

# Short-Term Carbon

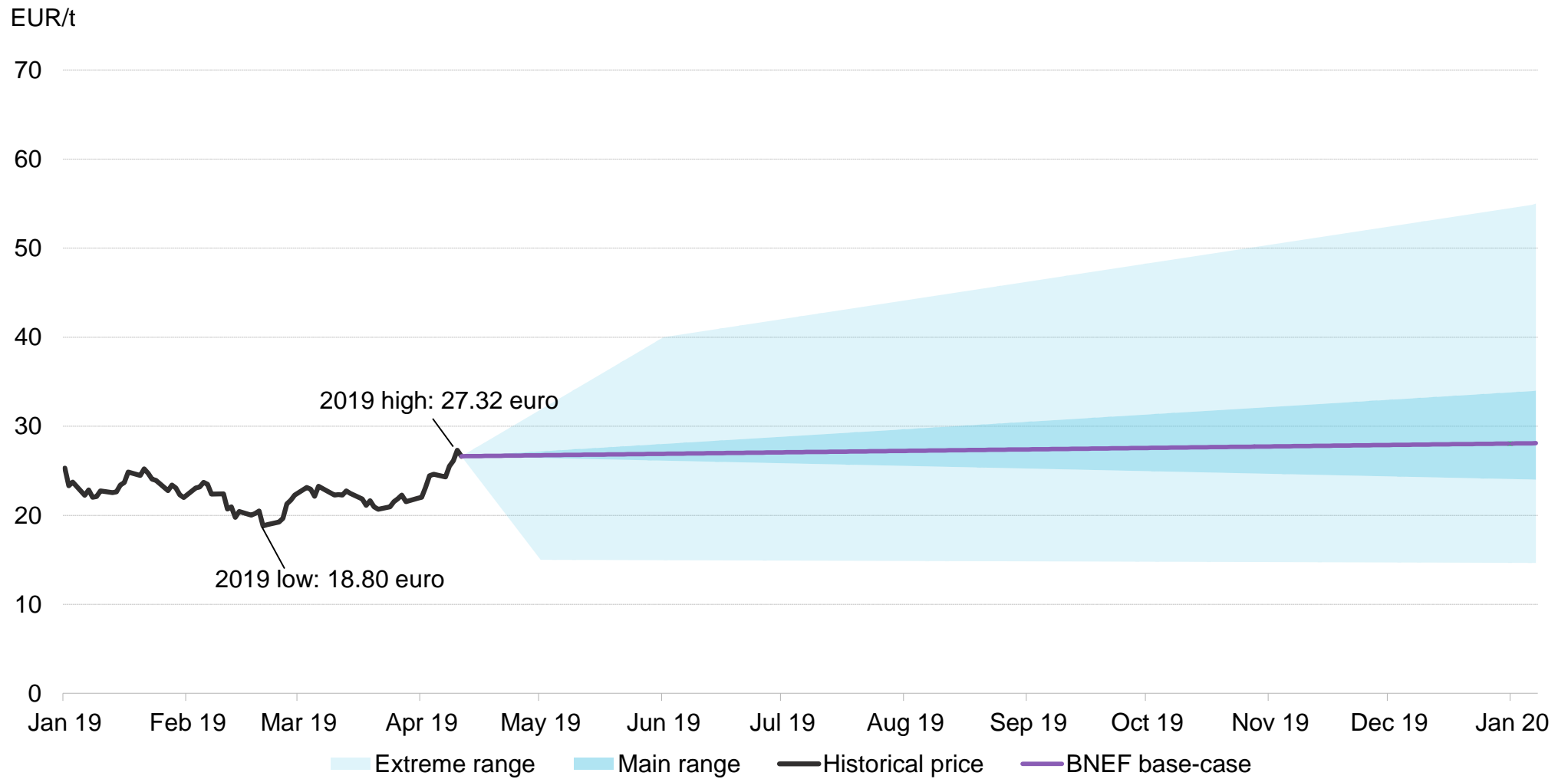
Jahn Olsen

April 16, 2019



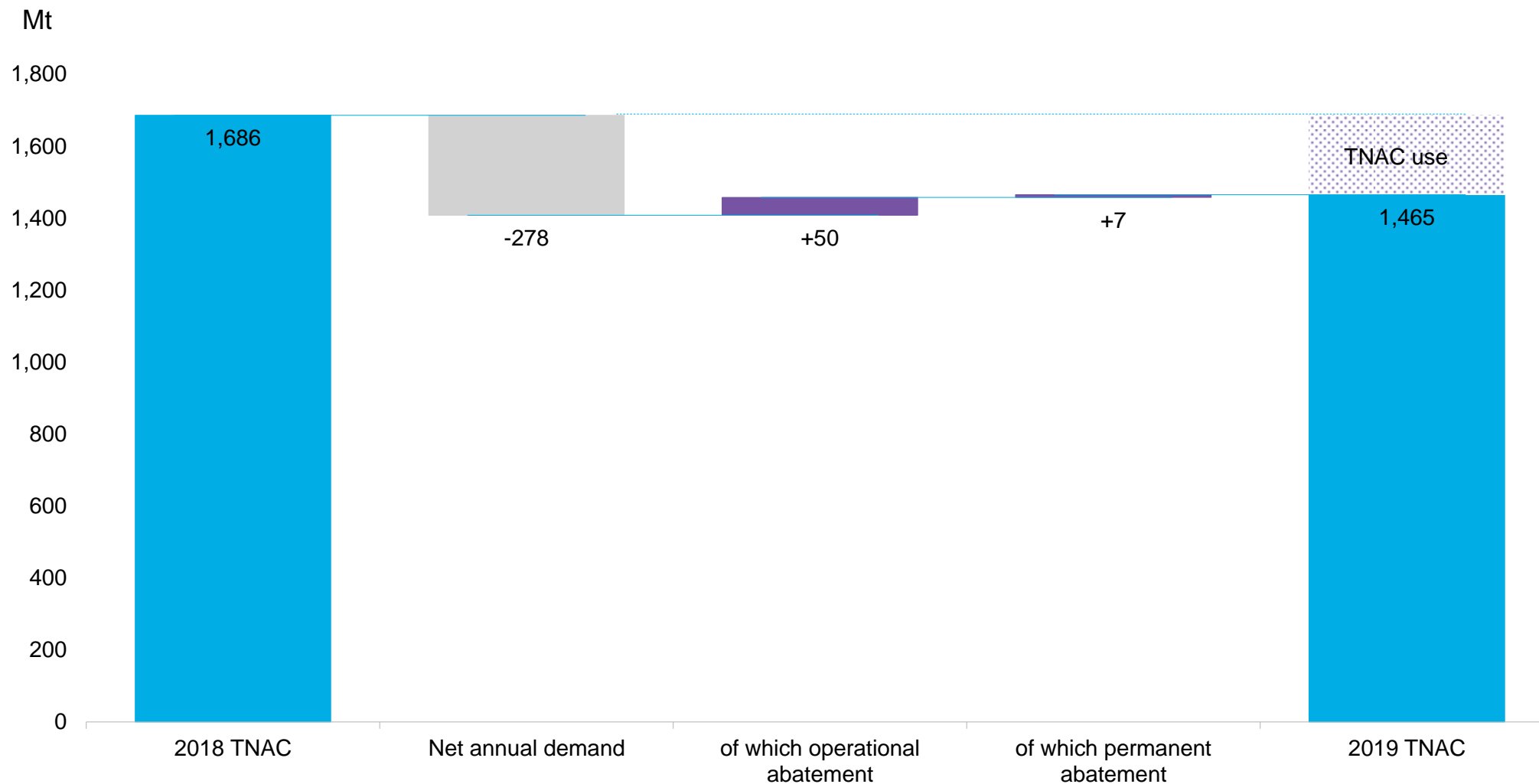
**BloombergNEF**

# Uncharted territory



Source: BloombergNEF

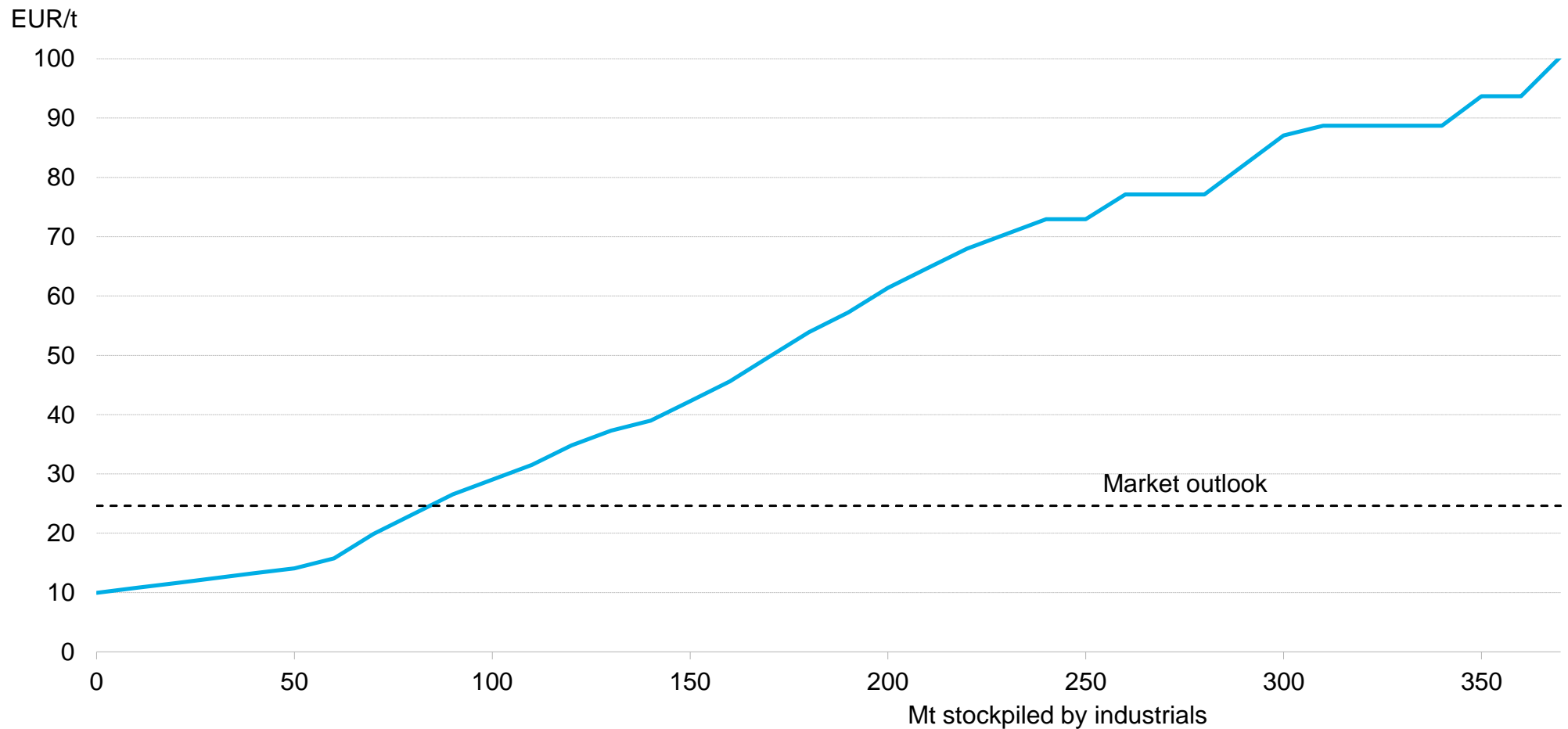
# Tight market



Source: BloombergNEF. Note: TNAC = total number of allowances in circulation.

# Upside risk, industrial stockpiling

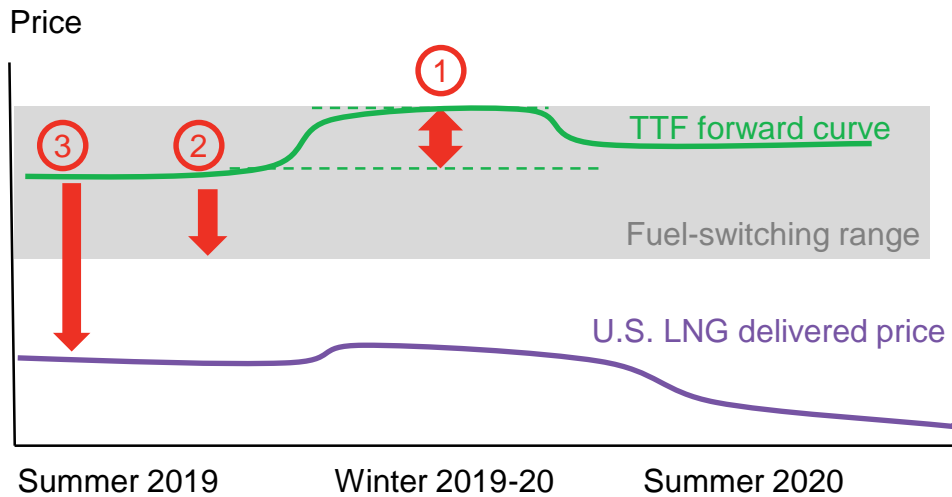
## Price with different levels of industrial stockpiling



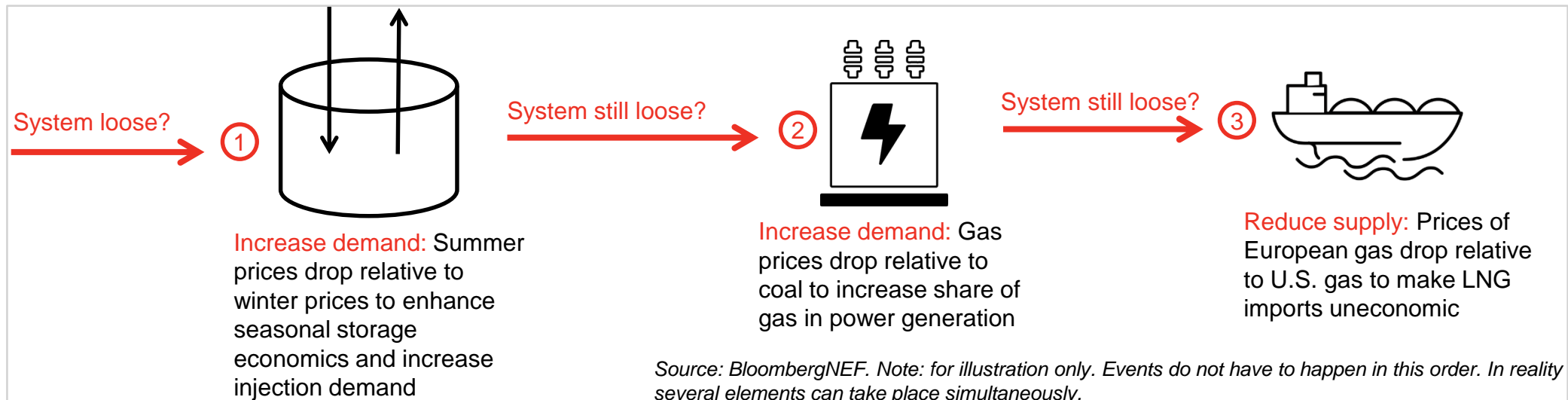
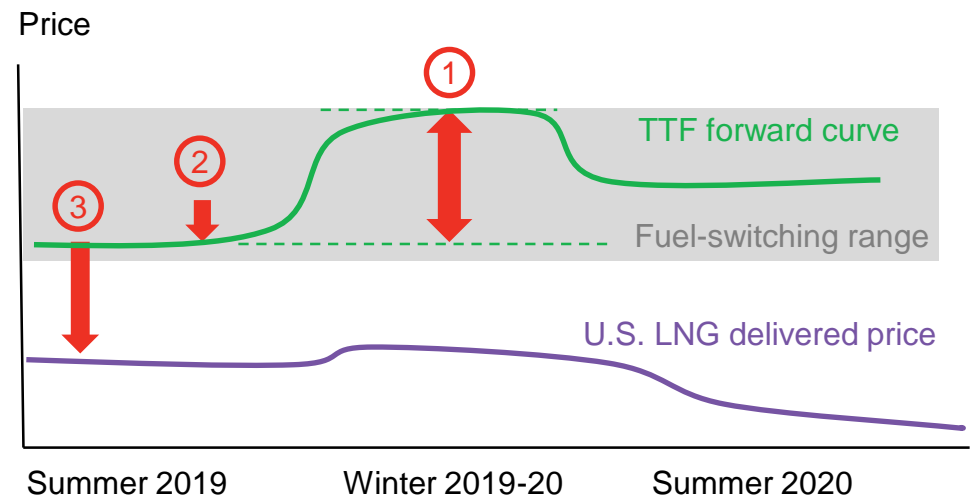
Source: BloombergNEF

# Downside risk, a loose gas market

**Before: Gas forward curve**



**After: Gas forward curve**



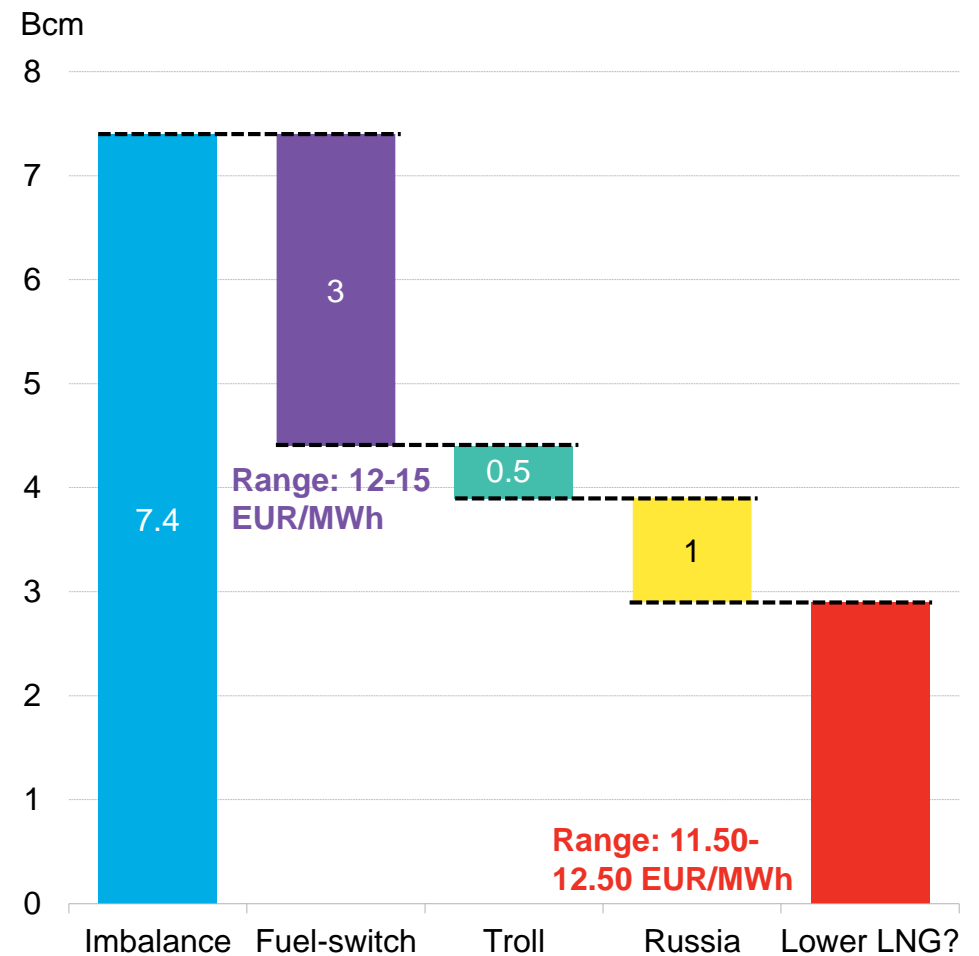
Source: BloombergNEF. Note: for illustration only. Events do not have to happen in this order. In reality several elements can take place simultaneously.

# Downside risk, a loose gas market

## Year-on-year change in fundamentals



## How to correct the imbalance

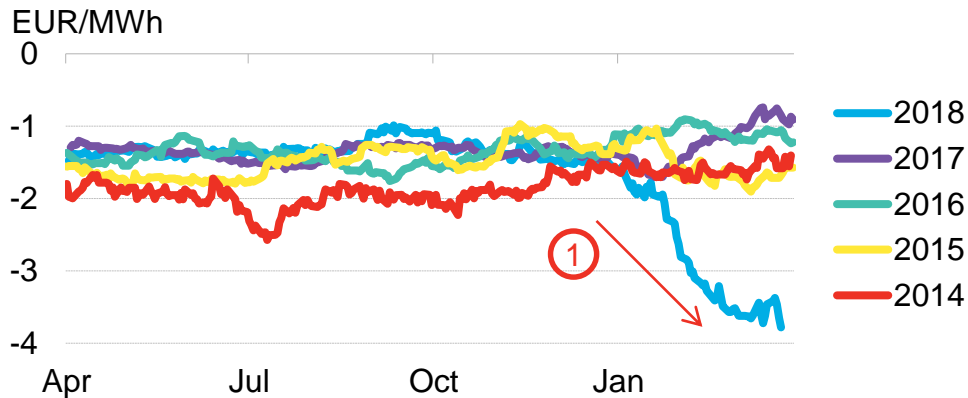


Source: BloombergNEF

Source: BloombergNEF. Note: Troll is a Norwegian gas-producing field.

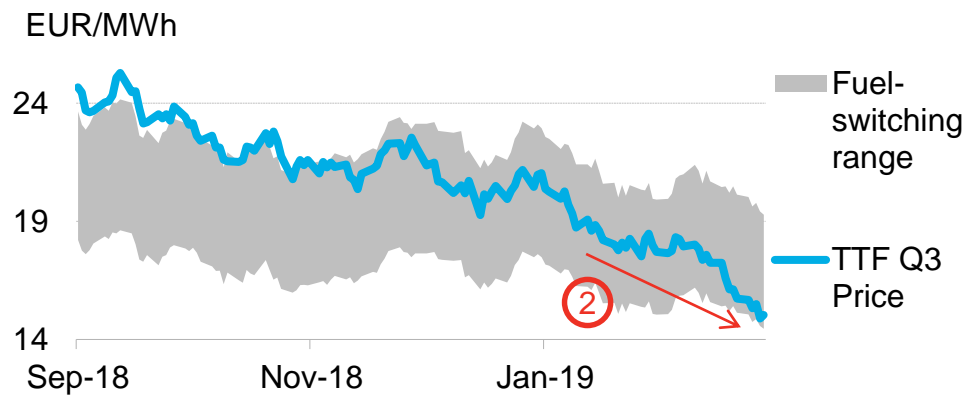
# Gas market response

## TTF summer-winter price spreads



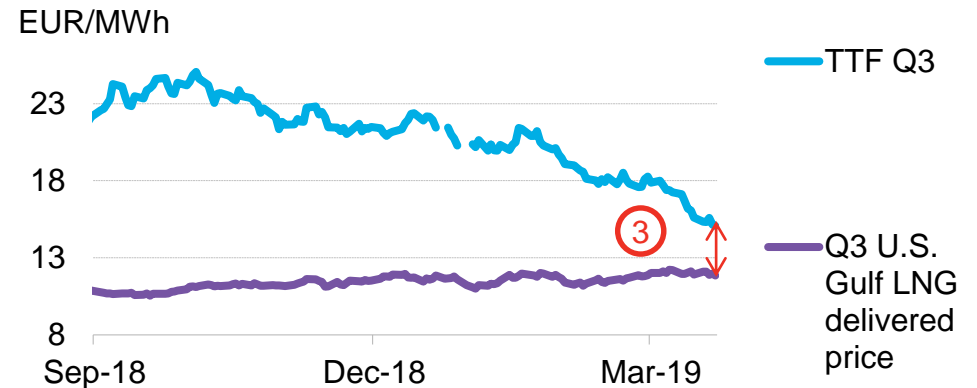
Source: BloombergNEF, ICE

## TTF 3Q versus fuel-switching range



Source: BloombergNEF fuel-switching calculator, ICE

## TTF 3Q versus 3Q U.S. Gulf LNG delivered price



Source: BloombergNEF, ICE, CME

- ① Summer TTF prices have opened one of their largest discounts to front winter prices in recent years. Storage capacity in Europe has been heavily subscribed.
- ② Summer TTF prices have dropped relative to the fuel-switching range. The fuel-switching range is a range of gas prices that indicate where a gas-fired power station of a certain efficiency is more competitive than a coal-fired power station of a certain efficiency. TTF prices at the low end of this range suggest that low-efficiency gas-fired stations are more competitive than high-efficiency coal-fired stations over summer.
- ③ U.S. LNG remains economic to deliver to Europe.

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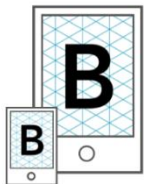
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