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The European carbon price recorded a strong drop on Wednesday amid reports suggesting Brussels will sell more carbon permits in order to fund the bloc's pivot away from Russian gas imports.

The May-dated EUA contract fell 7.7% to close at EUR 84.24/tonne. The drop was pinned on reports suggesting the European Commission is mulling the sale extra carbon permits from the Market Stability Reserve in a bid to raise EUR 20 billion to help fund the bloc's move to end energy imports from Russia.

Providing more permits could weigh on the price of carbon, with some market observers also warning that extra permits could hit the bloc's climate goals. However, some believe soaring fossil fuel prices will naturally encourage the shift towards low-carbon energy sources.

As for gas prices, European prices diverged on Wednesday. Dutch marker TTF remained stable, closing 0.1% higher at the equivalent of USD 29.09/MMBtu. UK benchmark NBP closed 2.3% lower at the equivalent of USD 22.56/MMBtu.

US gas benchmark Henry Hub continued to climb, closing 0.8% higher at USD 8.37/MMBtu. A heatwave in Texas has helped lift Henry Hub this week.

As for Asian LNG marker JKM, the front-month contract rolled over to July, with the July-dated contract down 9.7% compared to the close of the June-dated contract on Tuesday.

Crude prices continued to fall on Wednesday, with both WTI and Brent closing 2.5% lower. A strengthening US dollar, strong drops on global stock markets – particularly in the US – and rising

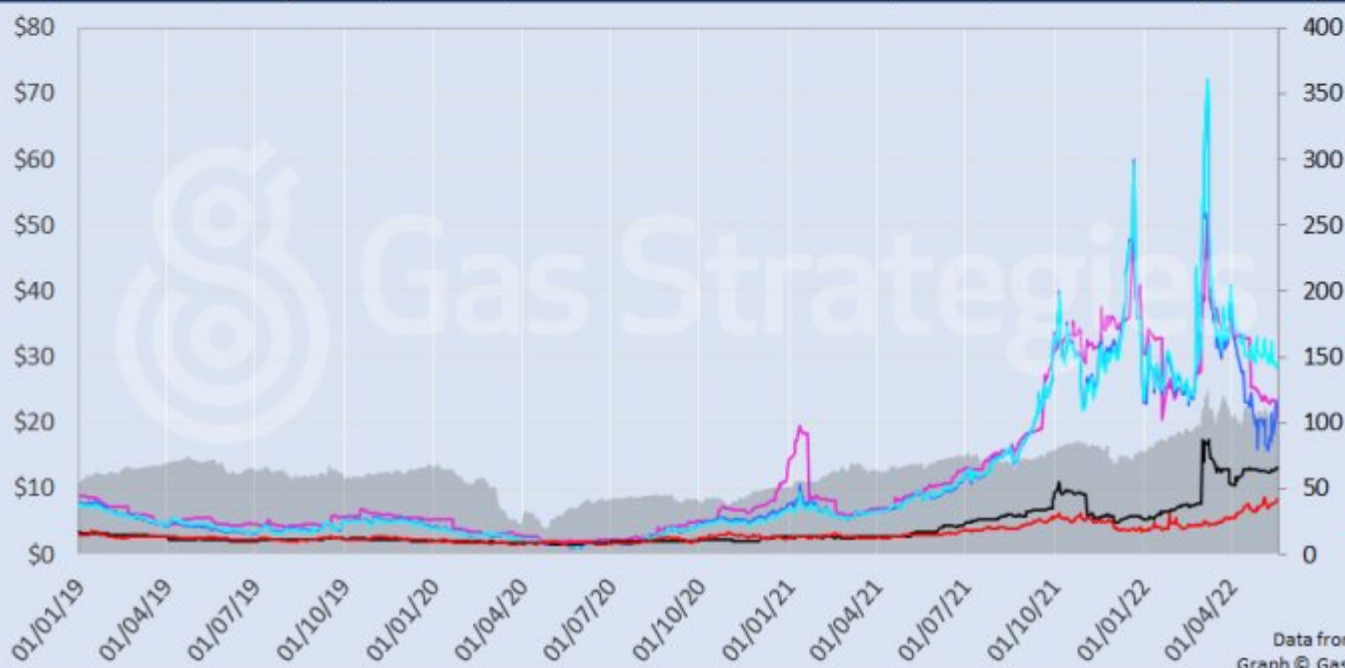
inflation fears also weighed on oil prices.

WTI maintained its premium over Brent, with the US benchmark settling at USD 109.59/barrel – up USD 0.48/barrel on Brent.

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

Front-month futures/index	18/05/2022	17/05/2022	Daily +/- (\$)	Daily
Henry Hub (\$/MMBtu)	8.37	8.30	0.06	
NBP (\$/MMBtu)	22.56	23.10	-0.54	
NBP (£p/th)	181.98	185.23	-3.25	
Henry Hub-NBP spread	14.20	14.80	-0.60	
TTF (\$/MMBtu)	29.09	29.07	0.02	
TTF (€/MWh)	94.54	94.18	0.36	
Henry Hub-TTF spread	20.72	20.77	-0.05	
JKM (\$/MMBtu)	21.17	23.43	-2.27	
TTF-JKM spread	-7.93	-5.64	-2.28	
Henry Hub-JKM spread	12.80	15.13	-2.33	
Brent (\$/barrel)	109.11	111.93	-2.82	
WTI (\$/barrel)	109.59	112.40	-2.81	
Brent-WTI spread (\$/barrel)	-0.48	-0.47	-0.01	
API2 Coal (\$/tonne)	329.00	329.50	-0.50	
API2 Coal (\$/MMBtu)	13.16	13.18	-0.02	
EU CO ₂ emissions allowances (€/tonne)	84.24	91.30	-7.06	

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



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



[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.



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