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European natural gas futures fell sharply for the second consecutive session on Monday, ending the sawtooth pattern of the past week and taking prices to where they were before Iran launched its direct on Israel the weekend before last. Prices continued to fall early on Tuesday before recovering later in the morning.

Crude oil prices also fell but only marginally. The declines come amid a reduction in geopolitical risk, not just in the Middle East but also in Ukraine, with more military aid to be promised later on Tuesday by the UK prime minister Rishi Sunak. The UK's initiative comes in the wake of political agreement in the US over the weekend for a USD 60 billion aid package. It is on a much smaller scale but nevertheless politically significant.

In continental Europe, the May TTF contract fell by 5.0%, from USD 9.62/MMBtu on Friday to USD 9.14/MMBtu on Monday, the lowest close since Wednesday 10 April.

In the UK – where prices continue to closely track the trajectory of prices in continental Europe – NBP was down 4.5%, from USD 9.63/MMBtu to USD 9.20/MMBtu, close to parity with TTF.

The fundamentals of supply and demand are reasserting themselves, with the influence of sentiment reducing, as spring in the northern hemisphere gets into its stride and storage facilities are filling rather than emptying.

Data from Gas Infrastructure Europe (GIE) shows European Union storage at 62.1% full, up from 58.3% at the end of last month. In the UK, storage is up from 40.1% to 48.3% over the same period.

The recent excursions of European futures into triple-digit territory need to be seen in the context of where prices were through most of 2023. Until the autumn, the underlying trajectory was flat but at around twice the underlying trend of today, following the market upheavals of late 2021 and 2022.

In Asia, the JKM LNG price edged up by 0.3%, from USD 10.50/MMBtu on Friday to USD 10.53/MMBtu on Monday, widening the TTF-JKM spread to USD 1.39/MMBtu, the highest it has been since the start of April.

In the US, Henry Hub was up 2.2%, from USD 1.75/MMBtu on Friday to USD 1.79/MMBtu on Monday, amid indications that the troubled Freeport LNG export plant may be ramping up its output and with production in the Lower 48 declining as some producers curb output because of low prices. It was the highest close for a fortnight.

Reducing geopolitical risk saw crude oil futures edge downwards to their lowest closes since March. Brent was down 0.3% to USD 87.00/barrel while WTI also fell by 0.3% to USD 82.85/barrel.

Front-month futures and indexes at last close with day-on-day changes (click to enlarge):

Front-month futures/index	22/04/2024	19/04/2024	Daily +/- (\$)	Daily
Henry Hub (\$/MMBtu)	1.79	1.75	0.04	
NBP (\$/MMBtu)	9.20	9.63	-0.43	
NBP (£p/th)	73.99	77.40	-3.41	
Henry Hub-NBP spread	7.41	7.88	-0.47	
TTF (\$/MMBtu)	9.14	9.62	-0.48	
TTF (€/MWh)	29.31	30.76	-1.45	
Henry Hub-TTF spread	7.35	7.87	-0.52	
JKM (\$/MMBtu)	10.53	10.50	0.03	
TTF-JKM spread	1.39	0.88	0.51	
Henry Hub-JKM spread	8.74	8.75	-0.01	
Brent (\$/barrel)	87.00	87.29	-0.29	
WTI (\$/barrel)	82.85	83.14	-0.29	
Brent-WTI spread (\$/barrel)	4.15	4.15	0.00	
API2 Coal (\$/tonne)	118.65	120.00	-1.35	
API2 Coal (\$/MMBtu)	4.75	4.80	-0.05	
EU CO ₂ emissions allowances (€/tonne)	64.56	66.99	-2.43	

US, UK and EU gas hubs, Asian LNG (left axis), API2 coal front-month futures and Brent crude (right axis), since



EU carbon allowances (EUAs) on the Emissions Trading System (ETS)



[1]

Time references based on London GMT. Brent, WTI, NBP, TTF and EU CO2 data from ICE. Henry Hub, JKM and API2 data from CME. Prices in USD/MMBtu based on exchange rates at last market close. All monetary values rounded to nearest whole cent/penny. Text and graphic copyright © Gas Strategies, all rights.



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