

29 June 2024

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Pricewatch | 11 Aug 2021 | Gas Matters Today
Publication date: 11 August 2021

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[1]

European gas prices bounced back on Tuesday, with Dutch marker TTF hitting a record high amid reduced supply and strong demand.

The front-month TTF and NBP contracts rallied by ~4% on Tuesday, with the Dutch gas benchmark hitting a record high of EUR 44.66/MWh and the UK marker settling at a fresh 16-year high after closing at GBP 111.55/th. In USD/MMBtu terms both markers settled in the USD 15/MMBtu range, with NBP maintaining its premium over TTF.

The rally on Tuesday was pinned on reduced pipeline volumes into Europe, with gas exports from Norway hit due to an unplanned outage at the giant offshore Troll gas field. Exports from Russia have also been reduced after a fire at Gazprom's Ugegoy gas condensate processing facility on Thursday last week.

It is unclear when flows from Russia will fully return, with the fire on Thursday knocking out ~25% of gas production in Russia, one trade source told Gas Matters Today.

Whilst gas supply has been reduced, demand remains strong due to lower wind power production and warm weather. The bullish fundamentals have lifted spot gas and power prices in Europe, with electricity prices in Spain hitting a fresh record high on Tuesday and prices in France and Italy hitting multi-year highs.

The strong demand has reduced gas injections into Europe's gas storage sites, which is raising concerns

over supply heading into winter and providing further support to prices along the curve.

The rally helped lift CME's front-month JKM contract, which settled 0.3% higher at USD 15.8/MMBtu.

The carbon price in Europe also rallied on the back of strengthening gas prices, with the front-month carbon contract close to setting a new record high after settling at EUR 57.34/tonne.

In the US, Henry Hub bounced back to cancel out some of the losses on Monday. The front-month contract rallied by 0.7% to close at USD 4.09/MMBtu.

As for crude, prices were up over 2% on Tuesday, which helped cancel out the losses on Monday.

Prices rallied on the US Energy Information Administration's (EIA) latest monthly forecast in which it said it expects US gasoline consumption to average 8.8 million barrels/d this year. The figure is 0.8 million barrels/d higher than 2020. However, the EIA said consumption will remain below pre-Covid levels through 2022 due to people working from home.

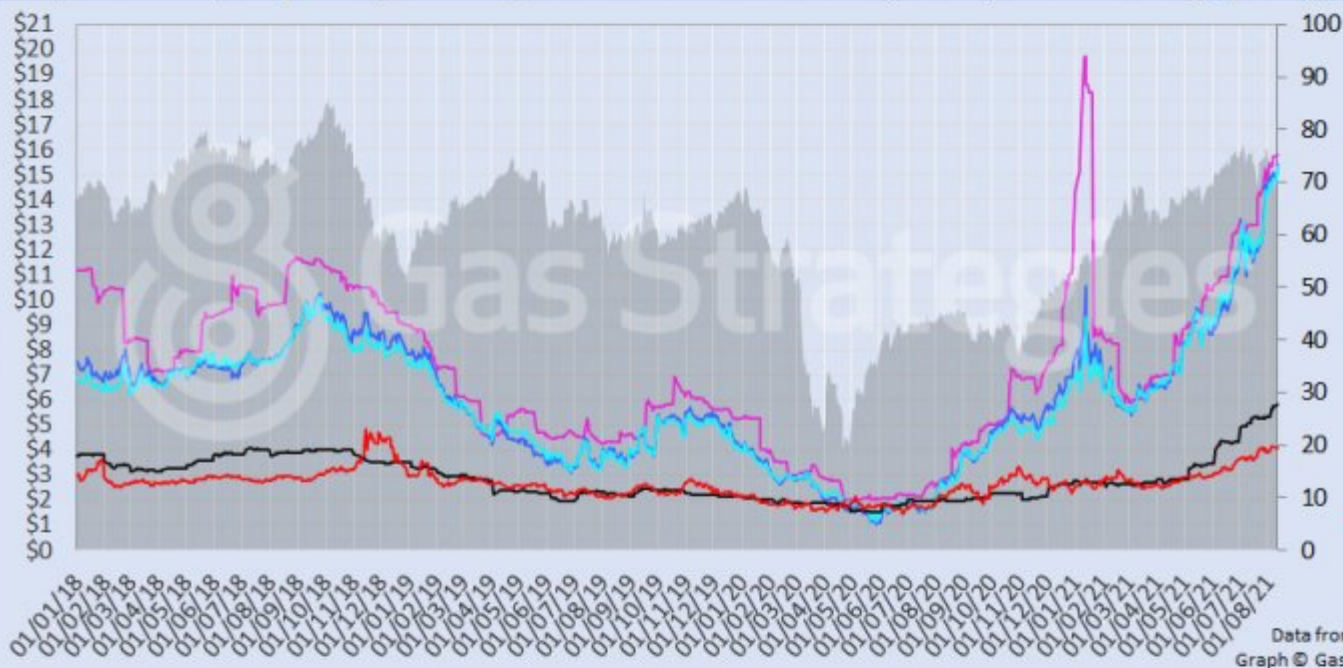
Rising Covid-19 cases, particularly in Asia, have been weighing on crude prices in recent days.

The front-month Brent contract closed back in the USD 70/barrel range, with WTI up nearly USD 2/barrel to close in the USD 68/barrel range.

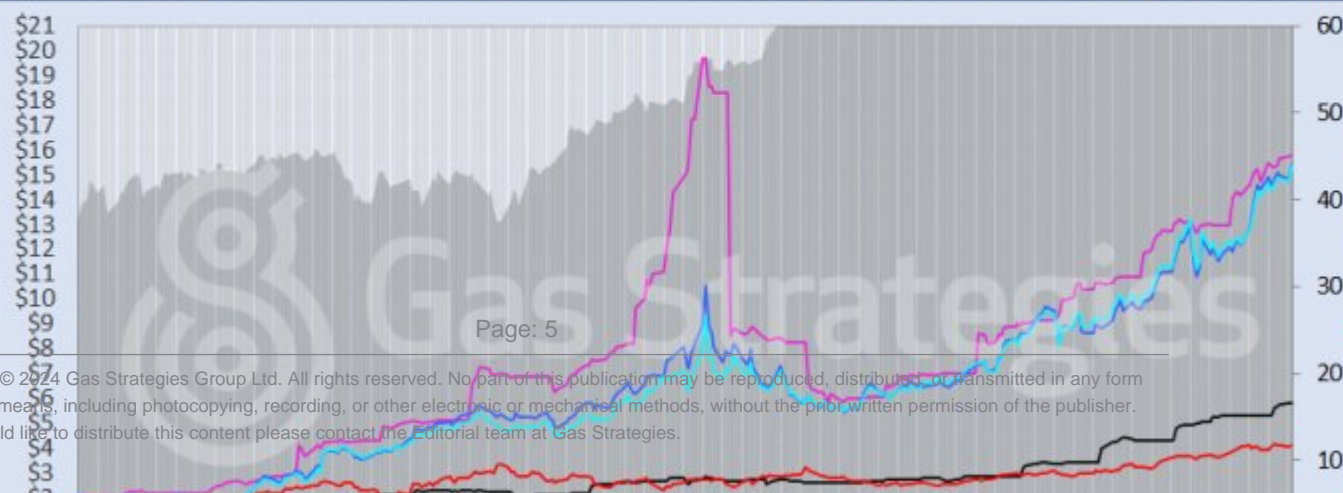
Front-month futures and indexes at last close with day-on-day changes (click to enlarge):

Front-month futures/index	10/08/2021	09/08/2021	Daily +/- (\$)	Daily
Henry Hub (\$/MMBtu)	4.09	4.06	0.03	
NBP (\$/MMBtu)	15.44	14.86	0.58	
NBP (£p/th)	111.55	107.28	4.27	
Henry Hub-NBP spread	11.35	10.80	0.55	
TTF (\$/MMBtu)	15.34	14.73	0.61	
TTF (€/MWh)	44.66	42.79	1.87	
Henry Hub-TTF spread	11.25	10.67	0.58	
JKM (\$/MMBtu)	15.80	15.76	0.04	
TTF-JKM spread	0.46	1.03	-0.57	
Henry Hub-JKM spread	11.71	11.70	0.01	
Brent (\$/barrel)	70.63	69.04	1.59	
WTI (\$/barrel)	68.29	66.48	1.81	
Brent-WTI spread (\$/barrel)	2.34	2.56	-0.22	
API2 Coal (\$/tonne)	146.10	144.70	1.40	
API2 Coal (\$/MMBtu)	5.84	5.79	0.06	
EU CO ₂ emissions allowances (€/tonne)	57.34	56.55	0.79	

US, UK and European gas hubs, Asian LNG, API2 coal front-month futures (left axis) and Brent crude (right axis), since 10/08/2021



US, UK and EU gas hubs, Asian LNG, API2 coal front-month futures (left axis) and Brent crude (right axis), since 10/08/2021



[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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