



Bord Gáis Energy Index

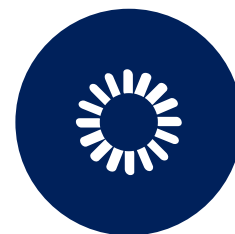
Understanding energy

February 2020

BGE/EI/UE/0220

Bord Gáis Energy Index

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



Summary

The Bord Gáis Energy Index was down 15% in February 2020.

All components of the index fell as the coronavirus (Covid-19) outbreak spread beyond China, threatening global growth and energy demand across the globe. Oil, the largest component of the index, fell 12% on concerns that the growing threat from the virus could dampen global demand. Gas prices were 21% lower on robust supply and the negative impact of Covid-19 on already weak demand.

Among the other components of the Index, electricity was down 22% on weaker gas and higher wind generation, while Chinese restrictions to deal with the virus put another dent in Asian coal demand pushing prices 4% lower.

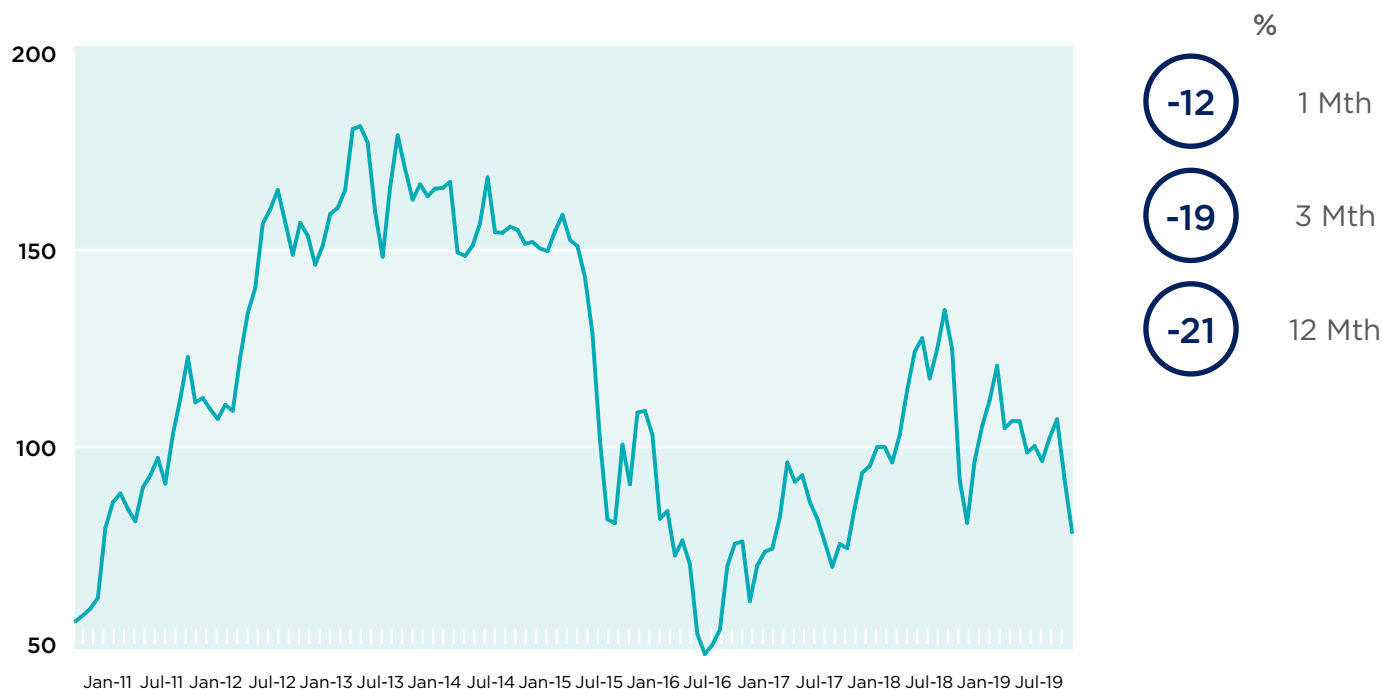
In January, the Bord Gáis Energy Index closed at 73.

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Oil Index



Oil

Oil prices have been under pressure for much of the past year due to trade disputes and escalating Middle East tensions. However, over the past month, the baton has been passed to a new threat to global oil demand, the coronavirus. The potentially deadly virus, which originated in the Hubei province in China in December, has continued to spread. The number of people infected by the virus has now reached almost 89,000 globally with over 3,045 deaths confirmed.

The majority of cases and deaths have been in the Hubei province in China, the epicentre of the outbreak. However, in recent weeks cases have been confirmed in countries across the globe, with clusters identified in South Korea, Italy and Iran.

The spread of the virus beyond China has heightened market concerns that restrictions in place to combat the virus will impact global growth and oil demand. Recent economic data and OECD growth forecasts suggest such fears may be well founded. The OECD have warned that coronavirus has the potential to halve global economic growth for 2020.

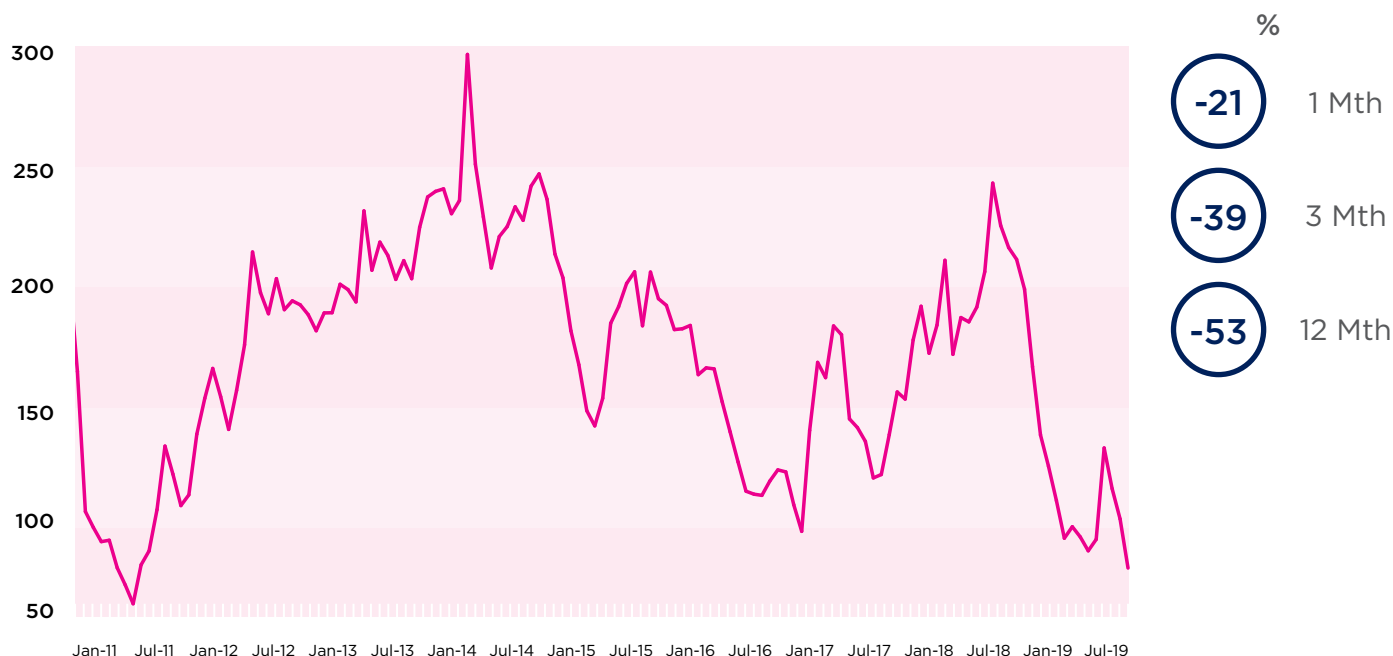
Oil prices closed the month at \$52.5 a barrel, a drop of 12% in euro terms, and the lowest monthly close in over two years.

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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 5p lower at 23p/th, a decrease of over 21% on the month in euro terms.

February, normally the highest demand month for gas in the year, saw prices settle at decade lows for this time of year as strong supplies and ample flexibility meant the UK system was able to balance comfortably. Benign demand, on the back of another mild winter across key markets, coupled with growing LNG capacity have pushed European and Asian prices toward the US (Henry Hub) price floor.

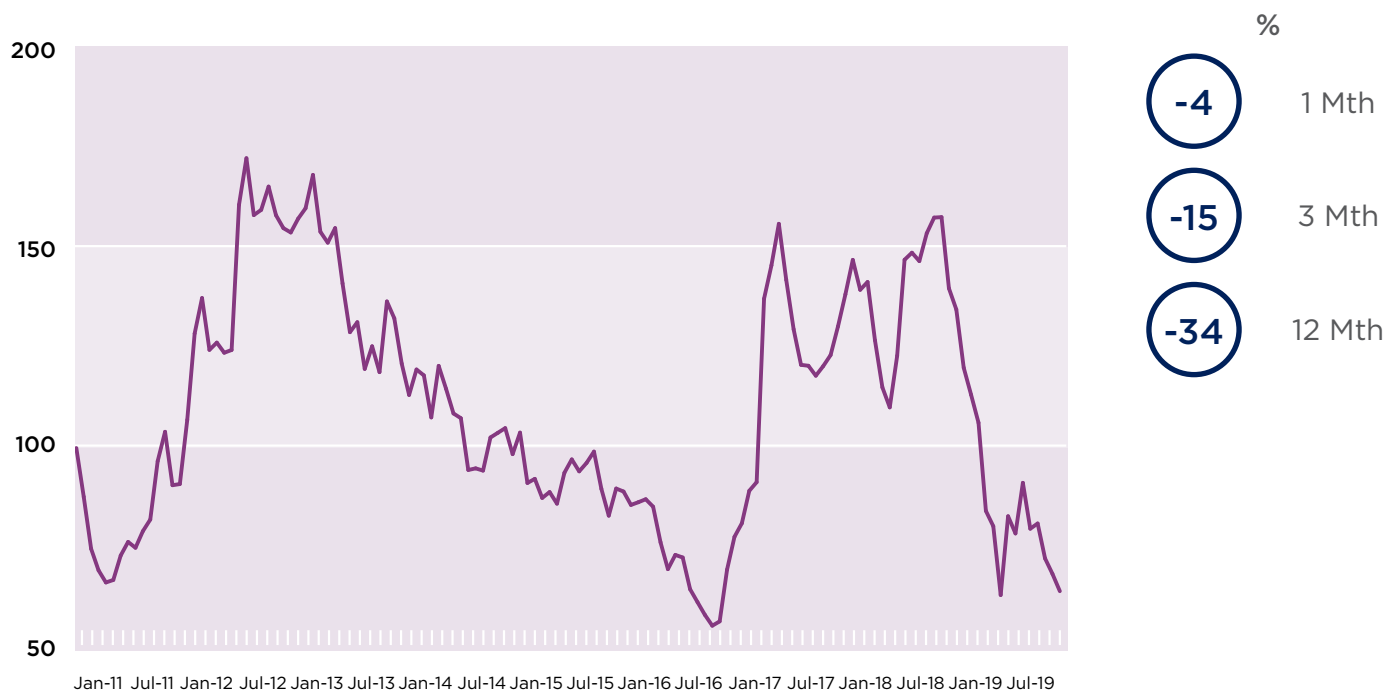
Bearish prompt sentiment reverberated through the curve as markets, already gripped by a supply glut, saw global demand take a further hit from the coronavirus. The market fears that restrictions put in place to combat the spread of the virus will dampen global growth and consequently energy demand. The front month March contract traded 1.2p/th lower over the month to settle at 23p/th, a drop of 5%. Further out the curve, the Summer 20 contract fell 2p/th to settle at 22.6p/th, while Winter 20 was little changed at 34.9p/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 \$47.8 a tonne in February on growing anxiety surrounding the coronavirus and global economic growth.

China is the key global market for coal, consuming over half of global production. The first case of the Covid-19 virus was identified in early December in the Hubei province of China. We now have over 80,000 cases in China identified and 2,912 deaths attributed to the virus. The Chinese authorities have imposed strict restrictions on the movement of people in an effort to halt the spread of the virus.

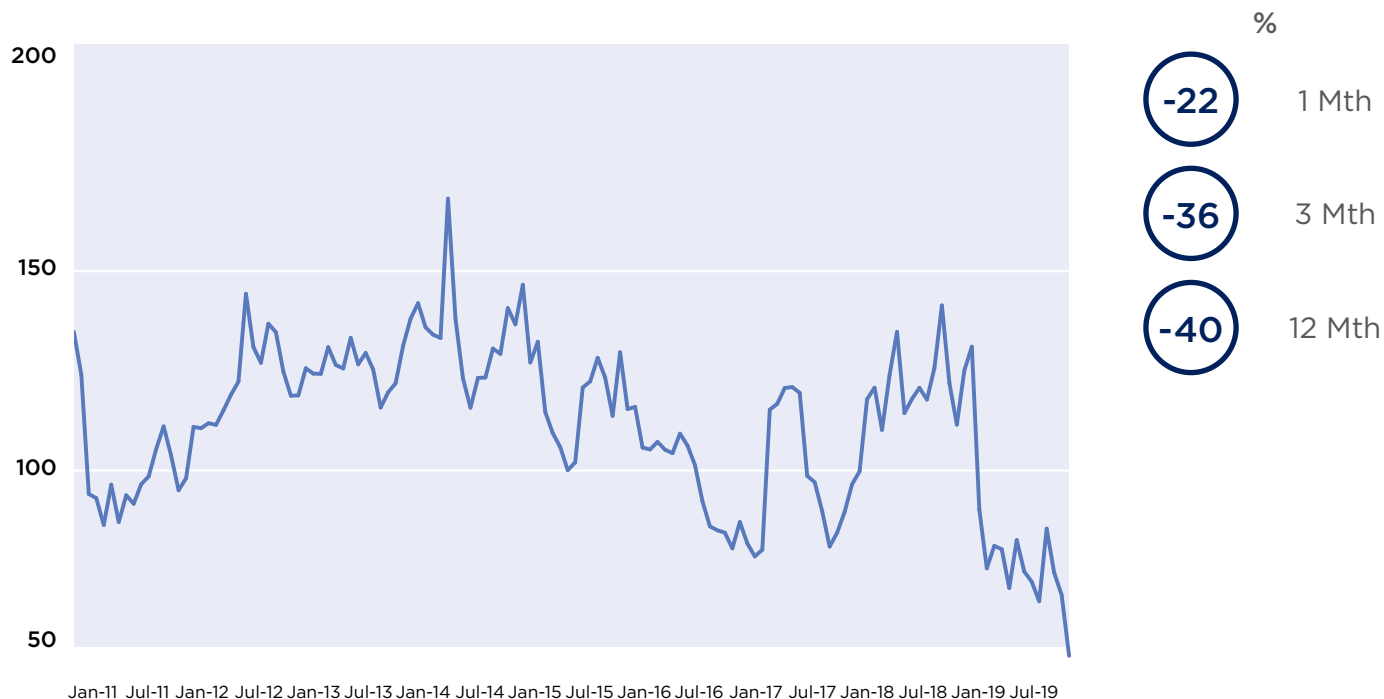
This virus is a further negative demand shock for coal, which will hit demand in China, its largest market.

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Electricity Index



Data Source: SEMO

Electricity

The average Day-Ahead price was down 22% going from €42/MWh in January to €33/MWh in February.

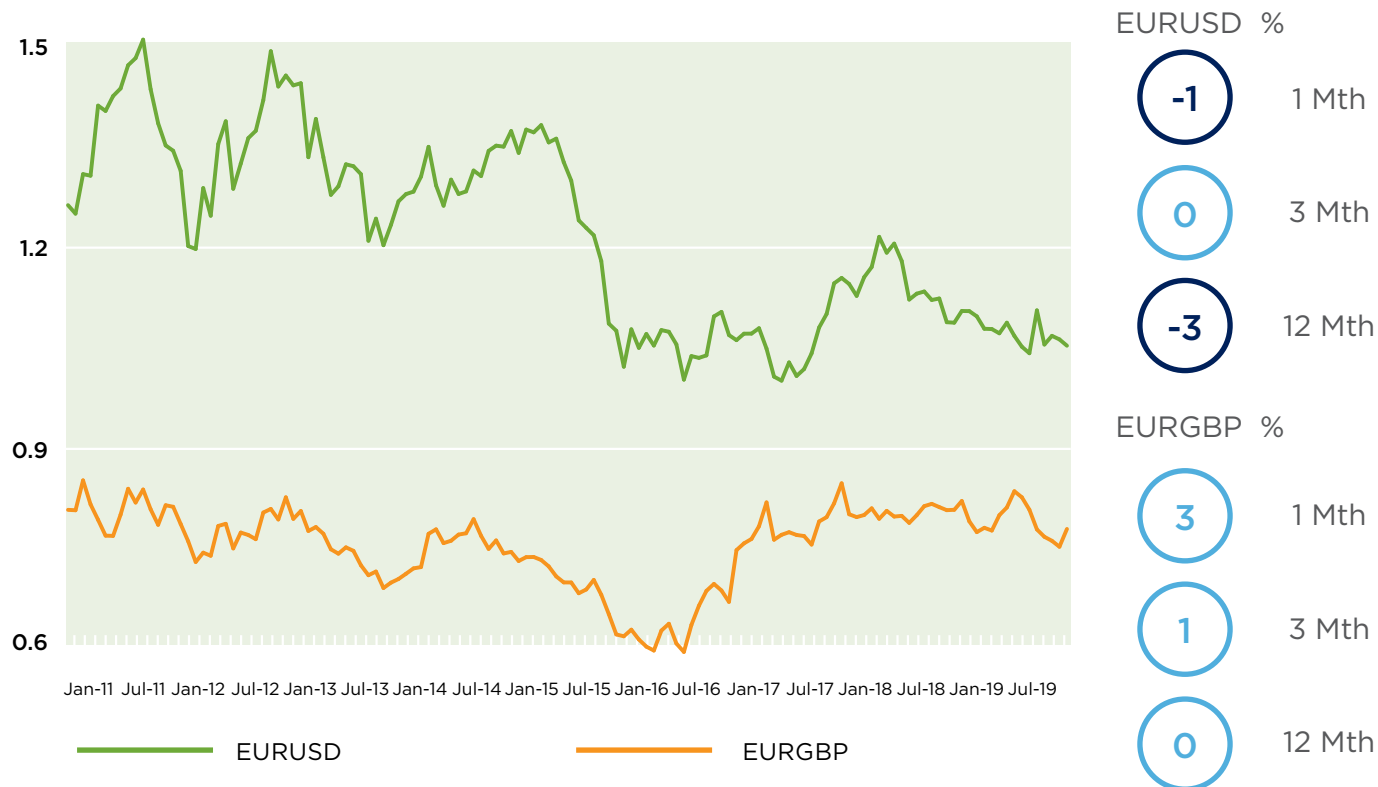
Demand increased by 2.1% but a 35% increase in wind output, coupled with a 16% reduction in gas prices, were the primary drivers behind the much lower power prices. Wind provided 56% of total power generation in February as three named storms led to very unsettled weather across Northern Europe.

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FX Rates



FX Rates

The euro gained against the pound in February settling 3% higher at £0.862, while it was marginally lower versus the dollar at \$1.10.

Sterling came under renewed pressure in February as the start of talks between Britain and the European Union on their future relationship approached.

Comments emanating from the UK government over recent weeks suggest a reluctance to align the UK with EU rules or to the jurisdiction of its top court. This stance reduces the chance of a successful conclusion to the trade talks and increases the chance of a no-deal Brexit.

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