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Natural futures in the US and Europe surged yesterday amid reports that another major US producer has been throttling back production in response to low prices and as cooler and windier weather has been boosting demand in North-West Europe.

EQT Corporation, the largest gas producer in the US, issued a statement yesterday saying it had reduced production by some 1 Bcf/d – around 1% of US demand – from late last month and that the curbs would continue at least until the end of March.

Announcing its “strategic production curtailment”, the company said it was responding to “the current low natural gas price environment resulting from warm winter weather and consequent elevated storage inventories”. The winter of 2023/24 has been one of the mildest on record in the US.

EQT “expects to maintain this curtailment through the month of March and will reassess market conditions thereafter”. This will remove 30-40 Bcf of net production during the first quarter.

Chesapeake Energy Corporation, another major US producer, last month said it would cut capital expenditure this year and reduce output because of oversupply, contributing to a one-day rise of 12.5% in Henry Hub front month futures, from lows last seen three decades ago.

On Monday, the front-month Henry Hub futures contract closed up 4.4%, from USD 1.84/MMBtu on Friday to US 1.92/MMBtu – up 22% from a low of USD 1.58/MMBtu on 20 February.

Super Tuesday

Meanwhile, the prospects of another Donald Trump presidency in the US are perceived to be rising, with all that that implies for future energy policy – and consequently prices.

The US Supreme Court yesterday decided unanimously that the state of Colorado did not have the power to prevent Trump appearing on ballots for a federal office under a constitutional amendment barring insurrectionists from running for office.

Moreover, today is Super Tuesday in the US, when voters in 15 states – Colorado among them – hold presidential primaries. The expectation is that Trump will trump his Republican opponent Nikki Haley in all 15 and that she may leave the nomination race later this week. This would set the scene for a Trump-Biden contest in November, with the former currently ahead in polls.

Break-outs

In continental Europe, TTF front-month futures staged another rally, rising by 4.3%, from USD 8.20/MMBtu on Friday to USD 8.55/MMBtu on Monday. In the UK, NBP was up 5.1%, from USD 8.13/MMBtu to USD 8.55/MMBtu. Prices were rising again on Tuesday morning.

The latest price movements mark what increasingly looks like a decisive move away from the straight-line downwards trend since October, despite bearish fundamentals in terms of storage levels and robust supply.

In local currency, TTF is now up 17% from a low of EUR 7.27/MMBtu on 23 February, and was above EUR 28/MWh intra-day on Tuesday; a close at that price would be a rise of 22%.

In Asia, JKM rose by 0.5%, from USD 8.30/MMBtu on Friday to USD 8.34/MMBtu on Monday. The TTF-JKM spread is now minus USD 0.21/MMBtu.

Crude oil futures fell, with Brent breaking out of the recent very narrow range it has traded within, falling 0.9% to USD 82.80/barrel. WTI was down 1.5% to USD 78.74/barrel.

European coal prices rose in line with gas to reach a two-month high. API2 closed up 3.9% at USD 4.44/tonne.

Front-month futures and indexes at last close with day-on-day changes:

Front-month futures/index	04/03/2024	01/03/2024	Daily +/- (\$)	Daily
Henry Hub (\$/MMBtu)	1.92	1.84	0.08	
NBP (\$/MMBtu)	8.55	8.13	0.42	
NBP (Ep/th)	67.36	64.28	3.08	
Henry Hub-NBP spread	6.63	6.30	0.34	
TTF (\$/MMBtu)	8.55	8.20	0.36	
TTF (€/MWh)	26.89	25.81	1.08	
Henry Hub-TTF spread	6.64	6.36	0.27	
JKM (\$/MMBtu)	8.34	8.30	0.04	
TTF-JKM spread	-0.21	0.10	-0.32	
Henry Hub-JKM spread	6.42	6.47	-0.04	
Brent (\$/barrel)	82.80	83.55	-0.75	
WTI (\$/barrel)	78.74	79.97	-1.23	
Brent-WTI spread (\$/barrel)	4.06	3.58	0.48	
API2 Coal (\$/tonne)	111.10	106.95	4.15	
API2 Coal (\$/MMBtu)	4.44	4.28	0.17	
EU CO ₂ emissions allowances (€/tonne)	55.26	54.64	0.62	

US, UK and EU gas hubs, Asian LNG (left axis), API2 coal front-month futures and Brent crude (right axis), since 2019



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



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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