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CENTRAL EASTERN EUROPEAN
GAS EXCHANGE



Global & Regional Market Analysis

NATURAL GAS, 2024 June

17/07/2024

STORIES OF THE MONTH

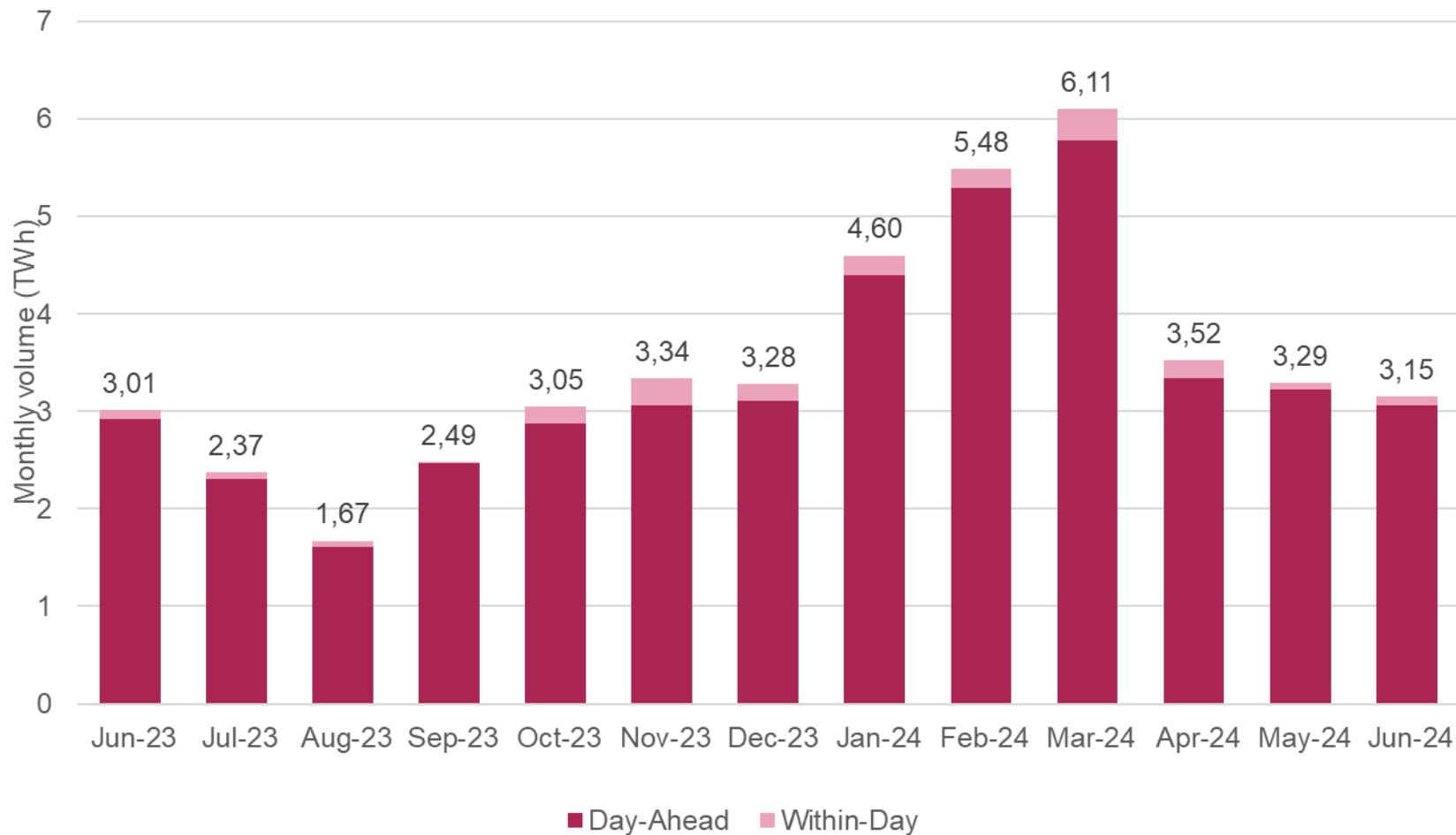
JUNE 2024

- » **EU countries have agreed on a 14th package of sanctions against Russia on June 20, introducing their first restrictions on Russian gas.** The measures target Russia's shadow fleet of tankers, LNG transshipments, and companies in third countries.
- » **The implementation of the Vertical Corridor officially launched in Bulgaria with the signing of two key construction contracts on June 7.** These contracts cover the loopings between Kulata and Kresna, as well as Rupcha and Vetrino.
- » Türkiye and Azerbaijan have extended their natural gas supply agreement until 2030, which was set to expire at the end of 2024.
- » Russian Novatek has opened the season for LNG exports to Asia through the Northern Sea Route.
- » **Chevron has resumed full LNG production at its Gorgon Gas facility** in Australia following a temporary outage on June 3. This outage occurred just after one of the facility's production trains was offline for almost a month.
- » **Hungary is set to acquire a stake in Azerbaijan's Shah Deniz gas field,** one of the largest in the world, which produces nearly 30 billion cubic meters of gas annually, it was announced on June 5. **This stake will provide Hungary with an annual supply of 1.5 bcm of natural gas.**
- » **Production has commenced at Hungary's new natural gas field in Berettyóújfalu, Eastern Hungary, with the first well starting operations on June 17.** Up to ten wells are expected to be drilled at the two sites by the end of 2024.
- » Norwegian company Vaar Energi has extended its long-term agreement to supply natural gas to Germany's VNG by 12 years.
- » First LNG vessel sailed through Red Sea since January in mid June.
- » The **annual, planned maintenance of TurkStream** pipeline took place between 04-11 June 2024.

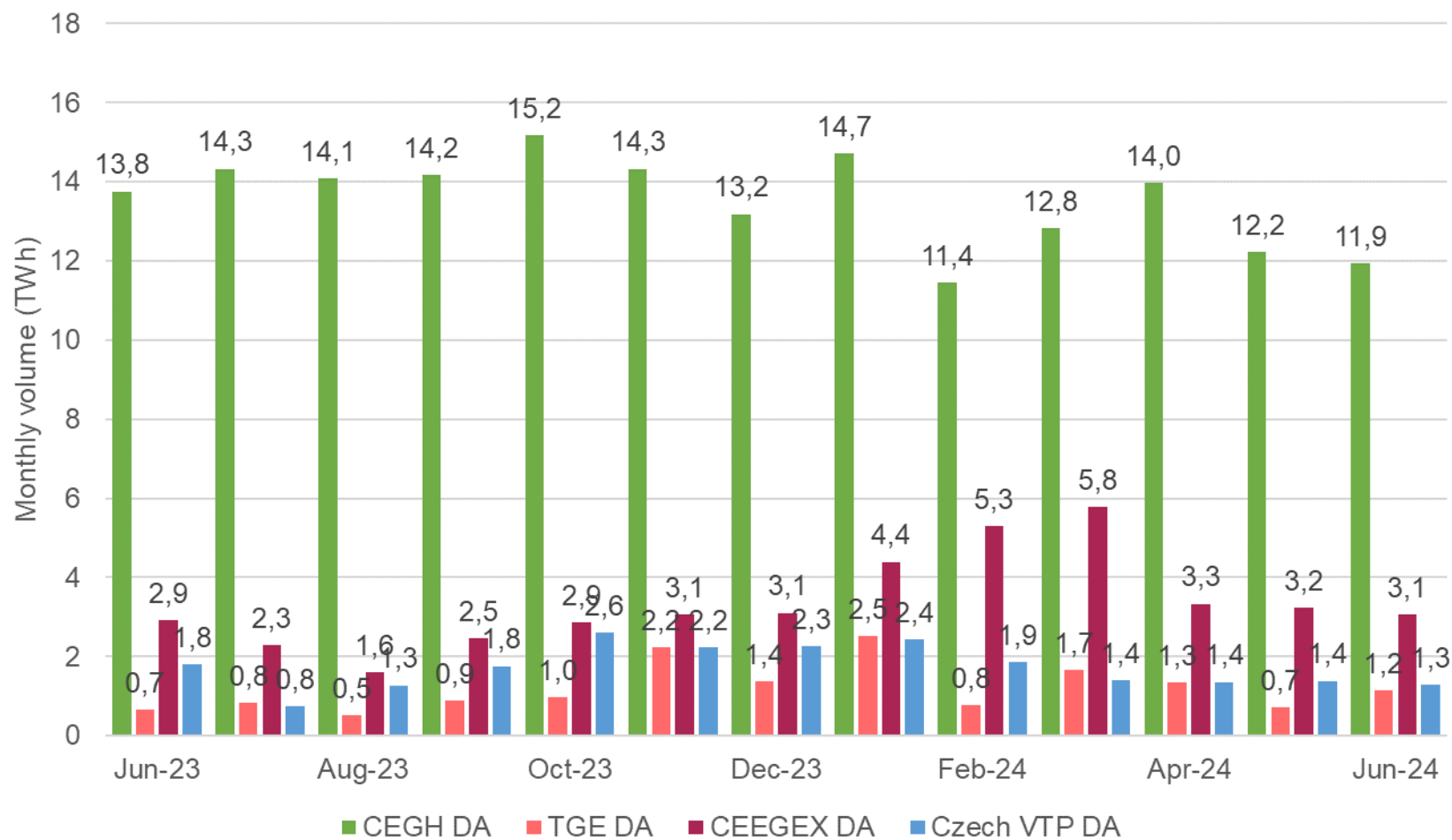
TRADED VOLUMES

EXPERT OPINION:

- » After record volumes of 2024-Q1, **April-June volumes dropped to 2023-Q4 levels.**
- » Still, aggregated quarterly traded volumes **grew by 40% YoY.**
- » Moderated trading might be associated with **slightly bullish prices compared to the past winter season, lower domestic demand and slower injections.**
- » Lower volumes are also connected to a **typical seasonal decrease** observable in the last 5 years: after the strong winter months spring and summer volumes are usually moderated.
- » 2023 injection season was exceptional as due to favourable W-S spread, which boosted exchange trades throughout the summer period.



REGIONAL SCOPE DA MARKETS



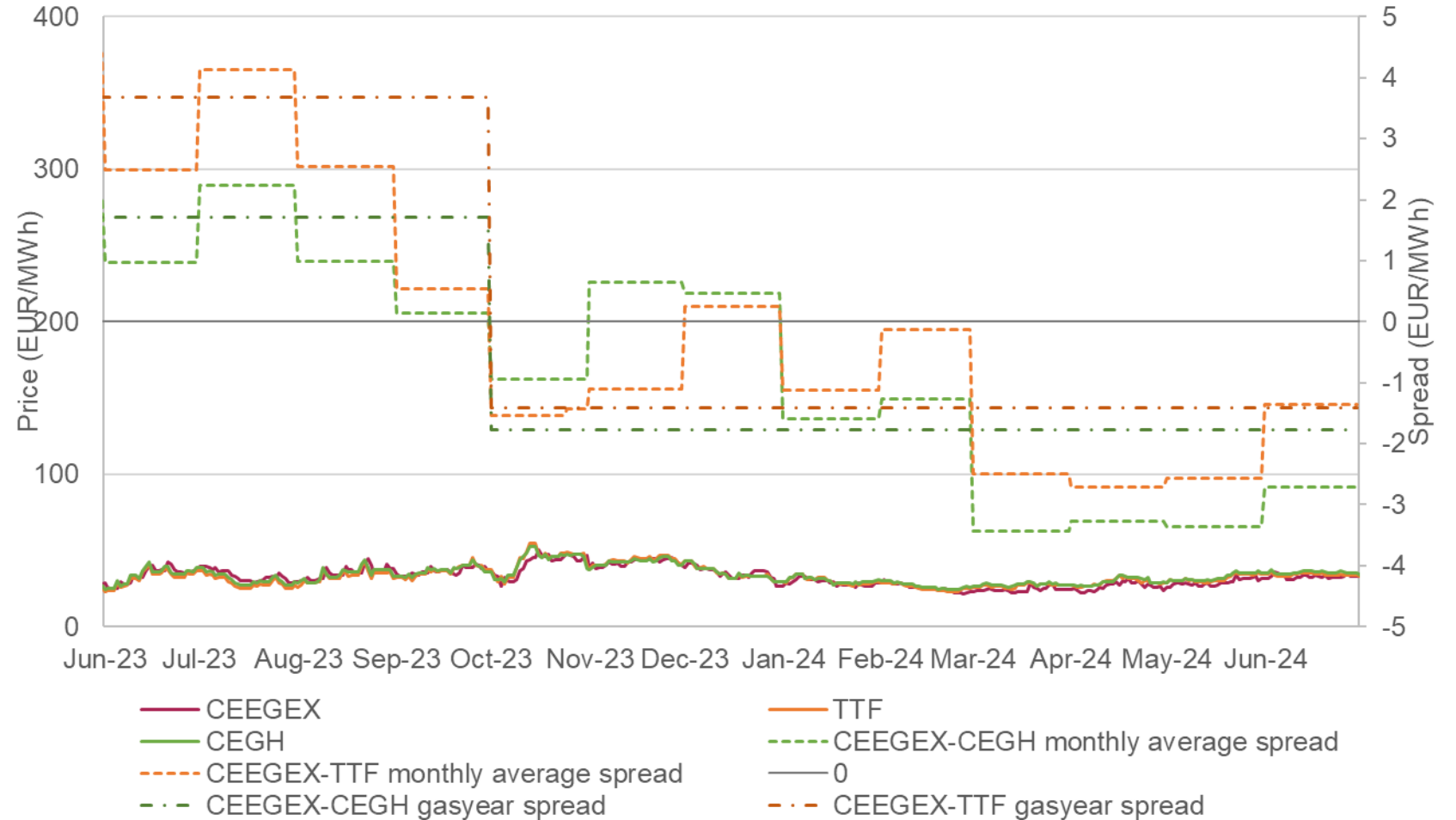
EXPERT OPINION:

- » This seasonal decrease is also observable on other regional exchanges.
- » As opposed to Hungary and Poland, **Austrian and Czech volumes could not surpass June 2023 values.**
- » Lower CEGH volumes might be associated with **lower MGP prices**, thus lower Hungarian imports to Hungary from Austria and higher exports from Hungary to Slovakia.

REGIONAL PRICES AND SPREADS

EXPERT OPINION:

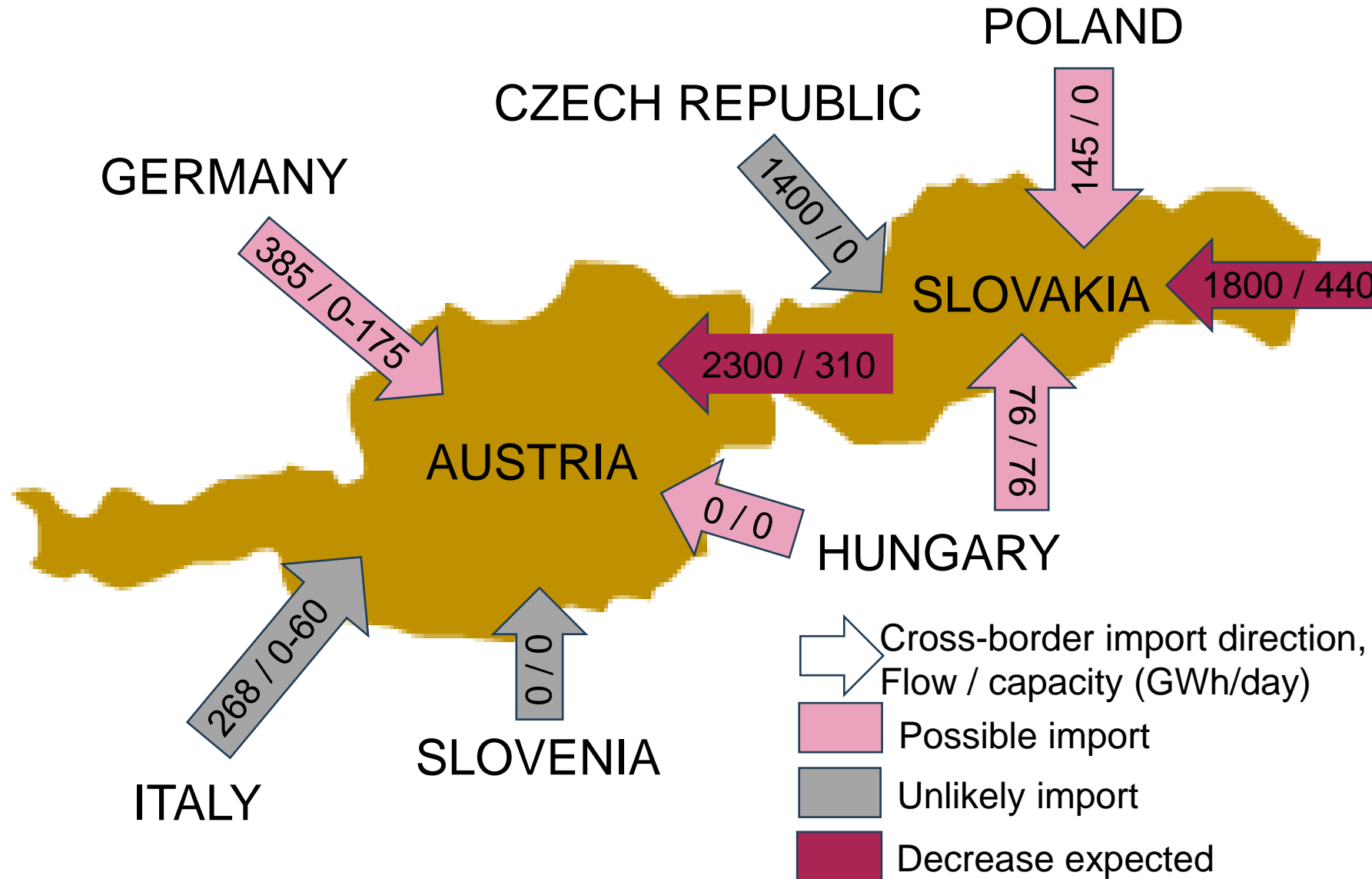
- » In October 2023, the **spreads flipped to the negative territory** and this trend continued in 2024.
- » Hungarian prices are in discount due to high storage sites, lower consumption, high and stable flows on TurkStream.
- » **The spread narrowed in June, but it is still below 0.**
- » The expected **cessation of flows via Ukraine from 2025** might had caused increasing flows via Hungary.
- » If the withdrawal of German storage levy fee from 2025 might incentivise NWE exports to CEE, then the spreads might narrow. However, **increasing Asian LNG imports are expected to maintain higher NWE prices** in comparison to stable pipeline flows from the Balkans.



AT AND SK POSSIBILITIES FOR UA GAS REPLACEMENT

EXPERT OPINION:

- » **Slovakia:** decrease expected
- » **Poland:** there is **free capacity but not too much**, and more Polish LNG imports and Norwegian imports via Denmark would be needed.
- » **Hungary:** further imports would require **capacity expansion**, moreover imports into Hungary are also around the maximum capacity, so further capacity expansion would be needed.
- » **Austria and Czech Republic:** typically export directions, so **imports are unlikely**.
- » **Ukraine:** flow expected to **cease from 2025**.
- » **Austria:** decrease expected
- » **Germany:** there is **free capacity**, but probably more German imports would be needed.
- » **Hungary:** **no capacity** to Austria, but probably **would be expanded** if needed.
- » **Italy and Slovenia:** typically export directions, so more **imports are unlikely**.



SUMMER OUTAGES, MAINTENANCES

- » This summer, **prices have fluctuated due to supply disruptions and sudden increases in demand.**
- » Europe is vulnerable to any gas disruptions from Norway after the country became Europe's main supplier.
- » The prices reached their highest this year, when a pipeline crack was found Sleipner Riser platform, and the Nyhamna plant had to shut down. After the news that the plant can return early, the prices stabilized.
- » New planned or unplanned outages are probably coming, which can cause **further swings in the market.**
- » High volatility is expected in the market until the fate of the Russian gas flows is not settled.

Australian LNG

- » Gorgon Gas Facility, repairs Apr 30-May 29
- » Chevron's Wheatstone, maintenance June 10-23

Norway

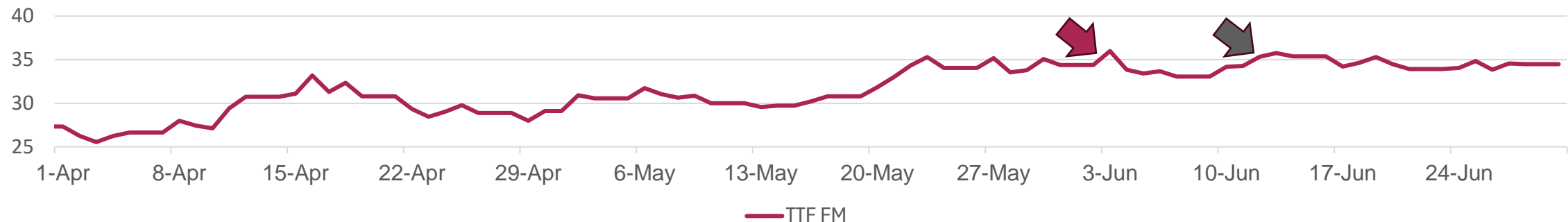
- » Nyhamna plant, Sleipner Riser platform, unplanned outage June 3-7
- » Visund gas field, unplanned outage June 10-17
- » Hammerfest LNG plant, unexpected power loss June 23

UK

- » Barrow gas terminal, outage extended May 4-June 13

Russian flows

- » Turkstream maintenance June 4-10



JAPANESE CANDLES LAST 3 MONTHS

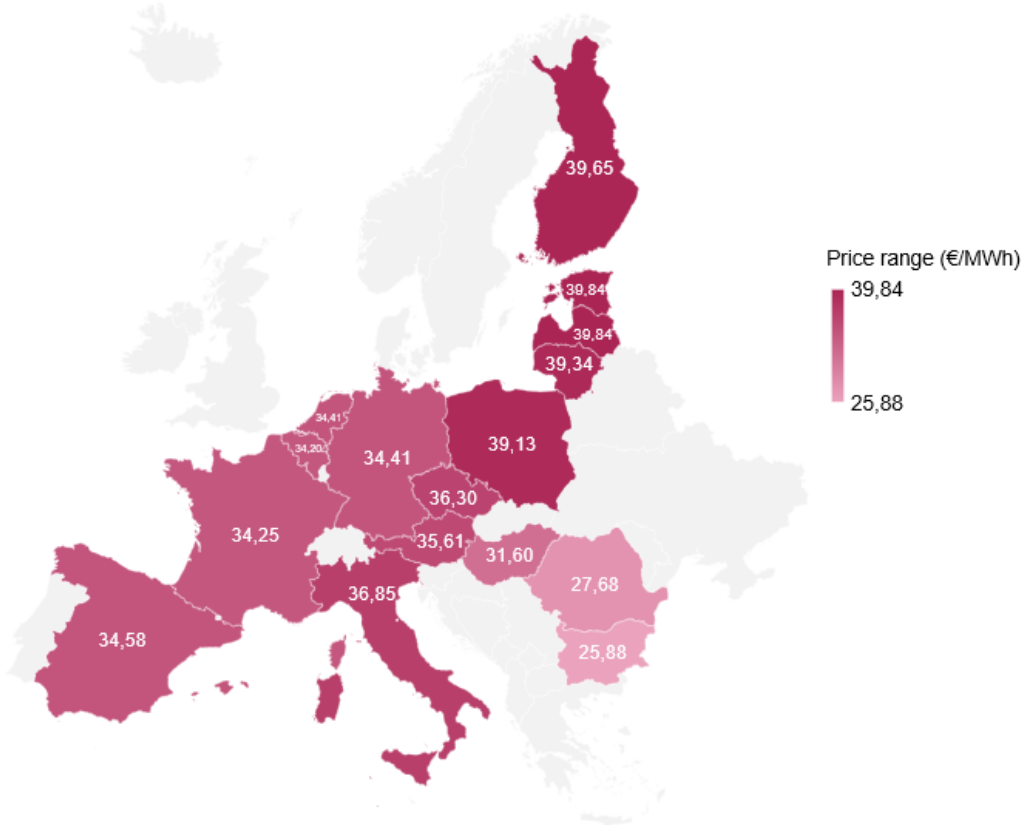


EXPERT OPINION:

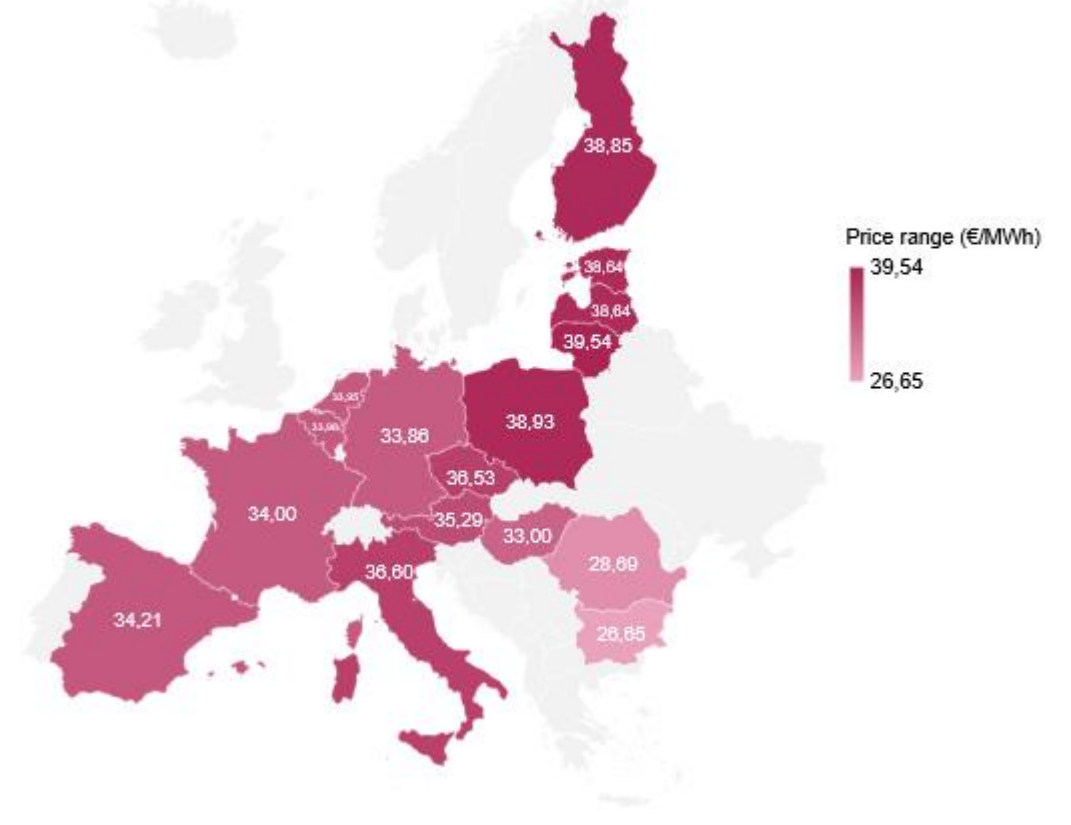
- » **June price jumps proved to be short-lived.**
- » All spikes were motivated by news about maintenances, but soon prices dropped back when the end date of these reparation works were published.
- » **However, on overall the price level slightly increased in comparison to May.**
- » In 2024, price **volatility continued to be moderated, boosting trading activity** on most European markets.
- » Price levels are similar to 2021, but prices are still far more volatile than before the energy crisis.

NATURAL GAS PRICES SNAPSHOT

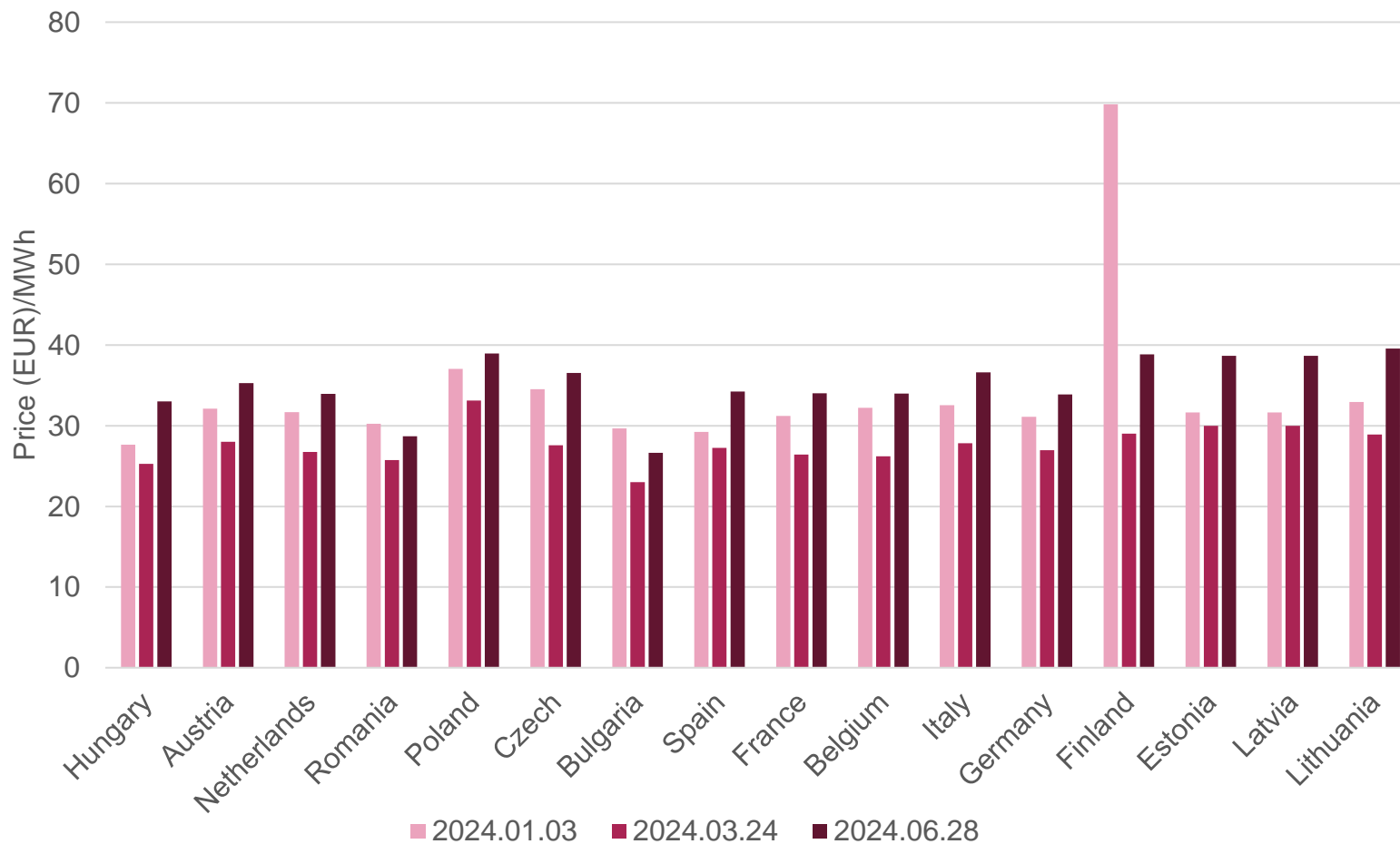
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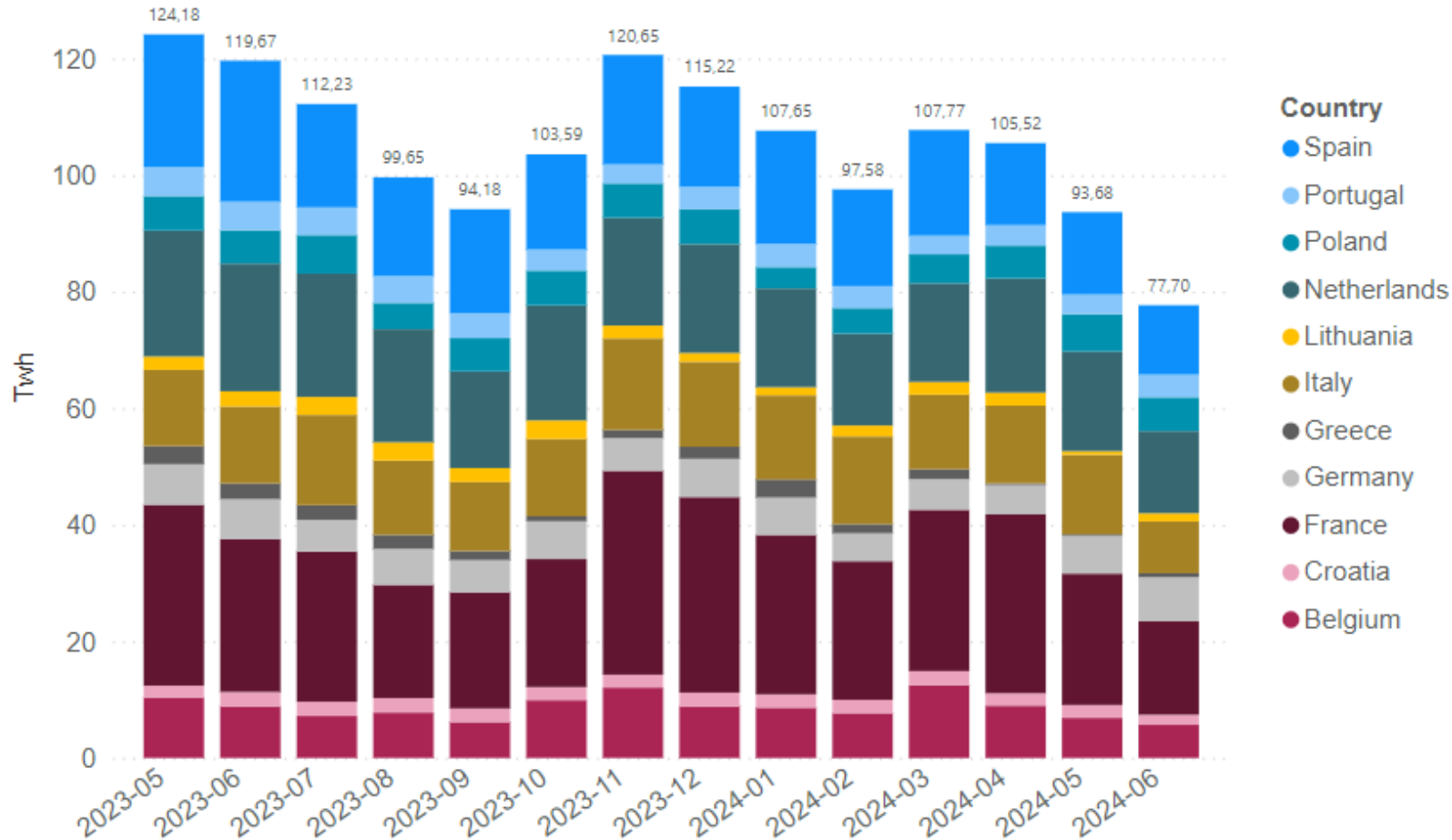
REGIONAL GAS PRICES CHANGE IN 6 MONTHS



EXPERT OPINION:

- » Gas prices in Western European countries are **slightly higher** than in Eastern countries.
- » This is largely due to the fact that **stable Russian pipeline volumes** represent a **smaller risk premium**.
- » While globally **high LNG prices** affect the West more.
- » Traditionally, the price of gas is more expensive in winter and cheaper in summer, but this is **not the case this year**.
- » **PL and CZ are the most expensive**, probably because of the German transit tax.
- » **Finland was experiencing extra high gas prices** at the end of last year and in January this year, mostly due to the **shutdown of the Balticconnector** (now restored).

LNG SEND-OUTS BY EUROPEAN COUNTRIES*



• Excluding UK, Finland (data not available)

EXPERT OPINION:

- » **European LNG imports decreased by 18% MoM and by 35% YoY**
- » **Possible reasons behind this fallback:**
 - **Asian LNG demand remained high** because of the heatwaves. That is also contributed to higher LNG prices both in the EU and in Asia.
 - **Lower LNG supply amid unplanned outages in the US and Australia and feedgas supply issues at legacy producers.** For example, Egypt had to switch from LNG export to import because of a drop in domestic production.



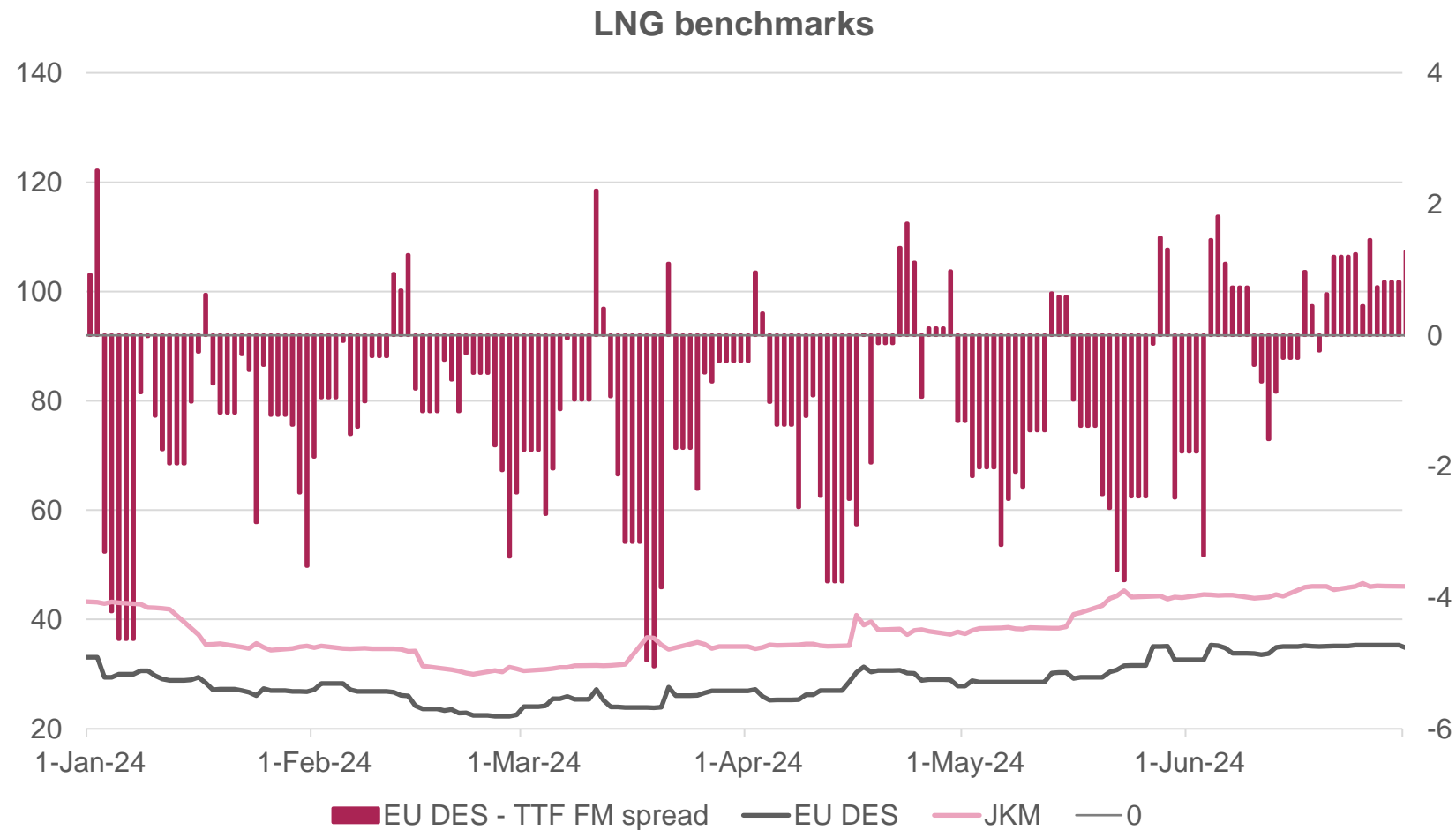
Growing competition between Asia and Europe for LNG cargos

- » **Germany's LNG send outs were the highest in June it has ever been its history.** Probably it was because of the infrastructural improvements at Brunsbüttel LNG Terminal.

LNG BENCHMARKS

EXPERT OPINION:

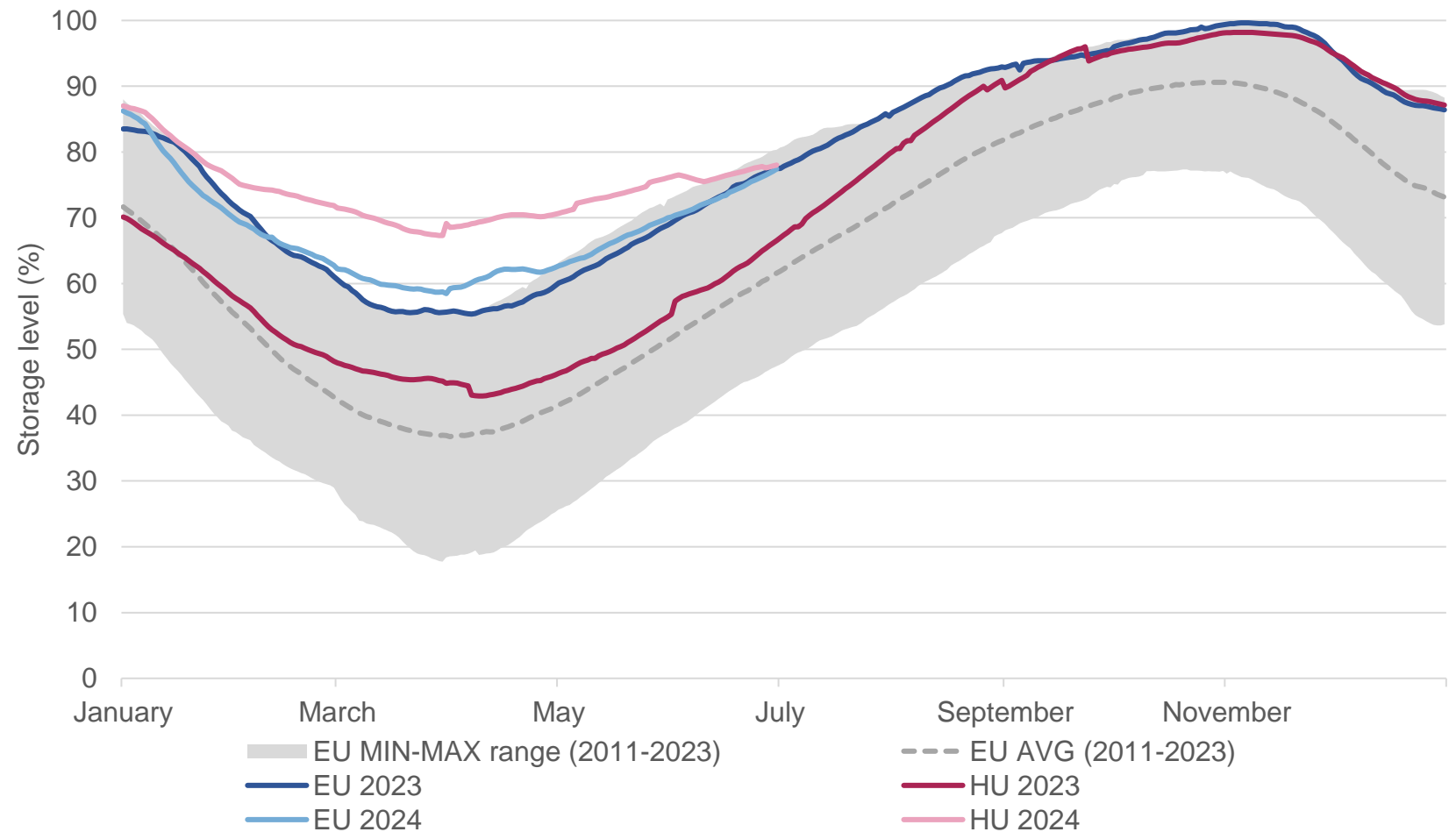
- » **EU DES** = LNG price benchmark for EU (NWE & SE) based on data reported by market participants
- » **JKM** = the Northeast Asian spot price index for LNG delivered ex-ship to Japan and Korea, assessed by S&P Global Platts.
- » The spread between EU DES and TTF FM was mostly negative in the first half of 2024.
- » **But the spread turned positive for longer periods in June, because of the record high LNG prices caused by lower LNG supply and strong Asian demand growth.**
- » The temperature in Asia is forecasted to remain high, which supports the competition between Asia and Europe for LNG cargos. Thus, European LNG prices probably will remain high.



GAS STORAGE LEVEL IN EU AND HU

EXPERT OPINION:

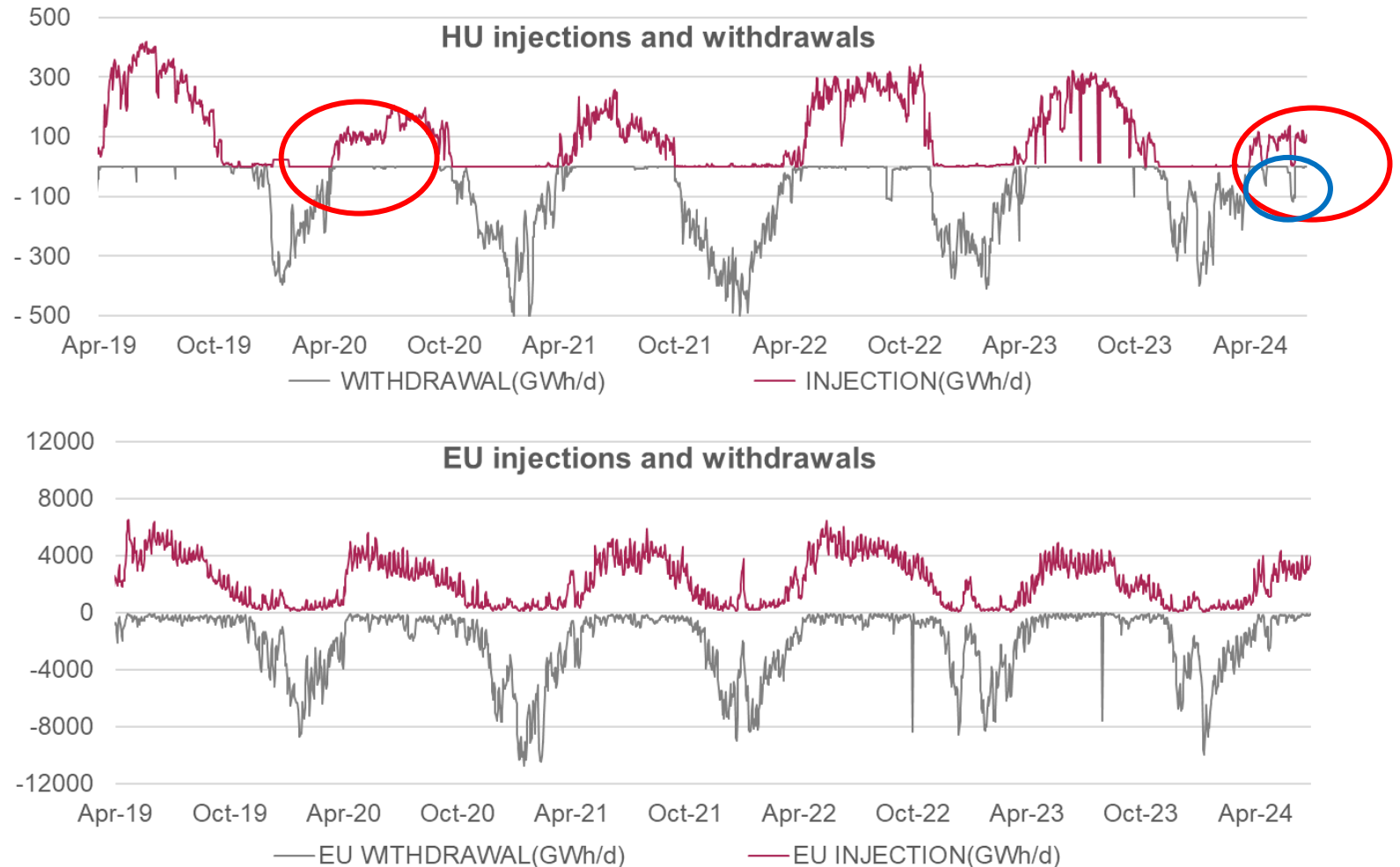
- » EU aggregated storage sites stood at 77% (+10% MoM) by the end of June, while Hungarian stocks at 78% (+3% MoM).
- » EU 2024 values are around its last year level.
- » While Hungarian storage levels are above 2023 values, but fall back under the EU 10-year maximum values in the beginning of June.
- » The pace of injections slowed in Hungary slowed in June, probably because of the record high storage levels.
- » The high storage levels can also contribute to the record low European LNG imports.



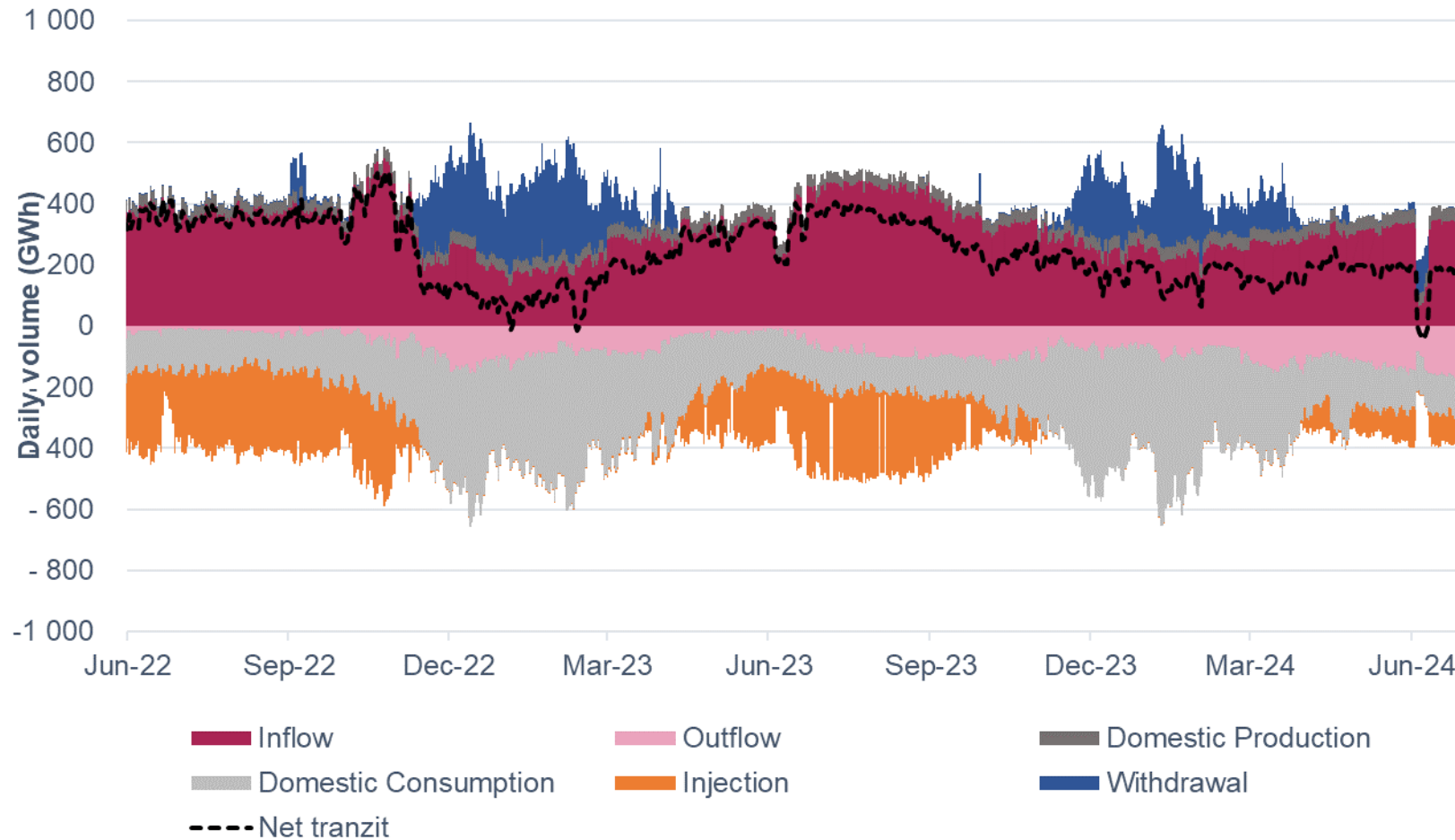
HU STORAGE DYNAMICS

EXPERT OPINION:

- » During **2024 Q2 HU storage injections were moderated** and reached the lowest values of the last 5 years.
- » This year's volumes **remained even below injections during the COVID pandemic** (red cycle).
- » During the **TurkStream annual maintenance**, injections flipped to withdrawals between 4-11 June (blue cycle) to cover domestic demand.
- » In 2023 high injection rates were motivated by favourable W-S spread (~20 EUR/MWh), while in 2022 the risk of the cessation of Russian flows spurred injections.
- » So far this year the **W-S spread was around 5 EUR/MWh and HU storages are around 10-year maximum values** pressuring injection demand.
- » Otherwise, the pattern of HU injections and withdrawals is in line with the EU aggregated storage level movements.



HUNGARIAN GAS MARKET BALANCE



EXPERT OPINION:

- » **June domestic consumption dropped by 5% YoY and 15% MoM** due to warmer temperatures.
- » Domestic production remained on similar level.
- » During the TurkStream maintenance **injections flipped to withdrawals** for a few days. Injections were slow in June.
- » Similarly to May, in June both **import (+24%) and export (+66%) volumes grew further** showing the increasing importance of transit volumes via Hungary.
- » Despite the complete lack of Austrian imports this year, **Serbian, Croatian and Romanian imports kept the total import values elevated.**
- » **Export towards Slovakia continued to be high since the beginning of the years**, while Ukrainian exports gradually increased throughout May and June.

COUNTRY OVERVIEW: BULGARIA

Annual gas consumption:

- 2.89 bcm

Gas production sources:

- 0.03 bcm production

Export & import volumes:

- Import: 3.25 bcm
- Export: <0.01 bcm
- High transport volumes

Underground storages:

- 0.6 bcm in Chiren

Cross border points:

- BU > RO Kardam/Negru Voda I,II-III
- RO > BU Kardam/Negru Voda I,II-III
- RO > BU Ruse/Giurgiu
- BU > RO Ruse/Giurgiu
- BU > SR Kireevo/Zaychar
- SR > BU Kireevo/Zaychar
- BU > SR Kalotina/dimtrovrad
- SR > BU Kalotina/dimtrovrad
- BU > NM Kyustendil/zidilovo
- GR > BU Kulata/Sidirokastron
- BU > GR Kulata/Sidirokastron
- GR > BU Komotini
- BU > GR Komotini

Energy mix:

- 27% coal
- 22% oil
- 22% nuclear
- 14% natural gas
- 11% biofuels
- 2% hydro
- 1% renewables

Actors

- TSO: Bulgar Transgaz
- Other TSO: ICGB Adc, NOMAGAS JSC Skopje
- Gas Market: Balkan Gas Hub
- Members: 93

Transmission network:

- 3276 km pipeline
- 11 compressor stations

Gas trading:

- 2.31 bcm through Balkan Gas Hub
- Rapidly growing in exchange members
- BETP - inactive

