

## Bord Gáis Energy Index: Embargoed until 00:01, 13<sup>th</sup> June 2011

### ENERGY INDEX FALLS FROM 31 MONTH HIGH

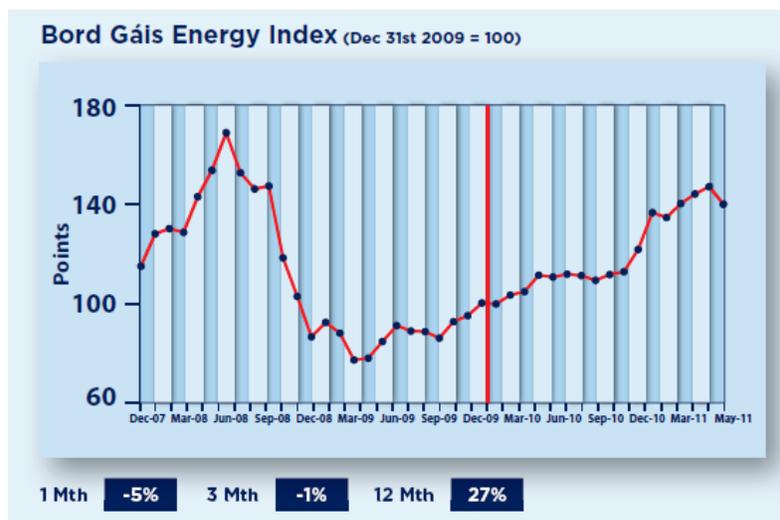
- Energy index drops 5% in May -

The wholesale price of gas increased while the wholesale prices of oil, coal and electricity all fell in May, giving rise to the biggest one month fall in the Bord Gáis Energy Index (BGEI) since March 2009. The index dropped 5% in May despite a weakening of the euro versus the US dollar and Sterling. However, the index remains 27% higher than 12 months ago, rising from 110 in May 2010 to 140 in May 2011.

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

“Although the Energy Index has risen over 27% in the past 12 months, there was a small decline in May due to a fall in the wholesale prices of oil and coal. This was the result of the broad based sell off in commodity markets at the beginning of May on the back of weak economic data in the US and fears surrounding Chinese inflation figures. Futures markets are predicting relatively stable prices for the remainder of the summer but a return to higher prices in Q4 of this year. This is primarily due to expected higher natural gas prices.

The majority of natural gas prices in Continental Europe are based on oil prices from six months earlier therefore, with oil prices of over \$100 in Q1 and Q2, gas prices will be higher in Q3 and Q4 in mainland Europe. These higher gas prices could also result in higher electricity prices, as gas is one of the main fuels used in power generation in Ireland.”



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

**Oil:** The oil element of the index is down 4% to 149. After ending April at \$126 per barrel, Brent crude oil plunged in the first week of May to trade at a low of \$105 on May 6<sup>th</sup>. This coincided with a broad based commodity sell off as a result of weak economic data in the US and fears surrounding Chinese inflation figures. Prices recovered to trade in a \$109 to \$117 range for the remainder of the May eventually closing at \$117. With the civil war in Libya appearing to reach a stalemate some of the short term geopolitical volatility premium was priced out of the market in May.

**Natural Gas:** The natural gas element of the index is up 2% to 185.. Gas prices fell to 52p per therm in the first week of May because of to higher imports via the Norwegian Langeled pipeline and lower exports to the continent. However, by the middle of May, prices had rebounded to over 58p as summer maintenance at various UK and Norwegian terminals reduced deliveries to the system. Production from LNG terminals also fell in advance of the expected drop in the number of cargos arriving at the UK over the summer month.

**Coal:** The coal element of the index is down 2% to 146. Coal continued to trade around \$128 per tonne in the first week of May. However, prices fell \$6 in the second week of May as a broad based sell off hit commodity markets. Prices remained at these levels for the rest of the month as a physical over supply of Colombian coal to the European market resulted in the commodity finishing the months at \$122 per tonne.

**Electricity:** The electricity element of the index is down 9% to 116. Electricity prices dropped to €62.20/MWh in May. This reflects a 7.6% drop from the previous month. The drop can be attributed to good availability of thermal generation and significant output from wind generation. In April, several of the large, efficient power generation plants were not available but this was not the case in May. Wind generation saw peak levels of 1,318MW in May due to the unsettled weather.

**ENDS**

**For further information please contact:**

Aidan McLaughlin, Fleishman-Hillard: 01 618 98425 / 085 749 0484

Stiofáin MacDhaibhead, Bord Gáis Energy: 01 602 1116/ 087 799 1206