European and UK natural gas market soars to record heights

Europe to blame for the current energy crisis: Putin

LONDON: European and UK gas prices surged to record peaks, energized by fears of runaway demand in the upcoming northern hemisphere winter. Europe's reference Dutch TTF gas price hit 162.12 euros per megawatt hour and UK prices leapt to 407.82 pence per therm in morning deals. However, prices later reversed as supply concerns eased somewhat. "It's panic and fear with winter just around the corner," Commerzbank analyst Carsten Fritsch told AFP. Soaring gas prices - coupled with oil which has struck multi-year highs - have fuelled fears over spiking inflation and rocketing domestic energy bills. Gas demand is also heightened in Asia, particularly from China, while key Russian exports are falling.

Europe to blame: Putin

However, Russian President Vladimir Putin declared Wednesday that Europe was to blame for the current energy crisis, after the soaring gas prices spurred accusations that Moscow is withholding supplies to pressure the West. "They've made mistakes," Putin said in a televised meeting with Russian energy officials.

He said that one of the factors influencing the prices was the termination of "long-term contracts" in favor of the spot market. Some critics have accused Moscow of intentionally limiting gas supplies to Europe in an effort to hasten the launch of Nord Stream 2, a controversial pipeline connecting Russia with Germany. At the same time, global gas stockpiles remain worryingly low. "Natural gas prices have climbed to new peaks ... as insufficient levels of inventories ahead of the winter season drive concerns for a spike in inflation and energy prices for consumers," XTB analyst Walid Koudmani told AFP.

"These supply constraints could translate into higher costs of fuel moving into the winter months, a prospect which could further slow down economic recovery and worsen moods across markets." Europe's energy crisis has also been exacerbated by a lack of wind for turbine sites, coupled with ongoing nuclear outages - and the winding down of coal mines by climate-conscious governments. Gas demand has also galloped higher in recent months as economies reopened worldwide from their COVID-induced slumber.

"The rebound in industrial activity across the world following months of COVID-related restrictions and widespread remote working ... boosted demand for natural gas," noted UniCredit economist Edoardo Campanella. European gas futures have now multiplied by eight since April. And the market is set to shoot even higher, according to French bank Societe Generale. "Never before have power prices risen so far, so fast," wrote Societe Generale analysts in a client note. "And we are only a few days into autumn — temperatures are still mild.

"A cold winter could cause severe problems for Europe's energy markets, where politicians are already trying to contain the fallout." However gas prices eased later Wednesday as Putin, despite blaming Europe for the current situation, ordered state-controlled gas company Gazprom to maintain shipments through Ukraine. "News that Russia will boost gas supplies has steadied market nerves a little this afternoon and helped temper those record price hikes but businesses are worried, and investors are too," said AJ Bell financial analyst Danni Hewson.

NORCO: Vehicles drive past a petrol chemical plant near Highway 61 in Norco, Louisiana. Energy giant Royal Dutch Shell yesterday warned of financial hits from recent Hurricane Ida and soaring natural gas prices. — AFP

SAINT PETERSBURG: Gazprom logo is seen during the International Gas Forum, at the Expoforum Convention and Exhibition Centre in Saint Petersburg yesterday. — AFP

Brussels mulls energy crisis

European leaders are divided on how to respond to the record rise in energy prices, with France and Spain calling Wednesday for bold EU-wide action, while others urged patience. The European Commission - which is the European Union's executive arm - will next week propose measures to mitigate the price surge for consumers. Those suggestions will then be discussed by the bloc's leaders at a summit in Brussels on October 21-22. Britain is particularly exposed to Europe's energy crisis because of its reliance on natural gas to generate electricity. —AFP

BA and Ryanair get reprieve on COVID refunds

LONDON: Britain ruled yesterday that British Airways and Irish carrier Ryanair were not obliged to refund customers whose flights were cancelled because of the pandemic. The Competition and Markets Authority regulator added in a statement that it had closed its probe into both airlines after finding the law unclear. "The CMA has concluded that the law does not provide passengers with a sufficiently clear right to a refund in these unusual circumstances to justify continuing with the case," it said. The watchdog had in June launched its investigation into whether the two airlines had broken the law in failing to offer refunds for flights that could not be taken during lockdown.

"Consumer protection law sets out that passengers are entitled to refunds when an airline cancels a flight, because the firm cannot provide its contracted services," the CMA added yesterday. "However, it does not clearly cover whether people should be refunded when their flight goes ahead but they are legally prohibited from taking it." The regulator added it would not pursue its investigation because it would take a long period of time in the courts to reach an "uncertain outcome".

Both airlines welcomed the watchdog's decision. However Rory Boland, editor of consumer magazine Which? Travel, described the outcome as "disappointing". "It's hugely unfair that passengers have been left to shoulder the bill for following the law and protecting public health by staying home, while British Airways and Ryanair have been allowed to hold onto their cash for flights people couldn't legally take." Aircraft were grounded worldwide as a result of the deadly COVID-19 pandemic, devastating demand for air travel and sparking thousands of job cuts across the sector. — AFP

German industrial output slumps on supply chain woes

FRANKFURT: German industrial production fell more sharply than expected in August, official data showed yesterday, as supply chain frictions weigh heavily on Europe's biggest economy. Federal statistics agency Destatis said industrial output slumped by four percent month-on-month, after experiencing a rebound in July, according to figures adjusted for seasonal swings. Analyst surveyed by Factset had predicted an August decline of just 0.1 percent. "Producers continue to report about the production being constrained by a shortage of supply of intermediate products," Destatis said in a statement.

Hardest hit was Germany's flagship car industry with a 17.5 percent drop in output. Like other automakers around the world, German manufacturers are grappling with a shortage in computer chips, spurred by a pandemic-induced surge in demand for electronic devices. But the chips are also crucial components in conventional and electric vehicles, and giants like Volkswagen, BMW and Daimler have been among those forced to curtail production as they await fresh supplies.

Combined with global shortages of other key materials including timber, plastic and steel, analysts say clouds are gathering over Germany's export-driven economy. "Supply chain frictions have become a bigger threat to German industry than the pandemic," said ING bank economist Carsten Brzeski. "Disappointing industrial production in August suggests that the traditional growth engine of the German economy will again be a drag on growth in the third quarter," he added. Economic think-tank IfW recently downgraded its forecast for German economic growth for 2021 from 3.9 percent to 2.6 percent. —AFP