

Bord Gáis Energy Index

FEBRUARY 2011

ENERGY INDEX RISES 5% AS A RESULT OF LARGEST INCREASE IN OIL PRICES SINCE MAY 2009

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



1 Mth **5%** 3 Mth **15%** 12 Mth **36%**

OVERALL SUMMARY:

The Bord Gáis Energy Index rose 5% in February to 140, its highest level since September 2008 as falling natural gas, coal and electricity prices combined failed to offset an 11% rise in oil prices. Oil traded just shy of \$120 per barrel intraday on February 24th, its highest level since August 2008 but retreated in the final days of the month to close February at \$111.80 per barrel.

Oil prices rose dramatically in the second half of February as the social unrest in Tunisia and Egypt spread to Libya, a major oil producing country. Short term natural gas prices remained stable despite the unrest in North Africa and the Middle East, a region that is a supplier and a transshipment point of natural gas to Europe. Coal prices stabilised as the Northern hemisphere emerges from the high demand winter season and flood damaged Australian mines come back on line.

Oil Index



1 Mth **10%** 3 Mth **23%** 12 Mth **42%**

OIL

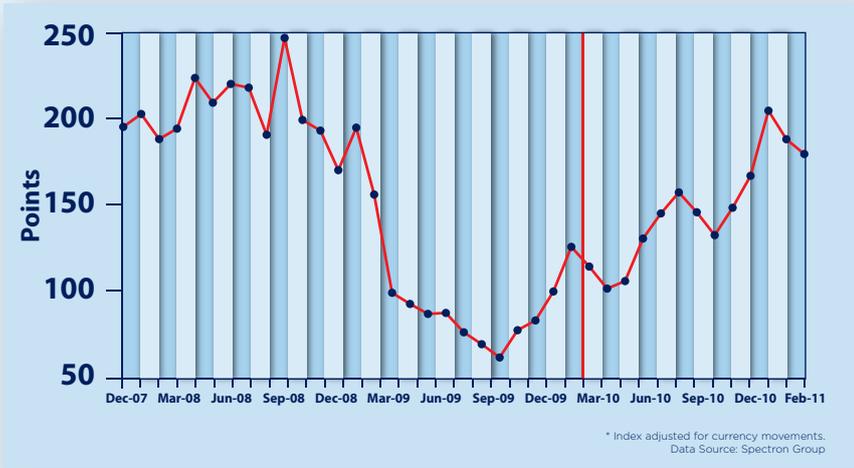
Brent crude prices closed \$12 per barrel higher in February as turmoil in Libya lead to reports of production being cut from 1.6 million barrels per day to between 400k and 800k barrels per day. OPEC, and more specifically Saudi Arabia, announced that it would make up the drop off in Libyan production but this has done little to quell market fears that this may mark the start of a sustained period of disruption to oil supplies as social unrest spreads to the Middle East. Saudi Arabia alone supplies 10% of global oil.

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Natural Gas Index



1 Mth **-5%** 3 Mth **8%** 12 Mth **57%**

NATURAL GAS

A steady rise in temperatures, coupled with strong deliveries of Liquefied Natural Gas (LNG) to the UK saw prices trade in a narrow 52p to 55p per therm range in February. Lower demand also helped suppliers conserve natural gas in storage, bringing levels back above their five year average. Record low inventories of gas in storage were seen in early January following the severe weather experienced in December. Italy saw supplies via the Greenstream pipeline from Libya drop but this has had little effect on prices in Northern Europe.

Coal Index



1 Mth **1%** 3 Mth **-1%** 12 Mth **57%**

COAL

Coal prices stabilised in a \$118 to \$122 per tonne trading range in February after hitting highs in the \$130s earlier in the year on the back of record breaking floods in the coal producing areas of Queensland, Australia. However, high stock levels in Europe along with the approach of spring gave confidence to the market that supply outlook would continue to improve.

Electricity Index



1 Mth **-5%** 3 Mth **2%** 12 Mth **20%**

ELECTRICITY

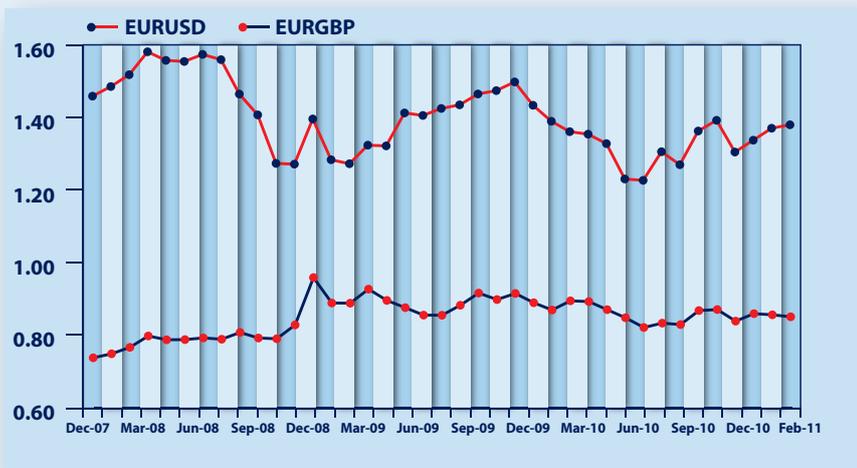
The record for wind generation was broken during February. The new record stands at 1,284MW. Power generation capacity exceeded demand comfortably during the month. The mild weather seen in February contributed to an overall drop in system demand. As a result of this high volume of wind generation and a drop in demand, SMP prices fell €4 from January to February.

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FX Rates



FX RATES

After selling off to below the \$1.30 level in the first week of 2011, the Euro has consolidated its comeback versus the US Dollar closing the month at \$1.38. Hints by the ECB that it will raise interest rates soon contributed to the consolidation.

The Euro was little changed versus Sterling in February despite the Bank of England saying that it will shortly raise interest rates as UK economic figures show UK inflation rising faster than in the Eurozone.

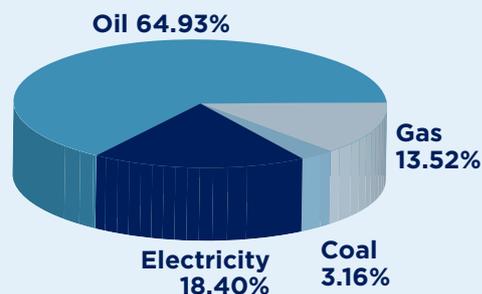
1 Mth	1%	3 Mth	6%	12 Mth	1%	EURUSD
1 Mth	-1%	3 Mth	1%	12 Mth	-5%	EURGBP

MARKET OUTLOOK:

Front month oil prices have risen significantly above prices further out the curve indicating that the market believes that the current high prices, as a result of social unrest in North Africa and the Middle East, could be short lived. While there is some fear of further contagion to other oil producing nations, particularly Saudi Arabia, the general consensus is that the chances of this are remote. Short term gas prices have proved very resilient to the current upheaval but the longer oil prices sustain at these high levels the more opportunity gas prices have to move up. The coal markets are pricing in little change in prices in the coming months.

RE-WEIGHTING OF BORD GÁIS ENERGY INDEX:

Following the SEAI's 2009 review of energy consumption in Ireland, released in Q4 2010, there was a 9.3% drop in overall energy consumption. The most notable drop of 1.39% was in oil consumption in the form of gasoline and diesel. This reflects the economic downturn experienced at the time. The share of natural gas and electricity increased by 0.63% and 0.57% respectively. An increase in the use of renewables and peat, at the expense of coal in electricity generation was also observed. As a result the Bord Gáis Energy Index has been reweighted to reflect the latest consumption data. This has had a minimal effect on the overall shape of the Index, but may indicate future trends.



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