

12 May 2024

Contents

Pricewatch | 26 Aug 2020 | Gas Matters Today
Publication date: 26 August 2020

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[1]

The European carbon price continued to rally on Tuesday, with the month-ahead futures contract for ETS carbon allowances (EUAs) settling above EUR 28/tonne for the first time since mid-July. The rally has been pinned on increased interest in EU carbon prices by hedge funds, which expect the price to strengthen further as the bloc rolls out more stringent climate targets.

Oil and gas prices continued to strengthen, with reduced production from the US Gulf of Mexico largely the reason for the rally. Approximately 84% of crude production and 61% of gas production from the US Gulf of Mexico has been shut-in, according to the US Bureau of Safety and Environmental Enforcement (BSEE), as the region braces for Hurricane Laura to make landfall on Wednesday.

The front-month WTI crude price closed 1.7% higher, with Brent crude up 1.6%.

As for gas, US benchmark Henry Hub fell by 1%, with the front-month price falling slightly due to Hurricane Laura impacting LNG exports from the Gulf of Mexico. European gas prices continued to surge, with the front-month Dutch TTF and UK NBP both settling over 6% higher. CME's JKM futures contract also rallied, closing 3.1% higher.

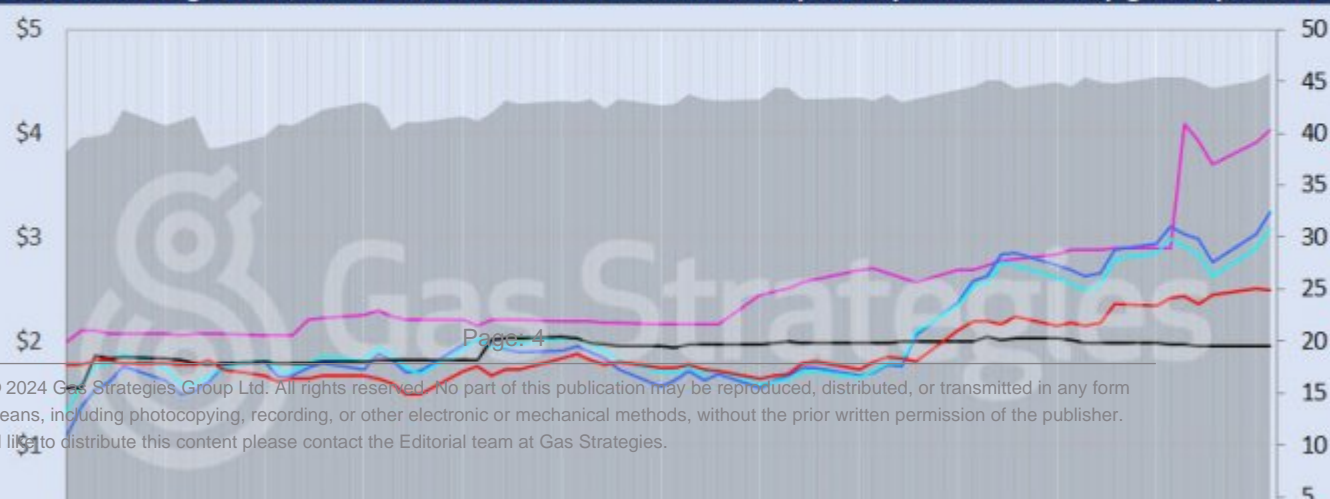
Front-month futures and indexes at last close with day-on-day changes (click to enlarge):

Front-month futures/index	25/08/2020	24/08/2020	Daily +/- (\$)	Daily
Henry Hub (\$/MMBtu)	2.49	2.51	-0.02	
NBP (\$/MMBtu)	3.24	3.04	0.20	
NBP (£p/th)	24.61	23.22	1.39	
Henry Hub-NBP spread	0.75	0.52	0.23	
TTF (\$/MMBtu)	3.07	2.89	0.18	
TTF (€/MWh)	8.87	8.36	0.51	
Henry Hub-TTF spread	0.58	0.38	0.20	
JKM (\$/MMBtu)	4.03	3.91	0.12	
TTF-JKM spread	0.95	1.01	-0.06	
Henry Hub-JKM spread	1.54	1.39	0.14	
Brent (\$/barrel)	45.86	45.13	0.73	
WTI (\$/barrel)	43.35	42.62	0.73	
Brent-WTI spread (\$/barrel)	2.51	2.51	0.00	
API2 Coal (\$/tonne)	48.95	48.80	0.15	
API2 Coal (\$/MMBtu)	1.96	1.95	0.01	
EU CO ₂ emissions allowances (€/tonne)	28.59	27.45	1.14	

US, UK and European gas hubs, Asian LNG, API2 coal front-month futures (left axis) and Brent crude (right axis), since 1 Jan 2018



US, UK and EU gas hubs, Asian LNG, API2 coal front-month futures (left axis) and Brent crude (right axis), since 1 Jan 2020



[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 reserved.



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