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[1]

Crude prices rebounded on Friday, however prices were falling during trading on Monday morning after OPEC and its allies reached a deal on Sunday to increase oil production starting in August.

Oil prices recorded a modest increase on Friday, however prices were plummeting on Monday morning after OPEC and its allies, collectively known as OPEC+, reached an agreement to increase production each month – starting in August – through to the end of 2022.

The deal will ease fears over supply tightness over the second half of 2021, with some reports suggesting that there could now be a surplus should Covid-19 infections continue to increase across the globe.

Under the agreement reached on Sunday, OPEC+ has agreed to increase production by an additional 400,000 barrels/d, starting in August, with the monthly increases to continue through to December 2022.

The deal comes weeks after the United Arab Emirates (UAE) opposed the plan – which was announced at the crude cartel's monthly meeting at the start of July – with the Emirates reportedly believing its proposed production quota was too low.

Under Sunday's deal, the UAE's baseline production quota has been revised higher to 3.5 million barrels/d – an increase of 300,000 barrels/d from its current quota.

OPEC's de-facto leader Saudi Arabia, will see its baseline quota increase by 500,000 barrels/d to 11.5

million barrels/d.

The increase means that the OPEC will have resorted roughly all the production cuts it made at the start of the Covid-19 pandemic – when the cartel cut production by nearly 10 million barrels/d.

As for gas, prices in Europe ended the week on a high, pushed higher by a bullish outlook.

The month-ahead TTF and NBP contracts rallied by 3.1% and 2.3% respectively. The increase saw TTF settle back in the USD 12/MMBtu range, with NBP closing just shy of USD 11.8/MMBtu.

The rally was pinned on lower wind power generation and the lower-than-average gas storage levels in Europe.

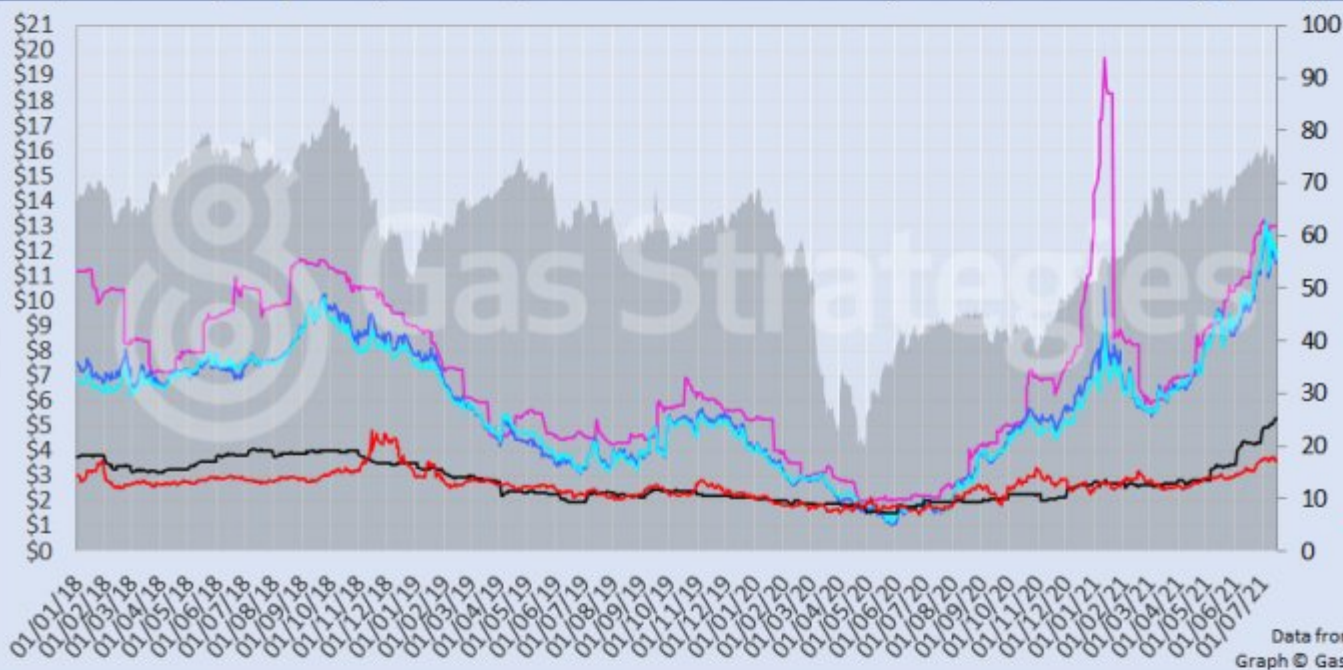
Whilst TTF and NBP showed strong gains, the Asian LNG marker JKM remained unchanged at USD 12.97/MMBtu. The strong gains by the European markers saw JKM's premium of TTF cut to USD 0.91/MMBtu.

In the US, gas benchmark Henry Hub rebounded on Friday, increasing by 1.7% to close at USD 3.67/MMBtu. Prices rallied amid concerns over gas storage levels with injection levels remaining weak.

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

| Front-month futures/index | 16/07/2021 | 15/07/2021 | Daily +/- (\$) | Daily |
|---|------------|------------|----------------|-------|
| Henry Hub (\$/MMBtu) | 3.67 | 3.61 | 0.06 | |
| NBP (\$/MMBtu) | 11.78 | 11.51 | 0.27 | |
| NBP (£p/th) | 85.48 | 83.13 | 2.35 | |
| Henry Hub-NBP spread | 8.11 | 7.90 | 0.21 | |
| TTF (\$/MMBtu) | 12.06 | 11.70 | 0.36 | |
| TTF (€/MWh) | 34.84 | 33.80 | 1.05 | |
| Henry Hub-TTF spread | 8.39 | 8.08 | 0.30 | |
| JKM (\$/MMBtu) | 12.97 | 12.97 | 0.00 | |
| TTF-JKM spread | 0.91 | 1.28 | -0.36 | |
| Henry Hub-JKM spread | 9.30 | 9.36 | -0.06 | |
| Brent (\$/barrel) | 73.59 | 73.47 | 0.12 | |
| WTI (\$/barrel) | 71.81 | 71.65 | 0.16 | |
| Brent-WTI spread (\$/barrel) | 1.78 | 1.82 | -0.04 | |
| API2 Coal (\$/tonne) | 132.65 | 131.90 | 0.75 | |
| API2 Coal (\$/MMBtu) | 5.31 | 5.28 | 0.03 | |
| EU CO ₂ emissions allowances (€/tonne) | 52.79 | 52.89 | -0.10 | |

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



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



[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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