

25 April 2024

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Pricewatch | 08 Sep 2021 | Gas Matters Today  
Publication date: 08 September 2021

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[1]

European gas prices continued to soar on Tuesday, hitting a fresh record high amid a tight supply outlook. The rally saw TTF and NBP take a premium over Asian LNG spot marker JKM on Tuesday, highlighting the supply squeeze in Europe.

The front-month NBP recorded a 1.5% gain on Tuesday to close at the equivalent of USD 18.82/MMBtu. As for TTF, the Dutch marker closed 1.8% higher at USD 18.72/MMBtu.

Gas pipeline exports from Russia into Europe recovered on Tuesday after dropping on Monday, with flows from Norway stable. However, pipeline flows from Norway are set to drop on Wednesday due to planned maintenance at the Troll field – one of the largest fields supplying Europe.

With the supply outlook in Europe tightening, Tuesday saw TTF and NBP take a premium over JKM for the first time since 17 August, with the Asian LNG marker up 1.2% on Tuesday to close at USD 18.69/MMBtu.

The rally by the European gas markers, along with sustained low wind power generation, failed to lift the European carbon price. The September-dated contract fell 0.5% from a record high on Monday, to close at EUR 61.95/tonne.

In the US, gas benchmark Henry Hub fell for the first time in five days as more US Gulf of Mexico oil and gas production was restored following widescale shut-ins ahead of Hurricane Ida, which made landfall in Louisiana on 29 August.

As of Tuesday, 78% of US GoM gas production remained offline, with 79% of oil production still shut-in, according to data compiled by the US Bureau of Safety and Environmental Enforcement (BSEE). On Monday, 81% of GoM gas production was shut-in.

Demand destruction – namely from the industrial sector – caused by the hurricane is outweighing lower supply, with weather across much of the US at normal levels for this time of year.

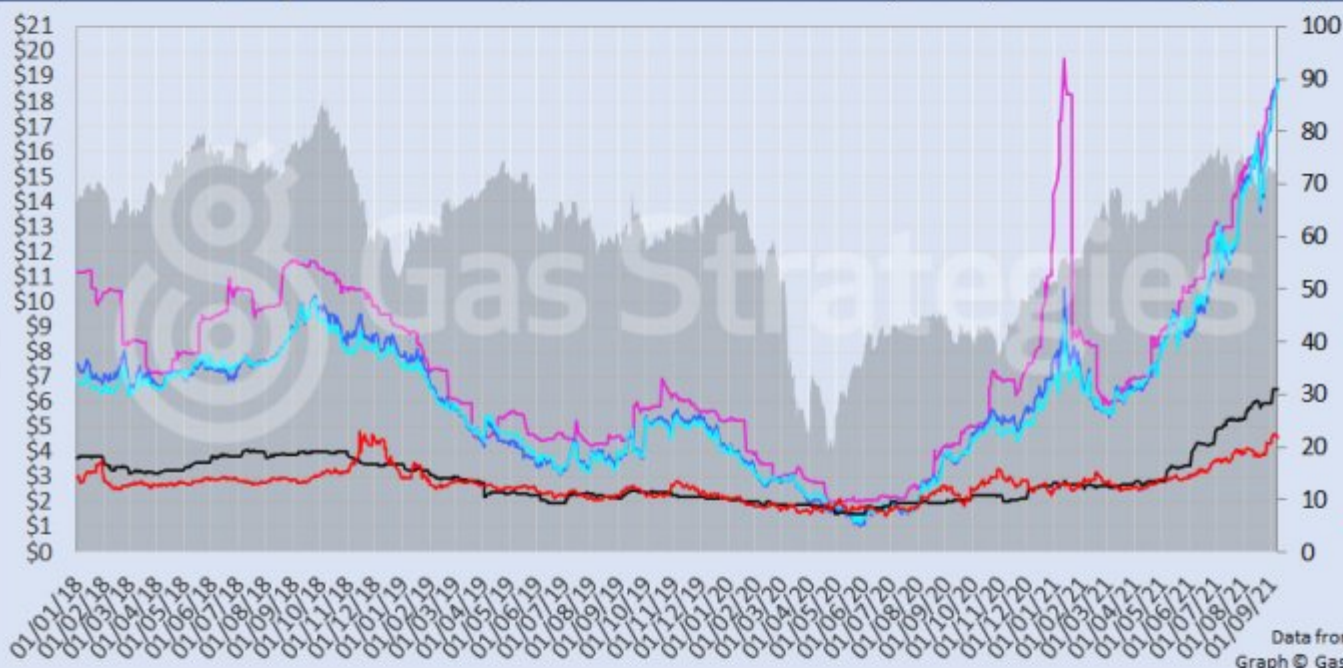
As for crude, prices continued to fall on Tuesday, with the slump pinned on a strengthening US dollar.

The front-month Brent contract fell by 0.7% to settle at USD 71.69/barrel with WTI closing 0.8% lower at USD 68.35/barrel.

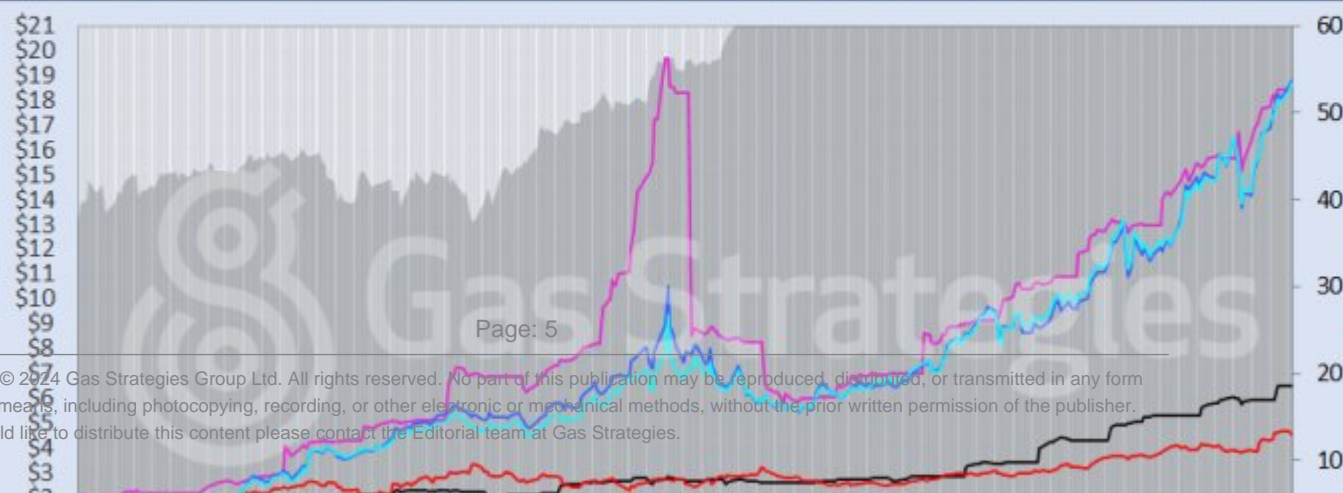
*Front-month futures and indexes at last close with day-on-day changes (click to enlarge):*

Front-month futures/index	07/09/2021	06/09/2021	Daily +/- (\$)	Daily
Henry Hub (\$/MMBtu)	4.57	4.71	-0.14	
NBP (\$/MMBtu)	18.82	18.55	0.27	
NBP (£p/th)	136.44	134.11	2.33	
Henry Hub-NBP spread	14.25	13.83	0.41	
TTF (\$/MMBtu)	18.72	18.39	0.33	
TTF (€/MWh)	53.91	52.87	1.03	
Henry Hub-TTF spread	14.15	13.68	0.48	
JKM (\$/MMBtu)	18.69	18.46	0.22	
TTF-JKM spread	-0.04	0.07	-0.11	
Henry Hub-JKM spread	14.12	13.75	0.37	
Brent (\$/barrel)	71.69	72.22	-0.53	
WTI (\$/barrel)	68.35	68.93	-0.58	
Brent-WTI spread (\$/barrel)	3.34	3.29	0.05	
API2 Coal (\$/tonne)	168.80	165.25	3.55	
API2 Coal (\$/MMBtu)	6.75	6.49	0.27	
EU CO <sub>2</sub> emissions allowances (€/tonne)	61.95	62.27	-0.32	

US, UK and European gas hubs, Asian LNG, API2 coal front-month futures (left axis) and Brent crude (right axis), since 1 Jan 2018



US, UK and EU gas hubs, Asian LNG, API2 coal front-month futures (left axis) and Brent crude (right axis), since 1 Jan 2018



[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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