

**MEDIA RELEASE**

## **Bord Gáis Energy Index rose 6% in August and is 47% higher year-on-year**

The Bord Gáis Energy Index rose by 6% in August and is 47% higher than the same period last year. Oil prices ended the month 5% higher due to a fall in crude inventories and the resumption of US sanctions targeting Iran. Gas prices increased 8% month on month and 51% over the last year, as maintenance to key Norwegian fields and plants impacted flows into the UK. Strong demand from the Asian market drove coal prices up by nearly 4% compared to July, with prices 14% higher than last year. Electricity prices also increased by 8%.

In August, the Bord Gáis Energy Index stood at 127 (6+%).

*David Grainger, Energy Trader with Bord Gáis Energy said, "Prices have increased across all energy markets during August and remain well above the levels seen at this time last year. Disruption to Norwegian supplies and strong carbon prices in August have seen gas prices rise, with the threat of US sanctions against Iran pushing up the price of oil. As we enter the higher demand winter period, prices continue to push upwards and maintain significant year-on-year gains."*

### **Oil fluctuates before settling at \$77...**

Oil prices opened the month at \$73/bbl (price per barrel) before weakening to \$70/bbl mid-month and rallying to \$77/bbl by month end, up over 5% in Euro terms on the month.

Prices dropped at the start of the month, on reports by the American Petroleum Institute showing an increase in inventories of over five million barrels. Oil prices dropped close to \$70/bbl on 15 August, its lowest level in four months, on an unexpected increase in US crude inventories of 6.8 million barrels versus an expected drop of 2.5million barrels.

The decline in oil prices reversed later in the month as attention shifted to the looming Iran sanctions. Crude prices were further supported towards the end of the month following a fire at one of the UK's largest oil refineries and an unexpected drop in crude inventories.

### **...while the sustained rally in gas prices continued unabated in August...**

The NBP day-ahead contract, the price for gas delivered tomorrow, averaged 61.93p/th over the month. This is an 8% increase from the previous month and an increase of over 50% in euro terms on the comparable period last year.

August saw further supply disruptions, following reduced Russian flows in July, as maintenance to key Norwegian fields and plants reduced the flow of Norwegian gas into the UK and Europe. The continuing European storage deficit was another key factor supporting prices. Storage levels in North West Europe entered the summer with stock levels 6bcm below the previous year. Increased injection demand to close this deficit has

supported gas prices through the summer and is likely to continue to be supportive as the deficit remains over 3bcm.

Forward prices also put on impressive gains over the month as prompt strength, a continued rally in the broader energy complex and heightened market supply concerns ahead of the winter season all supported curve prices.

**... and coal rises 4% over July to sit 14% above last year...**

Coal prices settled at \$97.90 a tonne in August, an increase of nearly 4% in Euro terms over the month and over 14% higher compared to the same period last year.

Coal prices have been driven by strong Asian demand, with an increase in imports into China, India, Japan, Africa and the Middle East. Coal prices have also been supported by an overall increase in commodity prices, with higher oil and gas prices. Coal prices hit a high of \$98.20 mid-month and drifted lower towards the end of the month.

Prices have also been supported by rising freight rates, with bulk freight rates rising by 65% since the beginning of April – they are significantly above their five-year average, which has contributed to higher coal prices.

**... with electricity gaining 8% in price from July...**

Wholesale electricity costs, inclusive of forecasted capacity payments, increased 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 August was 20%.

**... and the euro gaining against the pound but losing to the dollar.**

It was a mixed month for the euro which gained value against the pound settling at .89474p, a gain of 0.34%, but lost value versus the dollar, settling at \$1.1595, a loss of .94% on the month.

Data in August pointed to improved economic growth in the second quarter and, crucially, core inflation remained subdued indicating the European Central Bank (ECB) is likely to keep accommodative interest rates in place through to the summer of 2019.

For more information, see the full Energy Index at [bordgaisenergy.ie/energyindex/](http://bordgaisenergy.ie/energyindex/).

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**About Bord Gáis Energy**



Bord Gáis Energy is a gas 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.