



Bord Gáis
Energy Index
Understanding energy

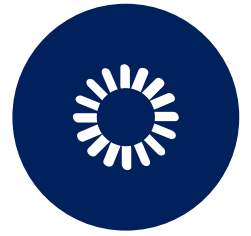
January 2020

BGE/EI/UE/0120

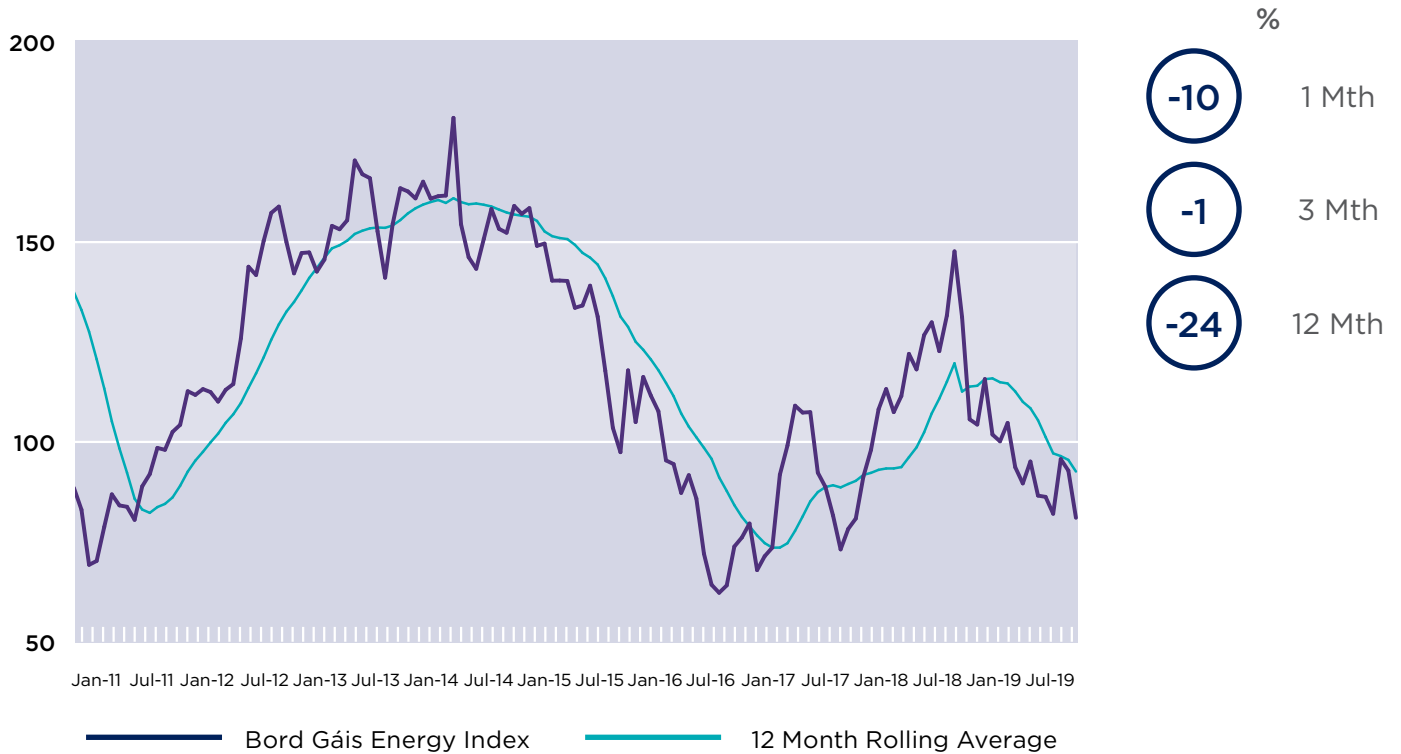


Bord Gáis Energy Index

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Bord Gáis Energy Index (Dec 31st 2009 = 100)



Summary

The Bord Gáis Energy Index was down 10% in January 2020.

All components of the index fell over the month as the coronavirus outbreak in China added to the already bearish sentiment in energy markets. Oil, the largest component of the Index, fell 11% on concerns that the growing threat from the virus could dampen global oil demand. Commodity prices are likely to remain under pressure until the potential impacts of the coronavirus, which originated in Wuhan China, is better understood. Gas prices also fell 11% on soft demand and robust supply. Among the other components of the Index, electricity was down 7.3%, while coal was down 4% on weak demand.

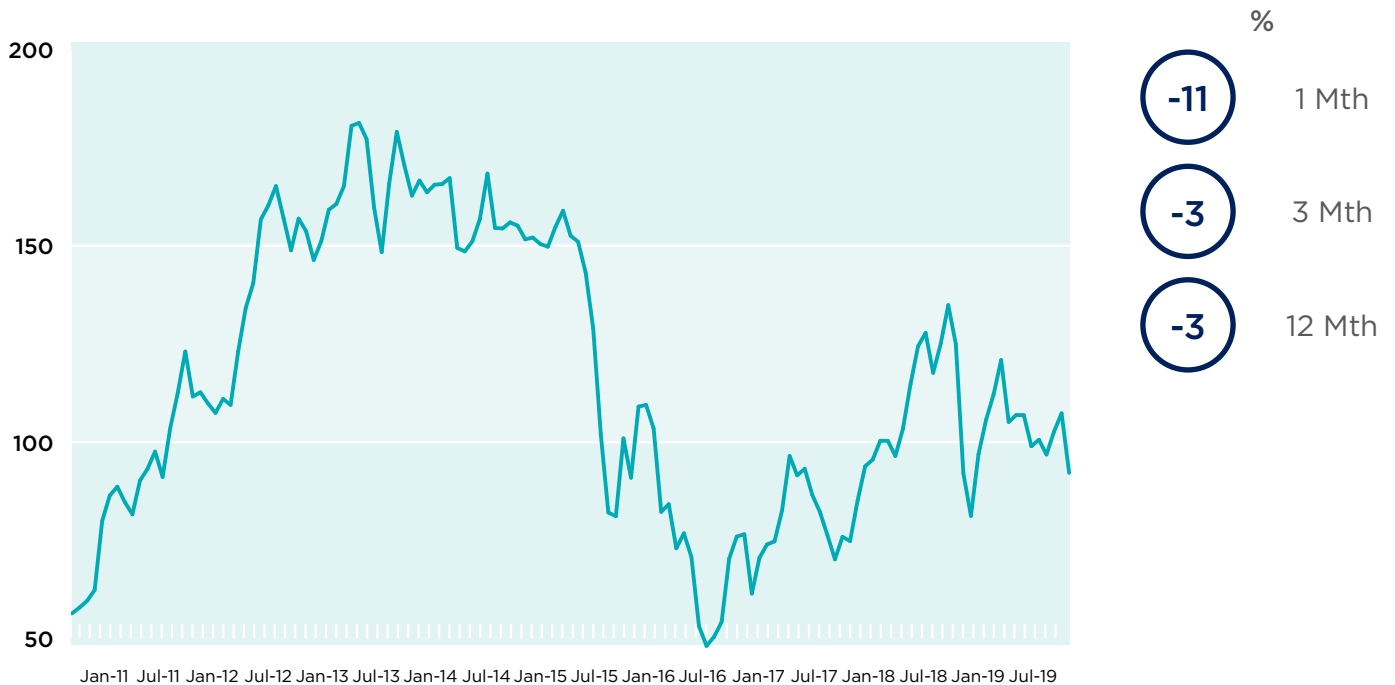
In January, the Bord Gáis Energy Index closed at 86.

Bord Gáis Energy Index

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Oil Index



Index adjusted for currency movements.

Data Source: ICE

Oil

It was a busy month for oil traders as tensions between the US and Iran spiralled following the US assassination of the high-profile Iranian commander Qassem Soleimani. Oil prices spiked to \$72 in the aftermath of the attack as the Iranian and Americans traded threats and counter threats. However, the Iran retaliation, when it came, was relatively muted and carefully planned to avoid US fatalities. The US responded, not militarily, but with sanctions marking a de-escalation in rhetoric and tensions. Oil prices retreated rapidly to pre-attack levels.

This retreat was exacerbated by news of the coronavirus in China. The virus which began in the Hubei province in China could further weaken global oil demand. BP have estimated that economic and travel restrictions imposed to restrict the spread of the virus could dampen oil demand by as much as 500k barrels.

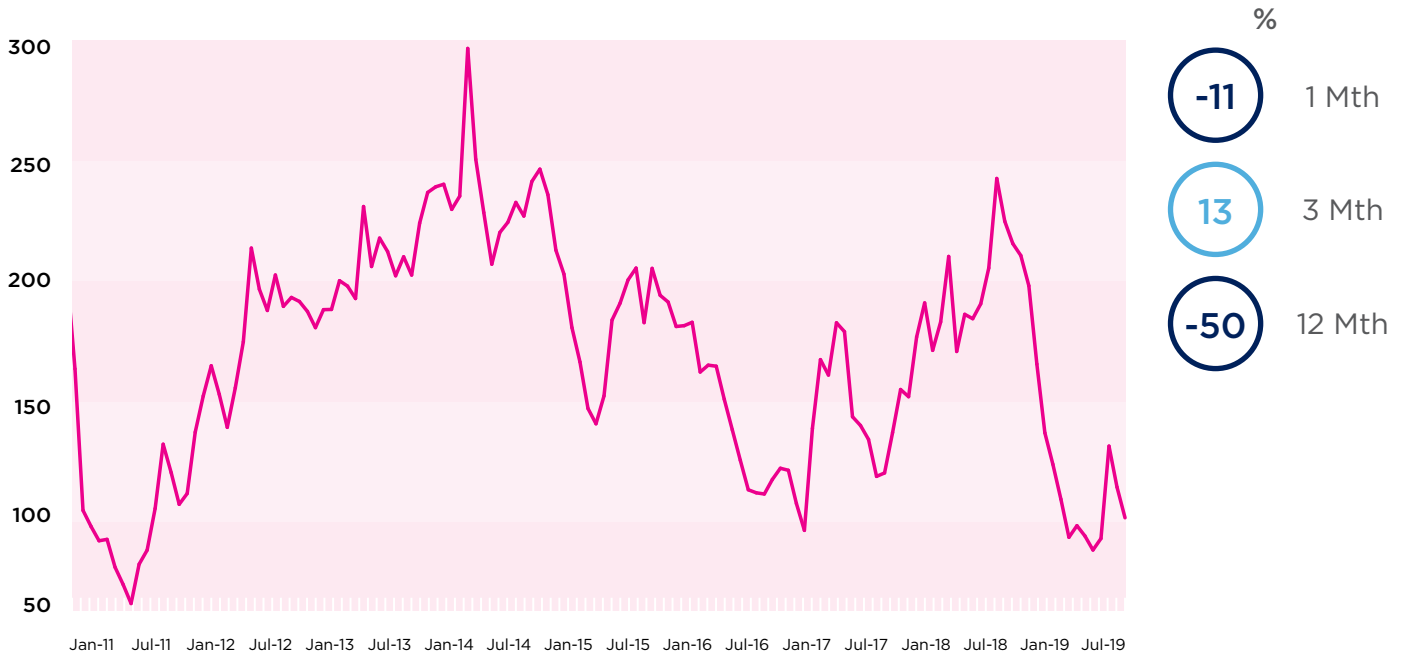
Oil prices closed the month at \$58.16 a barrel a drop of 11% in euro terms and the lowest monthly close in over a year.

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Natural Gas Index



Index adjusted for currency movements.

Data Source: Spectron Group

Natural Gas

The NBP day-ahead contract, the price of gas for next day delivery, settled another 4p lower at 28.42p/th, a decrease of over 11% in euro terms.

Continuing benign demand coupled with a robust supply picture meant the UK system was able to balance comfortably through January. The European market retains significant spare capacity as storage levels remain high and record volumes of LNG cargoes arrive into Europe as Asian demand continues to disappoint.

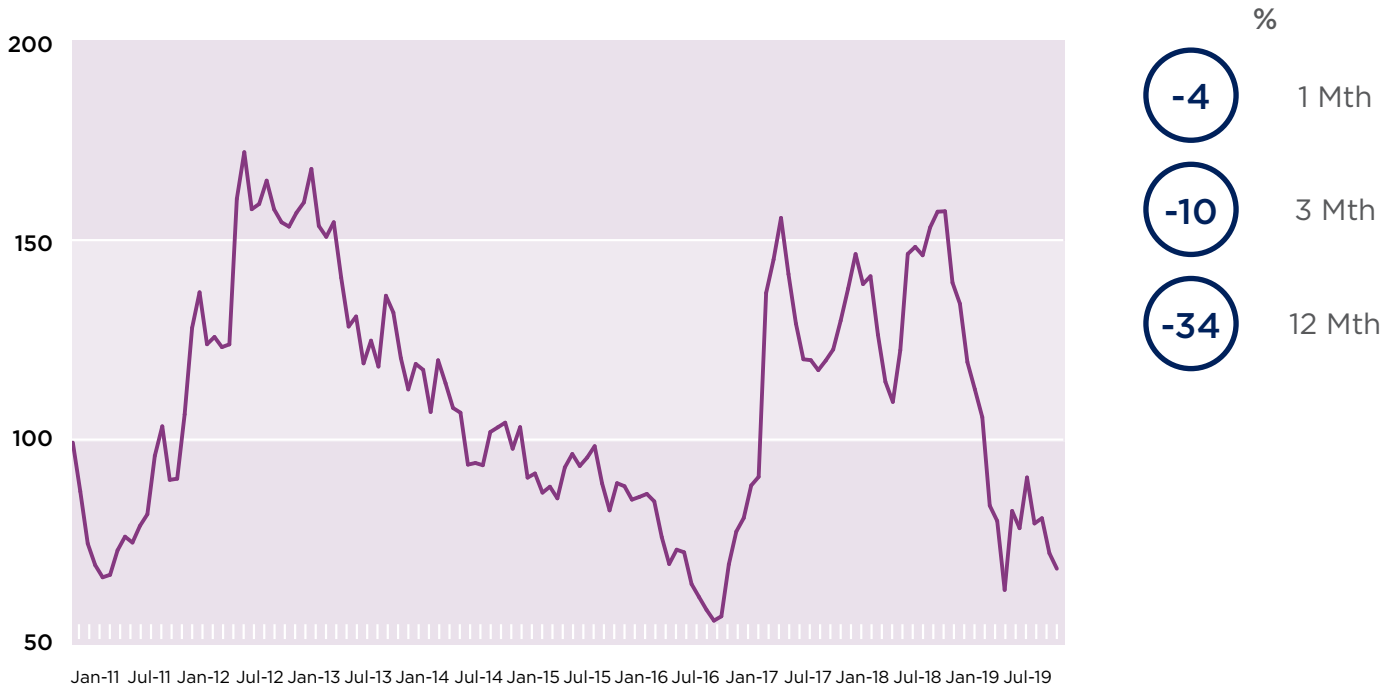
The bearish tone on the near end was replicated through the curve as markets took the view that the current supply glut could stay in place through the summer and beyond. The front month February contract gave up over 6p to settle at 25.34p/th, a drop of over 18% on the month. Further out the curve, the Summer 20 contract fell 4.36p/h to settle at 24.58p/th, while Winter 20 traded 7.6p/th lower to finish the month at 35.25p/th.

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Coal Index



Index adjusted for currency movements.

Data Source: ICE

Coal

Coal prices settled 4% lower in euro terms at \$50.35 a tonne in January as a mild winter and falling natural gas prices sees demand for coal continue to come under pressure. The milder temperatures have pushed coal demand lower while falling global gas prices intensify the competitive threat to coal in power generation.

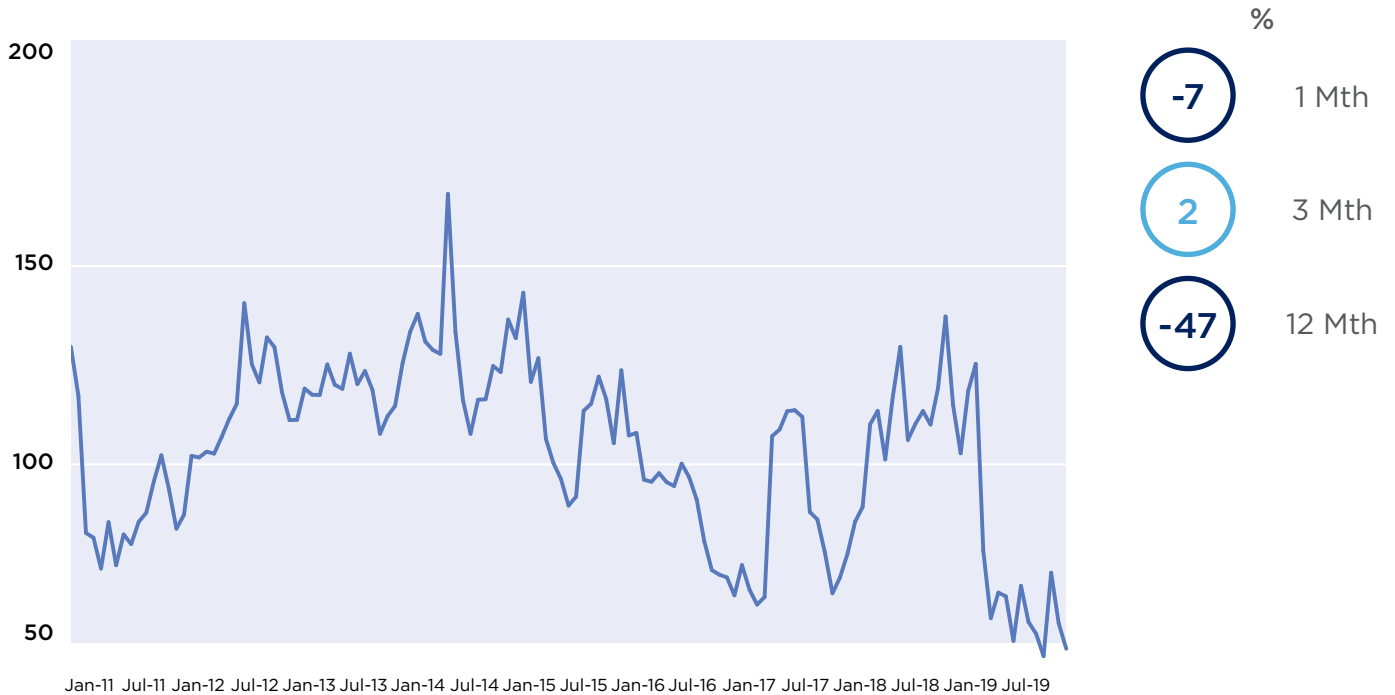
Adding fuel to an already bearish fire is the coronavirus which has claimed over 361 lives in China. Initial signs suggest that it is spreading more rapidly than the 2003 outbreak of Severe Acute Respiratory Syndrome (SARS). The prospect of highlighted restrictions on economic activity and travel is a further negative for coal demand in the world's key global market.

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Electricity Index



Data Source: SEMO

Electricity

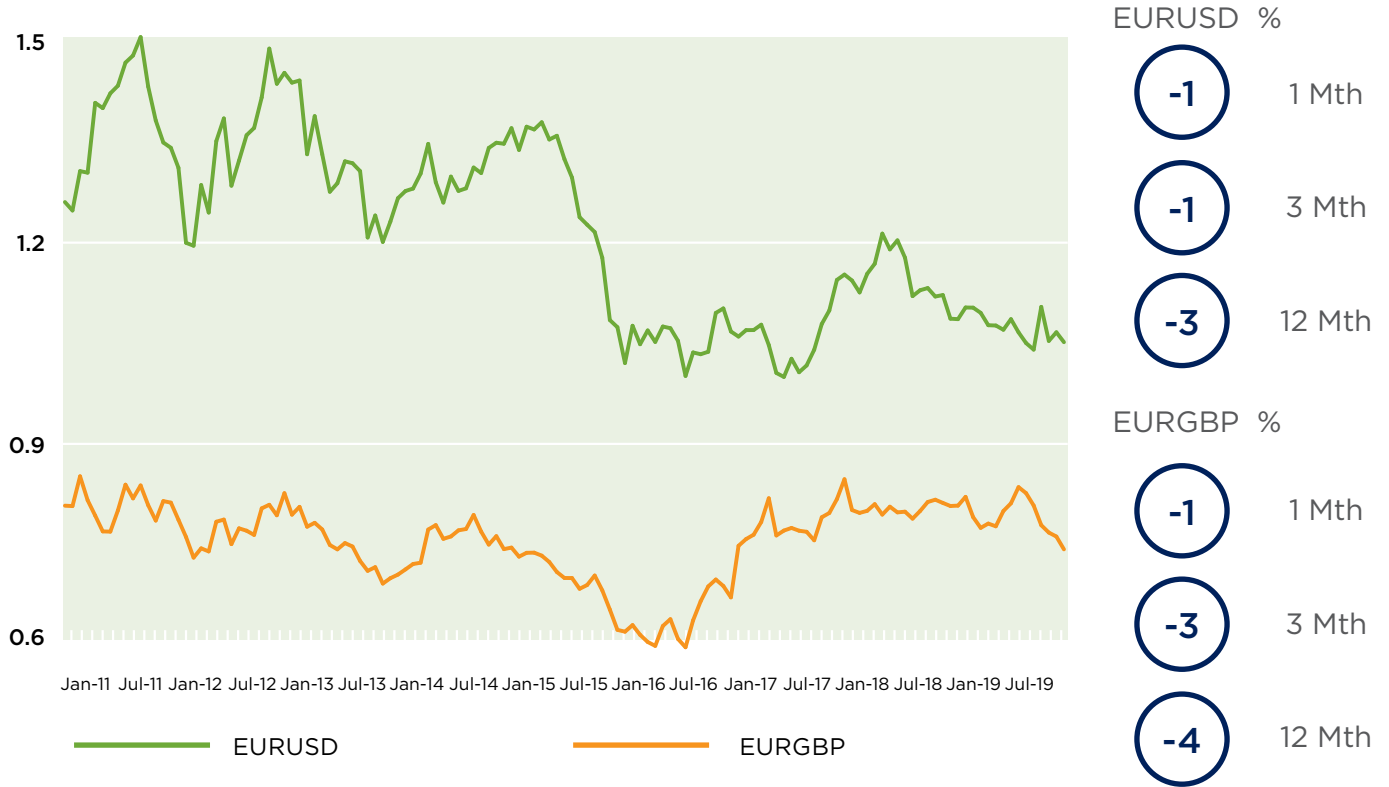
The average Day-Ahead price was down 7.3% going from €45.44/MWh in December to €42.14/MWh in January. Average hourly demand increased by 2.6% which was partially offset by a 5% increase in wind. Lower gas (-12.7%) and carbon (-3.6%) prices were the primary drivers behind the reduction in power prices.

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FX Rates



FX Rates

The euro lost ground against both the pound and the dollar in January, settling 1.3% lower versus the dollar at \$1.108 and .8% lower against the pound at £0.84.

Having dominated political discourse on these Islands for much of the past three and a half years, Brexit day came and went with little fanfare! The UK finally departed the European Union on the 31st January. The two parties must now direct their energies to the herculean task of negotiating a final trade deal before the transition period runs out at year end.

Economic performance in the single market continues to underwhelm as figures released in recent weeks show German December retail sales sharply lower while January French CPI and Euro zone fourth quarter GDP below estimates.

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