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[1]

European gas prices hit a fresh four-month high on Thursday amid bullish demand and bearish supply signals.

The front-month NBP contract rallied by 0.6% to settle at USD 8.64/MMBtu, with the month-ahead TTF contract up 1.9% to close at 8.59/MMBtu.

Unseasonably cold weather is driving gas demand in Europe, with many storage sites on the continent in net withdrawal mode in what should now be injection season.

Whilst gas demand remains strong heading into summer, supply has been tightening. Planned maintenance in Norway has seen a decline in pipeline export volumes since April – which has helped drive prices in recent weeks.

This week European gas prices have been supported further by an unplanned outage at the Montoir LNG terminal in France, with operator Elengy stating earlier this week that the facility is likely to be out of action for the remainder of May. A pipeline problem at the terminal was detected earlier in the week, forcing a halt to regasification operations.

The strengthening gas prices once again helped lift the European carbon price to a record high. The June-date contract settled at EUR 49.82/tonne on Thursday, with the benchmark December 2021 contract closing at EUR 49.94/tonne.

The gas price rally also helped lift the Asian LNG marker JKM, with competition for cargoes intensifying in recent weeks due to cold weather and tight supply in Europe. The front-month JKM contract recorded a 1% gain on Thursday to close at USD 9.06/MMBtu. With gas prices in Europe soaring, JKM's premium over TTF fell to USD 0.47/MMBtu on Thursday.

In the US, gas benchmark Henry Hub slipped by 0.3% but remained in the USD 2.9/MMBtu range.

Strong carbon and gas has also helped lift the price of coal in Europe, with the AP12 price hitting its highest level since January 2019 on Thursday. The front-month AP12 contract settled at the equivalent of USD 3.27/MMBtu.

Crude prices slipped by just over 1% on Thursday amid soaring Covid-19 cases in India, which offset bullish demand-side news in the US. Oil storage in the US fell more than expected last week as refining output and exports increased, the US Energy Information Administration (EIA) reported on Wednesday.

Inventories in the US fell by 8 million barrels last week, much higher than the 2.3 million barrels fall expected by analysts polled by Reuters.

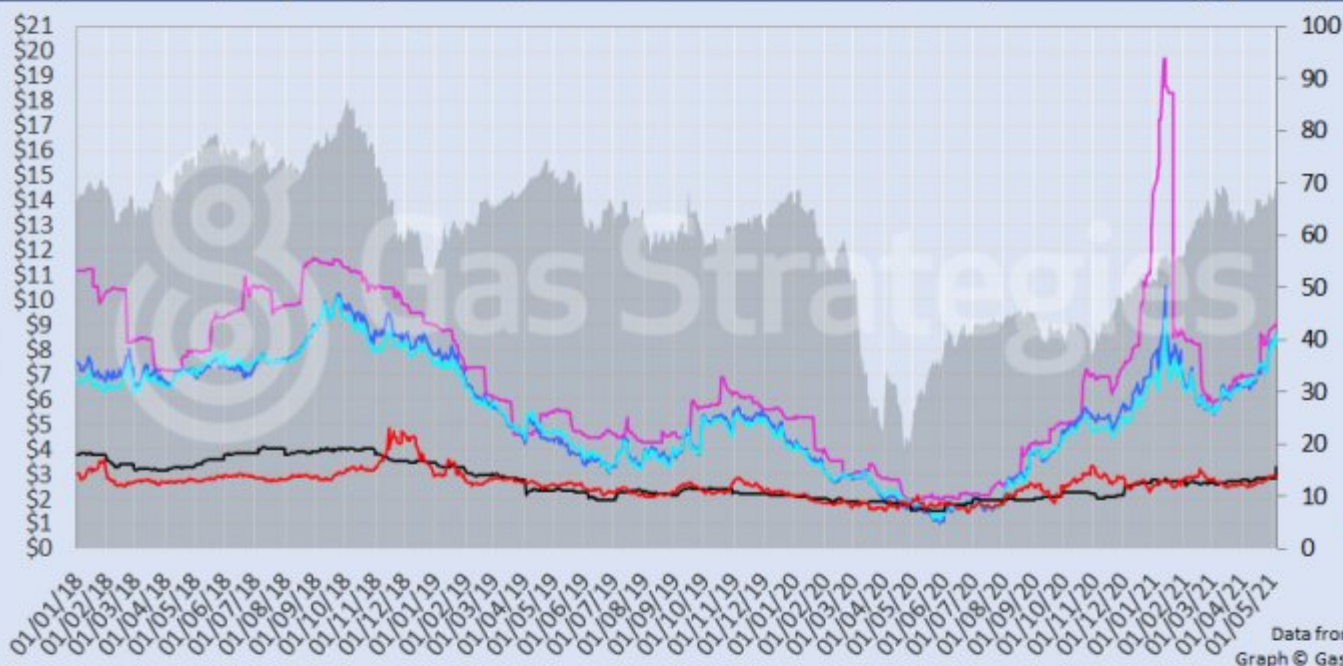
The bullish news was however offset by a fresh daily record number of Covid-19 cases in India, with cases hitting 411,188 on Thursday, according to data compiled by the Johns Hopkins University Center for Systems Science and Engineering (JHU CSSE).

The front-month Brent contract remained in the USD 68/barrel range, with WTI falling back into the USD 64/barrel range.

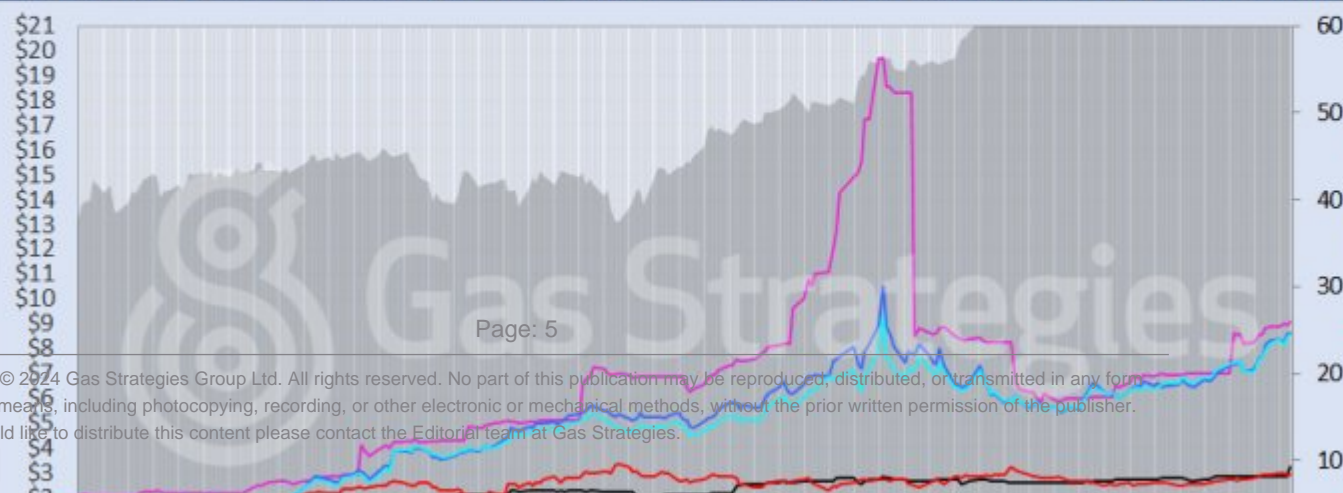
*Front-month futures and indexes at last close with day-on-day changes (click to enlarge):*

Front-month futures/index	06/05/2021	05/05/2021	Daily +/- (\$)	Daily
Henry Hub (\$/MMBtu)	2.93	2.94	-0.01	
NBP (\$/MMBtu)	8.64	8.58	0.05	
NBP (£p/th)	62.25	61.70	0.55	
Henry Hub-NBP spread	5.71	5.65	0.06	
TTF (\$/MMBtu)	8.59	8.43	0.16	
TTF (€/MWh)	24.33	23.96	0.37	
Henry Hub-TTF spread	5.67	5.49	0.17	
JKM (\$/MMBtu)	9.06	8.97	0.09	
TTF-JKM spread	0.47	0.54	-0.07	
Henry Hub-JKM spread	6.13	6.03	0.10	
Brent (\$/barrel)	68.09	68.96	-0.87	
WTI (\$/barrel)	64.71	65.63	-0.92	
Brent-WTI spread (\$/barrel)	3.38	3.33	0.05	
API2 Coal (\$/tonne)	81.70	71.76	9.94	
API2 Coal (\$/MMBtu)	3.27	2.87	0.40	
EU CO <sub>2</sub> emissions allowances (€/tonne)	49.82	49.35	0.47	

US, UK and European gas hubs, Asian LNG, API2 coal front-month futures (left axis) and Brent crude (right axis), since 1/01/18



US, UK and EU gas hubs, Asian LNG, API2 coal front-month futures (left axis) and Brent crude (right axis), since 1/01/18



[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.*



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