

20 May 2024

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Publication date: 30 January 2024

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On what was otherwise a day of minimal movements in global energy prices, US natural gas prices fell sharply on Monday.

Forecasts of warmer weather and the ongoing recovery of production after the disruptions caused by the deep freeze earlier in January saw the Henry Hub February futures contract plunge by 8.2% on its final day of trading.

The fall from USD 2.71/MMBtu on Friday to USD 2.49/MMBtu on Monday more than offset the 5.5% rise in the previous session.

US dry gas production in the Lower 48 states is reported to have reached an all-time monthly high of 1.5.5 Bcf/d in December.

As the US considered its response to the drone strike over the weekend that killed three of its soldiers at a military base in Jordan – describing the situation in the Middle East as “volatile” – oil prices ended their recent run of rises.

Brent crude was down 1.4%, from USD 83.55/barrel on Friday to USD 82.40/MMBtu on Monday, while WTI fell 1.6% from USD 78.01/barrel to USD 76.78/barrel. Prices remained stable at around those levels on Tuesday morning.

Natural gas prices in Europe plateaued, with TTF down by 0.2%, from USD 8.94/MMBtu on Friday to USD 8.92/MMBtu on Monday, while, in the UK, NBP fell by 0.1%, from USD 8.82/MMBtu to USD 8.81/MMBtu.

The falls were an effect of currency movements. In EUR/MWh terms, both prices edged upwards, TTF by 0.3% and NBP by 0.2%.

With the start of meteorological spring just over a month away, gas storage in the European Union remained 71.54% full on Sunday, according to Gas Infrastructure Europe data, with UK storage at 61.73% full.

In Asia, the JKM LNG price was up 1.1%, from USD 9.29/MMBtu on Friday to USD 9.39/MMBtu on Monday.

US pause on LNG export approvals

The Biden administration’s temporary moratorium on export approvals for pre-FID LNG projects in the US is reported to be causing consternation among Asian buyers, especially in China and Japan, the world’s two largest LNG consumers.

READ US gas industry urges clarity after Biden freezes LNG deals [1]

Japan said on Tuesday it would take the measures it deemed necessary to ensure supply security.

Japan's nuclear push

Meanwhile, a report from LSEG Power Research forecasts continuing recovery of Japan's nuclear power sector, with another two reactors expected to start up in 2024 and a further four in 2025 – putting further downward pressure on demand for coal and for LNG.

Gas and coal accounted for two-thirds of Japan's total power generation mix in 2023, with nuclear at 8% and renewables at 24%.

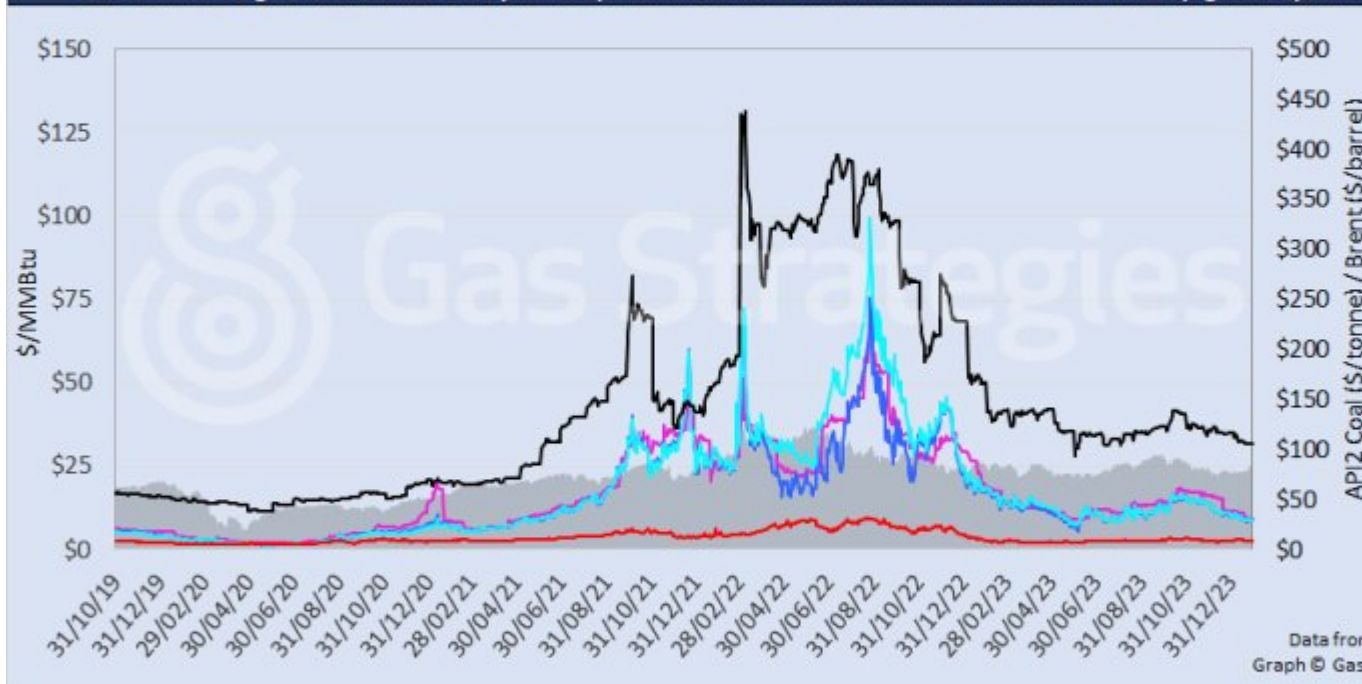
According to the International Energy Agency (IEA), Japan is hoping that nuclear will account for around a fifth of the electricity fuel mix by 2030 “as public opinion starts to favour the restart of nuclear reactors for the first time since [2011's] Fukushima incident”.

European coal prices were stable, with API2 remaining at USD 4.24/MMBtu.

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

Front-month futures/index	29/01/2024	26/01/2024	Daily +/- (\$)	Daily
Henry Hub (\$/MMBtu)	2.49	2.71	-0.22	
NBP (\$/MMBtu)	8.81	8.82	-0.01	
NBP (£p/th)	69.48	69.35	0.13	
Henry Hub-NBP spread	6.32	6.11	0.21	
TTF (\$/MMBtu)	8.92	8.94	-0.02	
TTF (€/MWh)	28.17	28.08	0.09	
Henry Hub-TTF spread	6.43	6.23	0.20	
JKM (\$/MMBtu)	9.39	9.29	0.10	
TTF-JKM spread	0.47	0.35	0.12	
Henry Hub-JKM spread	6.90	6.58	0.32	
Brent (\$/barrel)	82.40	83.55	-1.15	
WTI (\$/barrel)	76.78	78.01	-1.23	
Brent-WTI spread (\$/barrel)	5.62	5.54	0.08	
API2 Coal (\$/tonne)	106.07	106.07	0.00	
API2 Coal (\$/MMBtu)	4.24	4.24	0.00	
EU CO ₂ emissions allowances (€/tonne)	59.94	61.73	-1.79	

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



[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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