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Pricewatch | 22 May 2024 | Gas Matters Today

Natural gas futures in Asia and Europe extended their rallies on Tuesday amid robust demand for LNG in countries experiencing heat waves and production outages in Malaysia and Australia. Heading in the opposite direction were US gas prices – with the market having re-balanced after months of rock-bottom prices – and crude oil.

In continental Europe, the June TTF contract moved further into double-digit territory, up 3.9% from USD 10.12/MMBtu on Monday to close at USD 10.52/MMBtu on Tuesday. The price was volatile on Wednesday morning but without a clear direction up or down.

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[1]

TTF is now up 12.3% on where it was a week ago.

In the UK, NBP moved into double-digits, up 4.0% from USD 9.72/MMBtu to USD 10.10/MMBtu, and moving in tandem with TTF on Wednesday morning.

In Asia, JKM was up 2.8%, from USD 11.51/MMBtu on Monday to USD 11.83/MMBtu on Tuesday, the highest month-ahead close since December. JKM was last below USD 10/MMBtu – widely seen as a key affordability threshold for price-sensitive markets – in the middle of April.

Month-head JKM futures have followed a more or less U-shaped trajectory over the first five months of 2024, falling during January and February and reaching close to USD 8/MMBtu in March.

Since then the contract has climbed upwards, from one plateau to another – with a brief spike in mid-April when June became the front-month contract – to reach its current level. The price has climbed sharply, by 13%, over the past week.

LNG demand in Asia is being driven by re-stocking of inventories and heat waves in a number of countries, some of which are major LNG consumers, including India and China. Some commentators are suggesting that China's LNG consumption could reach a new record in 2024.

READ China's LNG imports up 30% amid economic growth, lower spot prices [2]

Malaysia's Petronas announced a week ago that a power failure had led to an outage at its LNG complex at Bintulu on the island of Borneo. The company added that it was "continuously engaging partners and customers to mitigate the impact of the incident and fulfil its contractual commitments". The current status of the complex is unclear as there have been no further updates or news reports.

In Australia, one of three liquefaction trains at Gorgon LNG remains out of action after a mechanical fault in a turbine at the end of April. Repairs are expected to take a total of five weeks, so a restart is unlikely until June.

In the US, Henry Hub fell by 2.9%, from USD 2.75/MMBtu on Monday to USD 2.67/MMBtu yesterday, ending a sustained rally that has seen prices rise by almost three-quarters in less than a month. The price was falling further in early trading on Wednesday.

Bankruptcy filing by Golden Pass LNG contractor

A major influence on sentiment has been news that the lead contractor constructing the Golden Pass LNG project – a QatarEnergy/ExxonMobil venture – has filed for Chapter 11 bankruptcy protection. Zachry Holdings said it was pursuing a “structured exit” because of challenges at the project.

A spokesperson for ExxonMobil said the partners were “considering all available options to implement a smooth transition and minimise any impacts”.

READ US maritime watchdog piles fresh pressure on DOE over LNG [3]

Zachry's difficulties call into question the reported USD 10 billion budget for the project, which seemed surprisingly low, given its 18 mtpa production capacity and the cost inflation of recent years.

Crude oil prices continued to fall, with Brent down 1.0%, from USD 83.71/barrel on Monday to USD 82.88/barrel on Tuesday, and WTI down 0.7%, from USD 79.80/barrel to USD 79.26/barrel.

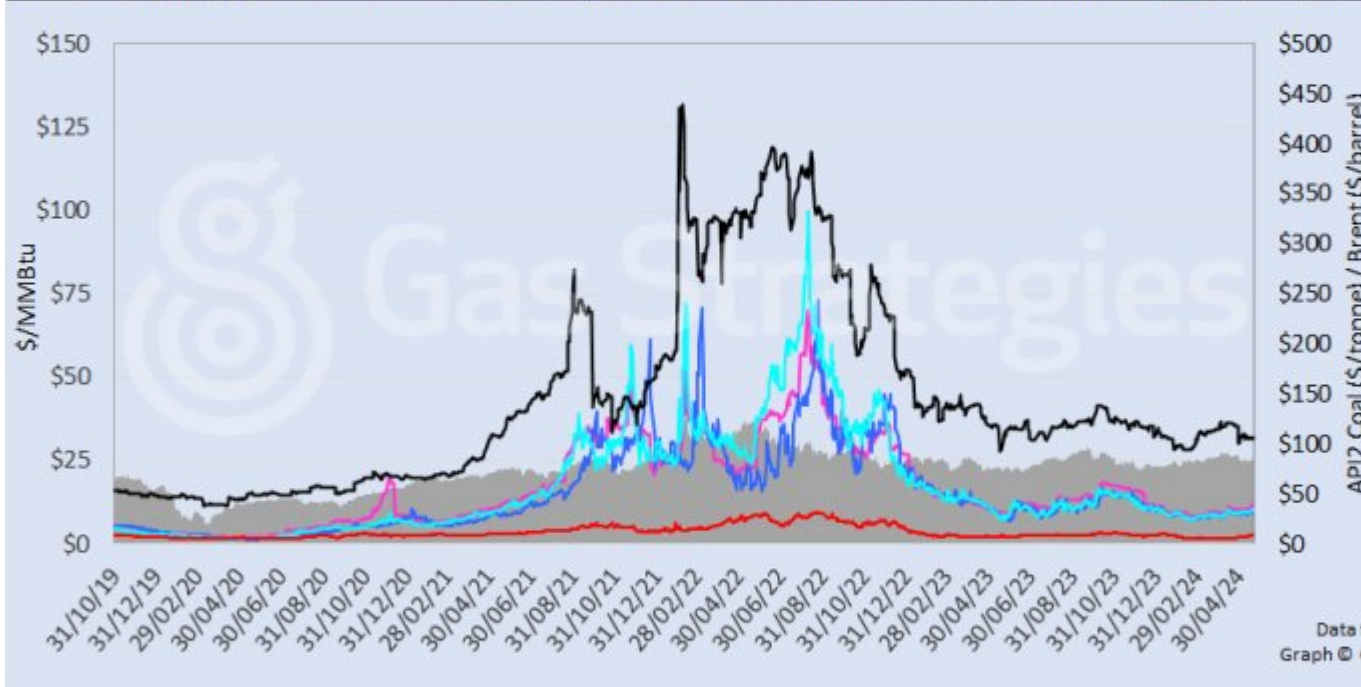
Prices remain within the narrow bands that have prevailed since the start of May: USD 82.38-83.98/barrel for Brent and USD 78.11-80.06/barrel for WTI.

European carbon prices were up again, with EU emissions allowances rising by 3.1% to EUR 74.66/tonne, the highest level since early January.

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

Front-month futures/index	21/05/2024	20/05/2024	Daily +/- (\$)	Daily
Henry Hub (\$/MMBtu)	2.67	2.75	-0.08	
NBP (\$/MMBtu)	10.10	9.72	0.39	
NBP (£p/th)	79.55	76.70	2.85	
<i>Henry Hub-NBP spread</i>	<i>7.43</i>	<i>6.97</i>	<i>0.47</i>	
TTF (\$/MMBtu)	10.52	10.12	0.40	
TTF (€/MWh)	33.00	31.77	1.24	
<i>Henry Hub-TTF spread</i>	<i>7.85</i>	<i>7.37</i>	<i>0.48</i>	
JKM (\$/MMBtu)	11.83	11.51	0.32	
<i>TTF-JKM spread</i>	<i>1.31</i>	<i>1.39</i>	<i>-0.08</i>	
<i>Henry Hub-JKM spread</i>	<i>9.15</i>	<i>8.75</i>	<i>0.40</i>	
Brent (\$/barrel)	82.88	83.71	-0.83	
WTI (\$/barrel)	79.26	79.80	-0.54	
<i>Brent-WTI spread (\$/barrel)</i>	<i>3.62</i>	<i>3.91</i>	<i>-0.29</i>	
API2 Coal (\$/tonne)	106.80	105.80	1.00	
API2 Coal (\$/MMBtu)	4.27	4.23	0.04	
EU CO₂ emissions allowances (€/tonne)	74.66	72.40	2.26	

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)



[4]

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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