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# Pricewatch | 24 May 2024 | Gas Matters Today

Natural gas futures in Asia and Europe continued their sustained rally on Thursday amid perceptions that a resurgence of inter-basin competition is under way. The July JKM contract closed at USD 12.26/MMBtu, the highest month-ahead price since mid-December and a challenge for price-sensitive buyers.

Heat waves have been so severe in some Asian countries in recent weeks that there have been reports of hundreds of related deaths and the closure of thousands of schools in south and south-east Asia. Searing temperatures have boosted demand for air-conditioning and consequently LNG.

Meanwhile, LNG production has been impacted by outages in liquefaction plants in Malaysia and Australia.

The latest news from Malaysia is that the Petronas LNG complex in Bintulu is back up and running after a power failure earlier in the month. The Australia outage, affecting one of three liquefaction trains at Gorgon LNG, is expected to last into June.

In continental Europe, the June TTF contract rose by 2.4% – its eighth consecutive rise – from USD 10.94/MMBtu on Wednesday to USD 11.21/MMBtu on Thursday. Planned and unplanned outages in Norwegian production facilities are one driving factor, along with low levels of wind power output.

The rally comes despite record levels of storage. Facilities in the European Union are already 67.7% full and some commentators are suggesting that 80% looks likely before the end of July.

One factor unsettling the market is news this week that Austria's OMV Gas Marketing & Trading (OGMT) is facing legal issues that could impact its imports of Russian gas under a contract with Gazprom Export.

## **READ Austria's OMV prepares for Gazprom gas halt amid pending legal enforcement [1]**

OGMT insists it would “still be able to supply its contractual customers with gas from alternative, non-Russian sources, through its extensive diversification efforts over the last several years”.

TTF's rally has been mirrored by NBP in the UK, which rose by 3.5%, from USD 10.48/MMBtu on Wednesday to USD 10.84/MMBtu on Thursday.

UK energy regulator Ofgem announced on Friday that energy bills for households are set to fall by 7% for a typical consumer from July under the price cap on variable tariffs. This will be welcome news for the Conservative government, which earlier this week announced a general election would be held on 4 July – but remains way behind Labour in the polls.

The relief for consumers will, however, be short-lived. The quarterly price cap is set to rise from September because it is generated by an algorithm based on wholesale energy costs. One week into the assessment period, forecaster Cornwall Insight calculates that the rise could be more than 12%, given

recent wholesale price trends.

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In the US, Henry Hub stumbled as the Energy Information Administration (EIA) published its latest storage data. A fall of 6.5%, from USD 2.84/MMBtu to USD 2.66/MMBtu, wiped out the gain made in the previous trading session.

The correction came despite bullish storage figures from the EIA, which estimated working gas in storage at 2,711 Bcf as of 17 May, up 78 Bcf from the previous week and above the five-year historical range. Stocks were 402 Bcf higher year-on-year and 606 Bcf above the five-year average of 2,105 Bcf for this time of year.

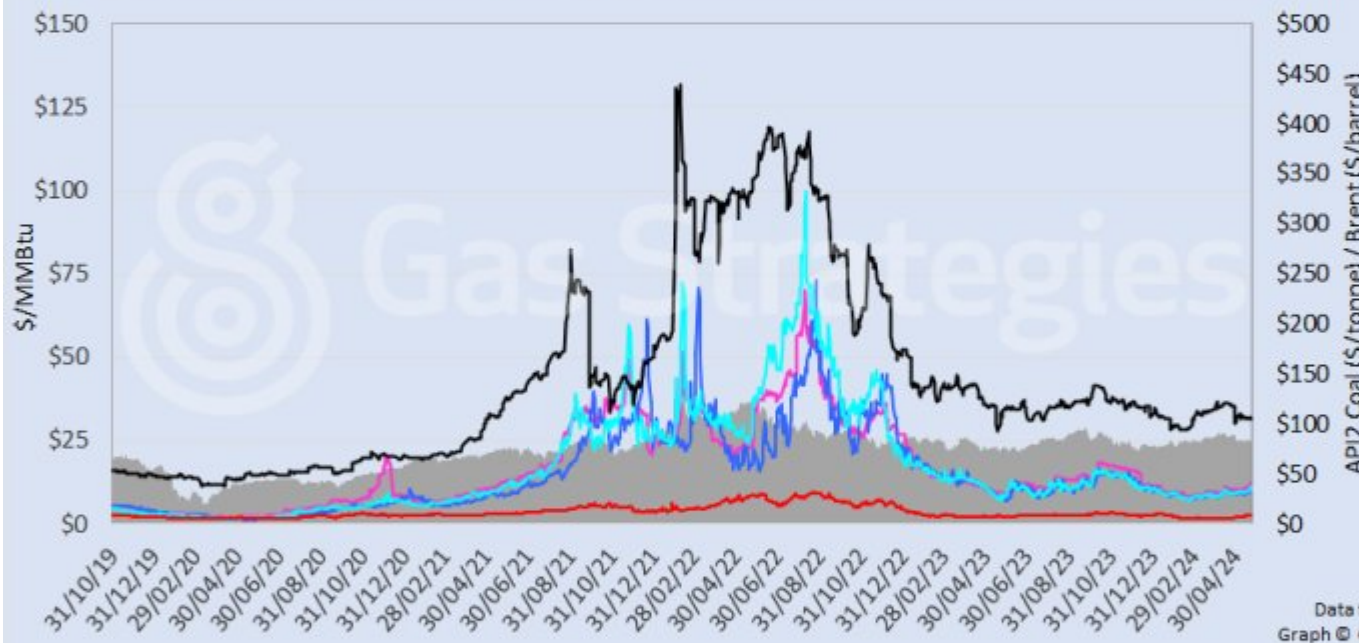
While the surplus remains historically large, the gap with the five-year average continues to narrow in percentage terms. It currently stands at 29%, down from 31% last week and 33% the week before. Stocks remain outside the five-year maximum-minimum range by a significant but narrowing margin.

Crude oil prices continued to fall, with Brent down 0.7% to USD 81.36/barrel and WTI down 0.9% to USD 76.87/barrel. Brent is now at its lowest level since the first week of February.

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

Front-month futures/index	23/05/2024	22/05/2024	Daily +/- (\$)	Daily
Henry Hub (\$/MMBtu)	2.66	2.84	-0.19	
NBP (\$/MMBtu)	10.84	10.48	0.37	
NBP (£p/th)	85.33	82.46	2.87	
Henry Hub-NBP spread	8.19	7.64	0.55	
TTF (\$/MMBtu)	11.21	10.94	0.26	
TTF (€/MWh)	35.23	34.39	0.84	
Henry Hub-TTF spread	8.55	8.10	0.45	
JKM (\$/MMBtu)	12.26	11.98	0.28	
TTF-JKM spread	1.05	1.03	0.02	
Henry Hub-JKM spread	9.60	9.13	0.47	
Brent (\$/barrel)	81.36	81.90	-0.54	
WTI (\$/barrel)	76.87	77.57	-0.70	
Brent-WTI spread (\$/barrel)	4.49	4.33	0.16	
API2 Coal (\$/tonne)	105.20	105.05	0.15	
API2 Coal (\$/MMBtu)	4.21	4.20	0.01	
EU CO <sub>2</sub> emissions allowances (€/tonne)	74.23	74.62	-0.39	

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)



[3]

*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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