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Pricewatch | 21 February 2024 | Gas Matters Today

European natural gas futures rallied on Tuesday, finding a brief foothold after mostly falling during February, not just because of persistent mild weather but also industrial demand destruction as a result of two-and-a-half years of historically high prices.

A report published today by the Institute for Energy Economics and Financial Analysis (IEEFA) indicates that European gas demand has fallen by a fifth since Russia's full-scale invasion of Ukraine – two years ago this coming Saturday.

“Europe's gas consumption in 2023 fell to its lowest level in 10 years as countries scale up efficiency measures and renewables deployment,” says IEEFA. “Europe has weathered the energy crisis and has set itself up to continue curbing gas use, thanks in part to efficiency measures and renewables deployment.”

The continent's LNG demand is forecast to peak next year, despite the rush to build new LNG import infrastructure, says IEEFA, with eight import terminals having come online since February 2022 and another 13 due online by the end of the decade.

In Continental Europe, TTF rose by 2.2%, from USD 7.49/MMBtu on Monday to USD 7.65/MMBtu on Tuesday, but the trend was back on a downward path on Wednesday morning.

In the UK, NBP rose by 2.6%, from USD 7.30/MMBtu to USD 7.48/MMBtu but, like TTF, was sliding again on Wednesday.

UK energy regulator Ofgem is due to set new price caps for residential gas and power on Friday. Consumers can look forward to a reduction of around 15% in their bills from April, thanks to lower wholesale prices.

In Asia, the JKM LNG price fell by 2.3%, from USD 8.57/MMBtu on Monday to USD 8.37/MMBtu on Tuesday, pushing the TTF-JKM spread back below a dollar to USD 0.72/MMBtu.

In the US, Henry Hub was down 2.1% after the President's Day holiday on Monday, falling from USD 1.61/MMBtu on Friday to close at USD 1.58/MMBtu on Tuesday.

The outlook remains bearish with mild weather expected to continue into March and the market anticipating a storage withdrawal of 65 Bcf to be announced tomorrow for the week ending 16 February, well below the five-year average of 168 Bcf for this time of year.

Production, meanwhile, remains close to record levels at around 104 Bcf/d, despite speculation that some producers might be tempted to turn off the taps because of low prices.

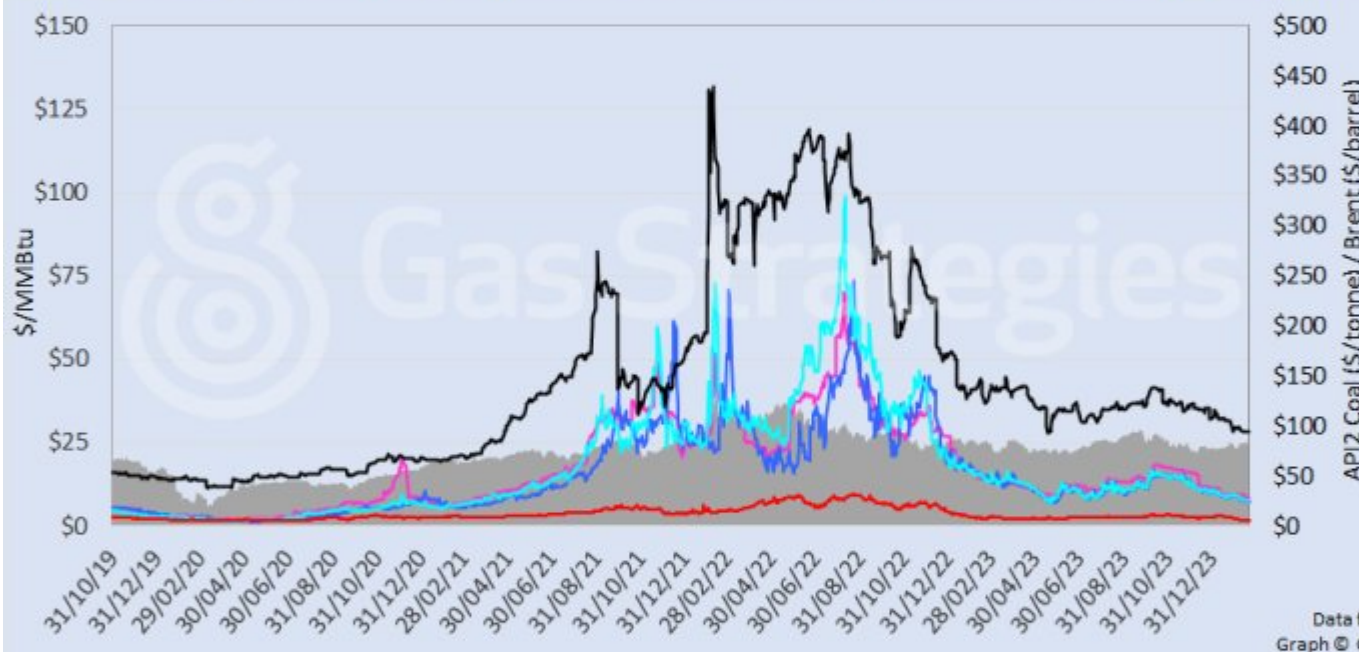
Crude oil prices fell but remain relatively stable compared with gas prices. Brent was down 1.5%, from USD 83.56/barrel to USD 82.34/barrel, while WTI was down to USD 78.18/barrel. Both were down another half of a percentage point by lunchtime in London on Wednesday.

Carbon prices rallied after reaching a two-and-a-half year low on Monday, with EU emissions allowances closing at EUR 52.56/tonne on Tuesday.

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

Front-month futures/index	20/02/2024	19/02/2024	Daily +/- (\$)	Daily
Henry Hub (\$/MMBtu)	1.58	1.61	-0.03	
NBP (\$/MMBtu)	7.48	7.30	0.19	
NBP (£p/th)	59.29	57.93	1.36	
Henry Hub-NBP spread	5.91	5.69	0.22	
TTF (\$/MMBtu)	7.65	7.49	0.17	
TTF (€/MWh)	24.17	23.70	0.46	
Henry Hub-TTF spread	6.08	5.88	0.20	
JKM (\$/MMBtu)	8.37	8.57	-0.20	
TTF-JKM spread	0.72	1.08	-0.37	
Henry Hub-JKM spread	6.79	6.96	-0.17	
Brent (\$/barrel)	82.34	83.56	-1.22	
WTI (\$/barrel)	78.18	79.19	-1.01	
Brent-WTI spread (\$/barrel)	4.16	4.37	-0.21	
API2 Coal (\$/tonne)	94.55	94.40	0.15	
API2 Coal (\$/MMBtu)	3.78	3.78	0.00	
EU CO ₂ emissions allowances (€/tonne)	52.56	51.80	0.76	

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



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



[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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