BORD GÁIS ENERGY INDEX DOWN 2% IN OCTOBER

- 4% Fall in Oil Prices Pushed Index Lower -

Oil prices fell slightly in October in line with falls in US equity indices on the back of concerns over the prospects of global economic growth. This resulted in a 2% decrease in the Bord Gáis Energy Index for October. Despite the 4% fall in oil prices for the month, prices still remain at near record highs.

As a result, the Bord Gáis Energy Index now stands at 148, an increase of 8% on October 2011.

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

"Despite some positive economic results from the US and UK, in addition to signs that China's protracted slowdown may have run its course, investor confidence was undermined in October by an IMF report which projected weaker growth for 2012 and 2013. Investor confidence was also affected by the fact that a large number of S&P 500 companies reported sales below expectations for Q3, with many more paring back expectations for Q4. Weaker US equity indices reflected the erosion of investor confidence and this weighed on oil prices.

Despite falling Brent crude oil prices over the last two months, the future for oil prices is far from certain. The markets are increasingly concerned about the potential impact that looming tax increases and reduced government spending would have on the US, and in turn the global economy. Questions as to whether China's protracted slowdown has indeed run its course will also have an influence on prices, as will ongoing tensions in the Middle East and potentially the outcome of the US election.

As we enter the winter months, weather will influence future wholesale gas prices. The US-based Weather Services International has forecast that temperatures in the UK will be below average in November. Colder weather coupled with supply issues has the potential to increase wholesale prices as Britain is becoming increasingly dependent on imported gas from Norway and the Middle East to meet its winter gas demand."

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

Oil: The oil element of the index was down 4%. In addition to weaker US equity indices and concerns over the prospects for global economic growth, further announcements from OPEC that oil supplies were comfortable, and soundings from the IEA that only a serious supply disruption would merit any release of strategic oil stocks, put downward pressure on oil prices.

Natural Gas: The natural gas element of the index was up 6%. Gas supply anxieties supported prices during the first month of the gas winter 2012/13. The factors that raised trader anxiety included a number of mechanical failures which disrupted Norwegian supplies through the vital Langeled pipeline and the arrival of only three LNG cargoes to the UK in October, compared to 11 in October 2011. With fewer LNG cargoes arriving in Britain, LNG flows from UK terminals were at a 43 month low in October as these terminals preserve stock for the winter ahead. This lack of flow, combined with issues with Norwegian gas deliveries, deprived the UK wholesale market of near-term supply. Colder weather and rising demand also supported prices.

Coal: The coal element of the index was down 5%. This is the third successive monthly fall in coal prices. In Europe, the coal market remains subdued due to ample supplies from Colombia, which is one of the world's top five thermal coal exporters. European prices are also responding to weakening global coal prices.

Globally, coal demand continued to weaken due mainly to developments in China. Chinese economic growth in the third quarter of this year was the slowest since early 2009. This slowing Chinese economic growth has reduced the demand for steel making and cement manufacturing which in turn has reduced demand for electricity. In China, electricity is produced mainly by burning coal.

Electricity: The electricity element of the Index was up 1%. Gas imported from the UK is a key component in the production of energy in Ireland. The 6% rise in the monthly average UK day-ahead price in October, contributed to higher wholesale electricity prices. As a result of the colder weather, peak demand is starting to slowly increase, which in turn puts additional pressure on wholesale prices.

ENDS

For further information please contact:
Aidan McLaughlin, Fleishman-Hillard: 085 749 0484

John Heffernan, Bord Gais Energy: 087 240 7566 / 0238895123