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[1]

European gas prices hit fresh record highs on Tuesday, with TTF and NBP at a record premium to US gas benchmark Henry Hub.

The front-month TTF and NBP contracts continued to climb on Tuesday, settling at fresh record highs amid increasing winter supply concerns as storage levels in Europe are quickly depleting and colder weather is expected to sweep the continent next week.

The UK marker closed at the equivalent of USD 42.77/MMBtu – USD 0.40/MMBtu higher than the Dutch gas benchmark. With gas prices in Europe trading at record highs, market observers suggest that there will be more gas-to-coal and gas-to-fuel oil switching in the power sector. Demand destruction may also be seen in the industrial sector – like it was when gas prices spiked in early October.

Tuesday's rally saw the European gas benchmarks take a record premium over US marker Henry Hub – which continued to slide yesterday amid mild weather in the US. The front-month Henry Hub contract closed at USD 3.75/MMBtu, marking a five-day low.

TTF and NBP also extended their premium over Asian LNG marker JKM, which settled 0.1% higher on Tuesday to close at USD 35.77/MMBtu.

While European gas prices continue to strengthen, the EU carbon price continued to fall, closing 3.2% lower at EUR 79.48/tonne – its lowest close in six days.

As for crude, prices continued to fall after the International Energy Agency said supply will outstrip demand this month, with the gap increasing further over the first half of 2022. The Paris-based agency expects the Omicron variant to hit jet fuel demand as many nations are placing curbs on international travel. However, the IEA said expects the latest Covid-19 variant to only temporarily slow the recovery in crude demand.

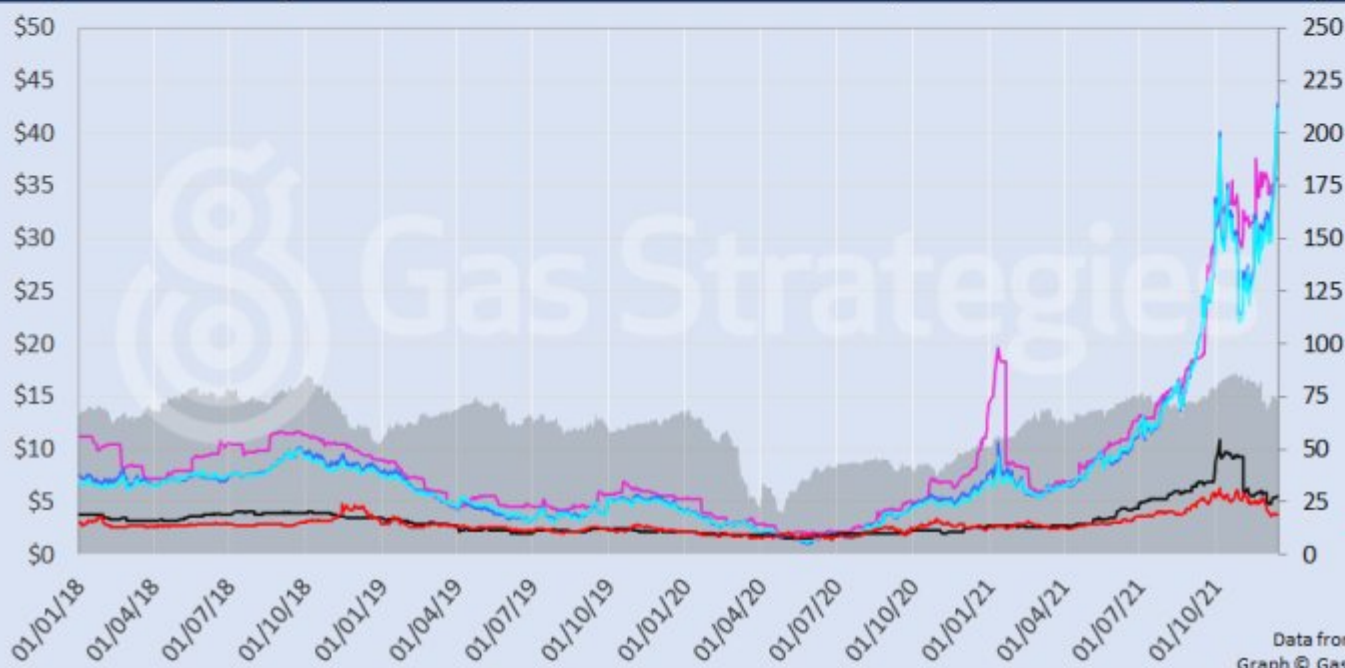
"The surge in new COVID-19 cases is expected to temporarily slow, but not upend, the recovery in oil demand that is under way," the IEA said in its latest monthly oil report.

Brent closed at USD 73.7/barrel, 0.9% lower day-on-day. WTI was down 0.8% to settle at USD 70.73/barrel.

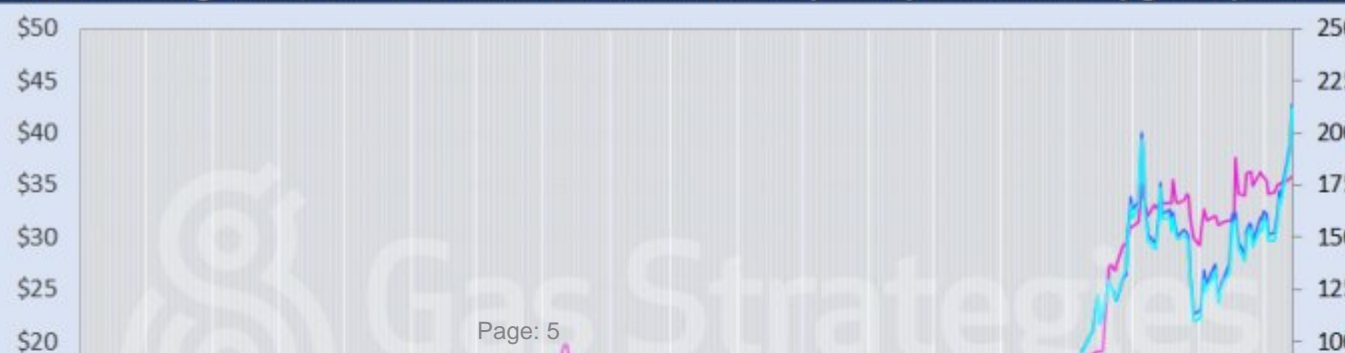
Front-month futures and indexes at last close with day-on-day changes (click to enlarge):

Front-month futures/index	14/12/2021	13/12/2021	Daily +/- (\$)	Daily
Henry Hub (\$/MMBtu)	3.75	3.79	-0.05	
NBP (\$/MMBtu)	42.77	38.97	3.80	
NBP (£p/th)	323.40	294.54	28.86	
Henry Hub-NBP spread	39.03	35.18	3.85	
TTF (\$/MMBtu)	42.37	38.43	3.94	
TTF (€/MWh)	128.30	116.08	12.22	
Henry Hub-TTF spread	38.62	34.63	3.98	
JKM (\$/MMBtu)	35.77	35.73	0.04	
TTF-JKM spread	-6.60	-2.70	-3.90	
Henry Hub-JKM spread	32.02	31.94	0.08	
Brent (\$/barrel)	73.70	74.39	-0.69	
WTI (\$/barrel)	70.73	71.29	-0.56	
Brent-WTI spread (\$/barrel)	2.97	3.10	-0.13	
API2 Coal (\$/tonne)	141.00	137.30	3.70	
API2 Coal (\$/MMBtu)	5.64	5.49	0.15	
EU CO ₂ emissions allowances (€/tonne)	79.48	82.12	-2.64	

US, UK and European gas hubs, Asian LNG, API2 coal front-month futures (left axis) and Brent crude (right axis), since 1/01/18



US, UK and EU gas hubs, Asian LNG, API2 coal front-month futures (left axis) and Brent crude (right axis), since 1/01/18



[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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