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[1]

A moderate upturn in European gas prices meant little to the market on Tuesday, as prices are still hovering around their lowest levels in over two years.

Despite the increase, there are no signs that the fundamental situation is changing noticeably. Energi Danmark said it considers it very likely that the market will retreat again sometime in the nearest future.

Front-month TTF saw a 0.6% rise to USD 7.76/MMBtu, while NBP rose by a more bullish 1.9% to USD 7.23/MMBtu. JKM also saw a minor 1.4% lift to USD 9.37/MMBtu, thus widening the spread with Europe and trading at a premium to the TTF.

Meanwhile, contracts for July delivery have fallen by around 3% as China's slow economic recovery is keeping energy consumption muted and as the market is flush with LNG. This is taking away any supply risk for Europe at a time when demand on the continent is also trembling.

According to the Centre for Research on Energy and Clean Air (CREA), Renewables helped the EU boost underground gas storage by 14% since the start of 2022.

In a report, it added: "Increased solar and wind electricity generation helped EU countries to save 14 Bcm or 12% of total underground storage capacity in 2022. These savings helped to reach a safe 95% or 108 bcm filling rate and be prepared for the upcoming winter.

"Without additional solar and wind electricity generation, storage levels in 2023 would reach 43% or 49

Bcm,” the think tank said.

In the US, the Henry Hub rose by 6.7% and settled at USD 2.33/MMBtu, despite the build-up in gas storage and a bleak demand outlook. Analysts suggest the price recovery happened in anticipation of the OPEC+ meeting on 4 June.

“Apart from that, higher expectations of one more interest rate hike by the Federal Reserve are expected to make a dent in the overall demand and could propel fears of recession, which would impact more on natural gas prices,” FX Street reported.

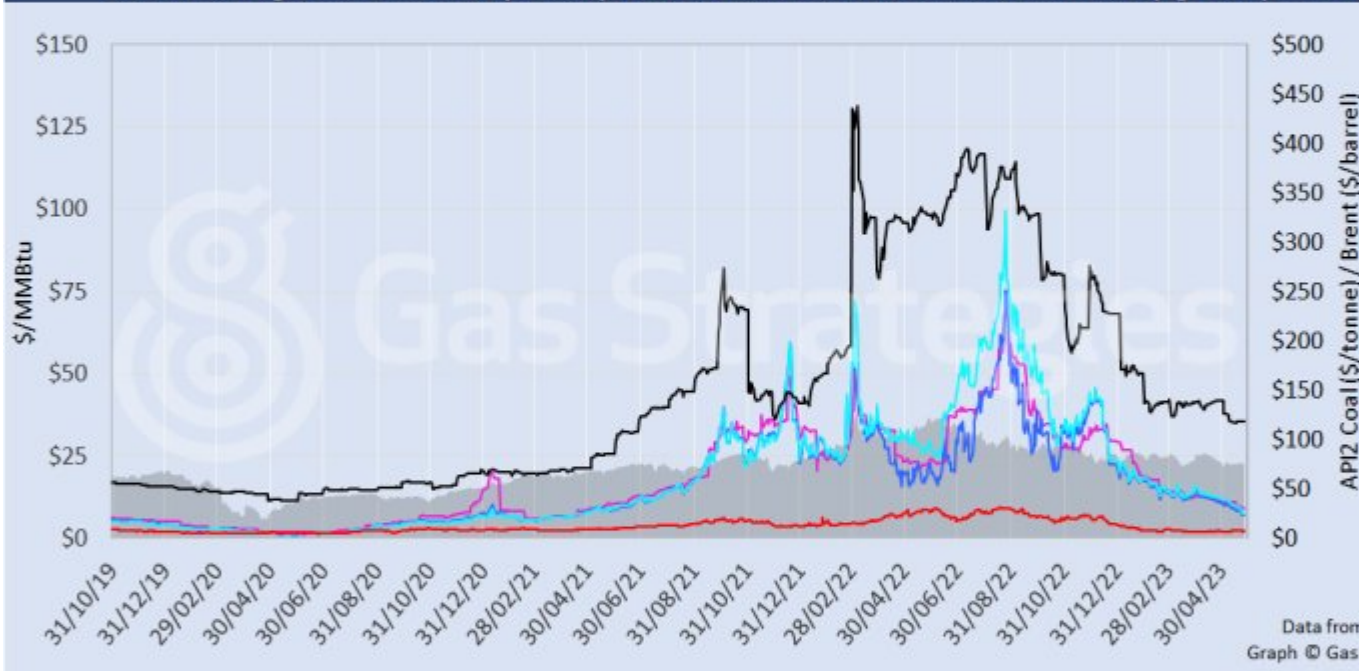
Crude dipped drastically on Tuesday, on concerns about whether the US Congress will pass the US debt ceiling pact and as mixed messages clouded the supply outlook ahead of the OPEC+ meeting this weekend, Reuters reported.

Brent dipped 4.6% to USD 73.53/barrel, and WTI settled 4.8% lower at USD 69.46/barrel.

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

Front-month futures/index	30/05/2023	29/05/2023	Daily +/- (\$)	Daily
Henry Hub (\$/MMBtu)	2.33	2.18	0.15	
NBP (\$/MMBtu)	7.23	7.09	0.14	
NBP (£p/th)	58.29	57.36	0.93	
Henry Hub-NBP spread	4.90	4.91	-0.01	
TTF (\$/MMBtu)	7.76	7.71	0.04	
TTF (€/MWh)	24.68	24.56	0.12	
Henry Hub-TTF spread	5.43	5.53	-0.10	
JKM (\$/MMBtu)	9.37	9.24	0.13	
TTF-JKM spread	1.61	1.52	0.09	
Henry Hub-JKM spread	7.04	7.05	-0.02	
Brent (\$/barrel)	73.53	77.07	-3.54	
WTI (\$/barrel)	69.46	72.96	-3.50	
Brent-WTI spread (\$/barrel)	4.07	4.11	-0.04	
API2 Coal (\$/tonne)	119.03	119.03	0.00	
API2 Coal (\$/MMBtu)	4.76	4.76	0.00	
EU CO ₂ emissions allowances (€/tonne)	78.82	81.13	-2.31	

US, UK and EU gas hubs, Asian LNG (left axis), API2 coal front-month futures and Brent crude (right axis), since 2019



EU carbon allowances (EUAs) on the Emissions Trading System (ETS)



[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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