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Contents

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Near-term fundamentals trumped geopolitical worries in global energy markets on Wednesday as Israel continued to prevaricate over how it would respond to Iran's direct attack last weekend.

In the face of mounting political pressure to “take the win” – in the words of US president Joe Biden – Israel's prime minister Benjamin Netanyahu told foreign ministers from the UK and Germany who had travelled to Jerusalem that Israel would make up its own mind. That said, the passage of time at least suggests that whatever happens next will not be a knee-jerk response.

Energy and carbon prices fell across the board, with the sharpest declines in Asian and European natural gas futures and crude oil prices.

Markets remain on edge, however, with more volatility in prospect. Even the most optimistic observers accept that Israel is not likely to leave matters where they are.

In continental Europe, the May TTF futures contract fell by 5.8%, from USD 10.34/MMBtu on Tuesday to USD 9.74/MMBtu on Wednesday, reversing most of yesterday's gain and making the foray into triple-digit territory a brief one. The price continued to fall in early trading on Thursday and then plateaued.

The story in the UK was similar. NBP was down 5.7%, from USD 10.32/MMBtu to USD 9.73/MMBtu, and falling again early on Thursday.

The fundamental reality in European markets is that storage facilities have been getting fuller as supply remains robust and demand weakens as the weather warms.

That said, any hint of an interruption to LNG supplies from Qatar, all of which have to travel through the Strait of Hormuz at the mouth of the Persian/Arabian Gulf, would be a major concern.

Asian markets also remain well supplied – not least because of little or no competition from European buyers – and the front-month JKM price fell by 4.6%, from USD 11.26/MMBtu on Tuesday to USD 10.75/MMBtu on Wednesday. This was a significant move towards where the price was before the May contract expired at the start of this week – around USD 9.50/MMBtu.

In the US, Henry Hub fell by 1.2%, from USD 1.73/MMBtu on Tuesday to USD 1.71/MMBtu on Wednesday, as TC Energy confirmed it had isolated a ruptured pipeline on its NGTL system in Canada.

Demand has also been impacted by reports that the troubled Freeport LNG export plant in the US may be offline – again – with feed gas supplies near zero.

The intermission in hostilities between Iran and Israel has focused attention on oil market fundamentals.

The Energy Information Administration yesterday said that US commercial crude oil inventories had increased by 2.7 million barrels week-on-week in its petroleum status report for the week ending 12 April.

At 460 million barrels, US inventories are about 1% below the five-year average for this time of year.

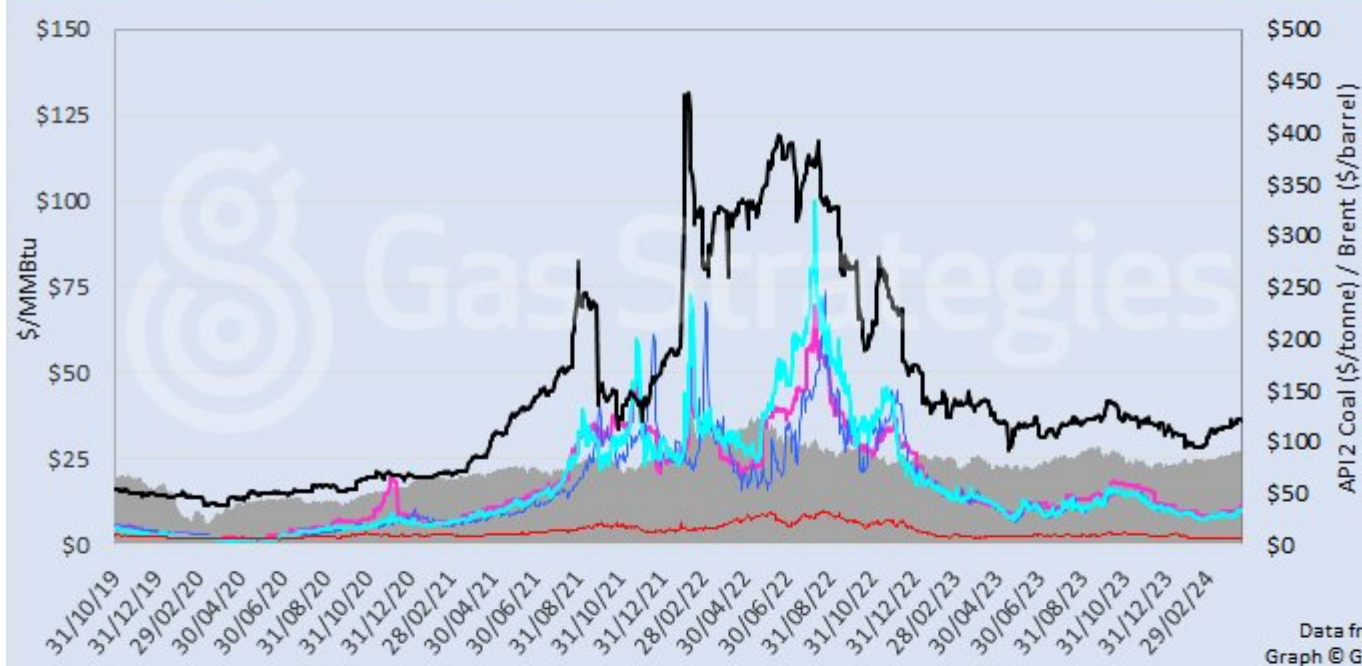
Brent crude futures fell by 3.0%, from USD 90.02/barrel on Tuesday to USD 87.29/barrel on Wednesday, while WTI was down 3.1%, from USD 85.36/barrel to USD 82.69/barrel. Prices were down another percentage point on Thursday morning.

European carbon prices moved in line with gas, down 5.0% to EUR 68.14/tonne.

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

Front-month futures/index	17/04/2024	16/04/2024	Daily +/- (\$)	Daily
Henry Hub (\$/MMBtu)	1.71	1.73	-0.02	
NBP (\$/MMBtu)	9.73	10.32	-0.59	
NBP (£p/th)	78.15	82.85	-4.70	
Henry Hub-NBP spread	8.01	8.58	-0.57	
TTF (\$/MMBtu)	9.74	10.34	-0.59	
TTF (€/MWh)	31.29	33.14	-1.85	
Henry Hub-TTF spread	8.03	8.60	-0.57	
JKM (\$/MMBtu)	10.75	11.26	-0.52	
TTF-JKM spread	1.00	0.92	0.08	
Henry Hub-JKM spread	9.03	9.53	-0.50	
Brent (\$/barrel)	87.29	90.02	-2.73	
WTI (\$/barrel)	82.69	85.36	-2.67	
Brent-WTI spread (\$/barrel)	4.60	4.66	-0.06	
API2 Coal (\$/tonne)	120.35	121.50	-1.15	
API2 Coal (\$/MMBtu)	4.81	4.86	-0.05	
EU CO ₂ emissions allowances (€/tonne)	68.14	71.70	-3.56	

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.



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