

20 May 2024

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Pricewatch | 8 February 2024 | Gas Matters Today
Publication date: 08 February 2024

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Natural gas prices in all three of the world's main consuming regions fell yesterday – notably in the US where Henry Hub futures finally closed below USD 2/MMBtu, the lowest front-month level since March 2023.

Warmer-than-usual weather continues to be a major driver, with the impacts over the past 12 months quantified yesterday by the EU's Copernicus weather and climate change service – not just in Europe but globally.

Implemented by the European Centre for Medium-Range Weather Forecasts on behalf of the European Commission, Copernicus confirmed last month as the warmest January on record. This means that global temperatures over the past 12 months have exceeded the 1.5°C stretch target in the Paris Agreement on Climate Change for the first time.

The year has started with another record-breaking month, according to Copernicus Climate Change Service deputy director Samantha Burgess. "Not only is it the warmest January on record but we have also just experienced a 12-month period of more than 1.5°C above the pre-industrial reference period," she said.

A single 12-month period of temperatures above 1.5°C does not on its own break the stretch target in the Paris Agreement – which is based on multiple years – but is clearly a sign that global temperatures continue to rise rapidly, with little sign of a fall in carbon emissions.

The main drivers are reported to be rising greenhouse gas (GHG) emissions and the ongoing – but weakening – El Niño weather phenomenon.

"Rapid reductions in GHG emissions are the only way to stop global temperatures increasing," Burgess noted.

In the US, the Henry Hub March contract fell by 2.1%, from USD 2.01/MMBtu on Tuesday to USD 1.97/MMBtu on Wednesday – taking nobody by surprise. It has appeared to be on its way through the USD 2/MMBtu barrier on several occasions recently.

In Continental Europe, front-month TTF was down 1.3%, from USD 9.01/MMBtu on Tuesday to USD 8.89/MMBtu on Wednesday, with the UK's NBP also down 1.3%, from USD 8.82/MMBtu to USD 8.71/MMBtu. One bearish factor was the recovery of supplies from Norway after recent, but short-lived, outages.

In Asia, the JKM LNG price edged down 0.2%, from USD 9.47/MMBtu to USD 9.45/MMBtu. The TTF-JKM spread stands at USD 0.56/MMBtu.

Hopes that there might be an end – or at least a pause – in the war in Gaza were crushed as Israel's

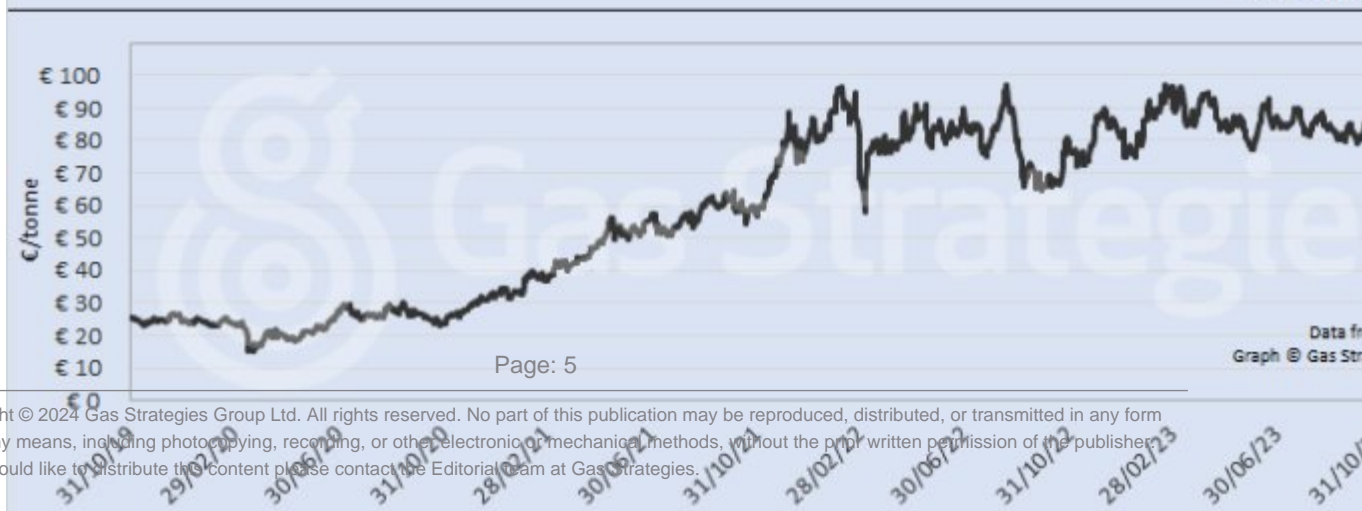
prime minister Benjamin Netanyahu dismissed the much-anticipated response by Hamas to recent proposals for a ceasefire and exchange of hostages and prisoners.

Brent crude rose by 0.8%, from USD 78.59/barrel on Tuesday to USD 79.21/barrel on Wednesday, with WTI also up 0.8%, from USD 73.31/barrel to USD 73.86/barrel.

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

Front-month futures/index	2/7/2024	2/6/2024	Daily +/- (\$)	Daily
Henry Hub (\$/MMBtu)	1.97	2.01	-0.04	
NBP (\$/MMBtu)	8.71	8.82	-0.11	
NBP (£p/th)	68.98	70.09	-1.11	
Henry Hub-NBP spread	6.74	6.81	-0.07	
TTF (\$/MMBtu)	8.89	9.01	-0.12	
TTF (€/MWh)	28.19	28.61	-0.42	
Henry Hub-TTF spread	6.93	7.01	-0.08	
JKM (\$/MMBtu)	9.45	9.47	-0.02	
TTF-JKM spread	0.56	0.46	0.10	
Henry Hub-JKM spread	7.48	7.46	0.02	
Brent (\$/barrel)	79.21	78.59	0.62	
WTI (\$/barrel)	73.86	73.31	0.55	
Brent-WTI spread (\$/barrel)	5.35	5.28	0.07	
API2 Coal (\$/tonne)	98.50	98.50	0.00	
API2 Coal (\$/MMBtu)	3.94	3.94	0.00	
EU CO ₂ emissions allowances (€/tonne)	60.57	61.72	-1.15	

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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