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[1]

The European carbon price surged to a fresh all-time high on Tuesday, building on recent gains triggered by the EU Council's recent ratification of a more stringent 55% climate emissions cut by 2030 that will require a more severe CO<sub>2</sub> penalty to push heavy emitters out of the money. ICE's front month EU allowance (EUA) contract leapt nearly 4% to EUR 32.02/tonne, surpassing last Thursday's ten-year high of EUR 30.90/tonne and the previous all-time high of EUR 31.30/tonne. Some analysts see EUAs trading as high as EUR 90/tonne by 2030.

European natural gas futures made further gains on Tuesday, with month-ahead UK NBP and Dutch TTF rising by 2.9% and 3.7% to close at the equivalent of USD 6.67/MMBtu and USD 6.16/MMBtu, respectively. This marks prompt TTF's first foray above USD 6/MMBtu since February 2020, aided by a combination of bullish winter temperatures spurring withdrawals, and strong Asian LNG demand drawing cargoes out of the Atlantic Basin.

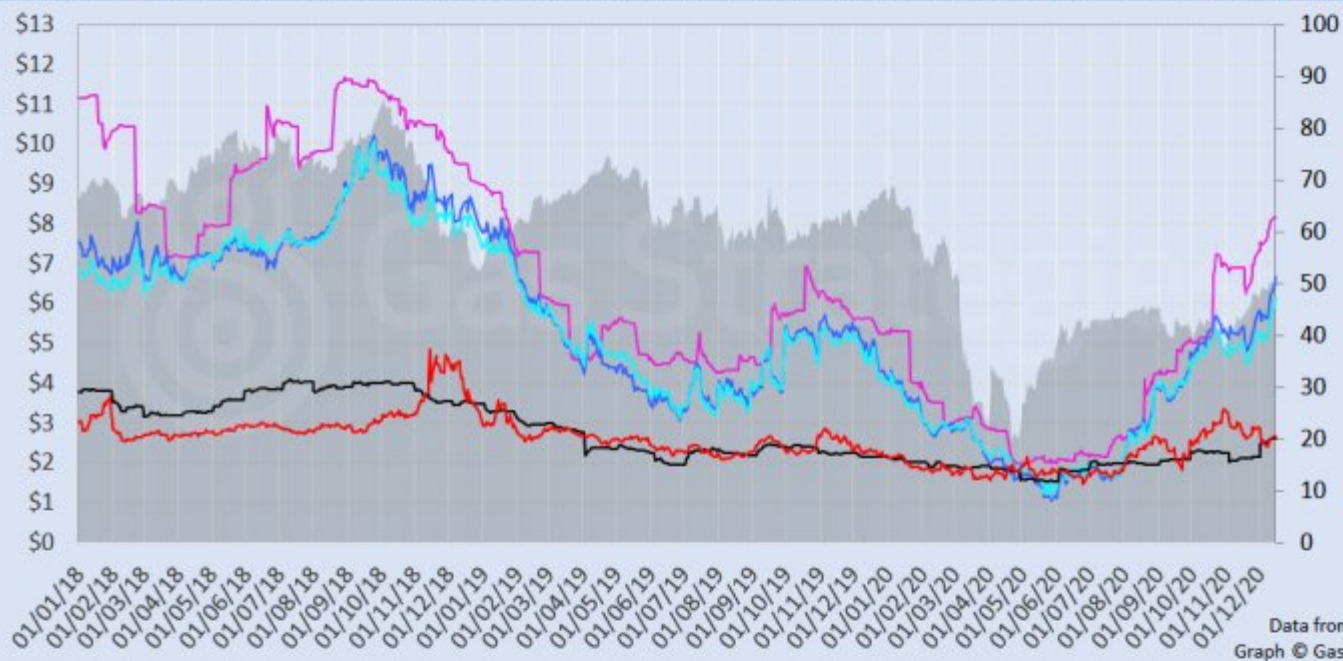
These factors have also driven recent gains in both Henry Hub and CME's JKM futures, although prompt contracts on both were unchanged on Tuesday despite surging US LNG exports and liquefaction plant outages elsewhere.

Oil prices edged higher on Tuesday, with Brent crude rising 0.9% to USD 50.76/barrel and WTI gaining 1.3% to USD 47.62/barrel, despite the IEA again warning that the impact of a Sars-Cov-2 vaccine on sluggish fuel demand remains many months away amid a saturated market.

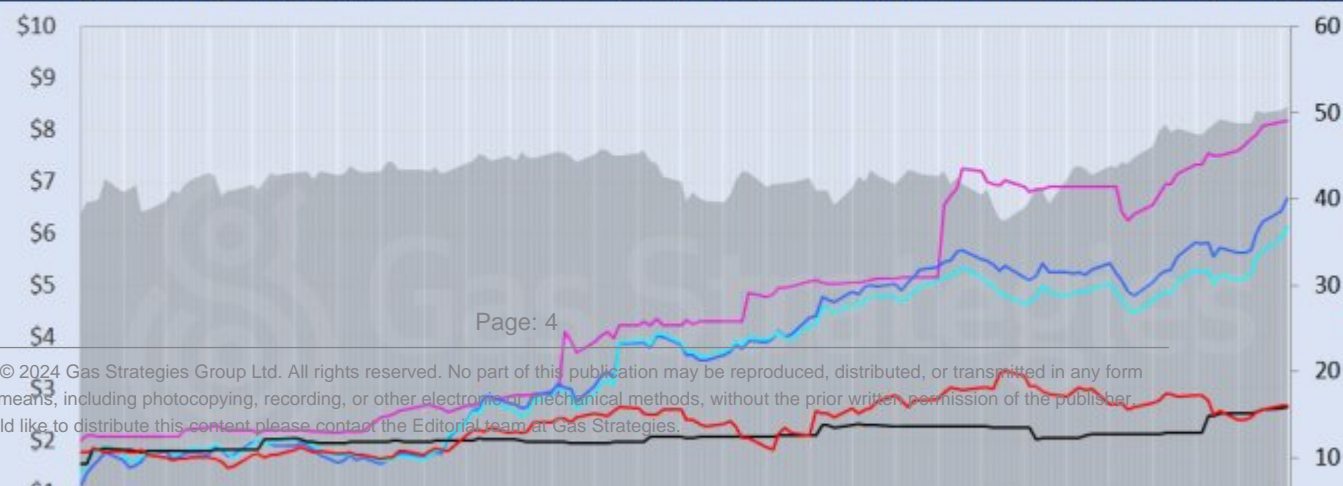
*Front-month futures and indexes at last close with day-on-day changes (click to enlarge):*

| Front-month futures/index                         | 15/12/2020 | 14/12/2020 | Daily +/- (\$) | Daily |
|---|------------|------------|----------------|-------|
| Henry Hub (\$/MMBtu)                              | 2.68       | 2.68       | 0.00           |       |
| NBP (\$/MMBtu)                                    | 6.67       | 6.42       | 0.25           |       |
| NBP (£p/th)                                       | 49.55      | 48.17      | 1.38           |       |
| Henry Hub-NBP spread                              | 3.99       | 3.74       | 0.25           |       |
| TTF (\$/MMBtu)                                    | 6.14       | 5.91       | 0.23           |       |
| TTF (€/MWh)                                       | 17.23      | 16.61      | 0.62           |       |
| Henry Hub-TTF spread                              | 3.46       | 3.23       | 0.23           |       |
| JKM (\$/MMBtu)                                    | 8.17       | 8.17       | 0.01           |       |
| TTF-JKM spread                                    | 2.04       | 2.25       | -0.22          |       |
| Henry Hub-JKM spread                              | 5.49       | 5.48       | 0.01           |       |
| Brent (\$/barrel)                                 | 50.76      | 50.29      | 0.47           |       |
| WTI (\$/barrel)                                   | 47.62      | 46.99      | 0.63           |       |
| Brent-WTI spread (\$/barrel)                      | 3.14       | 3.30       | -0.16          |       |
| API2 Coal (\$/tonne)                              | 66.10      | 65.45      | 0.65           |       |
| API2 Coal (\$/MMBtu)                              | 2.64       | 2.62       | 0.03           |       |
| EU CO <sub>2</sub> emissions allowances (€/tonne) | 32.02      | 30.81      | 1.21           |       |

US, UK and European gas hubs, Asian LNG, API2 coal front-month futures (left axis) and Brent crude (right axis), since 1 Jan 2018



US, UK and EU gas hubs, Asian LNG, API2 coal front-month futures (left axis) and Brent crude (right axis), since 1 Jun 2020



[2]

*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 reserved.*



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