

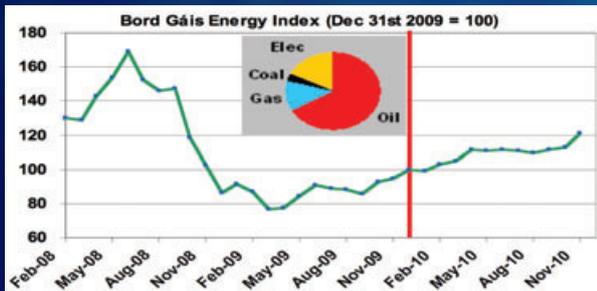
# Bord Gáis Energy Index

NOVEMBER 2010



## BORD GÁIS INDEX INCREASED 9 POINTS AS COMMODITY PRICES RALLY AND THE EURO WEAKENS

1 Mth **8%**    3 Mth **11%**    12 Mth **28%**



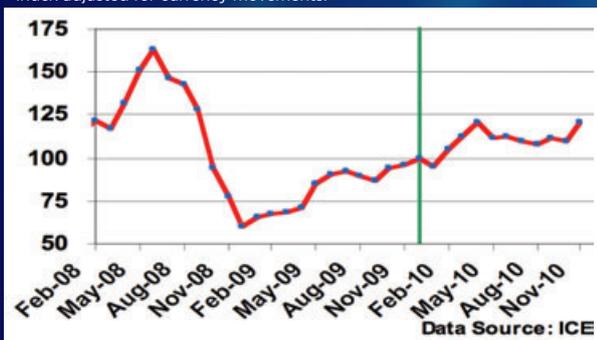
### KEY POINTS:

The energy index rose to its highest level this year to close at 121. The 8% month-on-month jump was due to a combination of higher commodity prices and a weaker Euro. As commodity prices are priced in £GBP and \$USD, the weakening Euro has amplified the price rises in Euro terms.

Positive global economic data helped to spur oil prices higher as demand increases globally. Colder weather so early in the winter drove demand and thus prices for gas, coal and electricity higher. With a greater than expected usage so early in the winter, there may be extra pressure on supplies later in the season and markets are beginning to price in this bullish factor. Furthermore, these price increases were magnified in Euro terms as £GBP and the \$USD strengthened amid European sovereign debt concerns and increasing market speculation about the future of the Euro.

1 Mth **10%**    3 Mth **12%**    12 Mth **26%**

\* Index adjusted for currency movements.

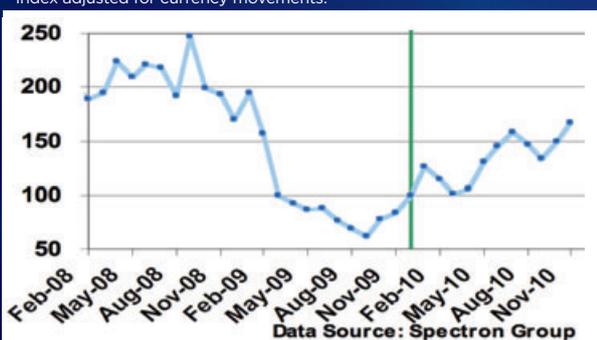


### OIL

After a high of \$89.70 per barrel mid-November (due to positive macroeconomic data, a higher revision of global demand estimates by the International Energy Agency (IEA) and the US-based Energy Information Administration (EIA), and a draw on crude inventories), the price of oil reduced to \$86 per barrel at the end of the month following a strengthening of the US dollar and concerns over European sovereign debt.

1 Mth **12%**    3 Mth **14%**    12 Mth **100%**

\* Index adjusted for currency movements.

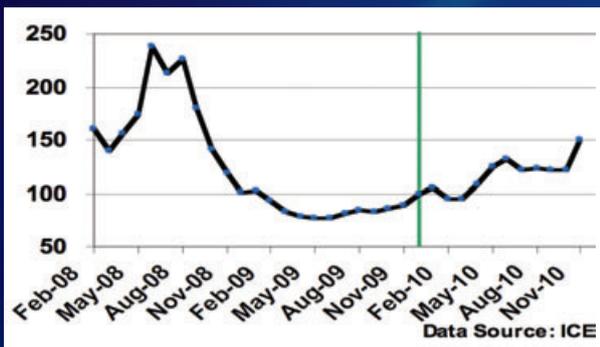


### NATURAL GAS

Prices remained relatively stable in a 45 to 47 p/therm trading range in the first half of November. However, in the back half of the month prices rallied to hit a high of 55 p/therm. Prices rose as utilities purchased gas in response to higher demand caused by unseasonably cold weather. Suppliers were reluctant to withdraw gas from storage in response to these higher prices as inventory levels for the month of November were at their lowest in 5 years. Suppliers are required to keep minimum levels of storage in reserve for use in the peak demand months of January and February.

1 Mth 23%    3 Mth 22%    12 Mth 70%

\* Index adjusted for currency movements.



## COAL

In early November, stock levels in Europe fell steadily on strong demand. Heavy rainfall in Colombia and a shortage of rail cars in Russia constrained deliveries to Europe. In the last few days of the month prices rallied to new yearly highs (hitting over \$114/mt) as bullish sentiment over rising fuel prices and severe winter weather in Europe brought out more utility buyers. China's rise in coal demand (winter peak season for electricity and home heating) has coincided with supplies in Australia being delayed by heavy rain.

1 Mth 1%    3 Mth 8%    12 Mth 22%

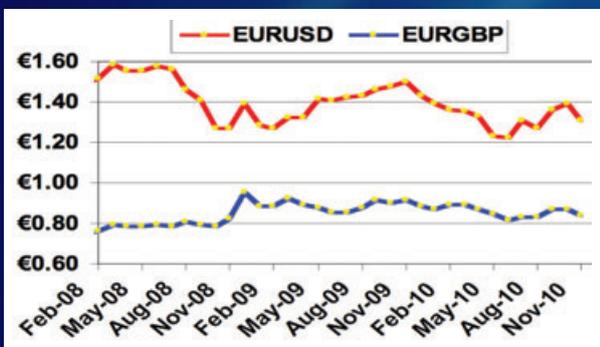


## ELECTRICITY

Irish Electricity prices only slightly increased month-on-month despite the cold snap and marked increase in demand. The SMP averaged €57/MWh (the previous month's average price was €55/MWh). Despite the modest rise, peak evening prices are increasing more significantly as more units are producing power to meet increasing peak demand. This rise is being balanced however by falls in the daytime prices as efficient plants set off-peak prices.

1 Mth -6%    3 Mth 3%    12 Mth -13%    EURUSD

1 Mth -4%    3 Mth 1%    12 Mth -8%    EURGBP



## EURO

Combined price increases of these four commodities were magnified in Euro terms, as both Sterling and the US Dollar strengthened amid European sovereign debt concerns and increasing market speculation about the future of the Euro. The Euro fell from an early-month high versus the \$USD of \$1.42 to close out November at \$1.30, while against Sterling, the Euro weakened to a two-month low of £0.82GBP, compared with £0.87GBP at the beginning of November.

## MARKET OUTLOOK

Having priced in the rapid rise seen this month, the futures markets are pricing in stable price increases into the future. Lack of clarity in the global economic outlook is causing traders to be cautious. The significant shift in the outlook of the Euro seen this month and the uncertain consequences on European economies should the currency collapse, has meant that commodities are getting more expensive in Euro terms. As this situation evolves and if contagion spreads to other sovereign states, the weakness seen could escalate. In the shorter term, a severe winter could put pressure on gas, coal and electricity prices as commodity supplies are strained.

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