-year high and an increase of 5% per tonne in euro terms on the August closing price of \$87.65 a tonne. The rise was also driven in part by the strengthening of the euro to a 32-month high.

Coal has also recently been diverted away from Europe towards higher-priced Asian markets and this, allied to the effect of temporary concerns from the French nuclear regulator, drove prices higher during the month.

...although the euro softened against both the pound and the dollar...

The euro's recent strength stalled in September, falling 1% against the dollar to \$1.1803 and 4% against the pound to £0.8812. The fall in sterling stalled during September, following speculation that the Bank of England (BoE) may raise interest rates. The persistent Brexit uncertainty weighed on the UK economy as weak manufacturing, trade and investment data was released. In addition, inflation numbers came in above target 2.9%, as lower sterling pushed up the cost of imports. The strong inflation figures prompted increased speculation that the BoE may raise interest rates in 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.

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