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European natural gas futures climbed on Tuesday as traders were unsettled by news of more problems at the Freeport LNG export plant in the US and as the world waited to hear how the US would respond to the weekend drone strike in Jordan that killed three of its soldiers.

US President Joe Biden has said he has decided how to respond to the attack but without giving any details so far.

Meanwhile, LNG carriers bound for Europe continue to avoid the Red Sea in favour of the longer journey around Africa to avoid the risk of being attacked by Houthis based in Yemen. Several cargo ships have been attacked over the past week, with some having to put out fires but none severely damaged.

Freeport LNG has said that one of its three 5 mtpa liquefaction trains will be out of action for a month while an electric motor that drives refrigeration compression is replaced.

In June 2022, the entire facility – the second-largest in the US – was put out of action for eight months after an explosion. The extended outage contributed to the unprecedented sky-high spot gas prices in the second half of that year.

The market response to these events has, however, fallen well short of panic.

In Continental Europe, TTF futures rose by 5.4%, from USD 8.92/MMBtu on Monday to USD 9.40/MMBtu on Tuesday. The March contract climbed sharply in early trading on Wednesday but the rally quickly lost steam and the price was back to around Tuesday's close by lunchtime in London.

In the UK, NBP was up 4.3%, from USD 8.81/MMBtu on Monday to USD 9.19/MMBtu on Tuesday, and on a similar trajectory to TTF on Wednesday morning.

In Asia, the JKM LNG price was up by 1.0%, from USD 9.39/MMBtu on Monday to USD 9.48/MMBtu on Tuesday, reducing the TTF-JKM spread to USD 0.08/MMBtu.

The Biden administration's decision to impose a temporary moratorium on new LNG export approvals continued to make waves, with complaints coming from the International Gas Union, German gas industry group Zukunft Gas and EQT, an independent US gas producer.

In a letter to US Energy Secretary Jennifer Granholm dated Tuesday, EQT's CEO, Toby Z. Rice, writes: "Yes, the United States is the largest exporter of natural gas in the world. However, the growth in natural gas export over the last decade – a cited basis for the need to 'pause' – is miniscule in light of what is needed to address climate, obviating the need for only approximately 7% of international coal consumption."

Meanwhile, the price of front-month Henry Hub gas moved down sharply as the February contract expired to be replaced by March. The March contract closed at USD 2.08/MMBtu on Tuesday, 16.6%

below the closing price of the February contract on Monday.

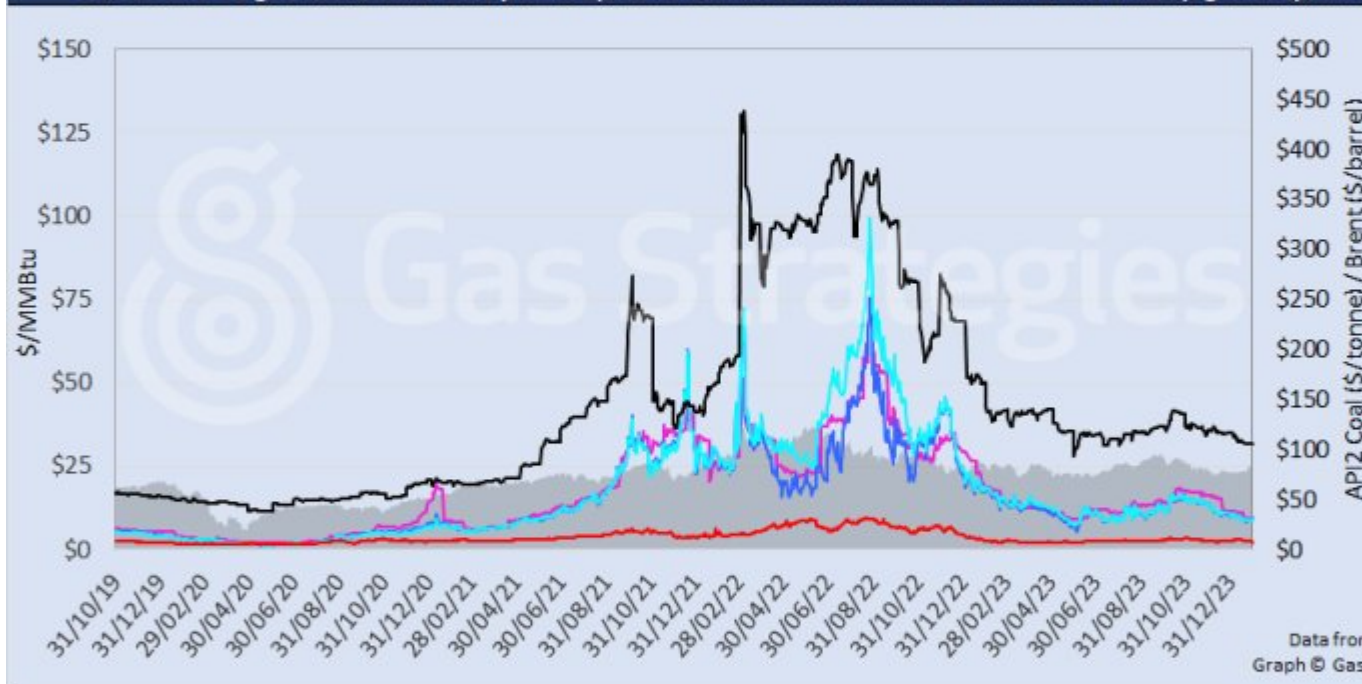
Tensions in the Middle East had minimal impact on oil prices, with Brent rising 0.6%, from USD 82.40/barrel on Monday to USD 82.87/barrel on Tuesday and WTI up 1.4%, from USD 76.78/barrel to USD 77.82/barrel. Both were down by just over a percentage point on Wednesday by lunchtime in London.

European coal prices remained stable, with API2 staying 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	1/30/2024	1/29/2024	Daily +/- (\$)	Daily
Henry Hub (\$/MMBtu)	2.08	2.49	-0.41	
NBP (\$/MMBtu)	9.19	8.81	0.38	
NBP (£p/th)	72.45	69.48	2.97	
Henry Hub-NBP spread	7.11	6.32	0.79	
TTF (\$/MMBtu)	9.40	8.92	0.48	
TTF (€/MWh)	29.58	28.17	1.41	
Henry Hub-TTF spread	7.32	6.43	0.89	
JKM (\$/MMBtu)	9.48	9.39	0.09	
TTF-JKM spread	0.68	0.47	-0.39	
Henry Hub-JKM spread	7.40	6.90	0.50	
Brent (\$/barrel)	82.87	82.40	0.47	
WTI (\$/barrel)	77.82	76.78	1.04	
Brent-WTI spread (\$/barrel)	5.05	5.62	-0.57	
API2 Coal (\$/tonne)	106.07	106.07	0.00	
API2 Coal (\$/MMBtu)	4.24	4.24	0.00	
EU CO ₂ emissions allowances (€/tonne)	61.68	59.94	1.74	

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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