

18 May 2024

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Pricewatch | 05 Oct 2021 | Gas Matters Today
Publication date: 05 October 2021

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[1]

US oil benchmark WTI hit a seven-year high on Monday after OPEC+ opted to stick with its current production quota despite growing concerns over supply tightness as demand recovers, and fears that rising crude prices could hit the global economic recovery from the Covid-19 pandemic.

The front-month WTI and Brent contacts rallied by over 2% on Monday, with the US benchmark closing at USD 77.62/barrel – its highest close since late 2014. As for Brent, it closed at USD 81.26/barrel – a three-year high.

Oil prices were lifted by OPEC and its allies, collectively known as OPEC+, agreeing to stick with plans to gradually increase production at the crude cartel's latest monthly meeting on Monday.

In July, OPEC+ agreed to increase production by 400,000 barrels/d each month until April 2022.

A month later, the Biden administration called on OPEC to lift production further in a bid to tame rising gasoline prices – which are fuelling inflation fears. US officials have held further talks with OPEC's de facto leader Saudi Arabia in recent weeks, however the crude cartel has opted to stick with the production quota.

In addition to fears that rising crude prices could hit the economic recovery from the Covid-19 pandemic, several banks and nations have raised concerns over supply tightness as oil demand continues to recover.

Last week Goldman Sachs increased its Brent forecast by USD 10/barrel, with the bank expecting the marker to hit USD 90/barrel before the end of 2021.

"While we have long held a bullish oil view, the current global supply-demand deficit is larger than we expected, with the recovery in global demand from the Delta impact even faster than our above-consensus forecast and with global supply remaining short of our below consensus forecasts," the bank said last week.

As for gas, prices bounced back on Monday. In Europe, the TTF and NBP front-month contracts rallied by 3.5% and 2.2% respectively. The UK marker closed at the equivalent of USD 33.45/MMBtu – USD 0.53/MMBtu higher than TTF.

Forecasts for cooler weather helped lift European gas prices on Monday, with continued supply concerns also providing support.

On Monday, Bloomberg reported that withdrawals from European gas storage have started in recent days – weeks before drawn downs typically occur. European gas storage levels are still below the five-year average.

The uptick in European gas and coal prices helped lift the European carbon price, which closed 2.2% higher at USD 63.36/tonne.

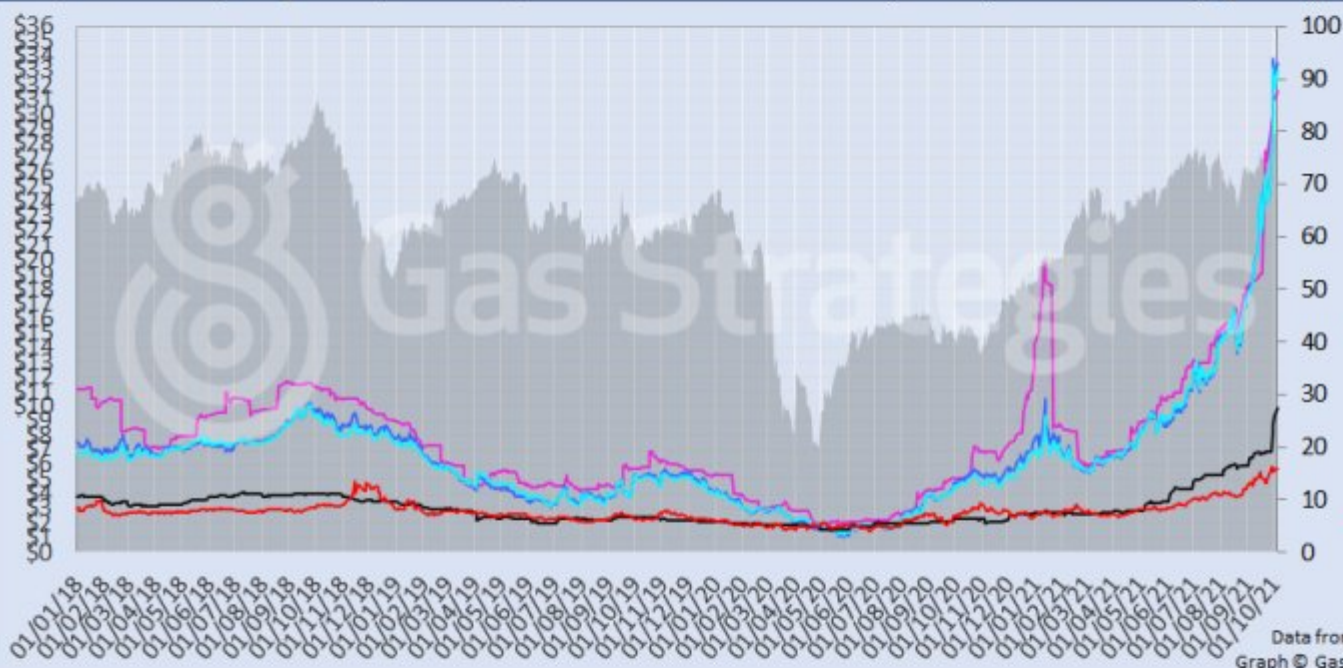
Asian LNG marker JKM struggled to keep up with the rally by the European gas benchmarks, with the front-month JKM contract closing 1.6% higher at USD 31.56/MMBtu. The result saw NBP-JKM spread widen to USD 1.89/MMBtu, with TTF's premium over the Asian LNG benchmark increasing to USD 1.36/MMBtu.

In the US, Henry Hub clawed back some of Friday's loss after recording a 2.6% gain on Monday amid ongoing supply concerns.

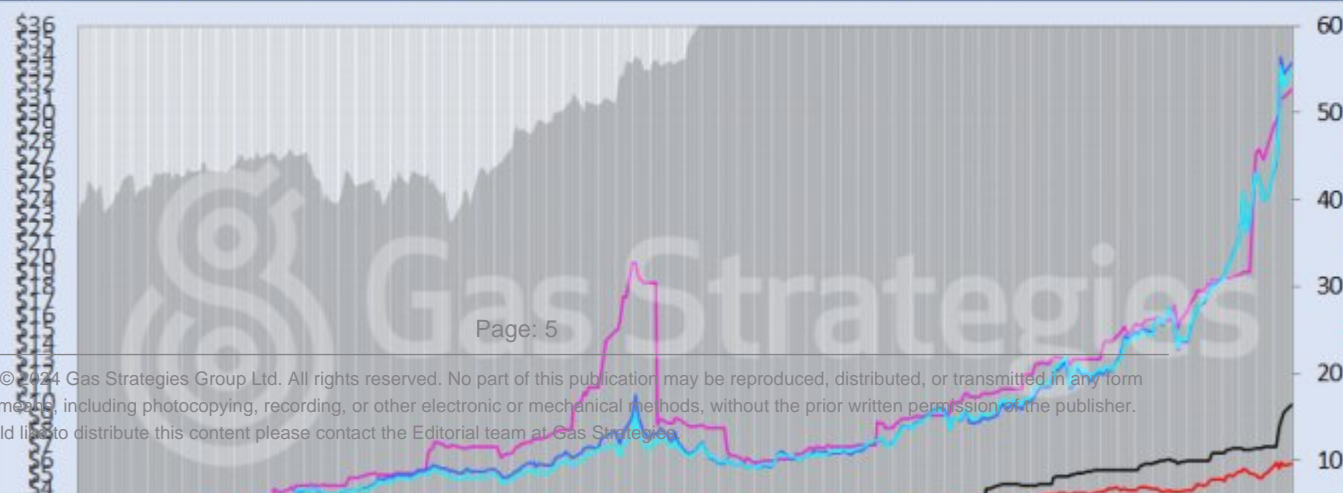
Front-month futures and indexes at last close with day-on-day changes (click to enlarge):

Front-month futures/index	04/10/2021	01/10/2021	Daily +/- (\$)	Daily
Henry Hub (\$/MMBtu)	5.77	5.62	0.15	
NBP (\$/MMBtu)	33.45	32.73	0.72	
NBP (£p/th)	245.87	241.26	4.61	
Henry Hub-NBP spread	27.69	27.11	0.57	
TTF (\$/MMBtu)	32.92	31.82	1.10	
TTF (€/MWh)	96.65	93.63	3.03	
Henry Hub-TTF spread	27.15	26.20	0.95	
JKM (\$/MMBtu)	31.56	31.07	0.49	
TTF-JKM spread	-1.36	-0.75	-0.61	
Henry Hub-JKM spread	25.79	25.45	0.34	
Brent (\$/barrel)	81.26	79.28	1.98	
WTI (\$/barrel)	77.62	75.88	1.74	
Brent-WTI spread (\$/barrel)	3.64	3.40	0.24	
API2 Coal (\$/tonne)	246.50	233.60	12.90	
API2 Coal (\$/MMBtu)	9.86	9.34	0.52	
EU CO ₂ emissions allowances (€/tonne)	63.36	61.99	1.37	

US, UK and European gas hubs, Asian LNG, API2 coal front-month futures (left axis) and Brent crude (right axis), since 1/1/18



US, UK and EU gas hubs, Asian LNG, API2 coal front-month futures (left axis) and Brent crude (right axis), since 1/1/18



[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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