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[1]

Oil prices surged to a fresh 13-month high on Wednesday as news filtered through regarding the extent of production cuts from last week's winter storm in Texas. The front-month WTI price rallied by 2.5% to settle in the USD 63/barrel range, with the month-ahead Brent price recording a gain of 2.6% to settle in the USD 67/barrel range.

Prices were lifted after the US Energy Information Administration (EIA) said US oil production fell by more than 10%, or 1 million barrels/d, last week due to the winter storm which hit the Gulf coast. Also aiding the rally was news from the US Federal Reserve, which said interest rates will be kept low, helping weakened the dollar and supported equity markets.

However, the EIA did report that US crude inventories increased by 1.29 million barrels last week, with stocks rising at the US' largest storage hub, Cushing, Oklahoma, for the first time in six weeks. Reports also suggest that producers in the Permian basin – which stretches across Texas and New Mexico – have restored ~80% of oil output, with supply potentially set to outweigh demand as many US Gulf coast refineries are in need of repair following the storm last week.

Crude prices could also come under pressure in the next few weeks as reports suggest Saudi Arabia and OPEC+ will look to ease production cuts starting in April.

US benchmark Henry Hub continued to fall, with the front-month price sliding by 0.9% to close at USD 2.85/MMBtu.

In Europe, gas prices continued to rallied on Wednesday. The month-ahead UK NBP price increased by 1.3% and the front-month Dutch TTF price rallied by 0.8%, with both markers settling at the equivalent of ~USD 5.8/MMBtu.

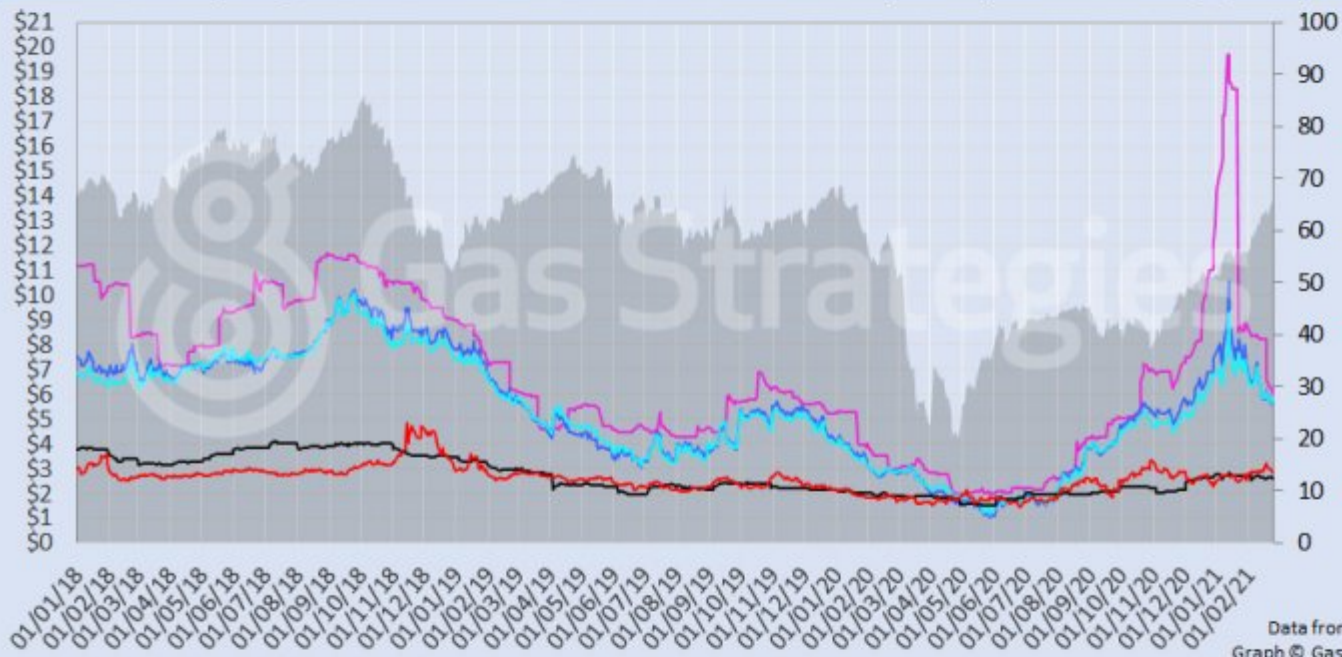
CME's JKM futures contract fell for a fourth straight day, with the price settling at USD 6.04/MMBtu.

The European carbon price continued to rally, settling in the EUR 39/tonne range for the first time since 15 February.

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

Front-month futures/index	24/02/2021	23/02/2021	Daily +/- (\$)	Daily
Henry Hub (\$/MMBtu)	2.85	2.88	-0.02	
NBP (\$/MMBtu)	5.81	5.73	0.08	
NBP (£p/th)	41.18	40.66	0.52	
Henry Hub-NBP spread	2.95	2.85	0.10	
TTF (\$/MMBtu)	5.83	5.78	0.04	
TTF (€/MWh)	16.38	16.25	0.13	
Henry Hub-TTF spread	2.97	2.90	0.07	
JKM (\$/MMBtu)	6.04	6.23	-0.19	
TTF-JKM spread	0.21	0.45	-0.23	
Henry Hub-JKM spread	3.19	3.35	-0.17	
Brent (\$/barrel)	67.04	65.37	1.67	
WTI (\$/barrel)	63.22	61.67	1.55	
Brent-WTI spread (\$/barrel)	3.82	3.70	0.12	
API2 Coal (\$/tonne)	65.75	65.85	-0.10	
API2 Coal (\$/MMBtu)	2.63	2.63	0.00	
EU CO <sub>2</sub> emissions allowances (€/tonne)	39.09	38.61	0.48	

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 Jan 2018



[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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