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# THE BORD GÁIS ENERGY INDEX INCREASES 8% IN FEBRUARY

***- INDEX 11% HIGHER THAN IN FEBRUARY 2011 -***

A 9% increase in oil prices and a 20% increase in gas prices pushed the Bord Gáis Energy Index up 8% in February. The combination of rising geopolitical tensions, supply constraints, rising energy demand, a weaker US Dollar and improving market confidence, resulted in the price of a barrel of Brent oil hitting an all time record in euro terms during the month. Gas prices also rose dramatically due to the severe winter weather experienced across Continental Europe. As a result, prices hit levels not seen since 2006.

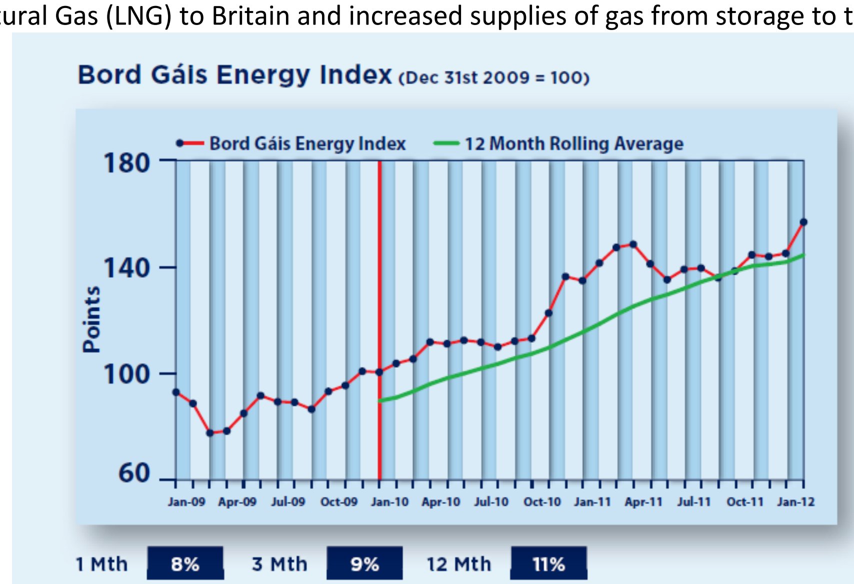
The Bord Gáis Energy Index now stands at a record high for the Index of 157.

**Commenting on the Bord Gáis Energy Index for February, John Heffernan, power trader at Bord Gáis Energy, said:**

"Oil prices closed above the significant $120 a barrel price on nine days during February. For the first time governments and financial institutions are starting to raise concerns about the effect this may have on consumer spending, the fragile economic growth and inflation. Rising energy costs threaten to weaken the European economy by reducing the purchasing power of companies and consumers.

Despite these concerns, oil prices will continue to be driven mainly by the market's perception of tensions between the West and Iran. Developments in foreign exchange will also continue to influence prices.

Severe cold weather and worries over the reliability of Russian gas supplies sent European and UK traded gas prices soaring early in February to above £1 per therm. These prices did ease to more normal levels as the weather and supplies improved but the monthly average price was 20% higher month on month following a very mild January. In terms of gas prices, markets will be hoping for greater deliveries of Liquefied Natural Gas (LNG) to Britain and increased supplies of gas from storage to the market."



**The following are the key trends recorded for the month of February:**

**Oil:** The oil element of the Index was up 9% to 169. As tensions between the West and Iran escalated in February, oil prices hit new record highs in Euro and Pound Sterling terms. Oil began the month at $111 and ended it at $123 and hit a nine month high of $125. The markets continue to factor in the possibility that these tensions could lead to a situation where global oil supplies are disrupted and this is pushing oil and gas prices higher. Economic releases continue to suggest that the global economy is recovering slowly and this also supported oil prices.

**Natural Gas:** The natural gas element of the Index was up 20% to 221. Due to the severe weather experienced in Europe and concerns over Russian gas supplies in the first week of February, day-ahead prices hit their highest level in more than six years on the UK gas trading hub at over £1 per therm. The Day-ahead price remained high during the exceptional cold snap as demand for gas-fired heating increased, putting pressure on suppliers. During this period, Continental Europe sought exports from the UK to compensate for reduced deliveries from the East which put further upwards pressure on prices.

**Coal:** The coal element of the Index was down 7% to 125. European coal prices fell as stockpiles at European generators and terminals remained high. Indeed, because of the high coal stocks, European prices failed to react at all to the severe weather early in February. This was in stark contrast to natural gas which absorbed much of the shock because of the lack of supplies from Russia. A strengthening energy commodities market and improving economic sentiment also failed to put any upward pressure on prices.

**Electricity:** The electricity element of the Index was up 5% to 125. A combination of higher gas prices (with the average monthly Day-ahead price rising 20% in euro terms) and carbon prices (with the average monthly price up approximately 20% in the month) increased wholesale electricity prices. As the majority of electricity used in Ireland is produced by burning gas, internationally traded gas prices heavily influence Irish wholesale electricity prices. Despite the significant increase in the cost of producing electricity, wholesale prices were restrained somewhat due to subdued demand as a result of mild weather in Ireland.

**ENDS**

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