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ENERGY INDEX UP 2% IN JULY DUE TO INCREASING DEMAND FOR OIL IN CHINA AND ONGOING INSTABILITY IN THE MIDDLE EAST

- Index up 24% on July 2010 -

The wholesale price of oil was the main contributor to a 2% rise in the Bord Gáis Energy Index (BGEI) for July 2011. The index now stands at 139 up from 135 in June. The upward year-on-year trend for wholesale energy prices continues as the Energy Index is now 24% higher than in July 2010 and 55% higher than in July 2009.

Commenting on the Bord Gáis Energy Index for July, Michael Kelleher, Energy Trading Analyst at Bord Gáis Energy, said:

"A rise in oil prices combined with a weakening of the Euro versus the US Dollar and Sterling pushed the Bord Gais Energy Index 2% higher for the month of July. Economic and geopolitical issues were the main reasons for the increase in oil prices. Despite fears surrounding US and European economic growth, oil moved higher as a result of strong Chinese demand and the continuing instability in the Middle East.

Despite the very recent and significant movements in the markets, we would anticipate an increase in the Energy Index in Q4 on the basis of the current futures markets. The futures markets are currently placing more emphasis on increasing demand for oil in China, and the likely increase in demand for gas in Germany following the decision to end nuclear power generation in the country, than on the ongoing uncertainty about the Eurozone economy. The potential for further unrest in the Middle East is also lending support to higher future oil prices. The futures markets also point to wholesale gas price increases with prices for this winter currently more than 30% higher than last winter. "

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

Oil: The oil element of the Index is up 5% to 150. Brent crude oil prices rose 6% in the first week of July as the commodity recovered from the International Energy Agency's decision in late June to increase supply by releasing 60 million barrels onto the market from its reserves. Prices then stabilised between $116 and $119 for the remainder of the month, and closed up 5% at $116.74. Sovereign debt issues in both the EU and the US contributed to uncertainty in oil prices in the latter part of the month as the markets became increasingly concerned about the outlook for the global economy.

Natural Gas: The natural gas element of the Index is down 2% to 180 and prices finished the month averaging 55p/therm. Lower levels of demand than anticipated for the season, together with steady LNG arrivals to the market combined to drive prices lower. In addition, storage facilities in the UK and on the continent are filling faster than in previous years reducing the demand for gas during July. This also contributed to the softening of prices.

Coal: The coal element of the Index is up 2% to 147. Coal prices were little changed in July due to low summer demand combined with plentiful stockpiles at Amsterdam, Rotterdam and Antwerp ports, the main distribution hubs in Europe. Scandinavian hydro-generation levels improved due to heavy rains, which further diminished the demand from the power generation sector. A week-long mass strike by 150,000 miners in South Africa has not yet had an effect on European coal prices due to the market being well supplied from other sources such as Colombia, Russia and the US.

Electricity: The electricity element of the Index is down 2% to 109. July saw a drop in Irish power demand as is usual during the summer period due to the warmer weather. Wind generation fell by 25% compared to the previous month. However, the electricity market saw good availability from efficient, lower cost generators and the net result was a small fall in wholesale electricity prices for July. This minor reduction is a seasonal variation and is not unexpected in the summer period. However current future gas prices are significantly higher this winter than last, and therefore the electricity element of the index is expected to increase in Q4.

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