

Weekly Energy Market Report

12th June 2019

Gas prices have dropped below 30p/th this week as Coal prices have softened, and warmer temperatures are forecast into July. The UK Gas system is currently 7mcm undersupplied, with disruption to Norwegian flows and a drop off in LNG shipments primarily to blame. However we have also seen the start of production of natural gas from Total's Culzean field in the North Sea, which promises to deliver up to 5% of the UK's total natural gas demand once at full capacity.

UK Power prices have fallen below the £40/MWh mark, as they follow the wider energies market trend. Both Nuclear and Wind power has been subdued this week, with the former only managing around 50% of capacity. The UK Governments commitment this morning to target zero emissions by 2050 will surely accelerate the phase-in of additional wind power generation capacity, and a funding strategy is being brought forward for the Sizewell C nuclear plant, following a deal struck between the Treasury and EDF.

Oil prices staged a recovery across the weekend and into Monday as it emerged that US President Trump would hold back on imposing the 5% tariff on Mexican goods, following their hastily-agreed deal to do more to aid the migrant issue cross border. However surprise increases in US crude inventories and oil production last week have seen Oil prices slip back towards the \$60 USD mark. Saudia Arabia and OPEC are set to renew production cuts to rebalance the market, but thus far Russia has dragged its feet to agree the new cuts, as it is better able to sustain a lower price for oil than Saudi Arabia, and fears losing market share to the USA. Today Crude is trading around \$60.78/bbl.

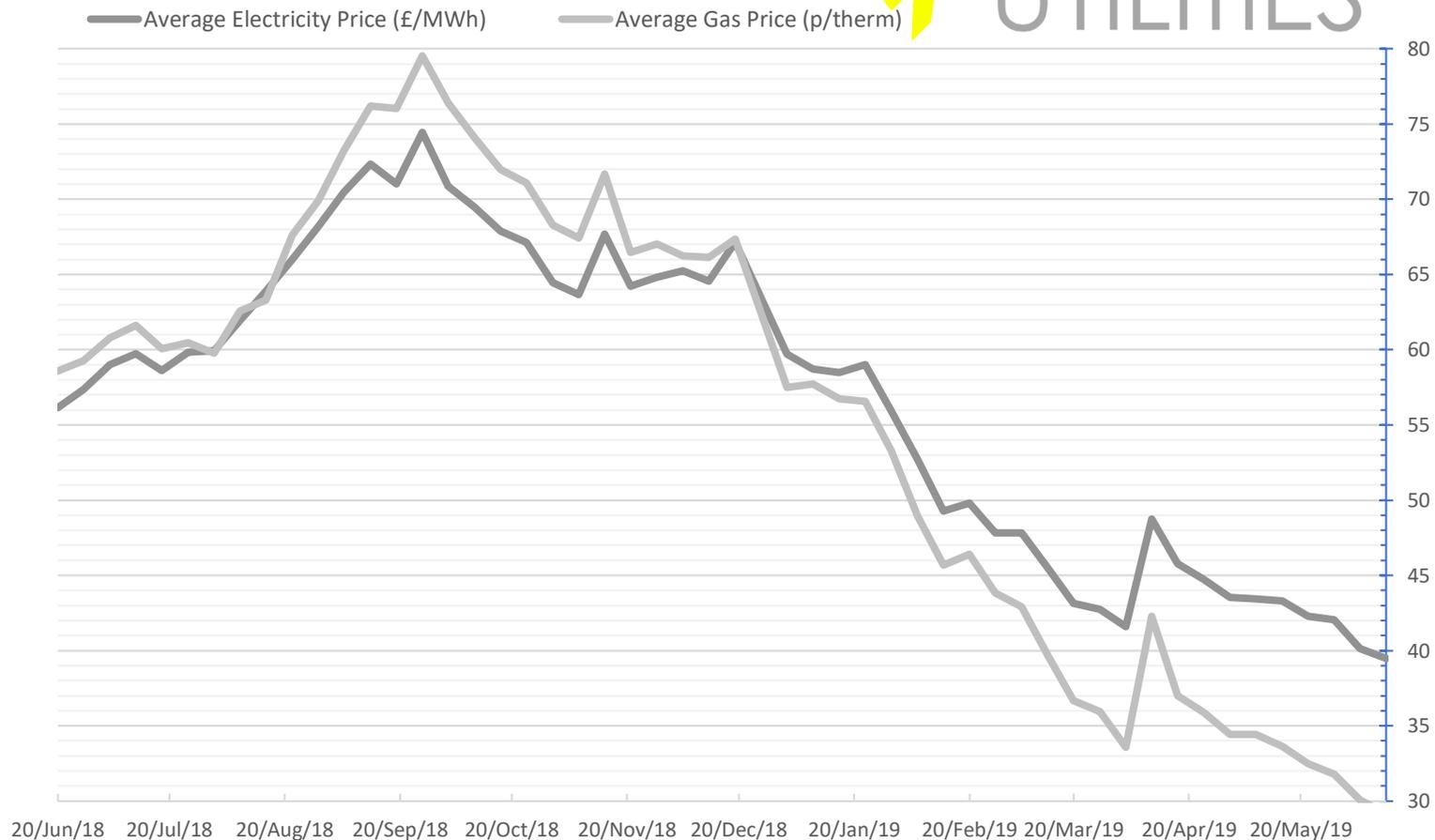
Sterling has been driven by the Tory leadership race which begins in earnest this week. Boris Johnson the strong bookies favourite at 7/11-on, is viewed as a high-risk of delivering a no-deal Brexit on Oct 31, but a cross-party motion being brought today by Labour aims to hand MPs the power to veto this, and sterling has bounced back up to \$1.2755 USD as a result.

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YEAR AHEAD PRICING (ENERGY ONLY)



MURPHY YOUNG
UTILITIES



Electricity (£/MWh)		
Prompt Price	Future Price	Average Price
38.78	40.20	39.49

Gas (p/Therm)		
Prompt Price	Future Price	Average Price
28.38	29.90	29.14

