

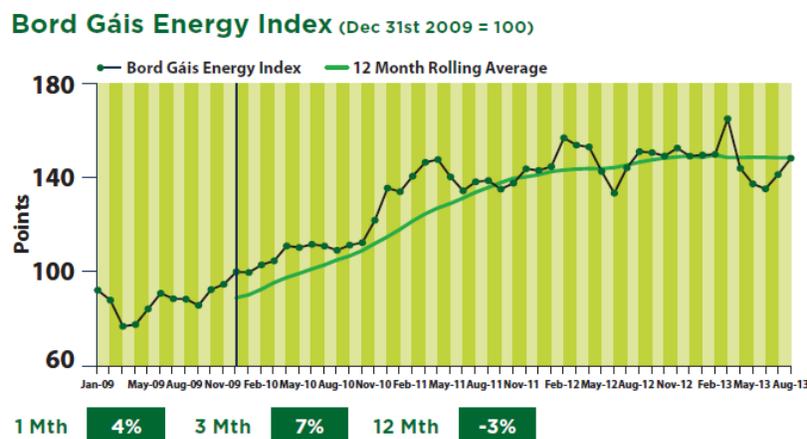
## CONCERNS ABOUT OIL SUPPLY PUSH BORD GÁIS ENERGY INDEX UP FOR SECOND CONSECUTIVE MONTH

### Energy Index up 4% in August as oil and gas prices increase

**Sunday 8<sup>th</sup> September 2013:** The Bord Gáis Energy Index rose 4% in August as oil supply concerns increased Brent Crude Oil prices. These concerns arose as a result of falling oil production in Libya and Iraq but were heightened by events in Syria and the potential of a military intervention. Although Syria is not an oil supplier, traders anticipated that the civil war could escalate into a regional conflict that could disrupt oil supplies. This pushed the Brent Crude oil price to a six month high.

Natural gas prices for the month increased by 2% due to a series of planned maintenance outages in the UK. The depreciation of the euro versus sterling also led to an increase in prices for euro zone buyers of UK gas.

As a result the Energy Index now stands at 147, a 7% increase compared to May of this year.



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

*“Oil markets were bullish in August with the increasing likelihood of an international military intervention in the conflict in Syria. Syria has not been an oil supplier since 2011 but the market fear that the situation could evolve into a regional conflict involving some of the world’s major oil producers influenced oil prices. The price spike experienced has been supported by significant supply shortfalls in both Libya and Iraq and the ongoing potential threat to oil supplies through Egypt. Although Saudi Arabia has increased production, this has come at the expense of the world’s spare capacity. Recent history has shown that oil prices can spike when this cushion becomes too thin. As markets digest and adjust to actual supply disruptions, particularly from Libya, they will react significantly if OPEC supplies are reduced further.”*

## **Oil (+6%)**

Month-on-month the front month Brent crude price rose 6% in euro terms as events in Syria and Egypt threatened global oil supplies. At the same time, falling production in Libya and Iraq has meant that the world oil market has tightened. At one point the Brent crude price surged to a six-month high when it traded at over US\$117 a barrel.

This upward price momentum was supported by a series of better than expected economic releases during the month, as Western economies show tentative signs of recovery. This in turn added to the upward momentum in oil prices.

Beyond supply disruptions, there is a growing expectation that the US Federal Bank will start to cut back on quantitative easing in the months ahead. This has the potential to add further pressure to emerging economies that have slowed dramatically this year. As emerging economies have been responsible for the growth in oil demand, stuttering growth coupled with growing non-OPEC oil supplies could, in the absence of supply disruptions, push oil prices lower.

## **Natural Gas (+2%)**

The average Day-ahead gas price for August was 2% higher month-on-month. A weaker euro versus the British Pound meant that the slight month-on-month fall in the average Day-ahead gas price was not replicated in euro terms. However, at 64.72p a therm, the average Day-ahead gas price for August 2013 is high when compared to previous years.

With many planned maintenance outages expected in August, traders were anxious that reduced gas supplies during the month could push prices higher if the market struggled to meet demand. However, these fears failed to materialise, but a relatively well supplied gas market over the month was not enough to apply any substantial downward pressure on prices.

The winter 13/14 gas price softened during August as total UK gas storage levels reached close to 90%. Rising stock levels in the UK but also in Germany and France helped to alleviate traders' concern about gas supplies ahead of winter. However, Asian LNG demand is expected to remain strong as Japan struggles with the ongoing closure of its nuclear plants and South Korea deals with the loss of six of its nuclear reactors.

## **Coal (no change)**

In euro terms, coal was unchanged month-on-month as the European market appears to have grappled with an abundance of coal. This has eliminated any upward price effect of a miners' strike in Colombia.

## **Electricity (+1%)**

Modest upward pressure on the wholesale electricity price in August occurred throughout the month. As the wholesale electricity price is highly correlated to the Day-ahead price of wholesale gas in the UK, the 2% rise recorded in August applied some upward pressure. Maintenance and outages also

contributed to higher wholesale prices as more expensive producers of electricity were called upon to replace lost volume.

**ENDS**

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