

MEDIA RELEASE

Bord Gáis Energy Index fell 16% in November however remains 7% higher year-on-year

The Bord Gáis Energy Index fell 16% in November. The index, however, still remains 7% above the comparable period last year. Oil prices dropped 22% over the month, finally settling at \$58.71 a barrel, as supply concerns ahead of Iranian sanctions faded and non-OPEC supply continued to expand. Gas prices dropped 4% month on month but remain over 22% above the comparable period last year. Coal prices settled at \$88.40 a tonne in November, a drop of over 9% compared to last month and in line with last year, while Electricity prices decreased by 8%.

In November, the Bord Gáis Energy Index stood at 106 (-16%)

David Grainger, Energy Trader with Bord Gáis Energy said, 'Energy prices fell this month as oil prices, a key component of the Index, dropped 22% over the month. Key drivers of the drop in the oil price were reduced supply concerns, after watered down Iranian sanctions, and an increase in non-OPEC production whilst a continuing benign weather picture weighed on UK gas demand, as warmer temperatures kept gas demand in check.

Oil drops to \$58.71..

The oil price decline which began in October gained pace in November as Brent crude prices dropped 22% in euro terms, settling at \$58.71 a barrel. Ahead of the implementation of US sanctions on Iran, the US administration decided to hand out waivers to key buyers. The waivers are likely to see continued exports of Iranian oil to key markets, particularly in Asia.

In recent months, non-OPEC production has continued to surprise to the upside, particularly out of North America. US shale production shows no sign of slowing as higher oil prices are met with increased drilling. In euro terms, the oil price is 3% below the comparable period last year.

In recent weeks, supply concerns have faded into the background and market attention has shifted to concerns around demand as the EIA forecast an oversupplied market in 2019. Global growth forecasts continue to weaken as trade tensions between the US and China continue to hang over the global economy. Any slowdown in global growth will impact oil demand, particularly in China which is a key growth market for oil.

...while gas traded 4% lower..

Prices continued to retreat in November from the multi-year highs hit at the end of the third quarter. The day-ahead contract, the price for gas delivered tomorrow, averaged 64.5p/th over the month, a 4% decline in euro terms from the previous month. Despite recent weakness gas prices remain over 22% above the comparable period last year.

A continuing benign weather picture has weighed on gas demand, while lower Asian demand has pushed LNG cargoes into the European market as the long-predicted LNG wave appears to have finally arrived, for now!

The European market, given its liquid hubs and underutilised LNG capacity, is the natural sink for global LNG surplus. The key risk going forward is this LNG turns tail and heads east if demand in Asia picks up due to colder weather or some other unexpected supply/demand shock.

... coal drops 9%...

Coal prices settled at \$88.40 a tonne in November a drop of over 9% compared to last month and in line with the comparable period last year.

European coal prices were pressured by high stock levels, lower gas prices and milder temperatures forecast for the winter period. Import quotas in China and low seasonal demand in India, the two key demand centres in Asia, also kept global sentiment weak.

Chinese import policy uncertainty has reduced buying interest for December cargoes, this has had a further dampening impact on prices; with authorities imposing stricter import controls on seaborne thermal coal, stopping all imports with immediate effect for the rest of the year.

... with electricity falling 8% in price from October...

Wholesale electricity costs, inclusive of forecasted capacity payments, decreased by 8% over the month. Wholesale electricity prices typically track the cost of imported gas as it is the most significant cost in the production of electricity. However, this can vary on a month-to-month basis.

The average portion of demand met by wind in November was 42%.

... and the euro gaining against the dollar and the pound.

The euro made marginal gains against sterling and the US dollar in November. The euro settled at \$1.1315 versus the greenback and at 0.8872 versus the pound, a consistently small increase of 0.08% against both.

Politics was to the fore throughout November as escalating trade tensions between the US and China dampened global growth expectations. The market will monitor developments in the coming weeks for signs that a more permanent resolution is forthcoming. We can expect increased volatility in sterling as we pivot between the Brexit deal, no deal, second referendum or even general election alternatives over the coming weeks and possibly months.

For more information, see the full Energy Index at bordgaisenergy.ie/energyindex/.

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About Bord Gáis Energy

Bord Gáis Energy is an energy and services supplier in the Republic of Ireland. The company has been in operation since 1976 and currently supplies energy and services to over 730,000 business and residential customers. In 2014, Bord Gáis Energy became part of the global Centrica plc Group.