RENEWED ECONOMIC UNCERTAINTY AND INCREASED US OIL PRODUCTION IMPACTS WHOLSALE PRICES

- ENERY INDEX REMAINS UNCHANGED FOR FEBRUARY –

The Bord Gáis Energy Index was unchanged in February as hopes for a global economic recovery were impacted by a number of negative economic releases. Italy's rejection of austerity also reminded the markets that the path to recovery will be difficult and is still not assured. A reduction in geopolitical concerns also helped to ease the risk premium that has been applied to oil prices since Iran threatened to close the Strait of Hormuz 12 months ago.

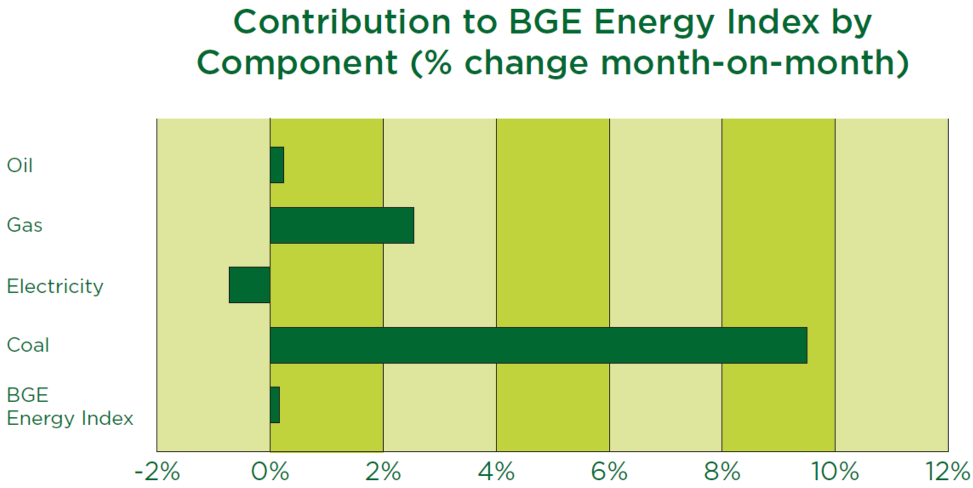
As a result, the Bord Gáis Energy Index now stands at 150, a decrease of 4% on February 2012.

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

"Since November, investor mood has been bullish and equities have rallied to all time highs. As financial investors now exert a considerable influence on oil prices, Brent crude oil has been caught up in the tide of optimism and rose from US$110 in November to US$118 by mid February. Shifting market sentiment was demonstrated by the reaction to contrasting economic news from China. Early in the month, oil prices reached a yearly high as China released trade data, suggesting that oil demand for 2013 would be stronger. However, by the end of the month, concerns about the Chinese economy and China's manufacturing sector revealed that it was operating barely above contraction levels and prices fell.

"UK gas prices will continue to be exposed to a limited range of supply in the face of rising demand, which will be influenced in the short term by the weather. A significant number of upcoming coal plant closures in the UK are likely to increase demand for gas in the UK as plants that produce electricity by burning gas will have to fill the gap.

"A key factor that could impact oil prices in the months ahead is the growing shale oil revolution in the US. Evidence of its evolution appeared during the month as US oil output hit a 20 year high and its net petroleum imports fell for the first time in over 20 years. Domestic US oil output is now 22% higher than a year ago. With the US relying less on imports, particularly from Nigeria, prices are easing in the global oil market. Coupled with rising supplies, demand by the world's number one consumer of oil hit the lowest level in 2012 since 1996. Adding to the current picture of booming supplies it also emerged that exports from OPEC surged in February on the back of higher exports from Iraq and Saudi Arabia."



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

Oil: In euro terms, the Brent crude price remained unchanged in February but in US Dollar terms, prices fell nearly 4% as the confidence seen at start of the year proved somewhat fleeting and began to wane. As the euro fell 4% versus the US Dollar, euro zone buyers did not benefit from the US Dollar fall in Brent crude oil.

In the month, oil prices in US Dollar terms fell under the combined weight of expanding supplies, easing geopolitical pressures and question marks over the globe's appetite for oil in 2013. On the demand front, the prospects of oil took a dent in February as optimism about the global economy faded, being led by Italy's rejection of austerity and reform. Other factors included the release of a number of economic statistics revealing that the euro zone manufacturing and service sectors are contracting; that the German economy shrank in Quarter 4 2012; and that China's manufacturing is expanding at its slowest pace in four months.

Natural Gas: The natural gas element of the index rose 3% as the cold weather heavily depleted storage levels at the UK's main gas store, Rough. There are now growing concerns about the loss of LNG gas supplies to the UK over the last 12 months. In 2011, the UK received nearly 25billion cubic meters of gas in the form of LNG. In 2012, this was reduced to 13billion cubic meters, a fall of nearly 50%.

As LNG supplies dry up, limited storage is being eroded quickly and piped gas from Norway and the Continent has to fill the gap. In early March, the thin and fragile nature of the UK's current gas supply situation was exposed when an unplanned outage in the North Sea cut Norwegian gas supplies to the UK and prices spiked to over £1 a therm.

Coal: The coal element of the index was up 9%. European coal prices rose due to the loss of Colombian coal imports to the continent. Colombia is the leading steam coal exporter to Atlantic markets followed by Russia and the United States. On 7th February workers at Colombia's largest coal producer went on strike for the first time since 1990 and during the month negotiations to resolve the wage dispute broke down. This strike so far has meant that Europe has lost 3million mt of Colombian coal and the market has moved from being long to being balanced.

Despite this month's price rise, the structural tone in the global coal market is bearish. With China's coal production growing at the same time as infrastructural improvements and falling delivery costs, coal stocks are close to capacity and domestic prices have fallen to a four year low. However, production targets for China's energy intensive steel, cement and infrastructural sectors will be released in March following the National People's Congress in Beijing and this could spur international coal demand.

Electricity: The electricity element of the Index was down 1% despite rising wholesale gas and coal prices. Similar to January, over 65% of the electricity generated in Ireland came from burning gas and coal. Despite rising commodity prices, wholesale electricity prices in Ireland fell as more efficient gas plants were running. European carbon prices closed at an all time low on 31st January 2013, which also put downwards pressure on wholesale electricity prices. Gas and coal plants are required to pay for the carbon they emit, and therefore weaker carbon prices reduce the cost of producing electricity.

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