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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](http://www.gasstrategies.com)  
Twitter @GasStrategies

### **Editorials**

+44(0) 20 7332 9957  
[editor@gasstrategies.com](mailto:editor@gasstrategies.com)

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[1]

European gas prices soared to record highs on Monday, lifted in part by fresh concerns that first gas from the Nord Stream 2 pipeline may not flow until 2022.

The front-month TTF and NBP contracts breached the USD 21/MMBtu mark on Monday after rallying by over 5%.

The rally was partly due to the German energy regulator Bundesnetzagentur announcing on Monday that it may take up to four months to assess an application by Nord Stream 2 AG for certification as an Independent Transmission Operator (ITO). The draft decision would then be submitted to the European Commission, which could take months to make a decision.

The proposed timeline has raised concerns over the start date of the 55 Bcm/year capacity pipeline, with Gazprom having last month said it expects to export 5.6 Bcm through the pipeline this year. Reports have suggested that Gazprom is aiming to export first gas through NS2 on 1 October. The German regulator could grant an exemption for gas exports before a certification decision has been taken, according to some market observers.

The Bundesnetzagentur's announcement has added to supply concerns ahead of winter, with Europe's gas storage sites – including those in Ukraine – currently 70.75% full, according to data compiled by Gas Infrastructure Europe (GIE). Gas withdrawal season starts next month and storage levels are below the five-year average.

The price jump by the European gas benchmarks outpaced the gains recorded by Asian LNG marker JKM, which settled 0.9% higher at USD 18.82/MMBtu. TTF and NBP's premium over JKM stood at ~USD 2.4/MMBtu on Monday, highlighting Europe's supply squeeze and need for LNG. Pipeline flows from Norway fell on Monday, with flows from Russia lower compared to levels seen at the end of last month.

Soaring gas prices and low wind power generation in Europe have helped lift power prices to record highs across many European countries. The gas price rally also helped lift the European carbon price, which settled 0.2% higher at EUR 61.01/tonne.

In the US, the front-month Henry Hub contract surged back to a seven-year high, closing ~6% higher at USD 5.23/MMBtu.

Henry Hub jumped on Monday amid supply concerns as Storm Nicholas approached the US Gulf Coast. The storm was upgraded to a category 1 hurricane as it made landfall in Texas during the early hours of Tuesday morning.

Production outages in the US Gulf of Mexico are still in place following Hurricane Ida which made landfall in Louisiana on 29 August.

As of Monday, ~52% of US GoM gas production remained offline, according to data compiled by the US Bureau of Safety and Environmental Enforcement (BSEE). As for oil, ~44% of production remained shut-in at the start of the week.

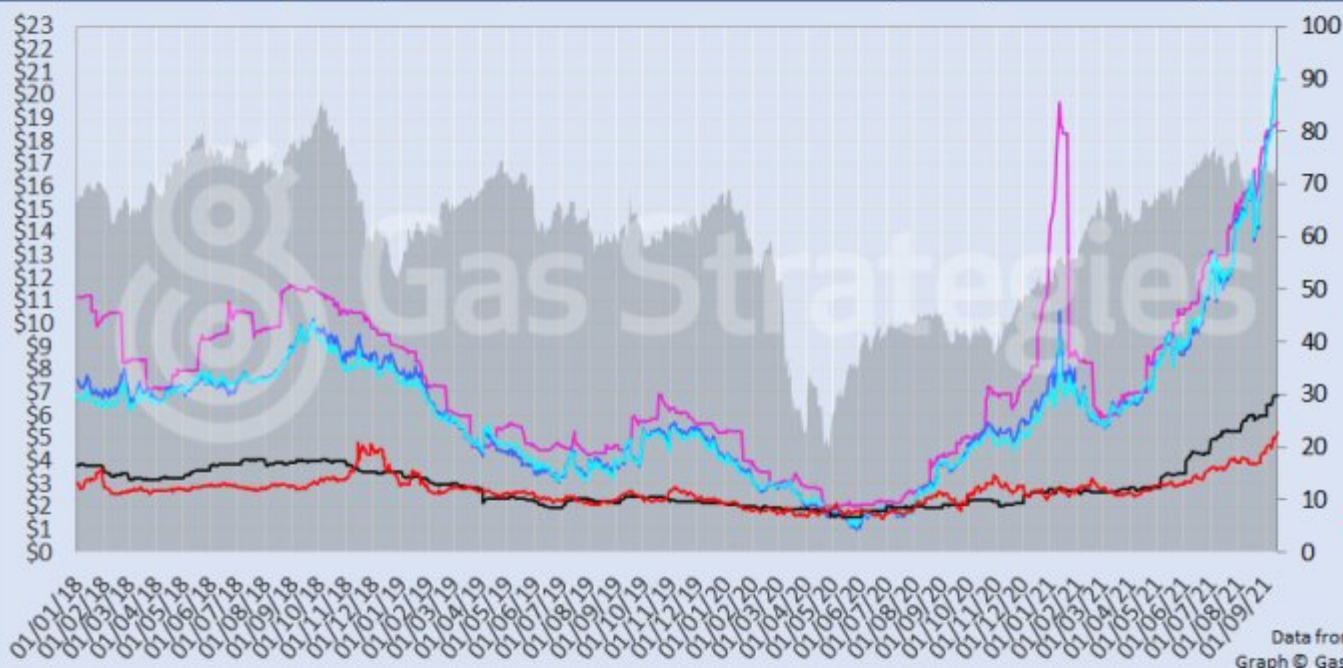
The GoM outages, coupled with concerns over supply due to Hurricane Nicholas, help lift crude prices on Monday.

Brent was up 0.8% to close at USD 73.51/barrel, with WTI settling 1% higher at USD 70.45/barrel.

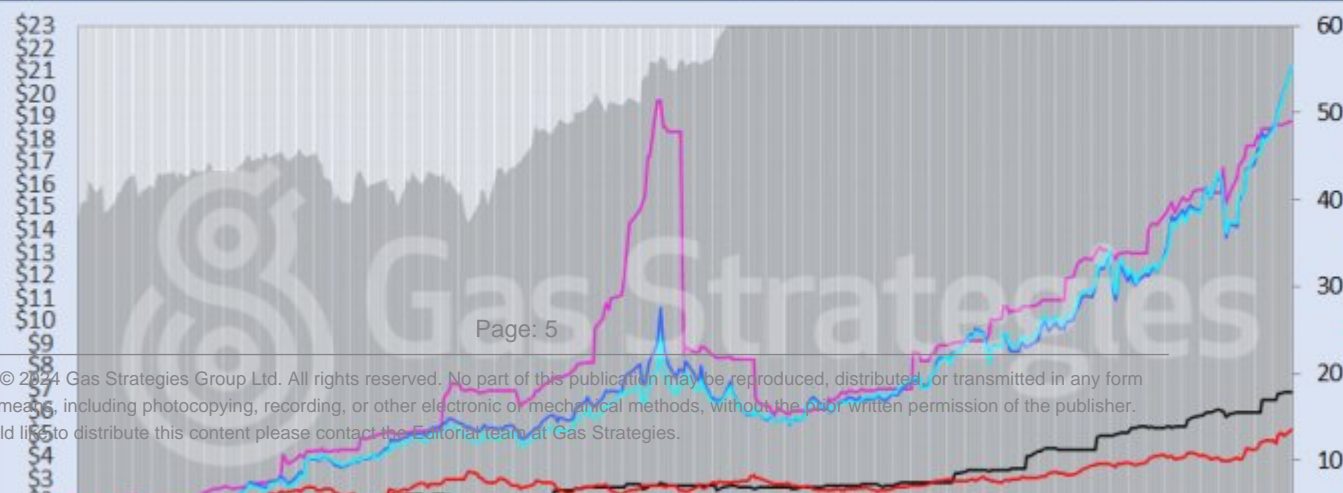
*Front-month futures and indexes at last close with day-on-day changes (click to enlarge):*

Front-month futures/index	13/09/2021	10/09/2021	Daily +/- (\$)	Daily
Henry Hub (\$/MMBtu)	5.23	4.94	0.29	
NBP (\$/MMBtu)	21.22	20.15	1.07	
NBP (£p/th)	153.26	145.52	7.74	
Henry Hub-NBP spread	15.99	15.21	0.78	
TTF (\$/MMBtu)	21.21	20.06	1.15	
TTF (€/MWh)	61.28	57.92	3.36	
Henry Hub-TTF spread	15.98	15.13	0.85	
JKM (\$/MMBtu)	18.82	18.65	0.17	
TTF-JKM spread	-2.39	-1.41	-0.98	
Henry Hub-JKM spread	13.59	13.71	-0.12	
Brent (\$/barrel)	73.51	72.92	0.59	
WTI (\$/barrel)	70.45	69.72	0.73	
Brent-WTI spread (\$/barrel)	3.06	3.20	-0.14	
API2 Coal (\$/tonne)	172.00	170.95	1.05	
API2 Coal (\$/MMBtu)	6.88	6.84	0.04	
EU CO <sub>2</sub> emissions allowances (€/tonne)	61.01	60.86	0.15	

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.*



### Consulting

+44 (0) 20 7332 9900  
[consult@gasstrategies.com](mailto:consult@gasstrategies.com)



### Alphatania Training

+44 (0) 20 7332 9910  
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