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Bord Gáis Energy Index: Embargoed until 00:01, 9th July 2012

INDEX FALLS 1% ON A YEAR ON YEAR BASIS WITH ONGOING OIL PRICE VOLATILITY

The Bord Gáis Energy Index remains relatively unchanged over the last 12 months but fell 7% in June. The major factor influencing the decline in the Index is the fall in the price of Brent crude oil which continues to recede from the record highs seen in March, although the price of oil has rebounded in the last week.

As a result, the Bord Gáis Energy Index now stands at 133 which is the same level it was at in June 2011.

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

"Despite falls in oil, coal and day-ahead UK gas prices over a 12 month period in US Dollar and British Pound terms, commodity price falls in euro terms have not fully materialised for euro zone buyers due to the weakness of the euro. Volatility in the price of oil continued in June and it became evident that oil's ability to trade on its own fundamentals has been overshadowed by the ongoing European financial crisis. However, there is a growing belief in the market that Europe can now move to find a solution to the euro debt crisis with the possibility of 'Europeanising' national debt, and, therefore, oil market fundamentals, such as the sanctions on Iran together with a myriad of other uncertainties, may once again take centre stage in the coming months.

Looking forward, prices do have the potential to fall back to the lows seen in June given the healthy oil supply picture and slower global growth, particularly in China. However, the outlook is far from certain, given that the Chinese authorities have the means and the motivation to stimulate economic growth, Iran's reaction to the EU's sanctions after 1st July is unknown at this point and renewed geopolitical tensions once again put the spotlight on the vulnerable Strait of Hormuz. Spare production capacity remains low by historic standards and any growth in demand in the second half of 2012 could put pressure on prices. Traders will also assess OPEC's collective tolerance of prices below $100.

Seasonal gas prices will continue to be influenced by future movements in oil and potential developments in Japan as it plans to restart nuclear power stations for the first time since last year's Fukushima disaster. However, in the short term, the strike by 700 platform workers in the North Sea has the potential to drive prices if the dispute escalates."

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

Oil: The oil element of the Index was down 6% to 141. The price of a barrel of oil recorded its third month of consecutive decline as the Brent crude oil price continues to recede from its high of $128 in March. From April onwards, a series of negotiations between the West and Iran over its disputed nuclear programme helped to appease the markets. The potential negative economic fallout from the ongoing European sovereign debt issue created a bout of risk aversion which rattled the oil markets in June and drove prices, at one point, to an 18 month low. Given that China has a greater impact on global oil demand growth than a slowdown in Europe, the slowing Chinese economy, as evidenced in its declining industrial production, retail sales and manufacturing numbers, continued to weigh on prices in June.

Despite recent price falls due to market risk aversion, the average price of a barrel of Brent crude oil in 2012 is currently over $113, which is $2 higher than the record set in 2011, and prices remain "very high in historical terms" according to the International Energy Agency.

Natural Gas: The natural gas element of the Index was down 5% to 193. Over the course of the month, the UK Day-ahead gas price was relatively stable and traded in a very tight range between 54 - 57p.
A fall in the monthly average Day-ahead price was recorded, despite a number of unplanned outages and a strike by 700 platform workers in the North Sea over pension contributions. Norway is the world's eighth largest oil exporter and Norwegian gas exports cover close to 20% of European gas consumption, with most exports going to Germany, the UK, Belgium and France. However, because of reduced gas demand during the summer season, markets failed to react in June.

Coal: The coal element of the Index was down 4% to 117. European coal prices continue to decline in June having now fallen nearly 20% in euro terms over the last 12 months. Following the explosion of shale drilling in the U.S., utilities in the U.S. are now burning more gas and are relying less on coal to produce electricity. This decline is pushing US producers to increasingly look to Europe as an export market. This surplus continues to push European coal prices lower and as a consequence, Europe is now burning relatively cheap coal to produce electricity at the fastest pace since 2006.

Electricity: The electricity element of the Index was down 8% to 109. As the majority of power produced on the island of Ireland is generated by burning gas, a 5% fall in the average monthly wholesale Day-ahead UK gas price in euro terms put downward pressure on the cost to produce electricity in June.

In addition to falling wholesale gas prices, a carbon revenue levy (imposed on generators by the Commission for Energy Regulation and disbursed in line with Government policy) that was included in the price of wholesale electricity and which was estimated to have increased the price by between 3% and 6% has now been removed by the Government.

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