# Winners-apparent in EU gas and U.S. power price hikes

- The higher ratio of JKM-to-HH gas price is a true paradigm shift in global gas market
- Producers of gas in EU and power in U.S. are the winners apparent
- Top picks: BCP for E&P in EU and BCPG/GULF for the U.S. power producers

## EU suffers from the rising 4.0x JKM-to-HH gas price

Before Russia's invasion of Ukraine in Feb-22, the band of spot LNG price (JKM) had on average been 2.5x to 2.8x higher than the U.S. Henry Hub (HH) gas price (JKM spot LNG range of USD6-12/mmbtu vs HH gas price range of USD2.4-3.2/mmbtu). However, post the EU's ban on Russian energy imports, the JKM-HH ratio (JKM's USD8-15/mmbtu vs HH's USD2-4/mmbtu) has jumped markedly to 4x as JKM's price averages at USD11-14/mmbtu vs HH's USD2.6-4.0/mmbtu. The implications are doubtless; EU, the largest buyers of U.S. LNG, greatly suffered from the sharp spikes in the energy cost at the overwhelming benefits of the U.S.' rising energy exports.

## Dwindling portion of gas-fired power will drive electricity tariff higher

EIA forecasts U.S. gas consumption will rise by 1% y-y to a record 91.4bcfpd in 2025, boosted by higher demands across all sectors except for electric power, which had been the source of most natural gas consumption growth in the past decade. Yet EIA projects U.S. gas consumption to drop y-y in spring and summer for power sector even though gas remains the most prevalent source of electricity generation. The consequence is clear and present danger to electricity tariff, reflected in relentlessly surging tariffs both for capacity payment and the spark spread (energy cost).

## U.S. Eastern gas productions will flow to fill the Gulf's gas supply shortages

Nearly all existing U.S. LNG export capacity is on the Gulf Coast with LNG export capacity to surge to 9.8Tcf (27bcfpd) by 2037, up from 4.4Tcf in 2024, led by the five LNG export projects already under construction scheduled to COD by 2028 (60% of projected growth). Hence, EIA projects U.S. to increase natural gas flows from the East to the southern Gulf Coast in the coming decades, with productions from the Appalachian Basin in the mid-Atlantic and Ohio region increasingly meeting growing demand on the Gulf Coast, driven largely by rising LNG exports.

## PJM's power tariff hikes are mandatory, not optional, to avoid power blackout

As a result of the tighter gas-fired power supply that is far behind the demand growth mainly from AI data centers, power prices in PJM Interconnection's latest capacity auction in July increased by 22% to USD329/MW-day, which will translate to a y-y rise of a 1.5-5.0% in consumers' bills. The capacity market auction, which locks down power supplies for June-25 to May-26 for 13-states and Washington, D.C., has surged by over $200/MW-day to hit $270/MW-day. The tariff hikes to USD329/MW-day are expected to sustain at least until 2030 given the imbalance of demand-supply.

## Winners on the multi-year hikes in global LNG price and U.S. power tariff

Under the longer and higher power tariff in the U.S. PJM power market, we identified companies with great exposures in the U.S. power market tariff-hike super-cycle as our top picks in Thai power sector, including 1) BCPG on its 3x-4x spike in earnings from its 0.9GW power capacity in PJM; 2) GULF on its Jackson power plant in PJM. For the winners on global LNG price (JKM), BCP is a sole standout on its earnings from OKEA, the Norwegian E&P who produces and supplies gas to EU market.

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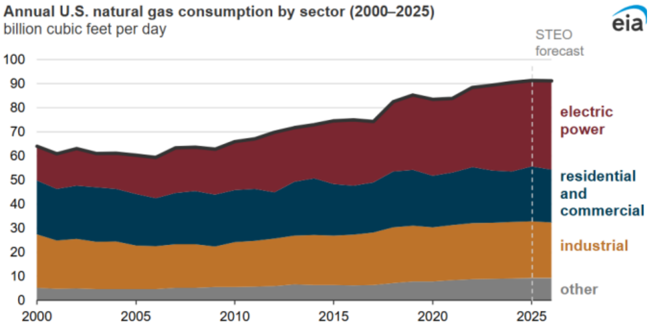
## Exhibit 1: Henry Hub Gas Swap Dec '25 (JNNZ25)


Sources: Barchart.com

## Exhibit 2: LNG swap futures contract South East Asian (Nov-25)

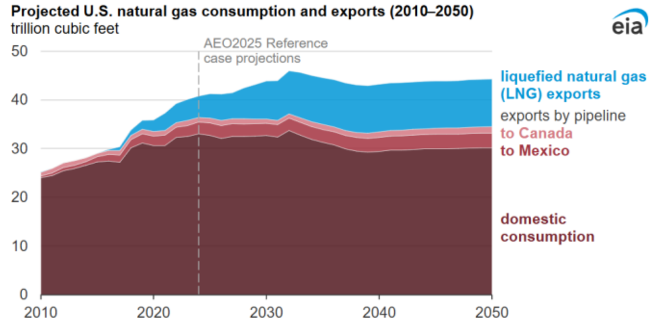

Sources: Barchart.com

## Exhibit 3: Gas demand will plateau on limited gas-fired power plants



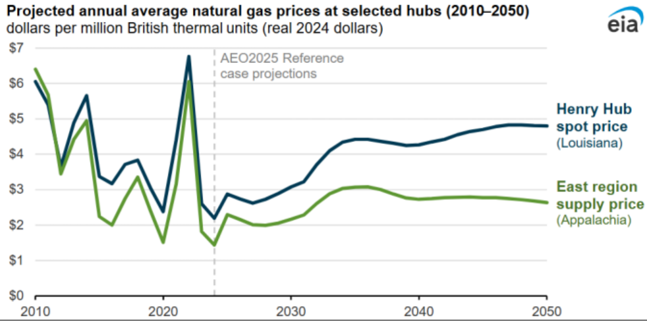

Sources: EIA

## Exhibit 4: U.S. gas demand growth will be driven mainly by LNG exports from the Gulf coast



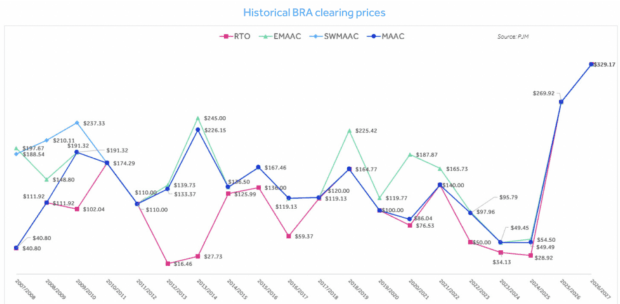

Sources: EIA

## Exhibit 5: The higher gas price in the Gulf coast will draw more gas supply from the East



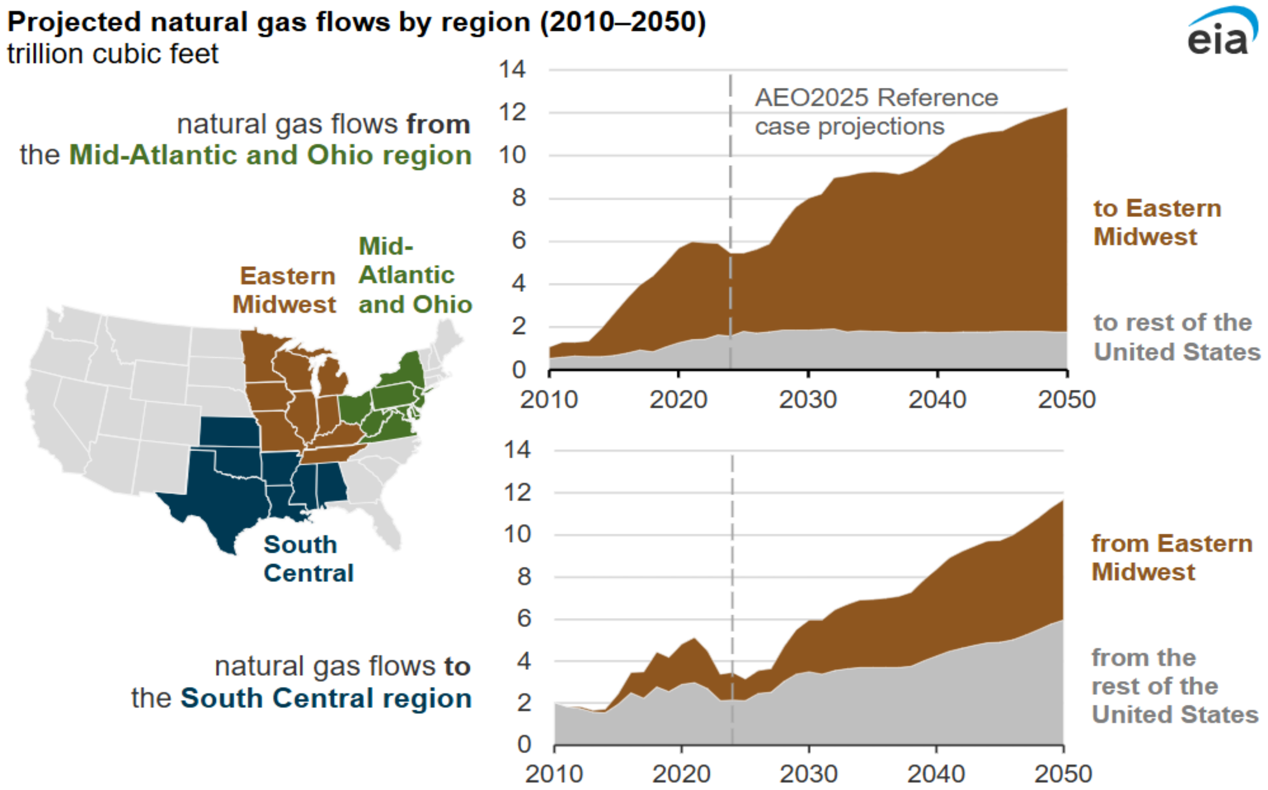

Sources: EIA

## Exhibit 6: PJM's capacity payment trend



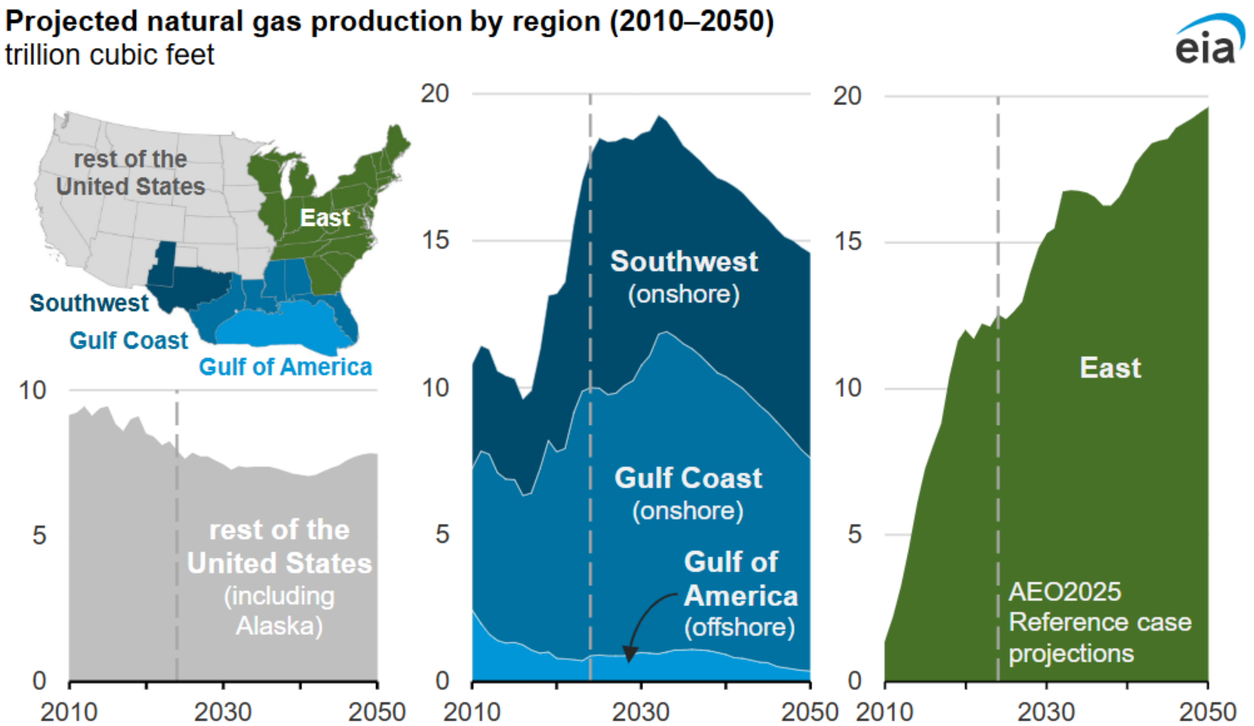

Sources: NRG Energy

**Exhibit 7: Eastern U.S. gas will increasingly meet the growing demand for LNG exports**




Sources: EIA

**Exhibit 8: Natural gas production growth is concentrated in the eastern Appalachian Basin**




Sources: EIA

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# RECOMMENDATION STRUCTURE
## Stock Recommendations

Stock ratings are based on absolute upside or downside, which we define as (target price* - current price) / current price.

**BUY:** Expected return of 10% or more over the next 12 months.
**HOLD:** Expected return between -10% and 10% over the next 12 months.
**REDUCE:** Expected return of -10% or worse over the next 12 months.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.
* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

## Sector Recommendations

**Overweight:** The industry is expected to outperform the relevant primary market index over the next 12 months.
**Neutral:** The industry is expected to perform in line with the relevant primary market index over the next 12 months.
**Underweight:** The industry is expected to underperform the relevant primary market index over the next 12 months.

## Country (Strategy) Recommendations

**Overweight:** Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Neutral:** Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Underweight:** Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.