



UK gas price surges to six-year high as panic spreads across Europe

Freezing temperatures across Europe continued to drive British wholesale natural gas prices higher on Monday and gas for delivery on Tuesday traded up to 93 pence per therm (p/th) in the afternoon. The last time the market settled higher than this was on 17 March 2006, when Britain's largest gas storage facility was unexpectedly taken offline.

According to ICIS Heren data, gas for next day delivery has risen by 53.2% since the start of February. The Day-ahead contract had been changing hands at just 60.7p/th on 31 January.

A reduction in exports from Russia boosted prices across Europe last week, as extremely cold temperatures saw a surge in domestic Russian demand. But the price increase was prolonged into Monday despite Russian exports supplier Gazprom returning exports to normal after implementing some cuts last week.

A combination of the cold weather and reduced supply has put increasing strain on the gas systems across Europe, requiring large withdrawals of gas from storage sites.

Countries have reported difficulties in meeting record demand levels, notably France, where gas for delivery on Tuesday traded as high as €42.00 per megawatt-hour (MWh), equivalent to 101.77p/th. This is more than 25% higher than Friday's closing price.

In Germany, the price for gas to be delivered on Tuesday traded at €39.10/MWh, 20% higher than Friday's settlement.

The British market has had an increased amount of supply flexibility since the commissioning of the Langeled pipeline from Norway in October 2006, which has limited the likelihood of a spike in prices.

An increase in imports via LNG tankers from a variety of countries in the past three years, primarily Qatar, had gone further to cap volatility.

"Spot prices have now jumped well above contract levels across European traded hubs. Although UK demand is still well below the record set in 2010 the price increases have to be seen in the context of very high simultaneous demand across all of Europe and Russia," said Edward Cox, Editor at ICIS Heren.

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