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[1]

European gas prices surged to fresh record highs on Tuesday, lifted by ongoing concerns over supply going into winter as Europe's gas storage levels remain below the five-year average.

The front-month NBP contract recorded a gain of 4.1% on Tuesday to settle at the equivalent of USD 17.56/MMBtu. The rally saw the UK gas marker take a premium over TTF, which closed 1.4% higher to settle at 17.41/MMBtu.

Ongoing supply concerns heading into winter continue to offer support to European gas prices, with the continent's gas inventories currently holding 745 TWh of gas, meaning sites are 67% full, according to data compiled by Gas Infrastructure Europe.

Including storage sites in Ukraine, Europe's gas storage sites are holding just under 900 TWh of gas, below the five-year average of 1,090 TWh.

Gas prices have also been lifted by a strengthening carbon price, which held steady on Tuesday at EUR 60.72/tonne – a record price set on Monday. The EU Allowance futures contract could settle at a fresh high on Wednesday as prices rallied above EUR 61/tonne during morning trading.

The rally by the European gas markers helped lift CME's JKM futures contract, which made it eight days of gains after closing 2.8% higher at USD 18.22/MMBtu. Tuesday saw the December-dated JKM contract hit USD 20.24/MMBtu.

In the US, gas benchmark Henry Hub hit a fresh 32-month high after rallying by 1.7% to close at USD 4.38/MMBtu. Prices rallied as US Gulf Coast oil and gas firms continue to assess their infrastructure following Hurricane Ida, which made landfall in Louisiana on Sunday.

As of Tuesday, the US Bureau of Safety and Environmental Enforcement (BSEE) said ~94% of US Gulf of Mexico oil and gas production remained shut-in. However GoM production accounts for ~5% of US gas supply and 17% of total oil supplies.

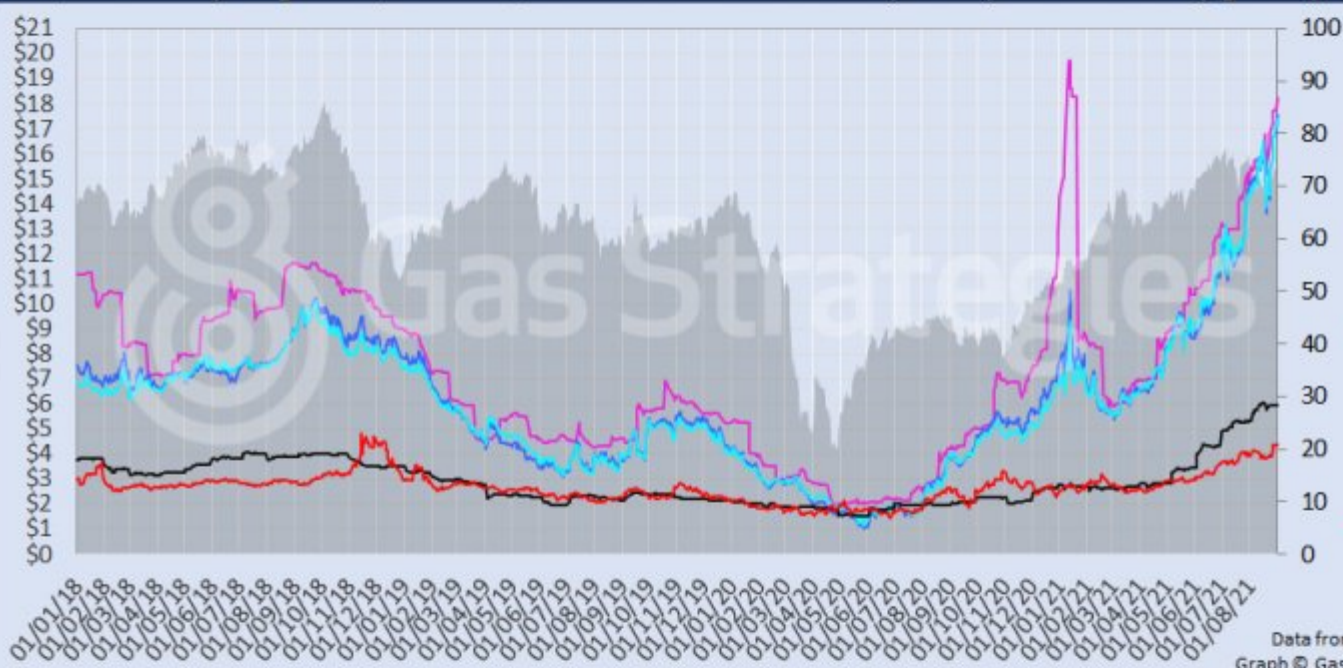
Crude prices tumbled on Tuesday, with Brent falling by 0.6% to close in the USD 72/barrel range and WTI down 1.5% to settle in the USD 68/barrel range. Tuesday marked the final day of trading for the October-dated Brent contract.

Oil prices were on the up during trading on Wednesday morning ahead of the OPEC+ meeting in which the crude cartel is expected to stick with its plan to increase production by 400,000 barrels/d each month through to the end of the year.

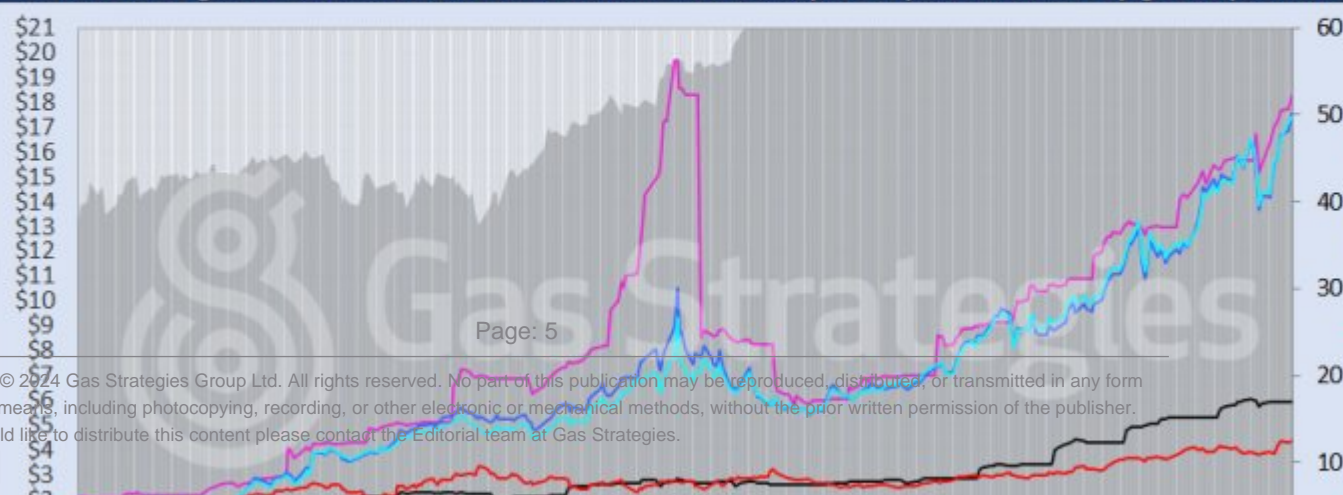
Front-month futures and indexes at last close with day-on-day changes (click to enlarge):

Front-month futures/index	31/08/2021	30/08/2021	Daily +/- (\$)	Daily
Henry Hub (\$/MMBtu)	4.38	4.31	0.07	
NBP (\$/MMBtu)	17.56	16.87	0.69	
NBP (£p/th)	127.71	122.61	5.10	
Henry Hub-NBP spread	13.18	12.56	0.62	
TTF (\$/MMBtu)	17.41	17.17	0.23	
TTF (€/MWh)	50.34	49.68	0.66	
Henry Hub-TTF spread	13.03	12.87	0.16	
JKM (\$/MMBtu)	18.22	17.72	0.50	
TTF-JKM spread	0.81	0.55	0.27	
Henry Hub-JKM spread	13.84	13.42	0.43	
Brent (\$/barrel)	72.99	73.41	-0.42	
WTI (\$/barrel)	68.20	69.21	-1.01	
Brent-WTI spread (\$/barrel)	4.79	4.20	0.59	
API2 Coal (\$/tonne)	148.83	148.83	0.00	
API2 Coal (\$/MMBtu)	5.95	5.95	0.00	
EU CO ₂ emissions allowances (€/tonne)	60.72	60.72	0.00	

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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