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[1]

European gas prices surged to fresh record highs on Monday, lifted by Gazprom opting to book only a small portion of the capacity offered via Mallnow for October and none of the capacity offered via Ukraine for next month.

The front-month TTF and NBP contracts soared by 15.6% on Monday, to close at the equivalent of ~25.9/MMBtu.

Prices jumped following the results of capacity auctions on Monday. Gazprom opted to book only 28 MMcm/d of the 85 MMcm/d of capacity offered into Mallnow in Germany. The Russian firm once again opted not to book any capacity offered via Ukraine.

The result adds to ongoing supply concerns ahead of winter, with Europe's gas storage levels ~72% full ahead of the storage withdrawal season, starting next month. However, Gazprom may opt to book additional capacity via daily auctions.

The rally was mirrored by Asian LNG marker JKM, which jumped by ~43% as the October contracted rolled over to November. The November-dated JKM contract settled at USD 27.17/MMBtu, highlighting the difficulty that European buyers may face in drawing LNG volumes away from the premium priced Asian market. The November-dated NBP contract settled at the equivalent of ~USD 26.6/MMBtu on Monday, with the November-dated TTF contract closing at USD 25.9/MMBtu.

The strengthening gas price helped lift the European carbon price, which settled 2% higher at EUR

60.63/tonne.

In the US, Henry Hub continued to slide amid forecasts for mild weather and softening demand from the LNG sector as the Cove Point LNG plant is down for scheduled maintenance. The front-month contract closed below USD 5/MMBtu for the first time since 13 September.

As for oil, prices fell further amid a strengthening US dollar, with recovering production across the US Gulf of Mexico also weighing on prices.

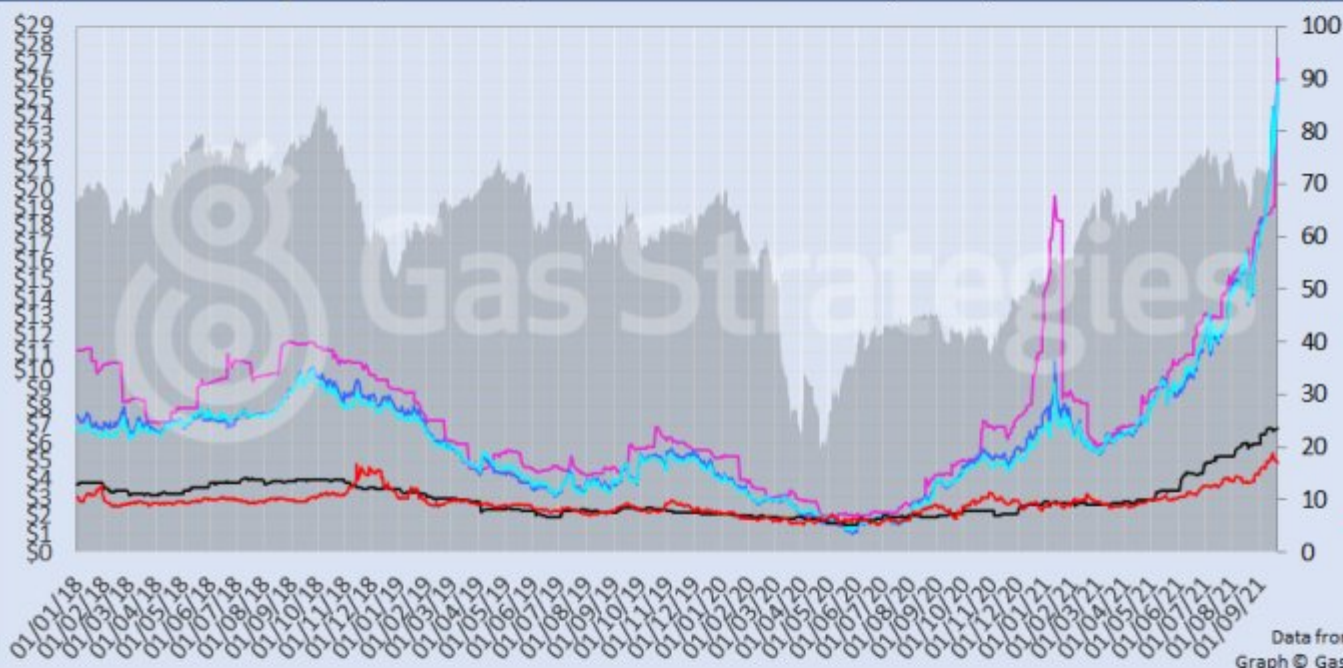
On Monday, the US Bureau of Safety and Environmental Enforcement (BSEE) reported that ~18% of US Gulf of Mexico oil production remained shut-in following Hurricane Ida which made landfall in Louisiana on 29 August. As for gas, ~26% of production remained offline. On Friday, 23% of GoM oil production was offline and 34% of gas production was shut-in, according to the BSEE.

Brent closed 1.9% lower at USD 73.92/barrel, with WTI down 2.5% to close at USD 70.14/barrel.

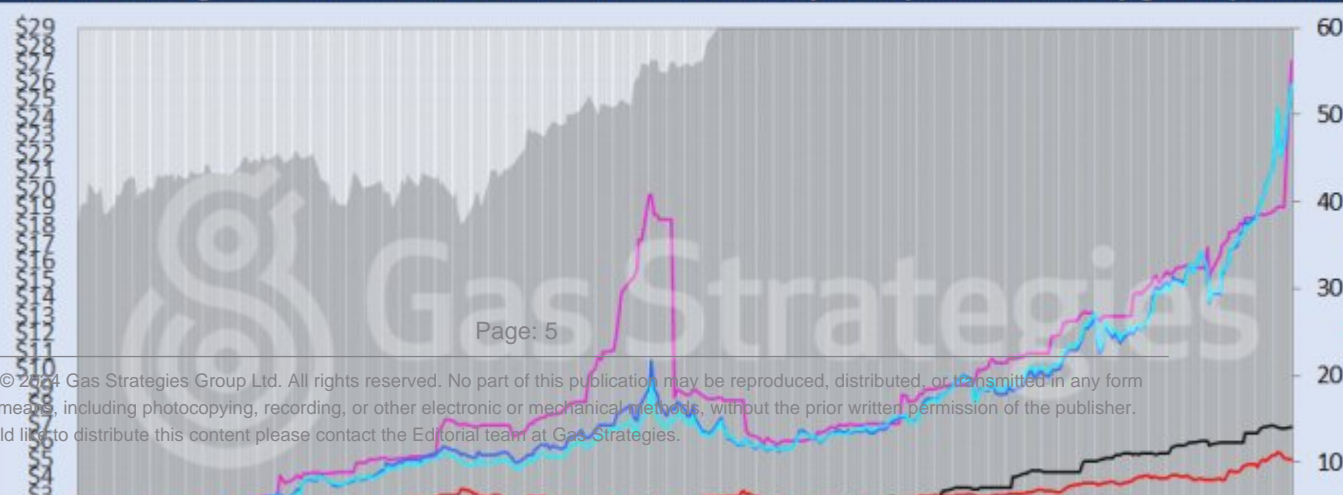
Front-month futures and indexes at last close with day-on-day changes (click to enlarge):

| Front-month futures/index | 20/09/2021 | 17/09/2021 | Daily +/- (\$) | Daily |
|---|------------|------------|----------------|-------|
| Henry Hub (\$/MMBtu) | 4.99 | 5.11 | -0.12 | |
| NBP (\$/MMBtu) | 25.90 | 22.39 | 3.50 | |
| NBP (£p/th) | 189.65 | 162.80 | 26.85 | |
| Henry Hub-NBP spread | 20.91 | 17.29 | 3.62 | |
| TTF (\$/MMBtu) | 25.89 | 22.39 | 3.50 | |
| TTF (€/MWh) | 75.32 | 65.10 | 10.21 | |
| Henry Hub-TTF spread | 20.90 | 17.28 | 3.62 | |
| JKM (\$/MMBtu) | 27.19 | 19.02 | 8.17 | |
| TTF-JKM spread | 1.30 | -3.37 | 4.67 | |
| Henry Hub-JKM spread | 22.20 | 13.91 | 8.29 | |
| Brent (\$/barrel) | 73.92 | 75.34 | -1.42 | |
| WTI (\$/barrel) | 70.14 | 71.97 | -1.83 | |
| Brent-WTI spread (\$/barrel) | 3.78 | 3.37 | 0.41 | |
| API2 Coal (\$/tonne) | 171.10 | 168.75 | 2.35 | |
| API2 Coal (\$/MMBtu) | 6.84 | 6.75 | 0.09 | |
| EU CO ₂ emissions allowances (€/tonne) | 60.63 | 59.43 | 1.20 | |

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.



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