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Gas Strategies Group

10 Saint Bride Street
London UK
EC4A 4AD

ISSN: 0964-8496

T: +44(0) 20 7332 9900
W: www.gasstrategies.com
Twitter @GasStrategies

Editorials

+44(0) 20 7332 9957
editor@gasstrategies.com

Subscriptions

+44(0) 20 7332 9976
subscriptions@gasstrategies.com



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US natural gas prices rallied again yesterday, continuing a steep upwards trajectory that has seen the front-month price rise by more than half in just three weeks. The June Henry Hub contract rose by 3.3% to close at USD 2.50/MMBtu, its highest level since the last week of January.

The unsurprising rise came amid the latest storage data from the US Energy information Administration.

It estimated working gas in storage at 2,633 Bcf as of 10 May, up 70 Bcf from the previous week and above the five-year historical range. Stocks were 421 Bcf higher year-on-year and 620 Bcf above the five-year average of 2,013 Bcf for this time of year.

While the surplus remains historically large, the gap with the five-year average continues to narrow in percentage terms. It currently stands at 31%, down from 33% last week and 35% the week before. That said, stocks remain outside the five-year maximum-minimum range by a significant margin.

Factors exerting upward pressure on prices include the return to service of a debottlenecked Freeport LNG export plant, high domestic demand and weaker gas output.

Higher US gas prices will mean higher LNG prices for term buyers in Europe and Asia because most long-term sales and tolling contracts with US producers are linked to the Henry Hub price.

In Asia, the front-month JKM price is now over USD 11/MMBtu, following the expiry of the June contract on Wednesday. The July contract closed at USD 11.05/MMBtu on Thursday, 5.5% higher than the June contract's price at expiry of USD 10.47/MMBtu.

It is not unusual for the JKM price to move sharply when a new contract becomes the front month – and heat waves in Asia have been putting upward pressure on LNG demand.

The TTF-JKM spread has widened to USD 1.45/MMBtu, making Asia significantly more attractive for spot LNG cargoes than Europe, subject to shipping costs.

Prices in other energy and carbon markets all showed a rise but well within typical day-to-day fluctuations.

In continental Europe, TTF was up 2.0%, from USD 9.40/MMBtu on Wednesday to USD 9.59/MMBtu on Thursday, taking the price to around where it was a week ago. The trajectory on Friday morning was distinctly upwards.

In the UK, NBP was up 1.7%, from USD 9.04/MMBtu to USD 9.20/MMBtu and moving higher on Friday morning.

Crude oil prices maintained the sawtooth pattern of the past fortnight, with Brent oscillating around USD 83/barrel and WTI trading around USD 78.50/barrel. Brent closed at USD 83.27/barrel and WTI at USD 79.23/barrel.

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

Front-month futures/index	16/05/2024	15/05/2024	Daily +/- (\$)	Daily
Henry Hub (\$/MMBtu)	2.50	2.42	0.08	
NBP (\$/MMBtu)	9.20	9.04	0.15	
NBP (£p/th)	73.03	72.02	1.01	
Henry Hub-NBP spread	6.70	6.63	0.07	
TTF (\$/MMBtu)	9.59	9.40	0.19	
TTF (€/MWh)	30.25	29.73	0.51	
Henry Hub-TTF spread	7.10	6.99	0.11	
JKM (\$/MMBtu)	11.05	10.47	0.58	
TTF-JKM spread	1.45	1.07	0.39	
Henry Hub-JKM spread	8.55	8.05	0.50	
Brent (\$/barrel)	83.27	82.75	0.52	
WTI (\$/barrel)	79.23	78.63	0.60	
Brent-WTI spread (\$/barrel)	4.04	4.12	-0.08	
API2 Coal (\$/tonne)	106.45	105.60	0.85	
API2 Coal (\$/MMBtu)	4.26	4.22	0.03	
EU CO ₂ emissions allowances (€/tonne)	68.41	67.78	0.63	

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.



Consulting

+44 (0) 20 7332 9900
consult@gasstrategies.com



Alphatania Training

+44 (0) 20 7332 9910
training@gasstrategies.com



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+44 (0) 20 7332 9976
subscriptions@gasstrategies.com