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[1]

European gas prices surged to one-month highs on Wednesday, with the rally seeing European gas markers TTF and NBP settle higher than Asian LNG marker JKM for the first time since August 2020.

The European carbon price hitting a fresh record high of EUR 41.47/tonne, coupled with forecasts of colder weather for Europe pushed the front-month UK NBP and Dutch TTF contracts to their highest levels since 18 February. The month-ahead NBP price rallied by 5% to settle at the equivalent of USD 6.24/MMBtu, with the front-month TTF price increasing by 4.3% to settle at the equivalent of USD 6.15/MMBtu.

The rally, coupled with a 0.2% loss on the front-month JKM contract, saw TTF and NBP close higher than Asian LNG marker for the first time since August 2020. On Wednesday, JKM slipped back to USD 6/MMBtu.

With European gas prices trading higher than JKM, questions have been raised over a potential contest between Europe and Asia for LNG over the coming summer, with LNG demand in Europe expected to strengthen over the coming months.

Europe's gas storage sites are currently 25 Bcm lower than last year, with low inventories expected to drive LNG demand. Additionally, maintenance on gas infrastructure in Norway will limit pipeline flows to Europe over the coming months, supporting the need for more LNG. The strengthening European carbon price is also expected to lend support for greater coal-to-gas switching in Europe, providing additional

gas demand.

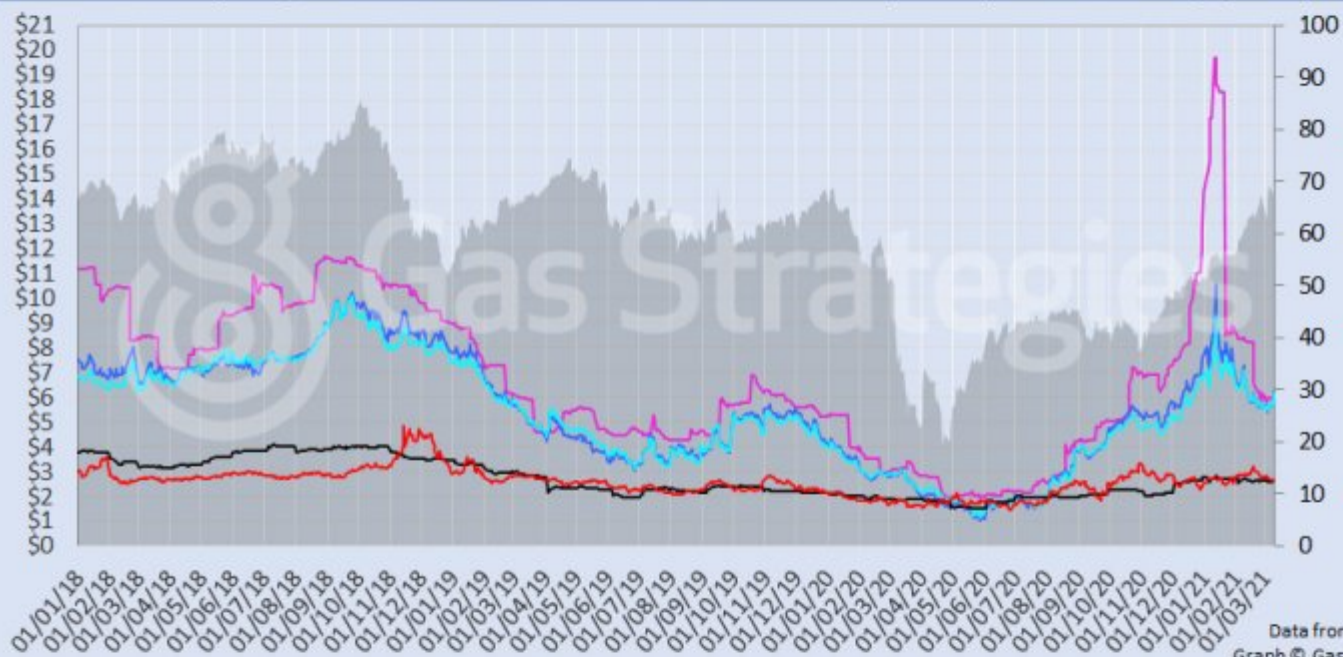
Across the pond, the US gas benchmark Henry Hub rallied by 1.1% on Wednesday but remained in the USD 2.6/MMBtu range.

Oil prices stopped the rot on Wednesday, with Brent and WTI rallying by 0.6% and 0.7% respectively. Brent remained in the USD 67/barrel range, with WTI remaining in the USD 64/barrel range.

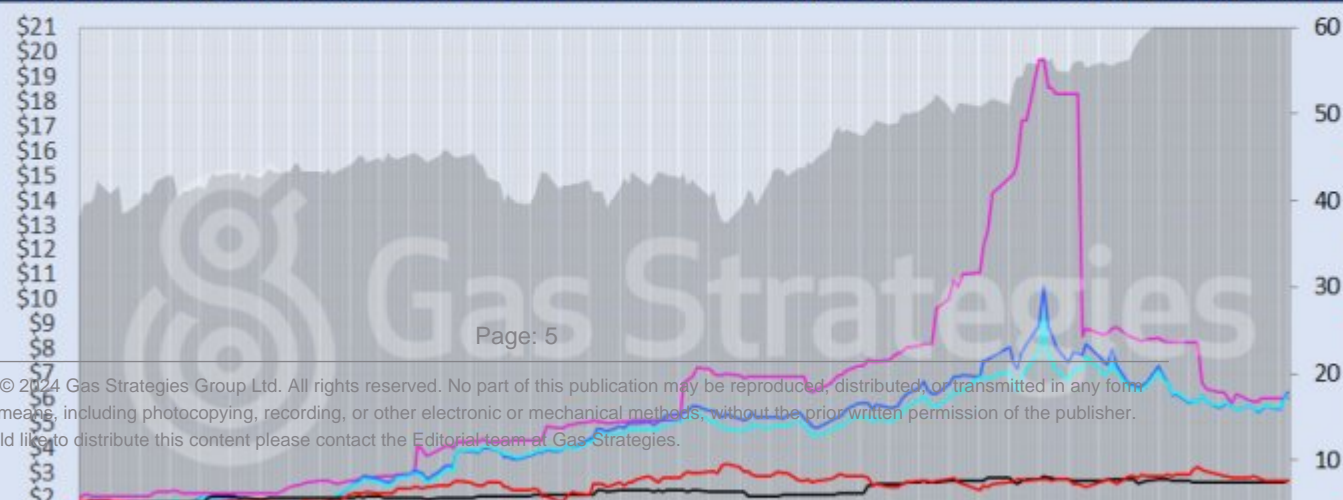
Front-month futures and indexes at last close with day-on-day changes (click to enlarge):

Front-month futures/index	10/03/2021	09/03/2021	Daily +/- (\$)	Daily
Henry Hub (\$/MMBtu)	2.69	2.66	0.03	
NBP (\$/MMBtu)	6.24	5.94	0.30	
NBP (€/th)	44.89	42.78	2.11	
Henry Hub-NBP spread	3.55	3.28	0.27	
TTF (\$/MMBtu)	6.15	5.90	0.25	
TTF (€/MWh)	17.63	16.93	0.71	
Henry Hub-TTF spread	3.46	3.23	0.22	
JKM (\$/MMBtu)	6.00	6.01	-0.01	
TTF-JKM spread	-0.15	0.11	-0.26	
Henry Hub-JKM spread	3.31	3.35	-0.04	
Brent (\$/barrel)	67.90	67.52	0.38	
WTI (\$/barrel)	64.44	64.01	0.43	
Brent-WTI spread (\$/barrel)	3.46	3.51	-0.05	
API2 Coal (\$/tonne)	66.05	66.00	0.05	
API2 Coal (\$/MMBtu)	2.64	2.64	0.00	
EU CO ₂ emissions allowances (€/tonne)	41.47	40.58	0.89	

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 2018



[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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