

PRESS RELEASE

Bord Gáis Energy Index rises for first time in 2017, up 12% year-on-year

Index up 6% in July, as rises recorded in oil, gas, coal, and electricity

14th August 2017

July's Bord Gáis Energy Index saw significant growth across the energy complex, as oil, gas, coal and electricity all posted gains. Oil prices were the stand-out performer in July, posting a 10% gain in dollar terms and 6% in euro on the back of lower US production, depleting US inventories and a weakening dollar. Prompt gas prices closed the month 1% higher in euro terms, while coal and electricity increased by 2% and 8% respectively. The Index was close to 12% higher last month than in July 2016.

In July, the Bord Gáis Energy Index stood at 85 (+6%).

The increases were mitigated somewhat, in euro terms, by an impressive appreciation in the euro against sterling and the dollar.

Commenting on the latest Index, **Darragh Crowley, Energy Trader with Bord Gáis Energy, said:** *"It is interesting to see the Index rise for the first time this year, as well as seeing oil make its first monthly gain in the same period. Even more interestingly, these gains were offset in Europe by a strengthening euro - implying that the fluctuating currency markets are having an increasing influence on global and European energy prices."*

"The strong oil price recovery in July, which leads the market for global energy, may provide US producers with an opportunity to lock in selling prices for future production - meaning we could well see US production pick up again in the coming weeks. In addition, the market will be watching OPEC production carefully for any signs that the adherence to production cuts is starting to slide."

Oil rises 10% to more than \$50 a barrel...

July brought oil's first monthly gain this year, as prices pushed strongly above \$50 a barrel. The Brent crude benchmark settled at \$52.65 at the end of July - a jump of almost five dollars or 10% - on June's closing price of \$47.92 a barrel. The recent strength in the euro, however, helped mitigate some of this rise, with the Brent crude benchmark increasing by around 6% in euro terms.

Sentiment shifted sharply in July as reduced US production and lower US crude inventories helped reverse some of the bearish sentiment in the oil market. Energy Information Administration (EIA) data showed that US inventories, which had remained at historic highs despite OPEC production cuts, fell sharply over the month.

The oil price also found support from a weakening US dollar, which fell to a 14-month low against a basket of global currencies. As oil is traded in US dollars, a lower dollar can help stimulate oil demand as it reduces the cost of the commodity for users of other currencies.

...while Natural Gas rose slightly...

The NBP day-ahead contract, the price for gas delivered tomorrow, averaged 35.99 pence a therm (p/th) in July, an increase of 3% on the June average of 34.84p/th and 5% higher than the average of 34.2p/th for the comparable period last year.

Prompt prices during the month were supported by unscheduled outages in Norway, particularly an outage at Norwegian gas processing plant, Kollsnes which was declared offline until the 1st of October. The volume impact of this outage was initially 9.5 million cubic metres per day (mcm), but was later increased to 12.5mcm.

The UK continues to export significant gas to the continent, via the UK-Belgium interconnector, with an average volume of 59mcm in July, which is close to its full capacity of 60mcm. Exports are staying close to maximum capacity due to the requirement for strong injections into storage in key European countries.

...and Coal continued to reverse earlier falls...

Coal's recent strength continued during July, finishing the month 5% higher at \$83.25 a tonne, an increase of over four dollars, or 4%, on June's closing price of \$79. Again, Euro strength helped mitigate the increase, with coal increasing only 1.8% in euro terms. However, coal prices, which traded as low as \$44 in February 2016, have rallied by almost 90% in the past 18 months as Chinese authorities implement policies which support coal prices.

China, the world's largest consumer of coal, saw imports increase by 24% to 133 million tonnes in the first six months of this year as Beijing continues to curtail domestic output by restricting production and closing inefficient mines.

...but Electricity shows an 8% rise in July alone...

The average wholesale price of electricity was higher by 8% in July. Excluding supplier capacity payments, the average wholesale price in July was €39.93/MWh, up from €37.06/MWh in June. The month's average monthly clean spark of approximately €10.05/MWh, was up 29.35% from June's €7.77/MWh.

Irish 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 proportion of demand met by wind in July was 12.05%.

FX - Euro continues to strengthen...

Recent euro strength accelerated in July as the euro extended gains against both the dollar and the pound. The single currency climbed an impressive 3.5% versus the dollar to reach \$1.1811 and a further 2% against sterling to settle at £0.8954.

A combination of positive euro zone economic data, continued Brexit and economic uncertainty in the UK, and the unwinding of the “*Trumpflation*” trade pushed the euro to fresh highs in July.

The dollar came under renewed pressure in July as political chaos escalated in Washington, adding to uncertainty around the pace of future Federal Reserve tightening. Market hopes that the Trump administration would implement policies such as tax reform and infrastructure spending, which would help stimulate the US economy, are fading fast as the administration jumps from drama to drama. The administration’s failure to pass healthcare reform suggests that Trump’s legislative program may well be thwarted by gridlock in Congress.

For more information, see the full Energy Index at <https://www.bordgaisenergy.ie/energyindex/>.

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About Bord Gáis Energy

Bord Gáis Energy is a gas, electricity and energy services supplier in the Republic of Ireland. The company has been in operation since 1976 and currently supplies energy and services to over 680,000 business and residential customers. In 2014, Bord Gáis Energy became part of the global Centrica plc Group.

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