Bord Gáis Energy Index: Embargoed until 00:01, 8th October 2012

BORD GÁIS ENERGY INDEX INCREASES 12% IN LAST THREE MONTHS

Index Falls 1% in September due to a Slight Reduction in Oil Prices

Oil prices fell slightly in September on the back of efforts by global powers to address the recent record highs in oil prices. This resulted in a 1% decrease in the Bord Gáis Energy Index for September although the Index is up 12% in the last three months.

As a result, the Bord Gáis Energy Index now stands at 150, an increase of 11% on September 2011 following a year of rallying oil prices. Despite this month's slight fall in the price of Brent crude oil, the price has rallied $23 or 26% since June and remains at historic highs.

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

"A combination of factors led to a slight drop in oil prices in September. Firstly, rumours of a drawdown of US emergency oil stockpiles helped ease oil supply anxieties. Secondly, a rare statement from the G7 finance ministers calling on oil producing countries to increase their output in order to ease the ongoing pressure on oil prices appears to have been somewhat successful. In response, OPEC members signalled that a price of $100 for a barrel of oil was acceptable and that markets were well supplied to meet any extra oil demand. This reassurance appears to have had a calming effect on the markets and led to the slight reduction in oil prices.

Furthermore, lower oil prices will significantly help support fragile global economic growth. In September Central Banks in the US and Europe announced their intention to buy bonds and this is seen as an additional and complimentary policy move to stabilise and stimulate the economic situation.

However, despite these co-ordinated efforts, the price of oil continues to be under pressure due to various geopolitical developments, particularly in relation to the Middle East and the ongoing concerns about Iran's nuclear programme. Additionally, a potential maritime dispute between China and Japan in the East China Sea and the collapse of the Iranian rial and shelling of a Turkish town by the Syrian government makes the outlook for oil prices very uncertain.

Anxieties over oil supplies have plagued the market all year but eased in September. Production is expected to increase in the short term from the North Sea and the Gulf of Mexico and the medium term from South Sudan, United Arab Emirates (UAE), Iraq and Libya. This led to the International Energy Agency describing the market as "reasonably well supplied" contributing to an improvement in market sentiment in the month.

As future wholesale gas prices in the UK have a strong relationship with the price of oil, geopolitical developments over the coming months are as important to the UK and European gas markets as global oil markets. As we approach winter, weather and gas supplies to the UK will also heavily influence gas prices.

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

Oil: The oil element of the index was down 4%. Speculation that a drawdown of emergency oil stockpiles was imminent helped put downward pressure on prices. Other factors weighing on the market included a fall in Chinese oil demand, improved North Sea oil production, a strike aversion in the North Sea, the resumption of oil exports from South Sudan, and the resumption of oil production in the Gulf of Mexico after Hurricane Isaac**.**

Natural Gas: The natural gas element of the index was up 11%. Despite UK gas demand being significantly below seasonal norms (due to mild weather and significantly reduced demand from gas-fired generation) in euro terms the average UK Day-ahead gas price for September was 11% higher than in August. Despite the low demand for gas in the UK, the Day-ahead price escalated due to reduced gas supplies from Norway and market concerns over the availability of future supplies of Liquefied Natural Gas (LNG) cargoes from the Middle East due to maintenance outages in Qatar.

Coal: The coal element of the index was down 7%. After strikes in Colombia and Hurricane Isaac in the US, the global coal supply chain resumed in September and provided abundant supplies to the European market. Despite strong market signals to burn coal in Europe to generate electricity, constant supplies of coal ensured that stock piles were topped up and pressure remained on prices. A weakened US Dollar versus the euro, weakening oil prices and softer German wholesale electricity prices also weighed on coal.

Over the last 12 months, the growth in coal supplies from all major exports coupled with weak global economic growth has depressed prices by 24% in euro terms. This export growth has been lead by the US, with exports increasing 58% in the first half of 2012, due to the energy surplus it has built up with the rise of shale gas extraction.

Electricity: The electricity element of the Index was up 5%. UK Day-ahead and Within-day wholesale gas prices are the dominate factor determining Irish wholesale electricity prices as the majority of the electricity produced in Ireland is generated by burning imported gas from the UK. Therefore the 11% rise in the monthly average UK Day-ahead price in September compared to August contributed toward higher wholesale electricity prices in Ireland. Despite historically low gas demand in the UK, supply struggled to keep up in September due to maintenance outages at gas producers in Norway and Qatar.

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