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Energy markets were on edge on Monday after news emerged over the weekend that a cargo ship had been seized in the Red Sea by Yemen-based Houthi rebels, raising security concerns over the shipping channels used to transport much of the oil and LNG produced around the Arabian/Persian Gulf.

All of Qatar's LNG has to pass through the Strait of Hormuz at the mouth of the Gulf and those cargoes bound for Europe then have to go via the Red Sea and the Gulf of Suez through the Suez Canal. It remains possible that a spread of the Israel-Hamas war could disrupt shipping, though for now the likelihood looks low.

After a mixed day on Friday, when natural gas prices mainly continued to fall while oil prices climbed by more than 4%, Monday saw both oil and gas prices opening significantly up on Friday's close.

Adding to upward price pressure in European gas markets were forecasts that we may at last see colder-than-usual weather in the North-West before the end of November, leading to storage withdrawals as heating demand kicks in.

In Continental Europe, TTF futures fell by 1.5% on Friday, from USD 14.58/MMBtu on Thursday to USD 14.37/MMBtu. Early on Monday the price was up almost 7% but most of this gain had been given up by lunchtime in London.

In the UK, NBP moved in tandem with TTF, closing 1.4% down on Friday from USD 14.34/MMBtu on Thursday to USD 14.13/MMBtu, opening higher on Monday and moving downwards over the course of the morning.

In Asia, JKM remained flat at USD 17.10/MMBtu for the third consecutive trading session, levelling off the gentle decline of recent weeks.

In the US, Henry Hub plunged by another 3.3% on Friday, after its 4% fall the previous session, taking it into sub-USD 3/MMBtu territory for the first time in almost a month.

It closed at USD 2.96/MMBtu, down from USD 3.06/MMBtu on Thursday, and continued to fall on Monday morning, as forecasts of milder weather combined with higher production estimates and robust inventories.

Crude oil prices climbed, more than reversing most of their fall in the previous session, with Brent up 4.1% from USD 77.42/barrel on Thursday to USD 80.61/barrel on Friday, while WTI rose by 4.3%, from USD 72.90/barrel to USD 76.04/barrel. Both were trading higher on Monday, up by around 2% by lunchtime in London.

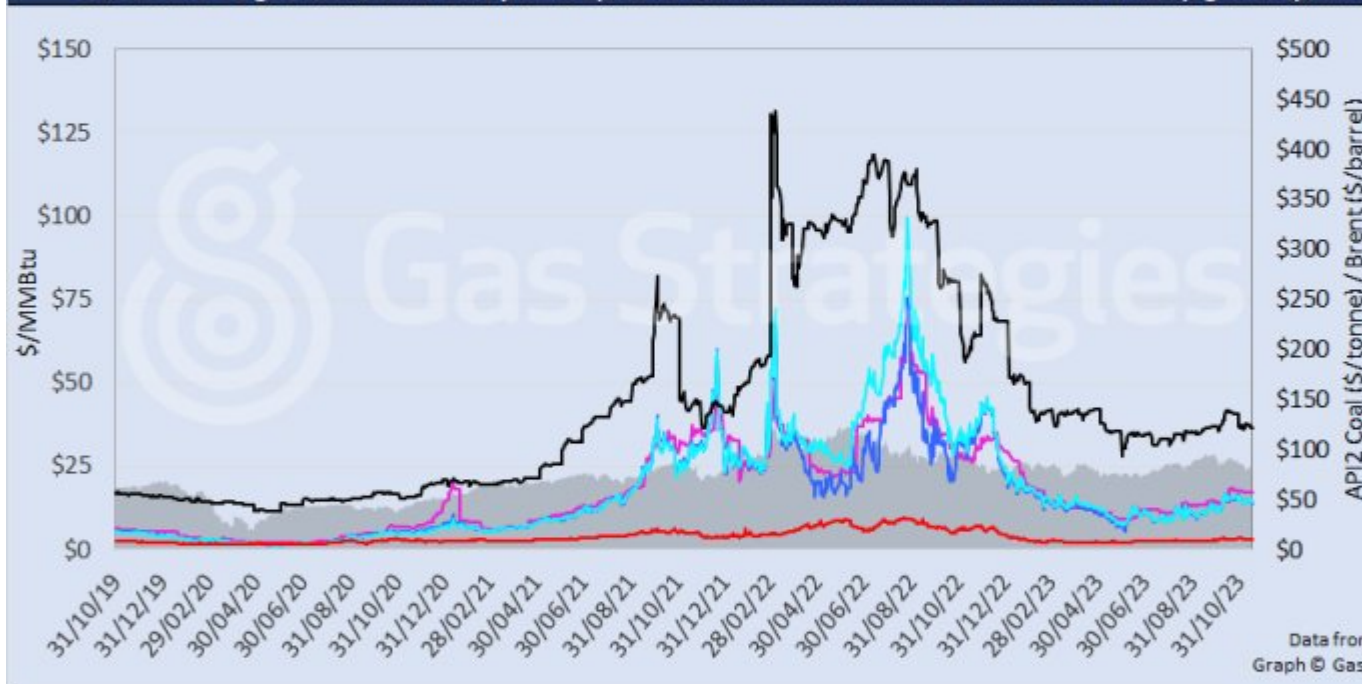
Along with nervousness over the seizure of the cargo ship by Houthi rebels, traders are looking to the meeting later this week of OPEC+ and its likely response to the price falls of recent weeks as demand concerns have more than offset the risk of widening conflict in the Middle East. There is a growing perception that output could be cut.

Moreover, Saudi Arabia is now expected to prolong its self-imposed output curbs beyond the end of 2023 and into the early months of next year.

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

Front-month futures/index	17/11/2023	16/11/2023	Daily +/- (\$)	Daily
Henry Hub (\$/MMBtu)	2.96	3.06	-0.10	
NBP (\$/MMBtu)	14.13	14.34	-0.21	
NBP (£p/th)	113.74	115.47	-1.73	
Henry Hub-NBP spread	11.17	11.28	-0.11	
TTF (\$/MMBtu)	14.37	14.58	-0.21	
TTF (€/MWh)	45.06	45.85	-0.78	
Henry Hub-TTF spread	11.41	11.52	-0.11	
JKM (\$/MMBtu)	17.10	17.10	0.00	
TTF-JKM spread	2.74	2.52	0.21	
Henry Hub-JKM spread	14.14	14.04	0.10	
Brent (\$/barrel)	80.61	77.42	3.19	
WTI (\$/barrel)	76.04	72.90	3.14	
Brent-WTI spread (\$/barrel)	4.57	4.52	0.05	
API2 Coal (\$/tonne)	121.75	122.50	-0.75	
API2 Coal (\$/MMBtu)	4.87	4.90	-0.03	
EU CO ₂ emissions allowances (€/tonne)	76.55	77.01	-0.46	

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



[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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