



**Bord Gáis
Energy Index**
Understanding energy

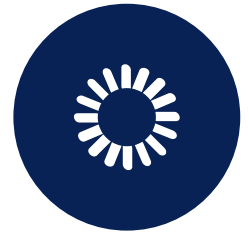
October 2019

BGE/EI/UE/1019



Bord Gáis Energy Index

October 2019



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



Summary

The Bord Gáis Energy Index was lower in October falling 4% over the month.

Oil, the largest component of the index, fell 3% as the outlook for oil demand continued to deteriorate in the face of a weakening global economy. Among the other components of the index, prompt gas prices gained 6% supported by a strong recovery in sterling, while electricity was 7% lower due to increased wind generation and coal prices fell 9% on weak demand.

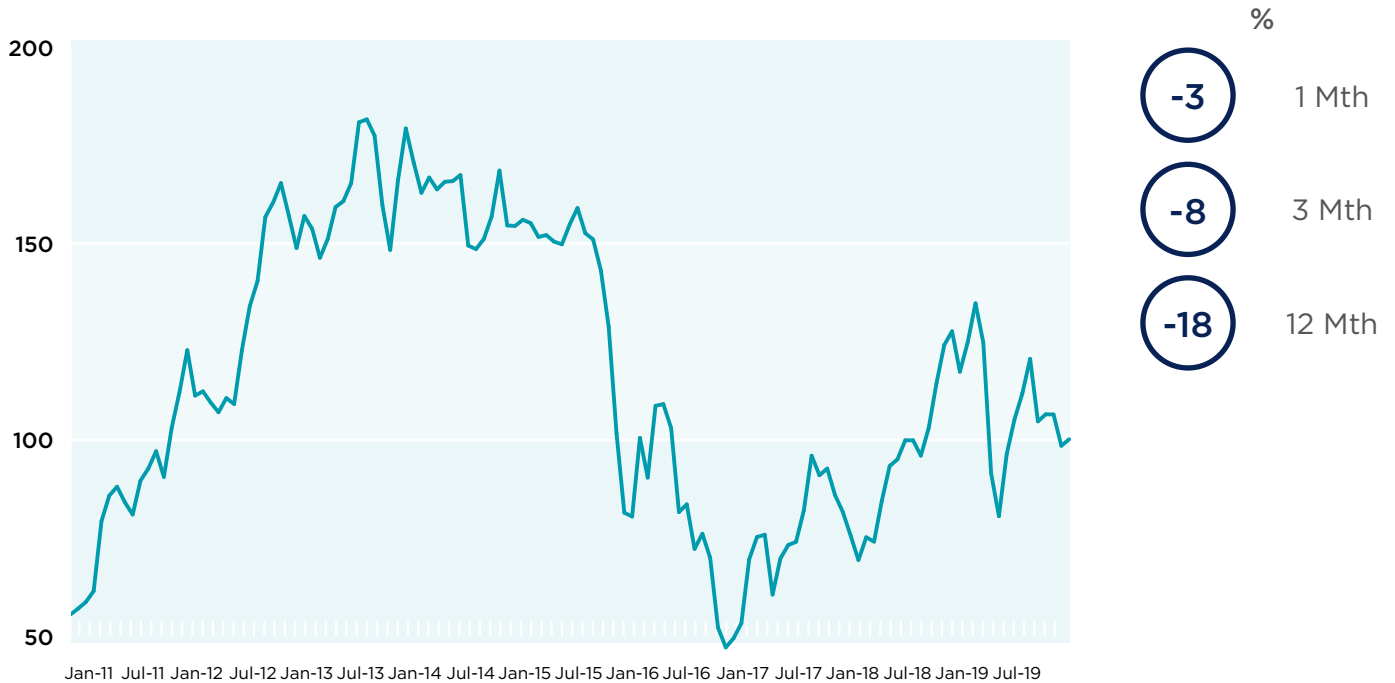
In October, the Bord Gáis Energy Index closed at 87.

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Oil Index



Index adjusted for currency movements.

Data Source: ICE

Oil

Oil prices traded lower in October as the demand outlook continued to soften. The Brent crude benchmark contract settled at \$60.2 a barrel, a decrease of almost 3% in euro terms.

Just six weeks after an attack on Saudi Arabia's oil infrastructure pushed oil prices over \$70, prices are struggling to hold onto \$60 a barrel. It would have been reasonable to expect that such an attack, attributed to Saudi regional rival Iran, would have driven prices aggressively higher. However, a deteriorating economic outlook, exacerbated by a trade war between the world's two largest economies, has seen oil demand forecasts revised lower.

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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 0.6p higher at 26.6p/th, an increase of over 6% in euro terms given the sharp increase in sterling as the risk of a no-deal Brexit receded. Despite the increase this month, prompt gas prices remain low as market fundamentals point to a well-supplied system.

As we move toward the colder winter months, gas prices across the globe remain under significant pressure as benign weather, weak Asian demand and increasing LNG capacity weigh on market sentiment.

European markets have benefitted from an influx of LNG as benign global demand and increased LNG production see surplus LNG cargoes head to Europe. At the end of October, we saw LNG flows into the UK system hit an all-time high of 116mcm.

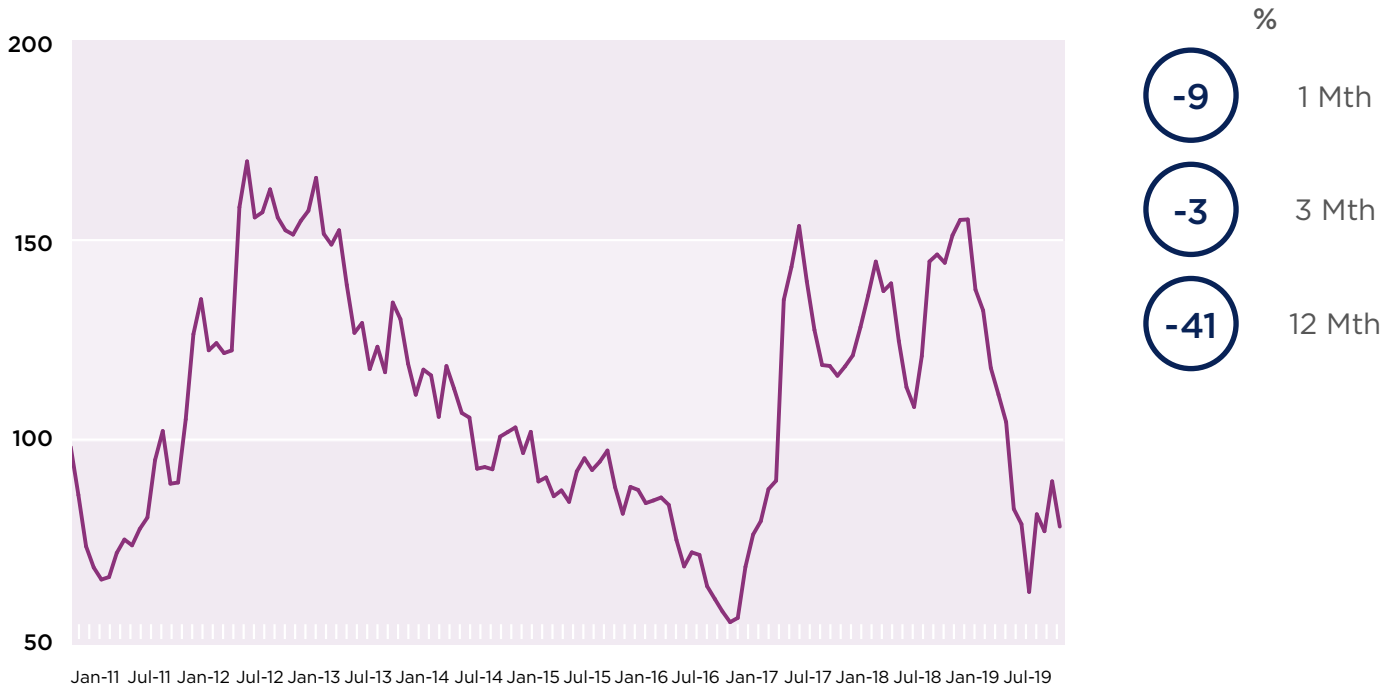
These strong fundamentals pushed through the curve with the front month November contract settling 7p/th lower at 36p/th, a drop of over 16% on the month. Further out the curve, the Summer 20 contract fell 5.4p/th to settle at 39.4p/th, while Winter 20 traded 4.3p/th lower to finish the month at 49.6p/th.

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Coal Index



Index adjusted for currency movements.

Data Source: ICE

Coal

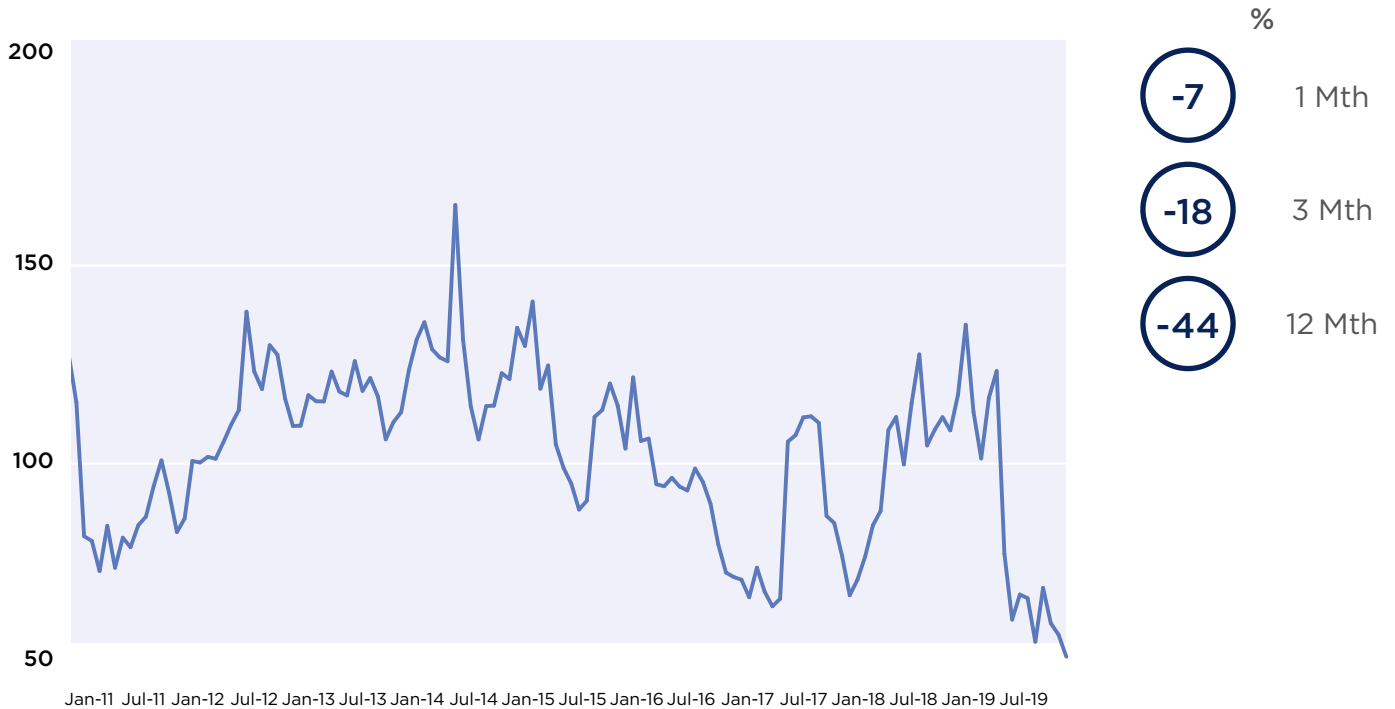
Coal prices settled a dollar lower at \$56.4 a tonne in October, a decrease of 9.4% in euro terms compared to the previous month. Coal prices have fallen over 36% in the past year as demand for the commodity has been hit by lower economic growth in China, the key market for global coal, and by cheaper gas and growing renewables.

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Electricity Index



Data Source: SEMO

Electricity

The average Day-Ahead price was down 7% from €44.10/MWh in September to €41.17/MWh in October. Average hourly demand increased by 7% as we move into the colder months, but increased wind resulted in lower day-ahead power prices.

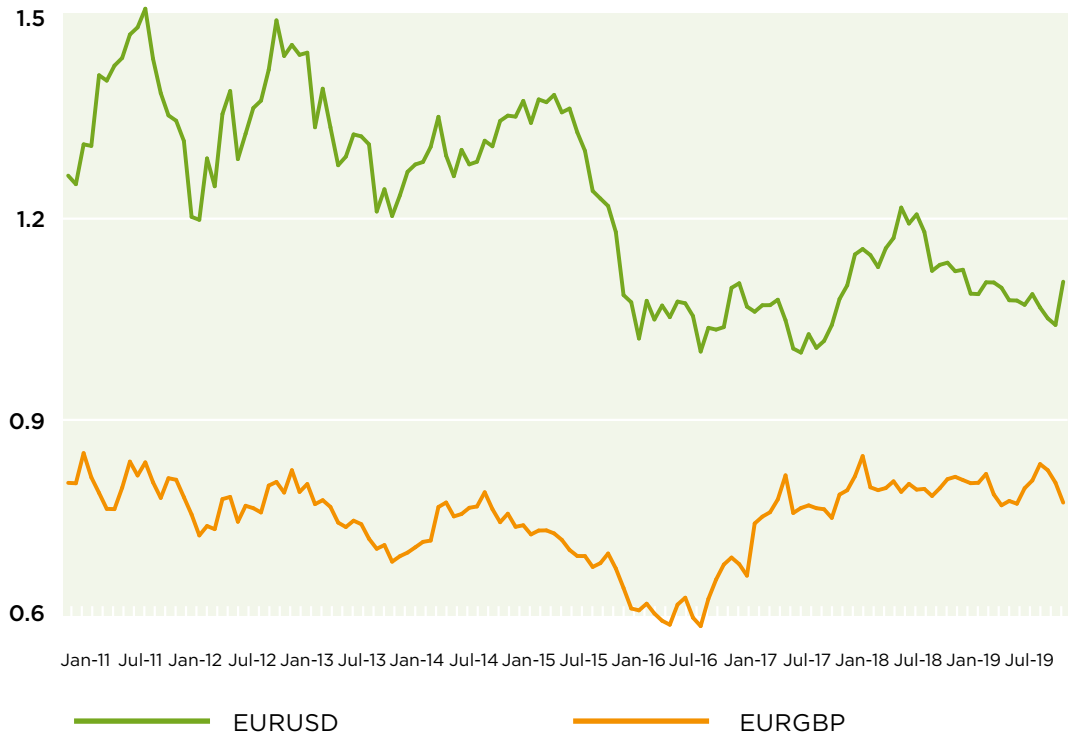
The average hourly wind output was up 20% to 1522MW (versus 1273MW in September) resulting in an increase in the portion of demand met by wind to 36% from 32% in September.

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FX Rates



EURUSD %

- 2 1 Mth
- 0 3 Mth
- 1 12 Mth

EURGBP %

- 3 1 Mth
- 5 3 Mth
- 3 12 Mth

FX Rates

It was mixed month for the Euro as it gained in value versus the Dollar but fell back against the Pound as the risk of a no-deal Brexit receded. The Euro settled 2.2% higher versus the Dollar at 1.115, while it fell 3% against the pound to close at £0.862.

The pound gained strong on news that the UK government and European Union had finally reached a withdrawal agreement. The UK Prime Minister, Boris Johnson, subsequently called a general election in an attempt to break the deadlock in the house of Commons and get a withdrawal agreement through parliament. Over the coming weeks, expect the pound to respond to polling data ahead of the December 12 election.

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