

Gas Prices Hit Record High on Russian Supply Squeeze, Cold Snap

By AFP

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Russia stopped exporting gas along the Yamal pipeline to Germany on Tuesday. Gazprom

European and U.K. gas prices rocketed Tuesday to all-time highs on strong winter demand and simmering geopolitical tensions between key supplier Russia and consumer nations.

Europe's reference Dutch TTF gas price hit 162.775 euros per megawatt hour in late morning deals, up more than ten percent from Monday, while UK prices leapt to 408.30 pence per therm.

Both markets beat previous records from October, also struck on demand worries for the northern hemisphere winter months. They are currently about seven times greater than at the start of 2021.

Runaway spot gas prices, alongside other buoyant commodities including crude oil, have fuelled mounting concern about spiking inflation worldwide.

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European gas "continued its inexorable rise... to another record," wrote Deutsche Bank analysts in a client note.

"It comes as temperatures have continued to decline heading into the European winter, and we also got the news that [Russian energy giant] Gazprom had not booked any extra capacity in January for gas flowing through Ukraine."

"That's an important story heading through the winter with implications for European growth, and one that will have investors closely following the weather forecasts to work out what might happen."

Europe's gas stocks had already been depleted by a prolonged winter last year.

Added to the picture, calmer prevailing weather conditions have this year sharply reduced the supply of wind power.

Some analysts blame the market spike on ongoing controversy surrounding Russia's planned Nord Stream 2 gas pipeline.

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German Economic Affairs Minister Robert Habeck warned Saturday of "severe consequences" for the Nord Stream 2 gas pipeline from Russia to Germany if Moscow attacked Ukraine.

The Baltic Sea pipeline is set to double supplies of cheap natural gas from Russia to Germany, which the European Union's top economy says is needed to help it transition from coal and nuclear energy.

But the 10-billion-euro (\$12 billion) project has for years been dogged by delays and drawn fierce criticism from both Germany's eastern EU allies like Poland and the United States.

Critics say Nord Stream 2 will increase Europe's dependence on Russian gas and Ukraine has described it as a "geopolitical weapon."

One third of Europe's total gas supplies come from Russia.

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