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Global events have triggered an unexpected period of volatility for gas markets, as concerns rise over supplies to Europe and cold snaps bite in major gas-consuming economies, returning TTF and LNG prices back to \$30/MMbtu levels.

In **Europe,** the TTF, which resisted downward pressure for the past few weeks, has surged back to more than \$30/MMbtu, lifted by bullish impetus from Russia-Ukraine tensions which show no sign of abating – a geopolitical uncertainty which commodity markets are struggling to price in.
This is stoking fears of a prolonged period of scarce Russian exports to Western Europe this year, even as European storage – now at 42% capacity – races to the bottom.

Price support may also come from Turkey, which saw a disruption in pipeline supplies from Iran due to technical issues coinciding with a cold snap which may sporadically boost heating and power generation demand in the country in late winter.

LNG imports have been robust in recent days, helping to offset some of the bullish momentum from other factors and keep prices in check.
There has been a sharp uptick in regas capacity utilization in Western and Southern Europe, with the 30-day average figure increasing from around 51% in early January to more than 75%.
In January 2022 so far, Europe has imported about 7.95 Million tonnes, with nearly 46% of that from the US.
From a weather perspective, cold snaps have driven some volatility in the market in recent days, but weather forecasts largely point to above normal temperatures on the horizon.

The **US** has seen a tight market balance in recent weeks as production in the Lower 48 wobbles slightly due to several cold snaps, but the impact on overall output is minimal.
This is the time of the year when the key factor driving prices is the weather, the outlook of which is unhelpfully mixed, contributing to price resilience and volatility on the Henry Hub.
The US storage position is healthy and therefore the overall upside risk to prices is limited.
In a positive signal for the LNG market, feedgas supply to Calcasieu Pass more than doubled this week.

In **Asia**, prices are facing some near-term bullishness due to unexpected cold snaps across Japan and parts of Northern China, increasing demand and causing prices to creep up.
Coal output in Japan has fluctuated in recent days due to temporary unplanned shut-ins of multiple units, which effectively raised the call on gas-fired generation.
LNG inventories in Japan are starting to feel the strain, with utility inventory levels dropping by over 12% this week.
Coal markets are also experiencing some short-term volatility as a result of logistical spillovers from Indonesia's coal export ban earlier in January, which it has since dialed down.
Higher coal prices translate to a narrower advantage against gas in the merit order, effectively raising a support level for spot LNG prices in the near term.

Prices also have found support in the outage at Gorgon Train 2, where the duration of unplanned maintenance appears to be creeping past market expectations, and from bullishness and volatility on the TTF.

In a return to more normal activity, tankers have started diverting back towards Asia and congestion at the Panama Canal is picking up as a consequence.
Mother nature may yet surprise the market with some unexpected cold weather, or as observed last year, an extended winter into April, but the impact of which remains to be seen.

The story in China is the opposite, with state-owned Sinopec and CNOOC reportedly looking to on-sell the equivalent of 5% of Chinese annual LNG imports.
Not all of these cargoes may be awarded, but the sell tenders may be indicative of a lasting overbuild in China's LNG inventory, caused by robust purchases through 2021, followed by lower than expected winter demand.
The 2022 outlook for LNG imports to China has been revised down to 86 Million tonnes – a 2% reduction from prior figures.
Industrial activities have also slowed down ahead of the lunar new year, which may further weigh on gas demand in the region.

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