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THE BORD GÁIS ENERGY INDEX INCREASES 1% IN JANUARY

- INDEX 8% HIGHER THAN IN JANUARY 2011 -

An increase in wholesale oil prices drove the Bord Gáis Energy Index 1% higher for the first month of 2012. The increase was largely due to the uncertainty around Iran's response to EU sanctions including the possibility that it would close the Straits of Hormuz, one of the world's most important shipping channels for oil. The increase in the Index was recorded despite the unseasonably mild weather across Europe for most of January, which resulted in a minor decrease in the price of natural gas and electricity.

As a result, the Bord Gáis Energy Index now stands at 144, which is 8% higher than in January 2011.

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

"The upwards pressure on oil prices in January was largely driven by market uncertainty regarding the implications of EU sanctions on Iran and the very tentative improvement in sentiment surrounding several major economies. Approximately 20 per cent of the world's daily oil requirements pass through the Straits of Hormuz, meaning that any blockade would have significant upwards implications on global oil prices.

Uncertainty about the health of the global economy continued following the release of lower than expected fourth quarter GDP numbers for some major economies, reduced growth forecasts for 2012 and ratings downgrades for many European countries. However, this was offset by the very minor improvement in economic sentiment that has started to emerge as some major economies appear to be producing more goods, jobs are being created and confidence is growing. This positive sentiment, along with ongoing tensions over Iran's nuclear programme, is feeding through to higher oil prices.

The outlook for February is uncertain – the ongoing discussions on Greece's national debt have the potential to lower economic expectations and lead to a fall in prices, although this could be offset if the current cold weather snap continues and leads to a depletion in stocks of coal and gas."

The following are the key trends recorded for the month of January:

Oil: The oil element of the Index was up 2% to 156. Oil prices continued to increase as a result of the ongoing tensions between the West and Iran over its nuclear programme. Following the EU's decision to ban oil imports from 1st July 2012, there was increased speculation that Iran would retaliate by attempting to close the Straits of Hormuz, an important transit point through which approximately one fifth of the world's daily oil requirement passes. The possibility of supply disruptions of oil to the globe put upward pressure on prices.

Natural Gas: The natural gas element of the Index was down 3% to 184. Despite very cold weather at the end of January across Ireland, Britain and continental Europe, temperatures during the month were generally mild and gas demand was relatively low for the time of year. Low demand has left the UK with high storage levels after four months of winter and this put downward pressure on prices.

Coal: The coal element of the Index was down 8% to 134. Low demand for coal in Europe due to relatively mild winter weather and already high inventory stocks, as well as an oversupply of alternatives for power generation such as natural gas, pushed prices downwards. High amounts of renewable electricity being generated from wind farms because of the high wind speeds over Europe in January, particularly in Germany, also meant that power plants that run on coal and other fossil fuels were required to generate less electricity and stock piles of coal were not depleted.

Electricity: The electricity element of the Index was down 2% to 117. Unseasonably mild weather for most of January and consistently high winds put downward pressure on wholesale prices. High wind levels meant that the electricity produced by more expensive thermal plants was substituted with cheaper electricity from wind farms over extended periods in January. The consistent nature of the wind generation also meant that fossil fuel generators were started less often which helped to keep wholesale prices low.

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