Coffee Break

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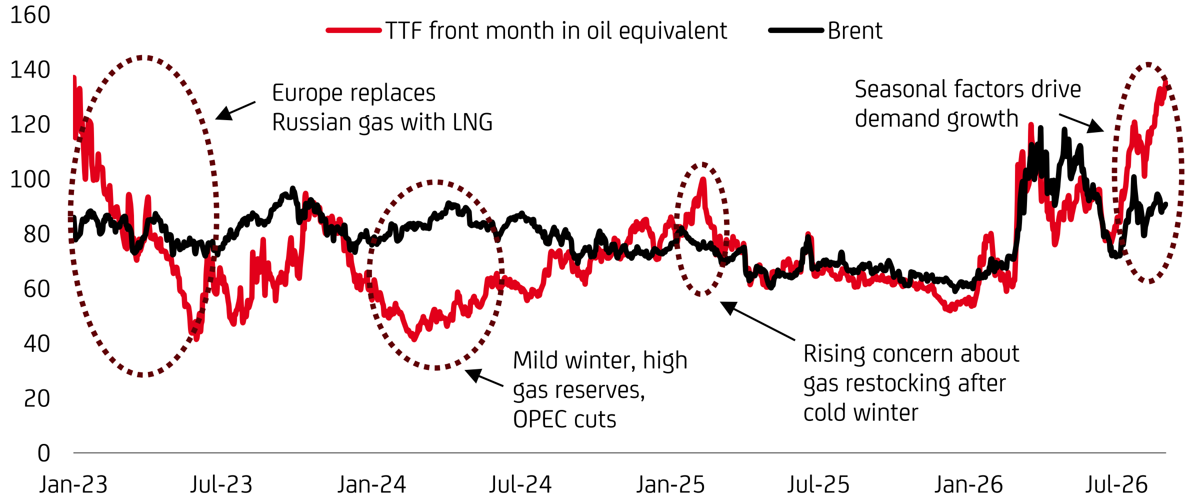
Elevated European natural gas price reflects a challenging outlook

1 September 2026

The European natural gas price has surged ahead of the comparable oil price. This reflects unique supply and seasonal stresses that appear likely to persist for the rest of the year.

SEASONAL FACTORS TEND TO DRIVE DIVERGENCE IN EUROPEAN OIL AND GAS PRICES

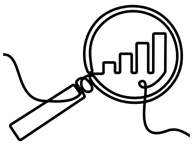
USD/BARREL EQUIVALENT



Source: Bloomberg, The Investment Institute by UniCredit

THE CONTEXT

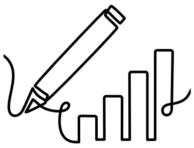
Since approximately 20% of global oil and LNG flow through the Strait of Hormuz, energy prices continue to be significantly impacted by expectations about the course of the war in the Middle East. For the most part, the prices of Brent and European benchmark gas (TTF), when expressed in equivalent terms, have been tightly correlated since the beginning of 2025 and extending through most of the war. However, since the end of June, the comparable price of TTF has surged well above that of Brent. This premium has reached an unusually high level to Brent that has not been seen since early 2023, when Europe was still realigning its energy import structure to replace Russian gas, which had previously accounted for around 45% of its total gas imports. This premium indicates unique stress factors for the gas market that go beyond the supply constraints that have driven oil prices higher since the end of the ceasefire between the US and Iran.



THE DATA

TTF and Brent prices often move together, especially when macroeconomic and geopolitical forces are the primary drivers. However, the prices of Brent and TTF can drift apart for extended periods of time if other factors, such as changes in local supply or seasonal demand, impact one commodity more than the other. A similar major divergence has recently appeared, as the TTF price has surged relative to Brent since the end of June. As that difference has continued to grow, TTF has reached a premium of 50% above Brent in comparable terms. This is the highest premium for TTF since the beginning of 2023 and compares to an average discount of 6% for TTF relative to Brent from 2023 to the present time. There are a number of factors that have driven this surge of TTF above Brent pricing in recent weeks. In terms of supply, only minimal amounts of Qatar's approximately 9bcm monthly LNG production are being exported, according to LSEG data. This has been partially offset by around 3-4bcm of new LNG capacity from North America, based on IEA data, leaving the supply balance tighter than it was before the war. The supply situation for oil is somewhat better as the UAE and Saudi Arabia have been able to export 18-28% of the oil that would normally go through the Strait of Hormuz through alternative pipelines, based on data from the IEA. Furthermore, the release of global oil reserves from the US, China, Japan and the IEA has helped to mitigate the oil-supply shock. No comparable sources of global strategic gas reserves are available.

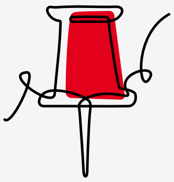
However, even more important for the relative surge in TTF is the increase in gas demand, which has been driven by seasonal factors. First, market fears are growing that Europe is behind schedule with its gas restocking, which will likely lead to sustained high demand at least through the end of 2026. Current inventories are at 65% of capacity, which is 12pp below where they were at the end of August 2025. Reaching the 80% target by 1 November will therefore require significant, sustained injections in the coming months in an environment of tighter supply, if the Iran conflict remains frozen. Second, the extraordinarily hot summer in Europe and the key gas-importing countries in Asia has boosted demand for LNG to power cooling systems. Simultaneously, drought has curtailed the availability of nuclear and hydro power during this period, further stimulating demand for LNG. These seasonal, weather-related factors – more than the supply constraints – have been the main reason why the TTF price has surged ahead of the comparable Brent price in recent weeks.



OUR VIEW

The supply disruption from the war in Iran together with the surge in demand this summer has driven TTF to EUR 70/MWh, the highest since early 2023, when Europe was still reorienting its gas supply away from Russia. This gives an indication of the market stress that TTF is currently pricing in. The high price premium relative to Brent further indicates the unique difficulties the gas market faces relative to the oil market. However, we think that some of these factors may be close to peaking and could bring modest relief to TTF prices in the near term. First, the extreme heatwaves this summer should ease in the coming weeks and months, reducing some demand for power. Second, European restocking is progressing, despite high prices, at a rate of 7-9pp per month. At this rate, the 80% threshold would be in reach by 1 November. In addition, this threshold can be lowered to 75% or delayed by a month in the event of exceptional market conditions, providing additional flexibility. We therefore think that there is unlikely to be a major gas shortfall in Europe or regulatory intervention before the winter heating season.

The two major drivers of the TTF price continue to be developments of the war in Iran and weather – both of which are highly uncertain. The current price level appears to factor in a frozen conflict. It would likely take a resumption of kinetic military action involving more destruction to energy infrastructure to justify significant further price increases. After two winters in a row with below-average temperatures, the likelihood of a return to average would imply less LNG demand from Europe this winter relative to the past two years. Despite the potential for a gradual easing in the current elevated gas price, Europe's need to replenish stocks will remain a supporting factor and will likely prevent a significant drop in prices without the reopening of the Strait of Hormuz.



OTHER THINGS TO NOTE

Eurozone inflation likely accelerated in August

We forecast a large increase in eurozone inflation for August, to 3.4% yoy from 2.9%, the highest reading since September 2023. The acceleration has likely been driven by energy, which we think has added 0.4pp to the headline inflation rate, mainly due to a jump in the price of oil products. Core inflation has likely remained at 2.5% yoy, with the usual uncertainty related to potentially large seasonal swings in the prices of holiday-related services.

TODAY'S DATA RELEASES

Time (CET)	Country	Data	Period	UniCredit	Consensus	Previous
11:00	IT	Consumer price index (% yoy)	Aug	-	3.4	2.9
11:00	EZ	Unemployment rate (%)	Jul	6.3	6.3	6.3
11:00	EZ	Core CPI (% yoy)	Aug	2.5	2.5	2.5
11:00	EZ	Consumer price index (% yoy)	Aug	3.4	3.3	2.9
16:00	US	JOLTS job openings (thousands)	Jul	-	7,313	7,359
16:00	US	ISM manufacturing (index)	Aug	-	55.2	55.6

Source: Bloomberg, The Investment Institute by UniCredit

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