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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

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[1]

The front-month TTF contract rebounded on Monday amid lower pipeline flows from Russia and expectations of colder weather in the coming weeks.

The February-dated TTF contract closed 13.5% higher at the equivalent of USD 26.61/MMBtu on the first day of trading in 2022. Whilst TTF closed higher, UK gas benchmark NBP remained unchanged in GBP/th terms amid a public holiday in the UK on Monday.

A drop in flows from Russia help lift TTF on Monday, with flows averaging 183 Mcm/d yesterday – down on the 251 Mcm/d on Friday, according to EnergyScan.

Indonesia banning coal exports this month – due to domestic power generation concerns – and cold weather forecasts for Europe also contributed to TTF's rally.

Whilst TTF recorded a strong gain on Monday, the front-month price has fallen significantly in the last two weeks – having hit a record high of ~USD 59/MMBtu on 21 December. Gas prices in Europe started to plummet in late December due to a flurry of LNG imports. The continent's LNG deliveries for December are expected to have hit ~2.5 Bcm – Europe's highest since May 2021.

Gas prices in Europe could however spike in the coming weeks as cold weather is expected to return, with gas storage levels across the continent well below the five-year average. Gas inventories in Europe were ~56% full as of 2 January, according to GIE data.

In addition to weak inventory levels, reports suggest Asian buyers are back in the market for spot cargoes, which would see fewer cargoes heading to Europe.

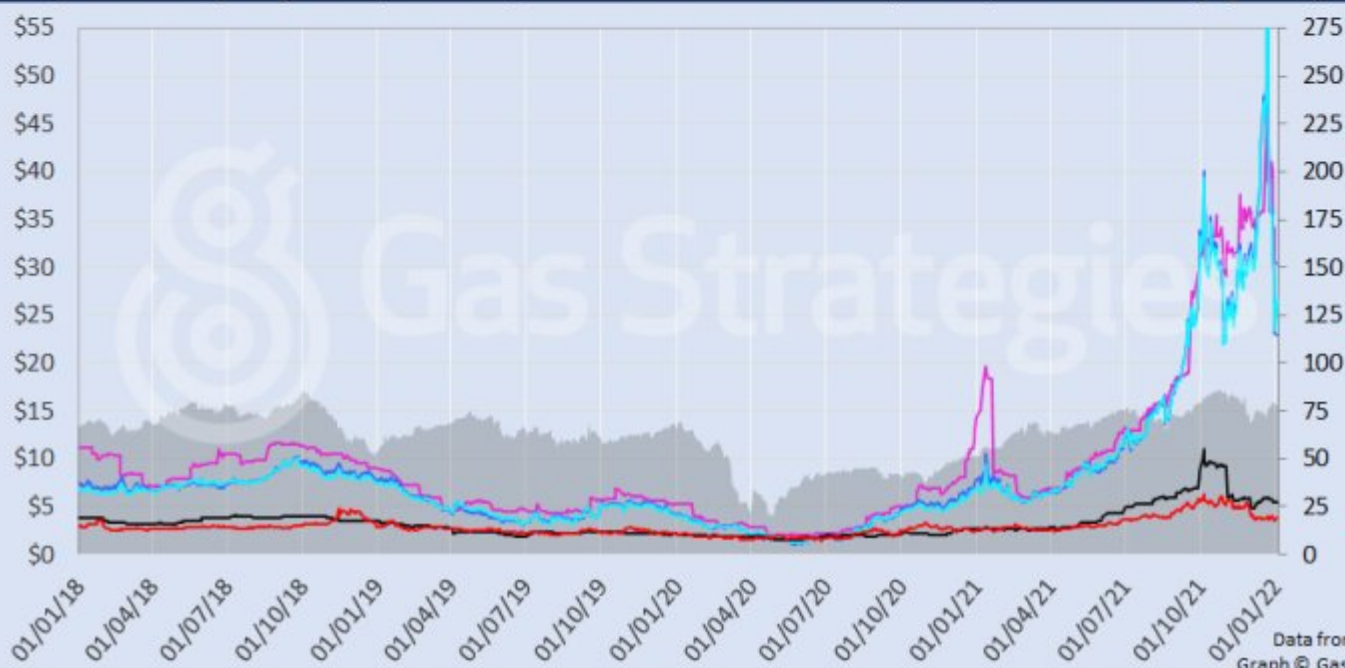
Asian LNG marker JKM recorded a minor gain on Monday to close at USD 30.51/MMBtu.

As for crude, prices rallied on Monday amid optimism over further demand recovery this year. However, prices could fall today as OPEC and its allies are expected to agree to increase production further at the cartel's latest monthly meeting.

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

Front-month futures/index	03/01/2022	31/12/2021	Daily +/- (\$)	Daily
Henry Hub (\$/MMBtu)	3.82	3.73	0.09	
NBP (\$/MMBtu)	22.98	23.10	-0.12	
NBP (£p/th)	170.64	170.64	0.00	
Henry Hub-NBP spread	19.17	19.37	-0.20	
TTF (\$/MMBtu)	26.61	23.45	3.16	
TTF (€/MWh)	80.43	70.34	10.09	
Henry Hub-TTF spread	22.80	19.72	3.07	
JKM (\$/MMBtu)	30.51	30.50	0.01	
TTF-JKM spread	3.89	7.04	-3.15	
Henry Hub-JKM spread	26.69	26.77	-0.08	
Brent (\$/barrel)	78.98	77.78	1.20	
WTI (\$/barrel)	76.08	75.21	0.87	
Brent-WTI spread (\$/barrel)	2.90	2.57	0.33	
API2 Coal (\$/tonne)	136.73	136.75	-0.02	
API2 Coal (\$/MMBtu)	5.47	5.47	0.00	
EU CO ₂ emissions allowances (€/tonne)	83.53	80.11	3.42	

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.



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

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