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Gas Strategies Group

10 Saint Bride Street
London UK
EC4A 4AD

ISSN: 0964-8496

T: +44(0) 20 7332 9900
W: www.gasstrategies.com
Twitter @GasStrategies

Editorials

+44(0) 20 7332 9957
editor@gasstrategies.com

Subscriptions

+44(0) 20 7332 9976
subscriptions@gasstrategies.com



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European gas prices continued to rise on Wednesday, as markets faced reduced supply and strong demand carried on.

The front-month TTF and NBP contracts rose day on day by 3% and 2.6% respectively, with the Dutch gas benchmark settling at EUR 45.99/MWh and NBP at GBP 114.46/th. In USD/MMBtu terms, TTF settled at USD 15.82/MMBtu and NBP at USD 15.87/MMBtu.

Strong European prices have been driven by reduced flows of Norwegian gas into Europe due to a major outage affecting the offshore Troll gas field, while imports of Russian gas have also been weaker following a fire at Gazprom's Ugegoy gas condensate processing facility on Thursday last week.

Warmer weather in many parts of Europe, with southern regions dealing with record high temperatures, have also led to stronger demand for gas just as wind power production has been weaker. On Wednesday, Sicily may have recorded the hottest temperature ever registered in Europe, which at 48.8 C would surpass a record 48 C registered in Athens, Greece, in 1977.

Strong gas 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.

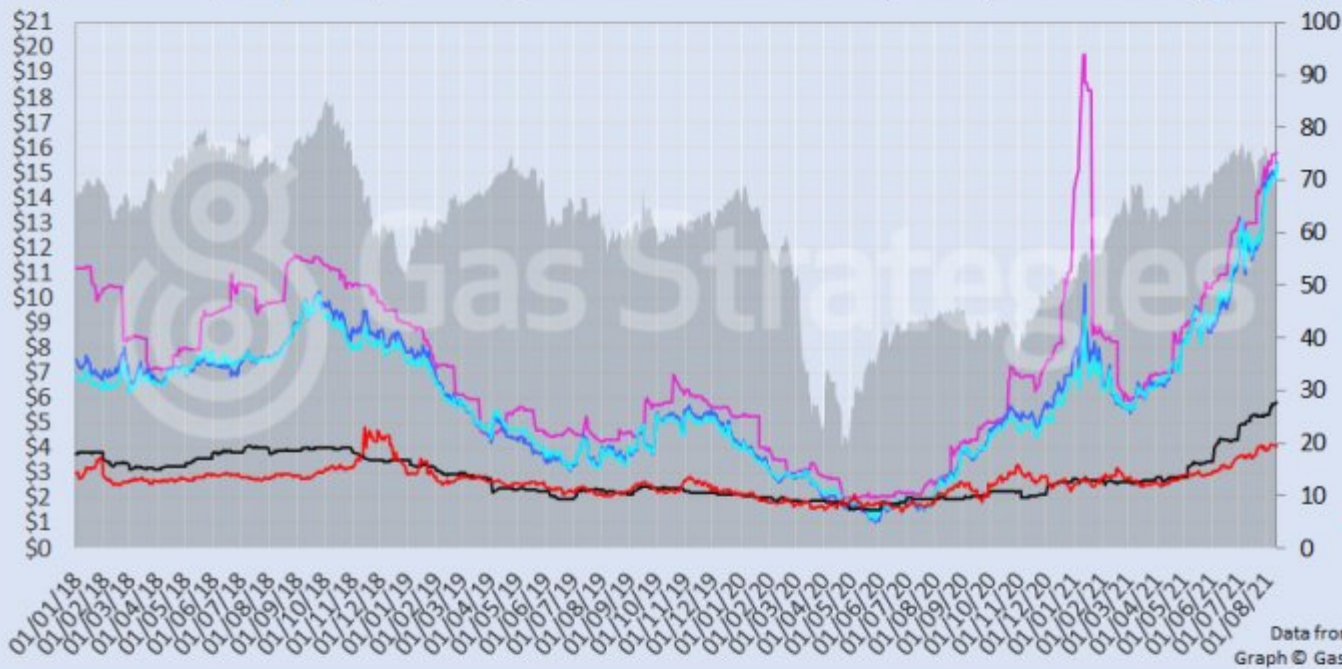
But CME's front-month JKM contract saw a marginal decline on Wednesday, settling 0.9% lower at USD 15.65/MMBtu.

The carbon price in Europe rallied on the back of strong gas prices, with the front-month carbon contract closing to yet another record high of EUR 57.71/tonne.

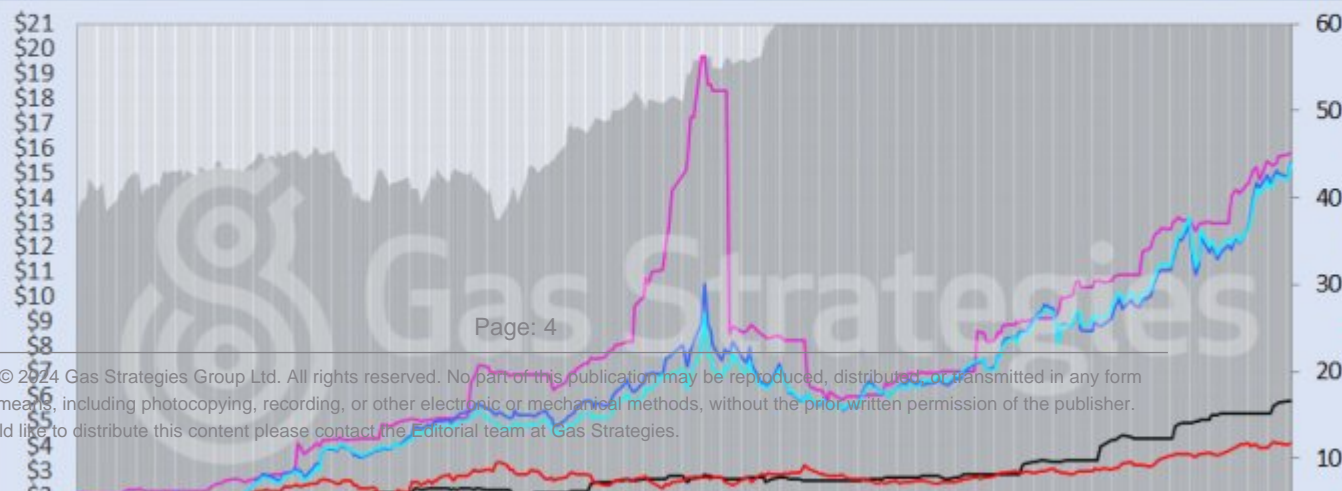
Front-month futures and indexes at last close with day-on-day changes (click to enlarge):

Front-month futures/index	11/08/2021	10/08/2021	Daily +/- (\$)	Daily
Henry Hub (\$/MMBtu)	4.06	4.09	-0.03	
NBP (\$/MMBtu)	15.87	15.44	0.43	
NBP (£p/th)	114.46	111.55	2.91	
Henry Hub-NBP spread	11.81	11.35	0.46	
TTF (\$/MMBtu)	15.82	15.34	0.48	
TTF (€/MWh)	45.99	44.66	1.33	
Henry Hub-TTF spread	11.76	11.25	0.51	
JKM (\$/MMBtu)	15.65	15.80	-0.15	
TTF-JKM spread	-0.17	0.46	-0.63	
Henry Hub-JKM spread	11.59	11.71	-0.12	
Brent (\$/barrel)	71.44	70.63	0.81	
WTI (\$/barrel)	69.25	68.29	0.96	
Brent-WTI spread (\$/barrel)	2.19	2.34	-0.15	
API2 Coal (\$/tonne)	148.10	146.10	2.00	
API2 Coal (\$/MMBtu)	5.92	5.84	0.08	
EU CO ₂ emissions allowances (€/tonne)	57.71	57.34	0.37	

US, UK and European gas hubs, Asian LNG, API2 coal front-month futures (left axis) and Brent crude (right axis), since 10/01/18



US, UK and EU gas hubs, Asian LNG, API2 coal front-month futures (left axis) and Brent crude (right axis), since 10/01/18



[1]

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.

**Consulting**

+44 (0) 20 7332 9900
consult@gasstrategies.com

**Alphatania Training**

+44 (0) 20 7332 9910
training@gasstrategies.com

**Information Services**

+44 (0) 20 7332 9976
subscriptions@gasstrategies.com