



Bord Gáis Energy Index

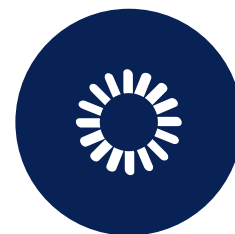
Understanding energy

November 2019

BGE/EI/UE/1119

Bord Gáis Energy Index

November 2019



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



Summary

The Bord Gáis Energy Index was 13% higher in November 2019.

Oil, the largest component of the index, gained 5% on hopes of an impending breakthrough in trade discussions between the Chinese and US. The ongoing trade uncertainty, between the world's two largest economies has weighed on global economic growth and consequently on global oil demand.

Among the other components of the index, prompt gas prices gained 47% as November saw the first significant drop in temperatures and gas prices bounced off the historic lows seen in October. Electricity prices increased 26% as lower wind, increased demand and higher gas prices combined to push prices higher. Coal prices were only marginally higher due to a softer euro.

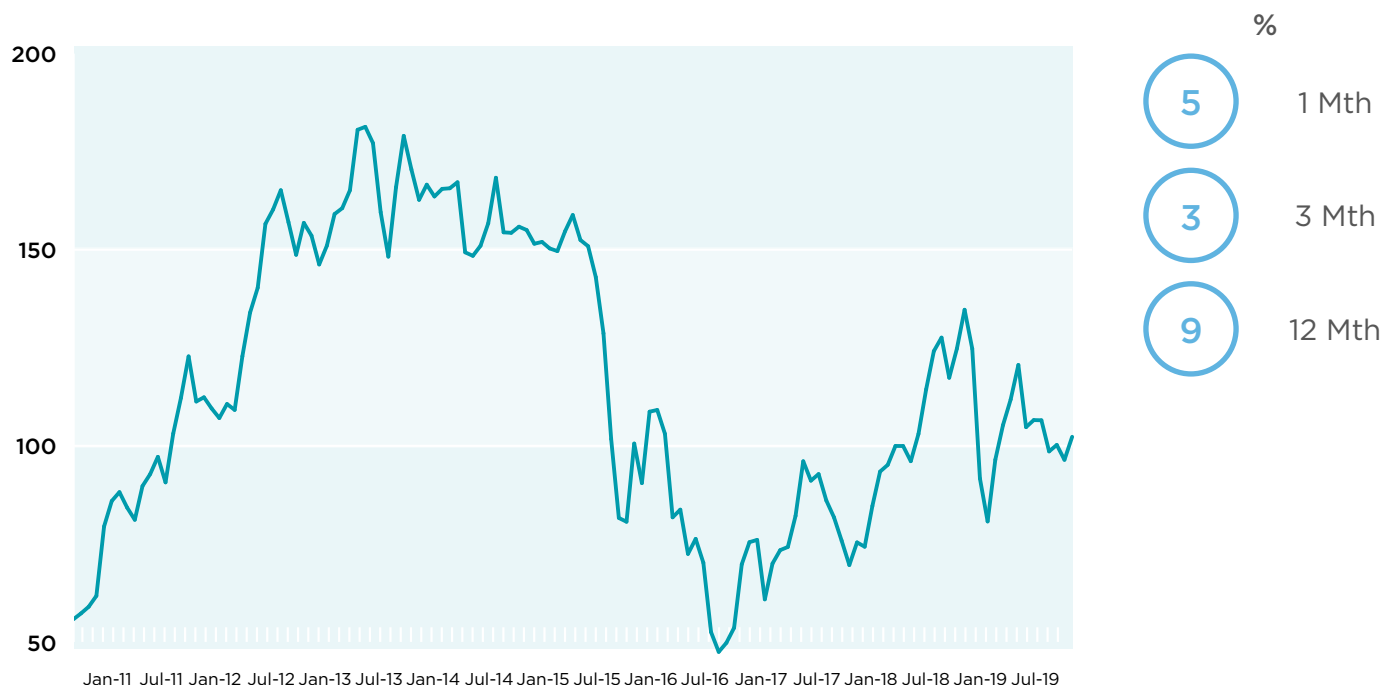
In November, the Bord Gáis Energy Index closed at 98.

Bord Gáis Energy Index

November 2019



Oil Index



Index adjusted for currency movements.

Data Source: ICE

Oil

Oil prices gained in November on reports of an impending breakthrough in trade discussions between the Chinese and US. The Brent crude benchmark contract settled at \$62.4 a barrel, an increase of almost 5% in euro terms.

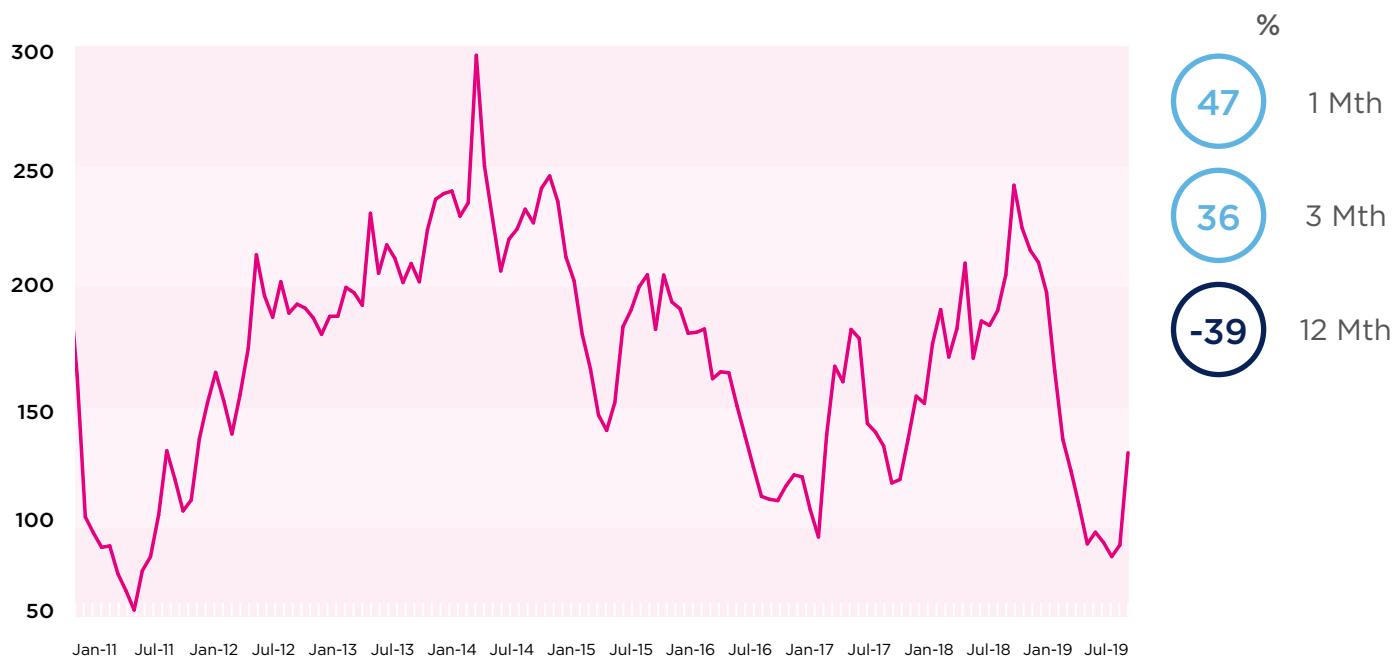
The ongoing trade uncertainty, between the world's two largest economies has weighed on global economic growth and consequently on global oil demand. In addition, there have been murmurings from OPEC that they are prepared to deliver further production cuts to support prices. Saudi Arabia, the largest producer in OPEC, appears keen to support oil prices ahead of the long-awaited Saudi Aramco Initial Public Offering that will see shares in the Saudi oil company trade on the stock exchange.

Bord Gáis Energy Index

November 2019



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 11.6p higher at 37.5p/th, an increase of over 47% in euro terms.

The month saw the first significant drop in temperatures with demand averaging 10% above the comparable period last year, hitting a high of 332mcm during the month. Healthy storage levels and robust LNG flows meant the system was able to balance comfortably despite this uptick in demand. Prompt prices, however, did respond to incentivise storage withdrawals across Europe.

Robust levels of LNG arriving into European markets remains the key factor weighing on market sentiment and prices as sluggish demand growth in Asia means that more LNG cargoes are bound for the more liquid European market. This means that gas markets across Europe are well supplied.

While prompt prices were strong, prices on the curve continued to weaken as the market remained focused on the strong fundamental picture. The front month December contract settled 1.8p/th lower at 40.8p/th, a drop of over 4% on the month. Further out the curve, the Summer 20 contract fell 1.6p/th to settle at 37.8p/th, while Winter 20 traded 1.8p/th lower to finish the month at 47.8p/th.

One key risk remains for European gas markets this winter which is the fact that Russia and the Ukraine have yet to agree on a gas transit arrangement for 2020. Failure to reach agreement could result in gas interruptions in January.

Bord Gáis Energy Index

November 2019



Coal Index



Index adjusted for currency movements.

Data Source: ICE

Coal

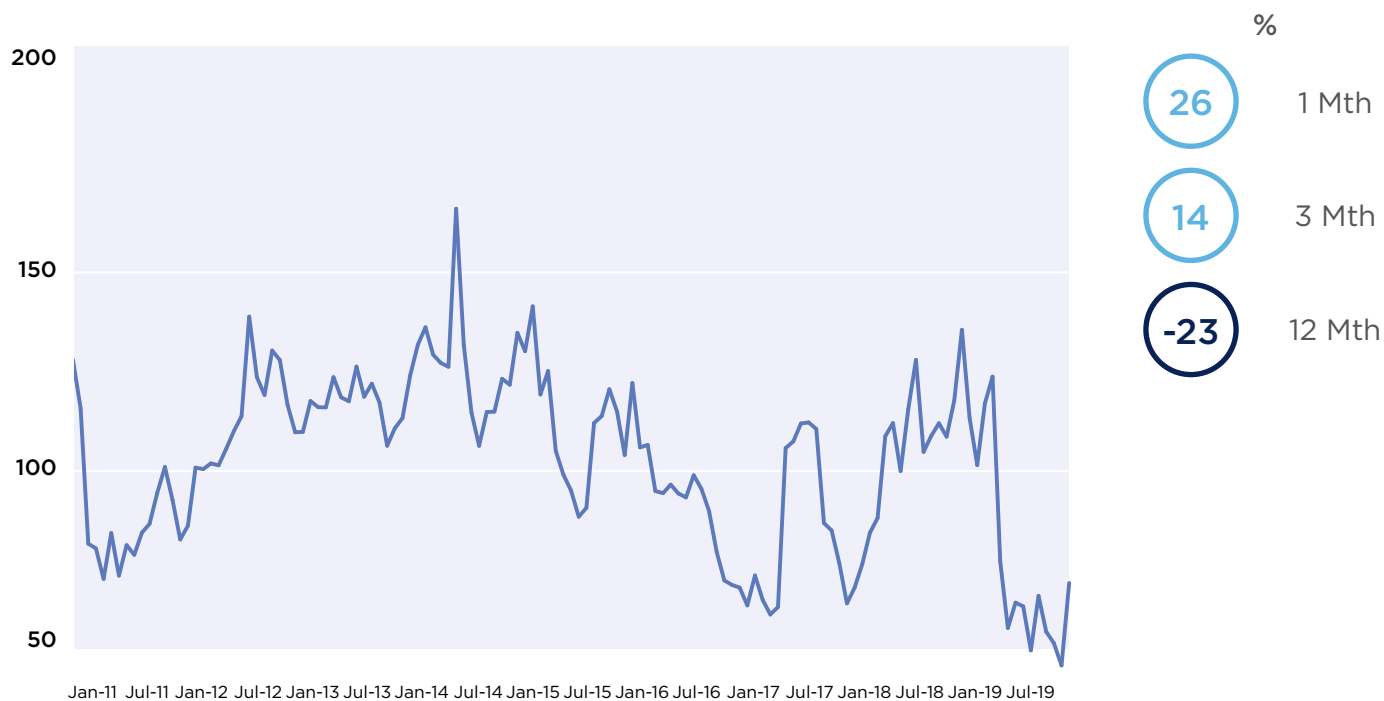
Coal prices settled 1.2% higher in euro terms at \$56.4 a tonne for November. The coal price itself was little changed over the month but a weakening Euro pushed coal prices up for European buyers. Coal prices continue to suffer from lower demand on the back of lower gas prices, higher carbon, growing renewables and a slowing global economy.

Bord Gáis Energy Index

November 2019



Electricity Index



Data Source: SEMO

Electricity

The average Day-Ahead price increased 26% to €51.99/MWh in November as reduced wind, increased demand and higher gas prices combined to push prices higher. Average hourly demand increased by 8.25% in line with shortening days and seasonal weather.

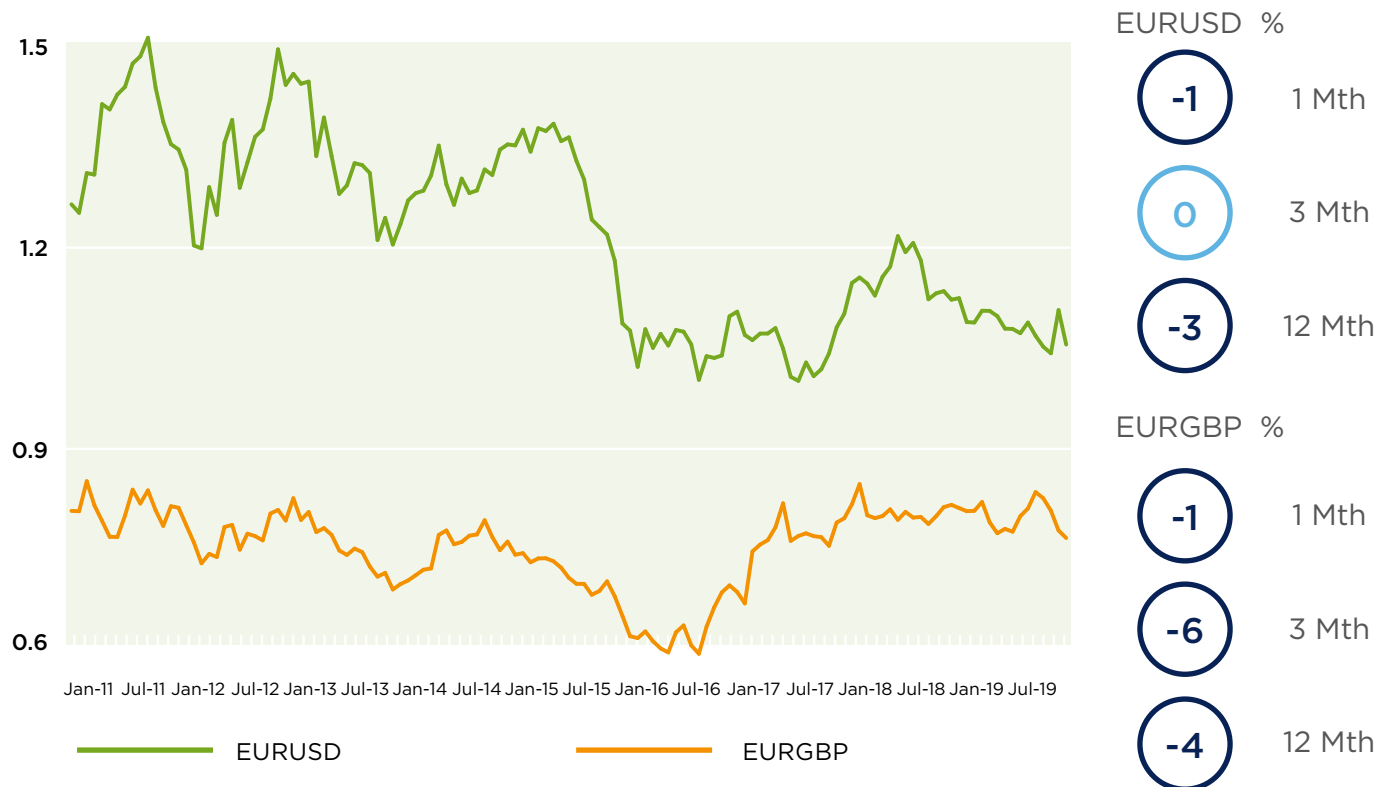
The average hourly wind output was down 7% to 1419MW (versus 1522MW in October) resulting in a decrease in the portion of demand met by wind to 31% from 36% the previous month.

Bord Gáis Energy Index

November 2019



FX Rates



FX Rates

The Euro fell in value versus the Pound and the Dollar in November settling 1.1% lower at £0.852 versus the pound and 1.2% lower at \$1.10 against the dollar.

The pound gained as polls indicate that the Conservative party look set to gain an overall majority in the forthcoming general election. Such an outcome would increase the chances that Boris Johnson would finally get a Brexit agreement through parliament.

The euro was also weaker versus other currencies as economic data continues to highlight the fragility of The European economy with euro zone inflation languishing at less than half the ECB's target of just below 2%.

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