

ceegex

CENTRAL EASTERN EUROPEAN
GAS EXCHANGE



Global & Regional Market Analysis

NATURAL GAS, 2024 April

22/05/2024

STORIES OF THE MONTH

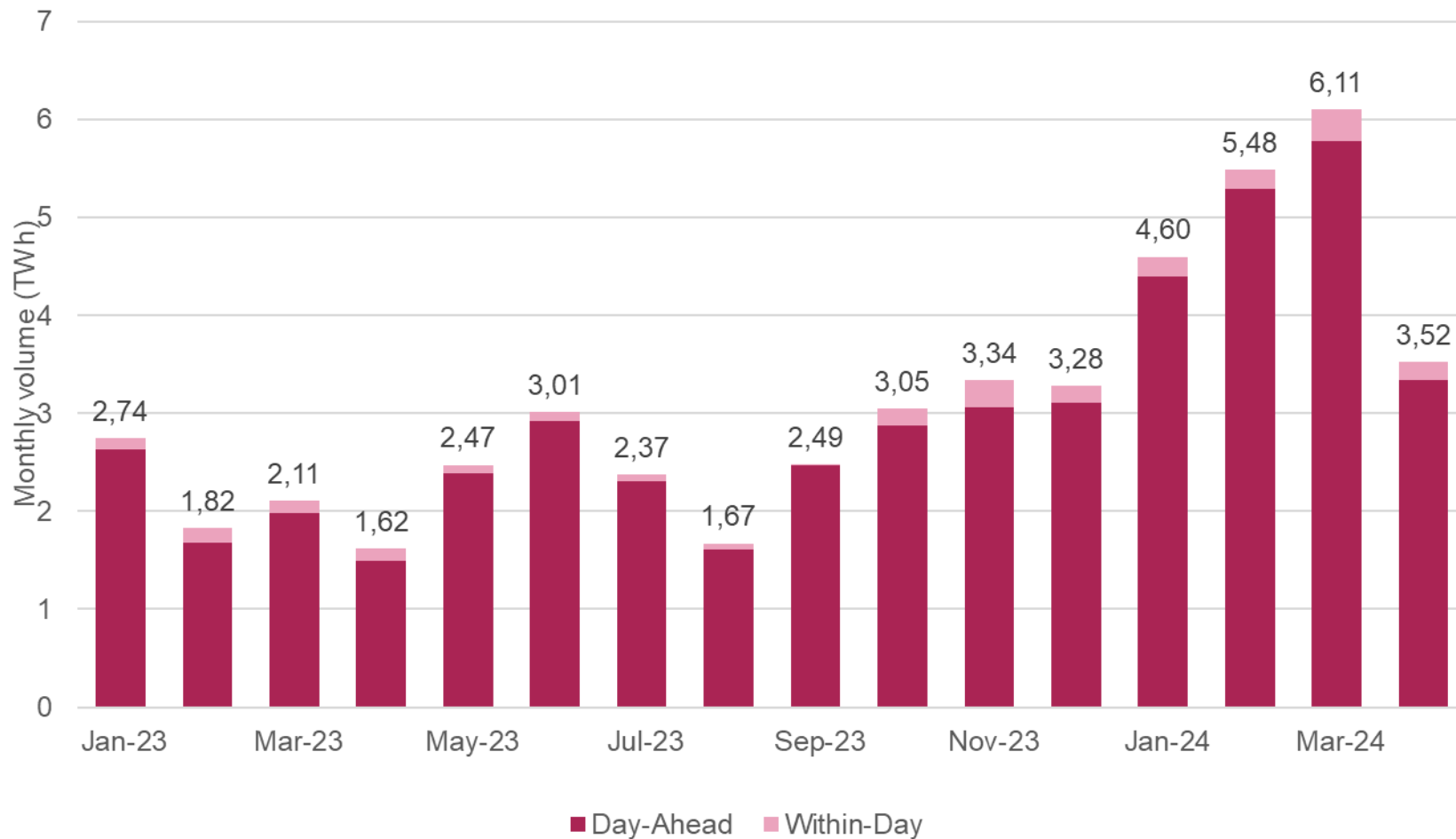
APRIL 2024

- » The **Balticconnector Gas Pipeline** between Estonia and Finland is **back in operation after a six-month shut-down** due to a serious damage in October 2023.
- » The European Parliament approved a **new gas package** on April 11, that enables national governments to **temporarily restrict bidding for capacity in natural gas grids and LNG import terminals** at entry points from both Russia and Belarus.
- » **Austria withdrew its previously-planned gas tariff increase** after criticism from market participants.
- » On April 16 The Dutch Senate approved a law to **permanently close the Groningen** gas field because it caused seismic risks in the region.
- » Slovakia supports '**Solidarity Ring**' project to increase the traded volumes with Azerbaijan.
- » On 11 April **Ukrainian gas storages were attacked by Russia**, but the facilities continued to operate. Still, it was the first time that gas infrastructure was hit during the conflict.
- » On 13 April **Iran fired 300 missiles and drones on Israel**, most of the were intercepted.
- » Russia's **Novatek must scale down its Arctic LNG 2 project**, due to Western sanctions limiting access to ice-class tankers. The company will prioritize the development of its project at the port of Murmansk.
- » QatarEnergy has signed **multiple deals to charter 19 LNG carriers**, ahead of LNG expansion.
- » **Egypt has ceased all LNG exports** from May onwards to fulfill its domestic needs. Egypt has switched to imports for the first time since 2018.
- » The Norwegian **Hammerfest LNG plant was shut down** for a few days, after gas leak on April 23.
- » Hungary plans to sign a **new LNG contract with Shell**, with increased volumes before the current one expires in 2027.
- » The drilling of the **fifth natural gas well at Nyékpusztá**, in southeastern Hungary began over the third weekend of April.

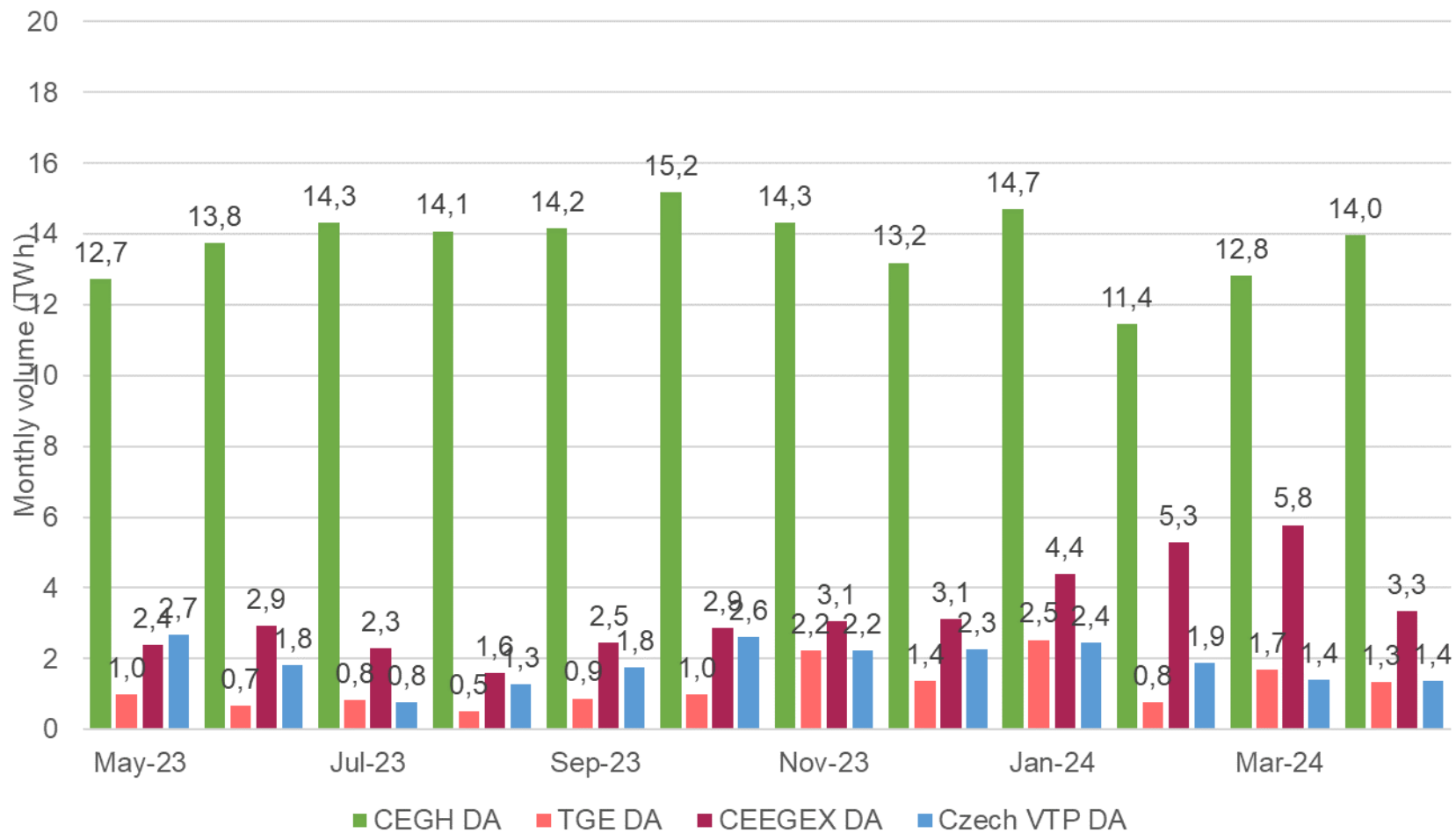
TRADED VOLUMES

EXPERT OPINION:

- » After record volumes of 2024-Q1, **April volumes dropped to 2023-Q4 levels.**
- » Still, monthly traded volumes grew by more than 200% YoY.
- » Moderated trading might be associated with **slightly bullish prices, lower domestic demand and the start of the injection season.**



REGIONAL SCOPE DA MARKETS



EXPERT OPINION:

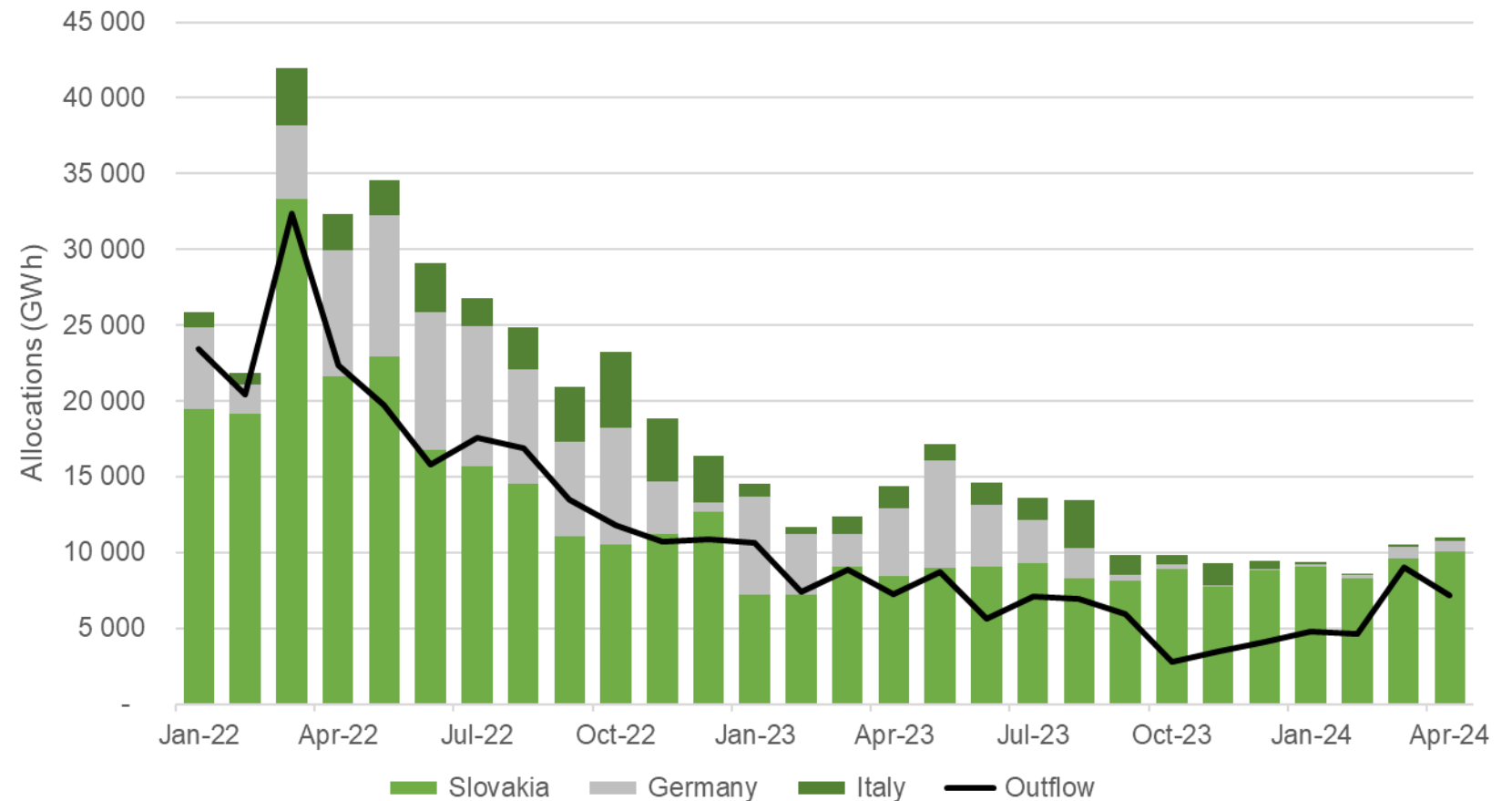
- » In 2024-Q1 CEGH DA volumes decreased, while CEEGEX DA volumes increased. **In April CEGH trading bounced back, while CEEGEX fell.**
- » High gas flows towards Slovakia (and from there to Austria) are motivated by lower CEEGEX prices in comparison to German prices including taxes.
- » However, **in April the structure of Austrian imports had changed** (see next slide), which might be reflected in the regional trading activity.

AUSTRIAN GAS INFLOW VOLUMES

EXPERT OPINION:

- » Inflow volume has dropped to a quarter **since March 2022**.
- » Most likely, the gas coming via Slovakia, origins from Russia. **The share of gas imports from Slovakia has increased significantly, from 45% in October 2022 to over 90% since December 2023**. Last month it had higher share, than before the Russian-Ukrainian war.
- » The fall in imports from Germany and Italy may have been caused by factors affecting LNG prices, such as the **lengthening of some LNG transport routes or increasing LNG demand from Asia**. Furthermore, the increase of **German transit fee** may also have had an impact, although imports from Germany have increased slightly in the last two months compared with the previous months.
- » Alongside imports, **exports have fallen by a similar amount**, so Austria's transit status has been significantly reduced.
- » In 2024, a **correlation is observed between the volumes traded on CEGH and Austrian imports**: decrease by February, followed by a slight increase.

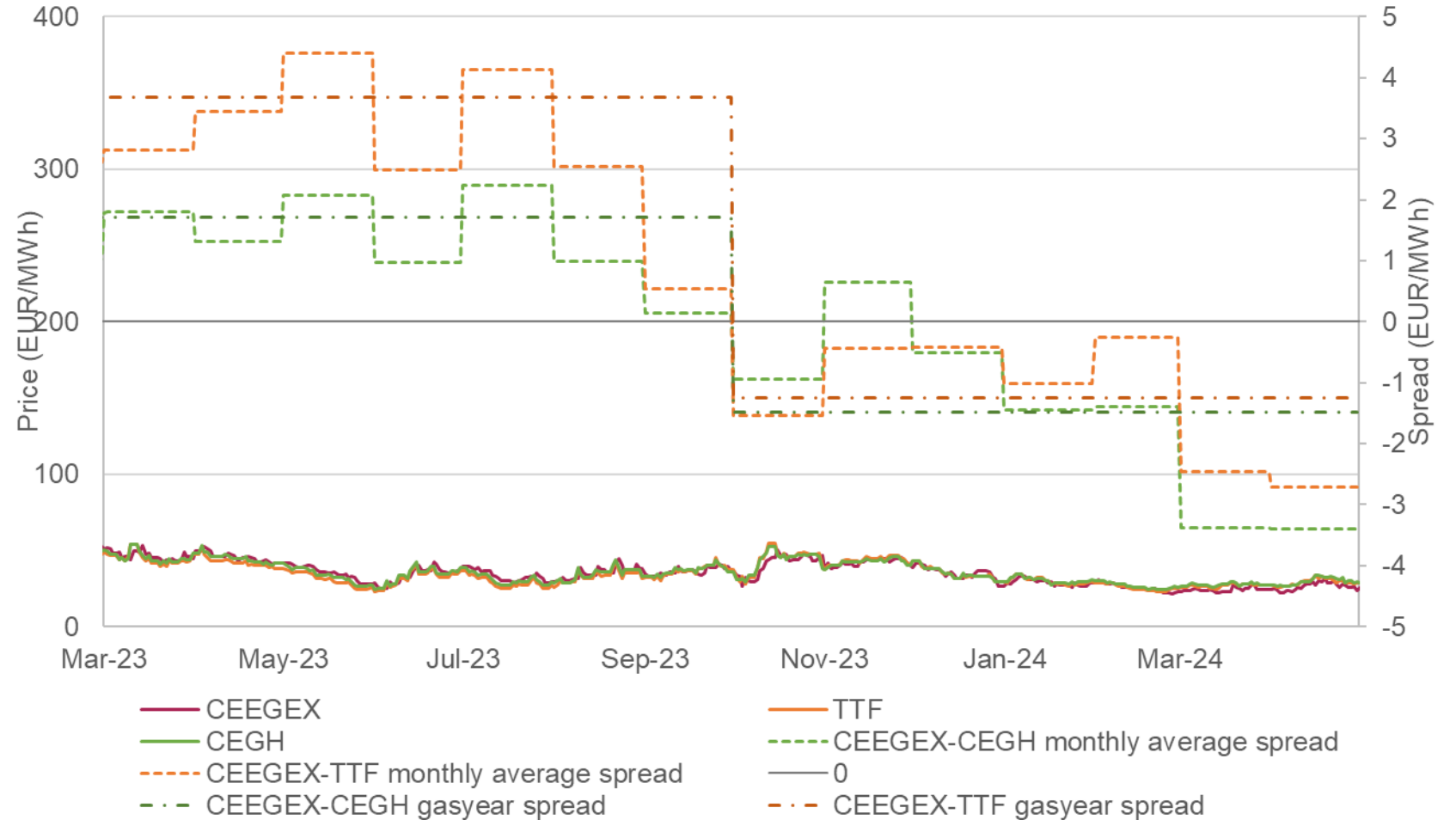
AT gas inflows 2022.01.01. - 2024.04.30



REGIONAL PRICES AND SPREADS

EXPERT OPINION:

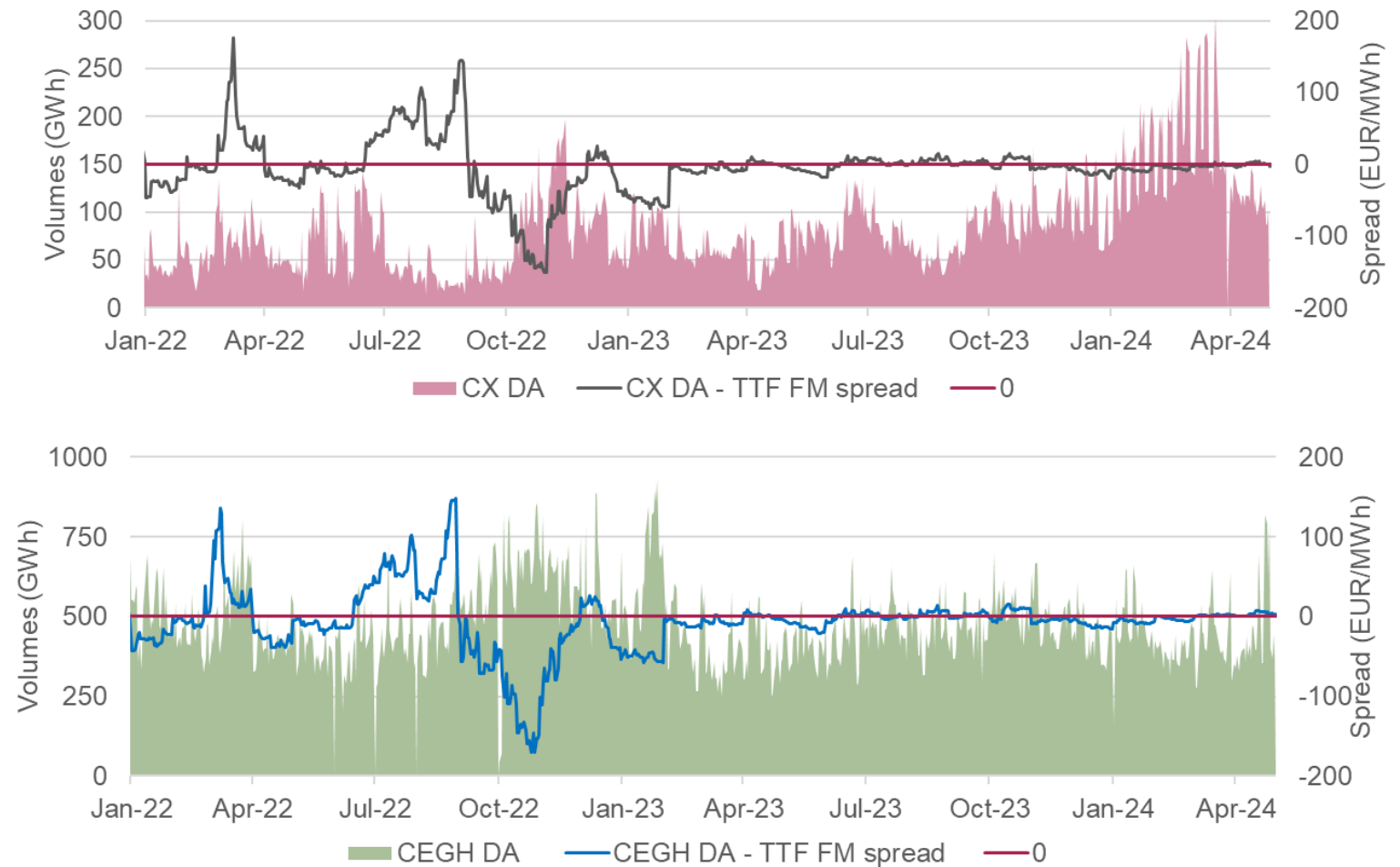
- » In October 2023, the **spreads flipped to the negative territory** and this trend continued in 2024.
- » Hungarian prices are in discount due to **high storage sites, lower consumption, high and stable flows on TurkStream**.
- » The extension of the **German storage neutrality charge** and the expected **cessation of flows via Ukraine from 2025** might had caused increasing flows via Hungary.



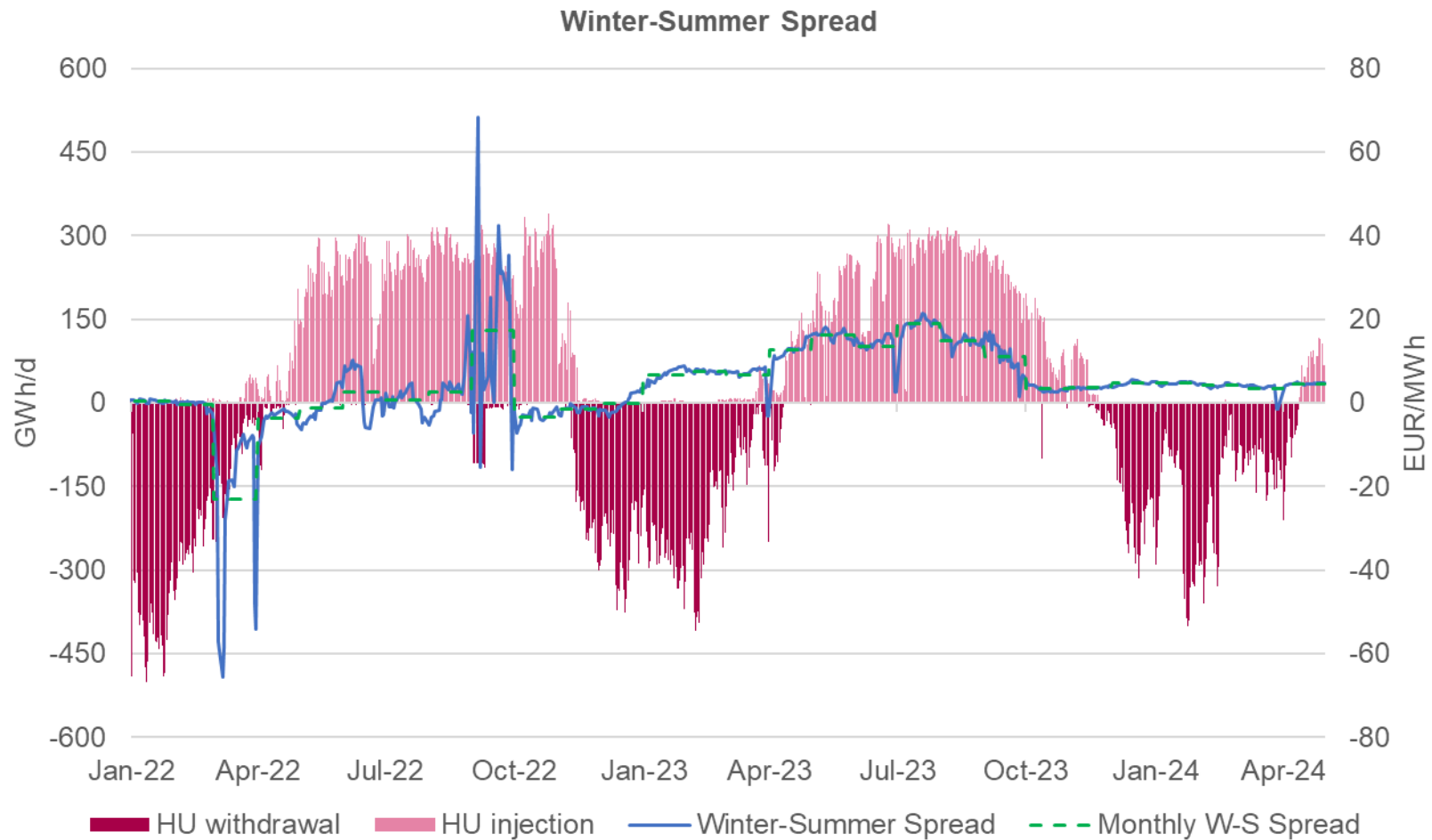
TTF FM-SPOT SPREADS

EXPERT OPINION:

- » CEEGEX and CEGH spot and TTF FM prices were more correlated in 2023 compared to 2022, the market became more stable, this trend remained in 2024.
- » Similarly to 2023, in 2024 the **FM-spot spreads remained around 0**.
- » In 2024 prices continued their bearish trend and returned to pre-crisis levels. The slow down of price decrease resulted also in narrow FM-spot spreads.
- » YoY spreads were lower, but it had not materialised in higher trading at that time. In 2022 the positive FM-spot spread was associated with lower trading as it was more profitable to use additional volumes of long-term contracts instead of trading on spot markets.



WINTER-SUMMER SPREAD



EXPERT OPINION:

- » The winter-summer spread is not that high compared to last April.
- » This can be the consequence of the already **high storage levels** and the **slower start of injections**.
- » The spread this year is **quite balanced**, this can be attributed to the healthy supply.
- » There are **fewer spikes** this year so far compared to 2022 and 2023.
- » At the end of April, the winter-summer spread was around **5 EUR/MWh**, while one year ago it reached 20 EUR/MWh.

JAPANESE CANDLES LAST 3 MONTHS

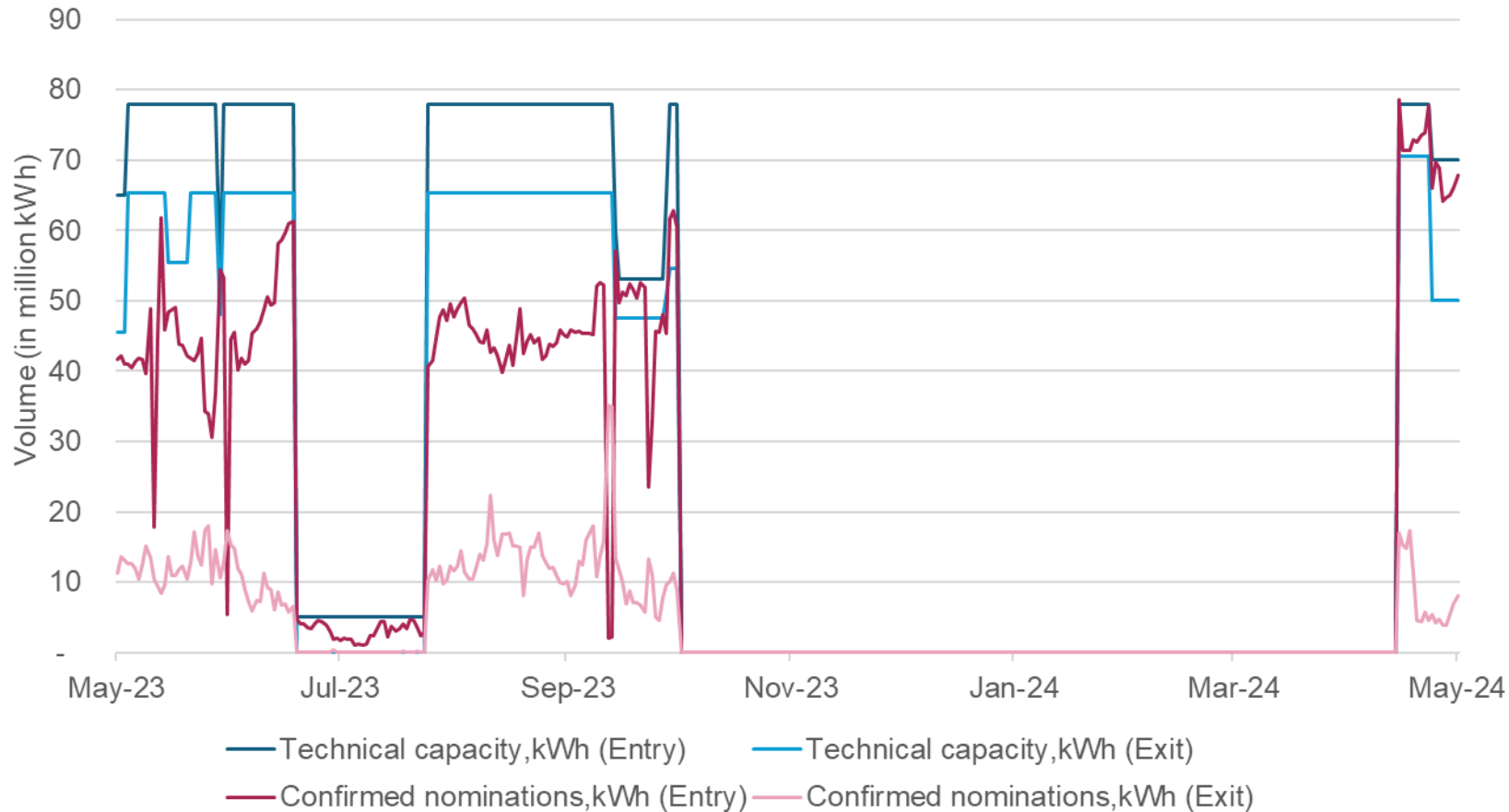


EXPERT OPINION:

- » In April prices increased mostly due to **war related risks** (Ukrainian gas storages, Iran attack) and **colder weather**.
- » In April volatility remained similar to March and **price swings were the widest so far this year** during these two months.
- » Although price levels are similar to 2021, volatility remained significantly higher than before the energy crisis.
- » This is mostly due to the **change in the structure of gas sources**: Europe is now highly dependent on LNG supplies, thus exposed to global market events.

Balticconnector gas pipe recommissioned after rupture

Balticconnector volumes in the previous 12 months



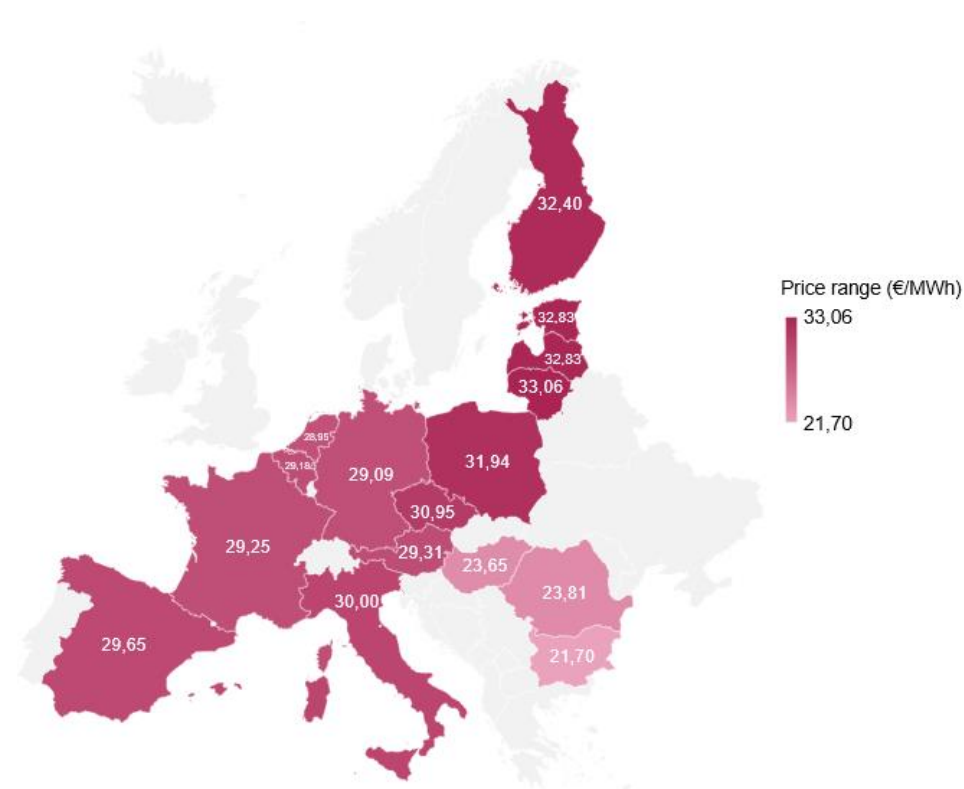
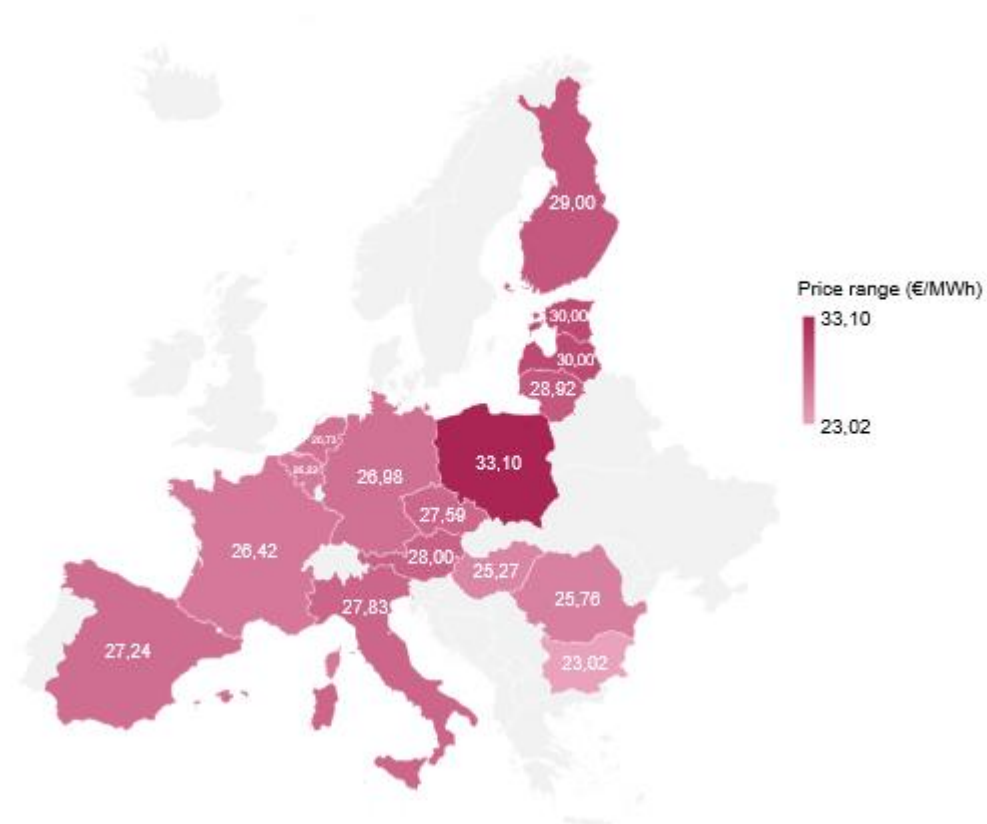
EXPERT OPINION:

- » **Balticconnector is a two-way natural gas pipeline** between Inga (Finland) and Paldinski (Estonia), which was damaged and **stopped working temporarily on October 8, 2023**.
- » At first, what happened was believed to be **sabotage**, later it has been revealed that a **Hong Kong trading ship** may have been responsible for the damage.
- » Both Gasgrid and Elering **provided their country's gas supply** during this time, regardless of Russian gas.
- » Regional **gas prices rose** during this time, but **price stabilization** in the Baltic-Finnish market began with the **restart of the Balticconnector on April 22, 2024**.

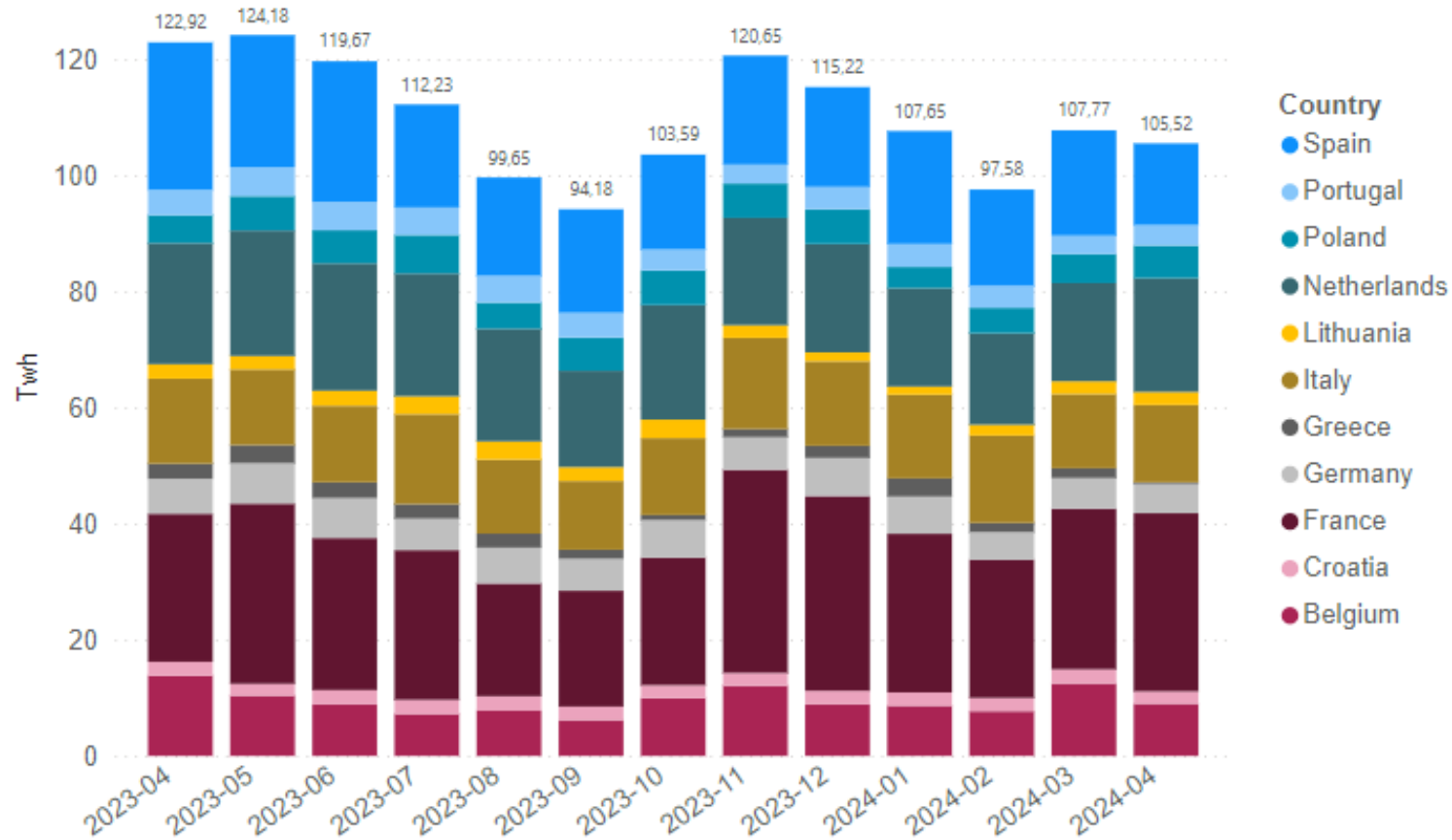
NATURAL GAS PRICES SNAPSHOT

24/03/2024

30/04/2024



LNG SEND-OUTS BY EUROPEAN COUNTRIES*



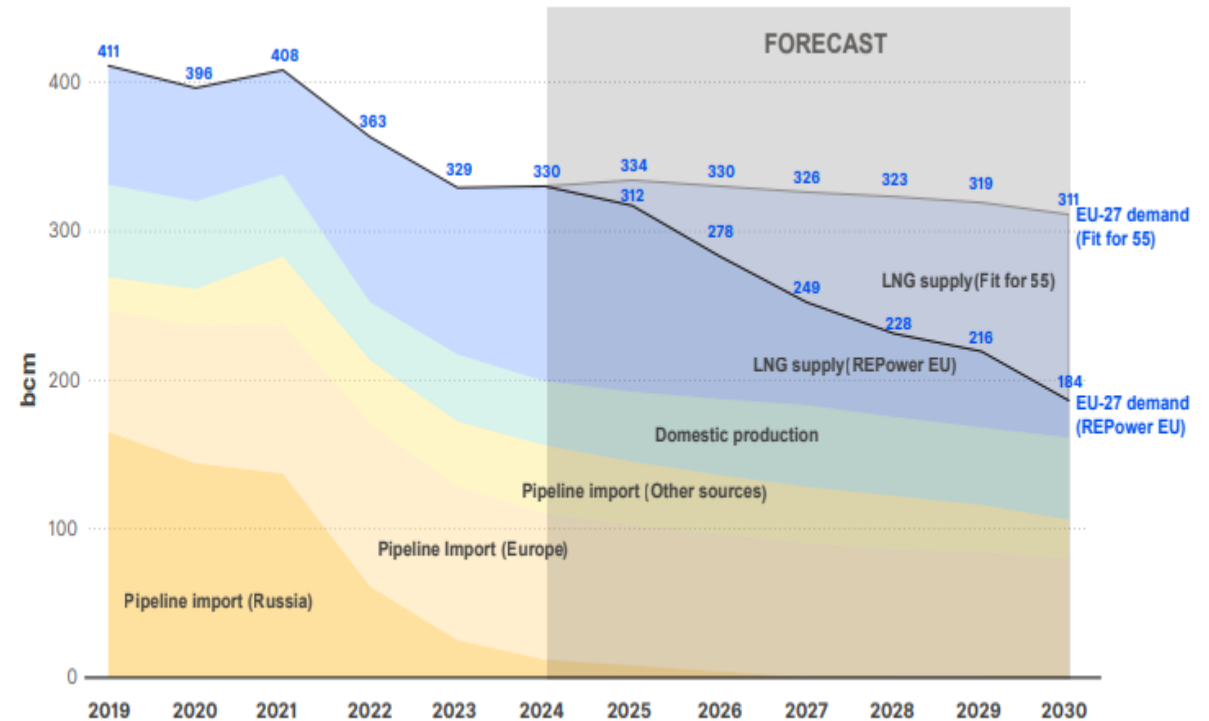
EXPERT OPINION:

- » **European LNG imports slightly (~2%) decreased MoM.**
- » LNG send-outs were stable between 107-125 TWh, except for September, October and February. Most probably the drop was caused by **lower demand amid milder weather.**
- » Spain, France, Italy and the Netherlands sent out the highest volume of LNG.
- » **Greece's LNG import dropped to zero in April for first time in five years**, because of low demand in the region and the fact that pipeline gas was cheaper than LNG.

• Excluding UK, Finland (data not available)

ACER MMR: EUROPEAN LNG MARKET DEVELOPMENTS 2024

- » ACER published in April its regular "Analysis of the European LNG market developments 2024 - Market Monitoring Report", that analyses **current trends, as well as LNG market developments** in the recent years.
- » EU's strategic aim remains decreasing dependence on Russian gas, substituting LNG imports for these volumes.
- » Pursuing this made the **EU the largest LNG importer globally**, rising above China and Japan, former top importers
- » On the supply side, **the US became the largest LNG exporter globally**, surpassing Qatar and Australia.
- » A large expansion of LNG supply is projected, with potentially as much as **+50% extra supply available by 2030**.
- » Additionally, legislative packages such as **Fit for 55 or REPowerEU** seek to influence gas markets and gas usage, including LNG, with the latter envisioning a **30% decrease in total EU gas usage** (roughly 200 bcm of volume).
- » **Regasification capacity increased annually by 50bcm in recent years**, however this is not yet fully utilized: for instance, new German terminals showed more modest (~50%) utilization rates last year
- » Total regasification capacity expected to reach 235 bcm by EoY 2024
- » Market seems flexible in **redirecting supply based on price signals** (e.g. to Asia in recent months).
- » Overall, in this decade, **European LNG usage is projected to shrink slightly** (proportionate to the shrinkage of total gas usage) and assume the role of providing flexibility on the gas markets.

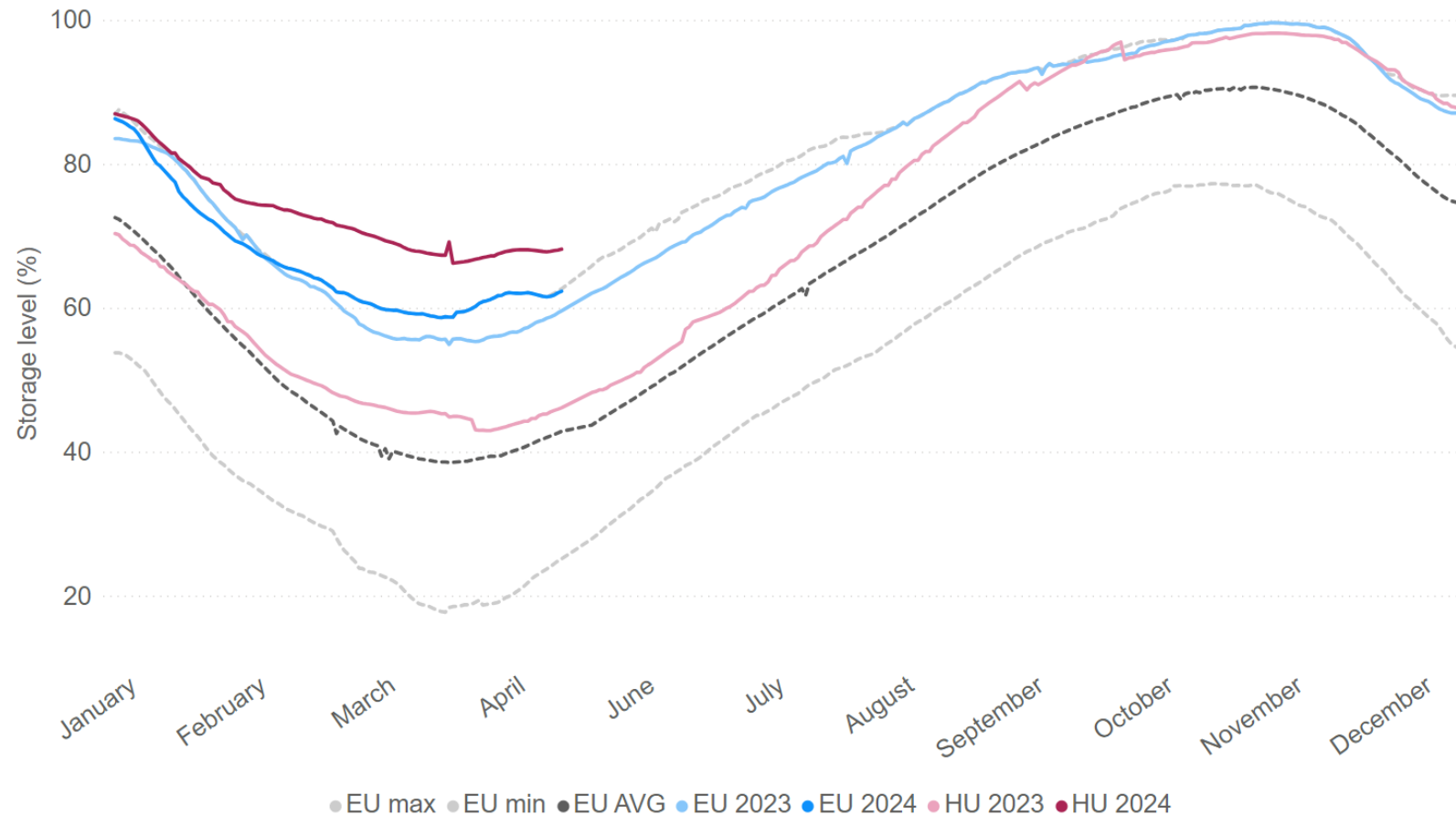


Source: ACER based on data from ICIS, Platts, and REPowerEU.

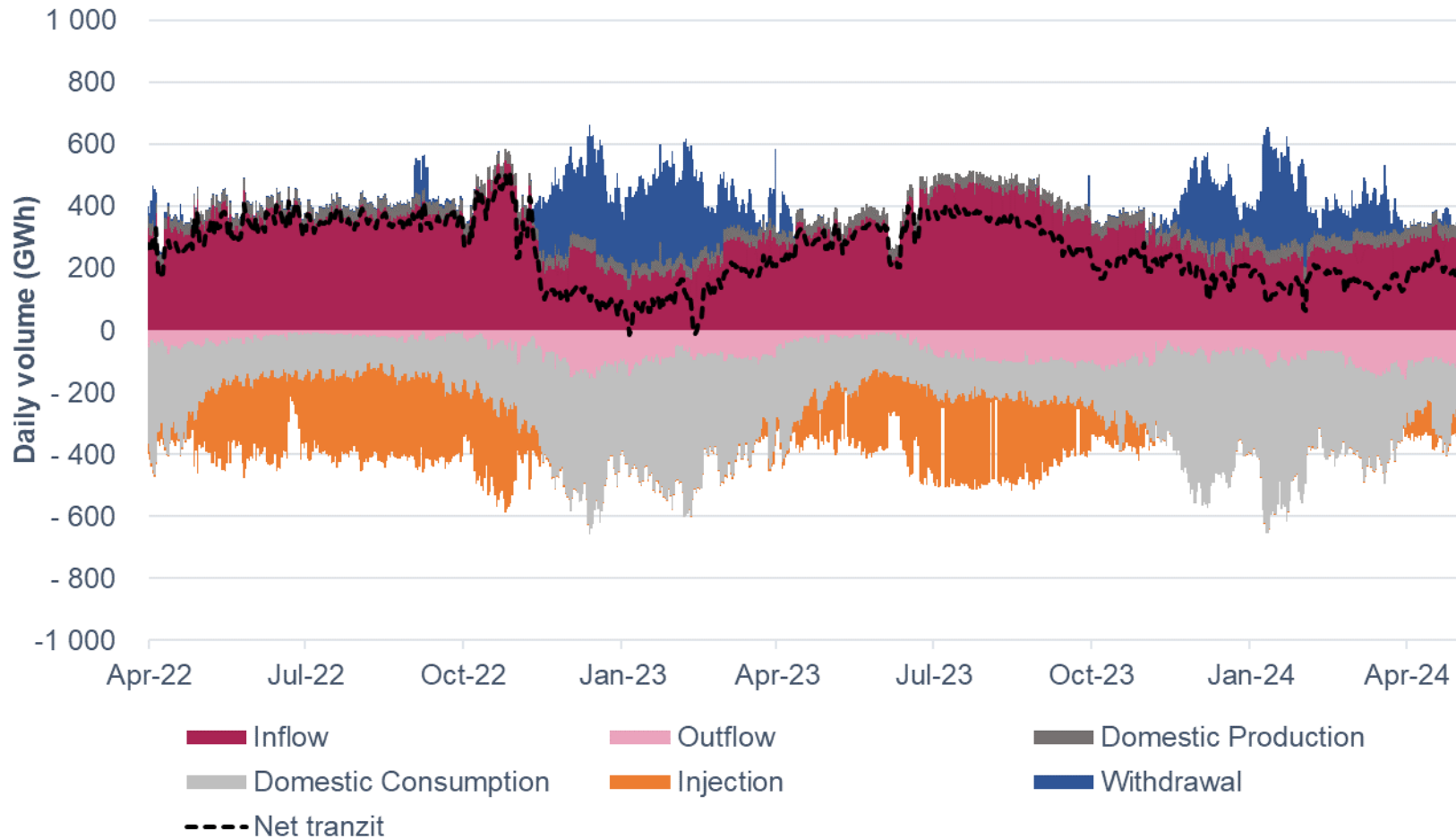
GAS STORAGE LEVEL IN EU AND HU

EXPERT OPINION:

- » Injections kicked-off in April, the pace of injections in Hungary was slower than the European average.
- » EU aggregated storage sites stood at 62% (+4% MoM) by the end of April, while Hungarian stocks at 70% (+1% MoM).
- » Both values are above the 10 year maximum values and 2023 values.
- » The pace of injections is slower than last year due to lower demand despite the cold spell by mid-April.
- » Hungarian storage levels remained above the required minimum level by the end of the heating season.



HUNGARIAN GAS MARKET BALANCE



EXPERT OPINION:

- » **April domestic consumption** dropped by 20% YoY and decreased also in comparison to March.
- » In April the weather was **warmer than usual, but for a shorter period temperatures dropped below average** spurring heating demand.
- » In April **import volumes grew** despite the lack of Austrian imports. **Serbian and Croatian imports remained high and Romanian imports returned** for the first time this year.
- » Export volumes almost increased in April. **Export towards Slovakia continued on a high rate**, while Ukrainian and Romanian exports dropped.

COUNTRY OVERVIEW: ROMANIA

Annual gas consumption:

- 11.21 bcm

Gas production sources:

- existing: 8.8 bcm/year
- planned: 8 bcm/year (Deep Neptun)

Export & import volumes:

- 3.38 bcm Net gas imports
- 2.27 bcm Net gas export

Cross-border interconnection points:

- UA>RO Orlovka/Isaccea (6.85 bcm)
- UA>RO Tekovo/Mediesu Arut (2.71 bcm)
- RO>UA Isaccea 1/Orlovka 1 (imp 2.63 bcm, exp 0.73 bcm)
- RO>HU Csanádpalota (imp 6.85 bcm, exp 4.12 bcm)
- RO>MO Ungheni (1.88 bcm)
- RO>BG Ruse/Giurgiu (imp 0.92 bcm, exp 1.5 bcm)
- BG>RO Negru Voda I/Kardam (imp 5.31 mcm, exp 6.36 mcm)

Underground storages:

- UGS: 8
- Capacity 3.34 bcm

Transmission network:

- 13 381 km pipeline

Energy mix:

- 31% oil
- 29% natural gas
- 13% biofuels
- 12% coal
- 9% nuclear
- 4% hydro

Gas trading:

- BRM 3.02 bcm annual volumes
- 82 members
- spot and forward products
- No transaction on the platform managed by OPCOM

Actors

- TSO: Transgaz
- DSO: 29
- Gas suppliers: 94
- Producers: OMV Petrom, Romgaz

Taxes & legislation:

- 98% solidarity tax on trading activity for gas and electricity
- Romanian gas producers are obliged to sell on local market at a fixed price through bilateral contracts only at suppliers with final consumers in Romania

