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Natural gas futures rose strongly in all three main consuming regions on Wednesday, especially in the US where Henry Hub is now within sight of USD 3/MMBtu. Crude oil prices, meanwhile, fell to their lowest levels this month, as geopolitical concerns over issues that might affect supply continued to ease.

A 6.4% rise in the June Henry Hub contract took the price to USD 2.84/MMBtu, marking a resumption of its weeks-long rally after a brief pause on Tuesday, when the contract was down 2.9%. It comes amid expectations of a small injection in gas storage data to be published later today by the Energy Information Administration.

While inventory levels remain high in the US, the current surplus has been gradually reducing in recent weeks and the market is looking ahead to what is expected to be another hot summer, which would drive up air-conditioning loads and consequently demand for electricity.

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The return to full service of Freeport LNG – the second-largest export plant in the US – has added to the demand pressure at a time when some producers still have output curbs in place because of unusually low prices earlier in the year.

Natural gas prices in Europe and Asia continue to rise amid signs of a resurgence of inter-basin competition, fuelled in part by sustained heat waves in several major LNG-consuming countries.

After six consecutive rises, the Asian JKM LNG price is testing USD 12/MMBtu, with a 1.3% jump on Wednesday taking it to USD 11.98/MMBtu, the highest month-ahead close since mid-December. During parts of February and March the price was significantly below USD 9/MMBtu and at times close to USD 8/MMBtu.

European gas prices have mounted sustained rallies despite record high levels of storage, with most other factors exerting upward pressures. Competition for LNG cargoes, planned maintenance at production facilities in Norway, and unusually low levels of wind power generation have all been playing a role.

In continental Europe, the June TTF contract rose by 4.1%, from USD 10.52/MMBtu on Tuesday to USD 10.94/MMBtu on Wednesday, its seventh consecutive rise.

In the UK, NBP was up 3.7%, from USD 10.10/MMBtu to USD 10.48/MMBtu, amid news that a general election is to be held on 4 July, with the Labour Party way ahead in the polls and by far the bookies' favourite. A Labour victory would mean significant changes to energy and climate policies.

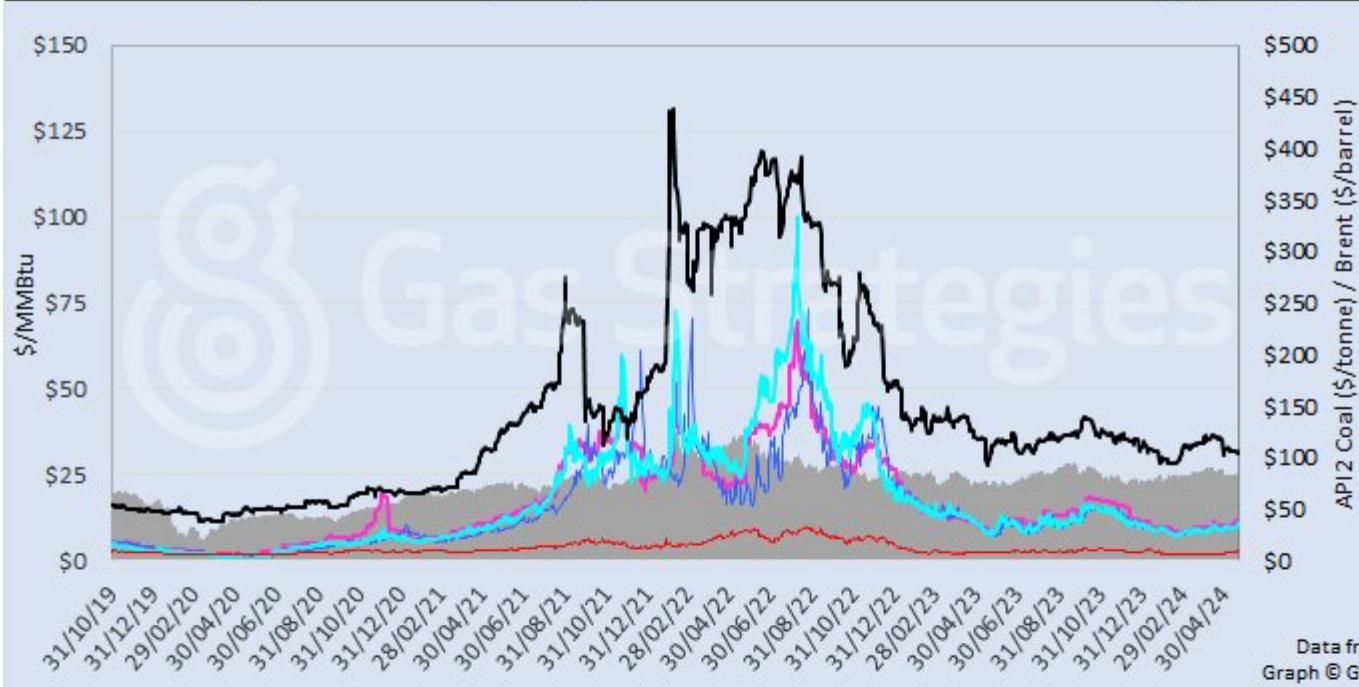
Crude oil futures broke out of the narrow ranges they have traded within during May, with Brent down

1.2% to USD 81.90/barrel and WTI down 2.1% to USD 77.57/barrel.

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

Front-month futures/index	22/05/2024	21/05/2024	Daily +/- (\$)	Daily
Henry Hub (\$/MMBtu)	2.84	2.67	0.17	
NBP (\$/MMBtu)	10.48	10.10	0.37	
NBP (£p/th)	82.46	79.55	2.91	
Henry Hub-NBP spread	7.64	7.43	0.20	
TTF (\$/MMBtu)	10.94	10.52	0.43	
TTF (€/MWh)	34.39	33.00	1.39	
Henry Hub-TTF spread	8.10	7.85	0.26	
JKM (\$/MMBtu)	11.98	11.83	0.15	
TTF-JKM spread	1.03	1.31	-0.28	
Henry Hub-JKM spread	9.13	9.15	-0.02	
Brent (\$/barrel)	81.90	82.88	-0.98	
WTI (\$/barrel)	77.57	79.26	-1.69	
Brent-WTI spread (\$/barrel)	4.33	3.62	0.71	
API2 Coal (\$/tonne)	105.05	106.80	-1.75	
API2 Coal (\$/MMBtu)	4.20	4.27	-0.07	
EU CO ₂ emissions allowances (€/tonne)	74.62	74.66	-0.04	

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)



[2]

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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