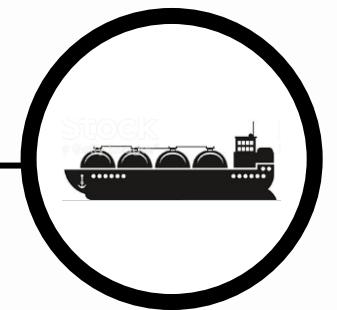


Global & Regional Market Analysis

Natural Gas

December 2022

11/01/2023





Stories of the recent weeks

EU gas prices dropped below 100 EUR/MWh due to mild weather.
EU natural gas demand in Dec was 13% below, in Nov 23% below the 5-year average.
Russia indicated it could increase supplies of pipeline gas to Europe on Yamal.



On 19 Dec EU ministers adopted rules for joint gas buying, a new European LNG index, intraday trading “circuit breakers”, the extension of solidarity measures and a gas price cap: TTF FM above 180 EUR/MWh for 3 days and 35 EUR/MWh above the LNG index.



According to an analysis published by IEA & EC the EU faces potential shortfall of 27 bcm of natural gas in 2023, but this gap can be closed by doubling investments in renewables, stepping up efficiency measures, snapping up natural gas from North Africa.



The Hungarian Robin Hood tax was increased in 2023 from 31% to 41%.
The government raised the extra profit tax of MOL to 95%.
Hungarian regulated prices above average consumption were extended until the end of April 2023.

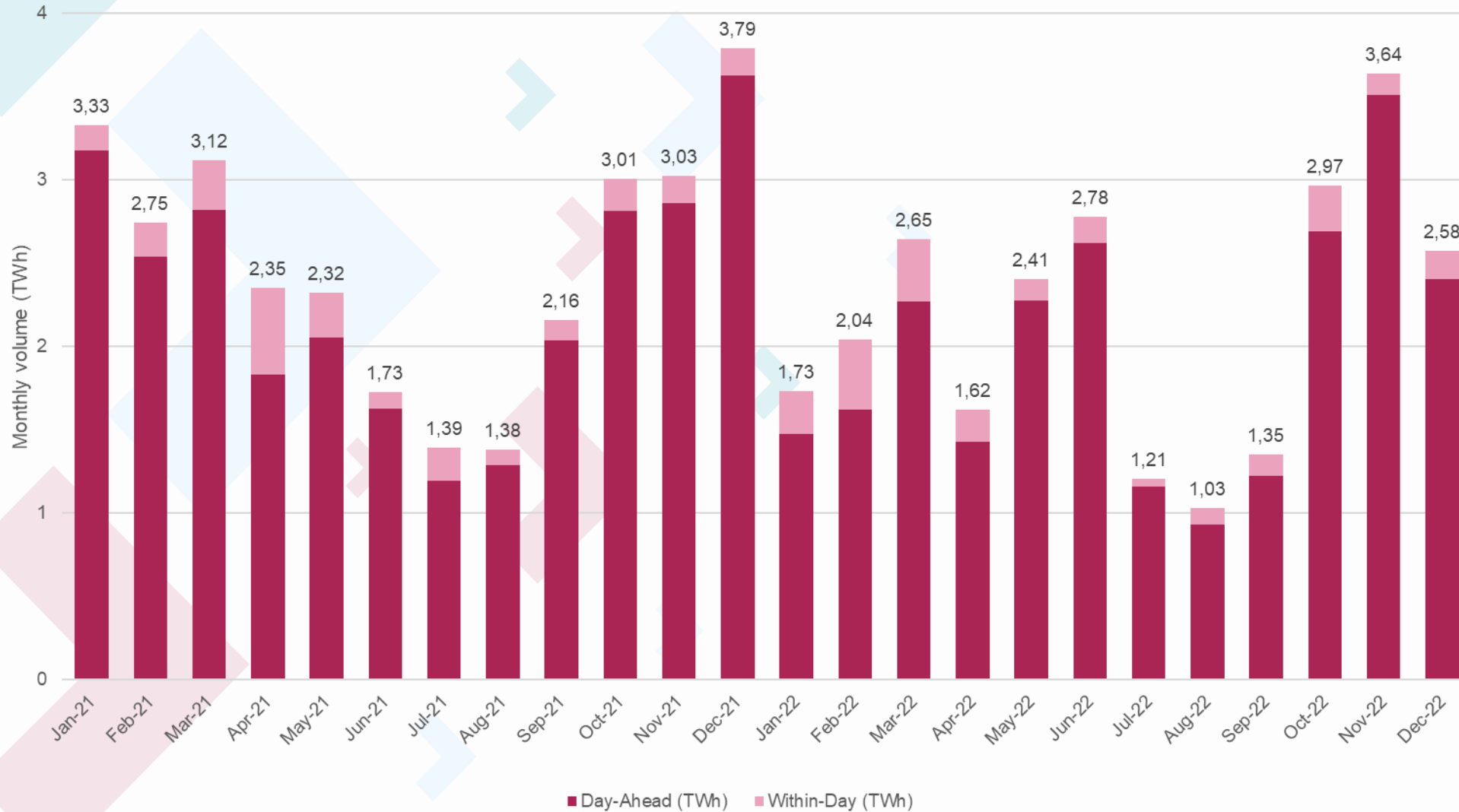


Gas TSOs from Bulgaria, Greece, Romania and Hungary signed a Memorandum of Understanding for the development of the “Vertical Corridor”.
MVM and QatarEnergy talked about the possibility of supplying Hungary with LNG within 3 years.



CEEGEX monthly traded volumes

Source: CEEGEX

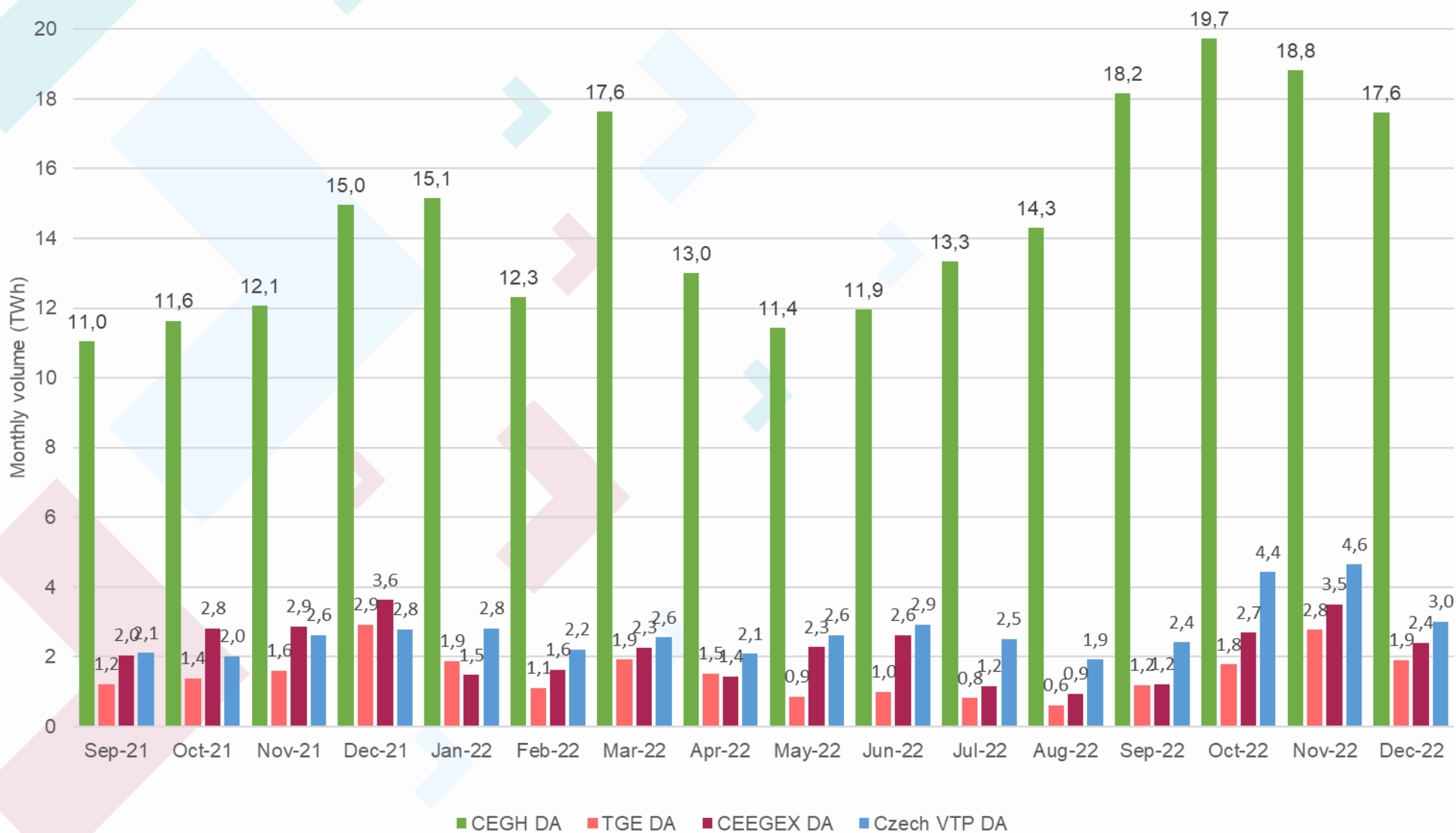


EXPERT OPINION:

- CEEGEX traded volumes dropped in December. Similar December values were recorded during the pandemic.
- Lower trades can be attributed to the fact that the TTF FM-spot spread returned to the positive territory.
- RS>HU flows increased, supporting the assumption that additional volumes resulting from long term contracts were used.

Regional scope DA markets

Source: CEEGEX, CEGH

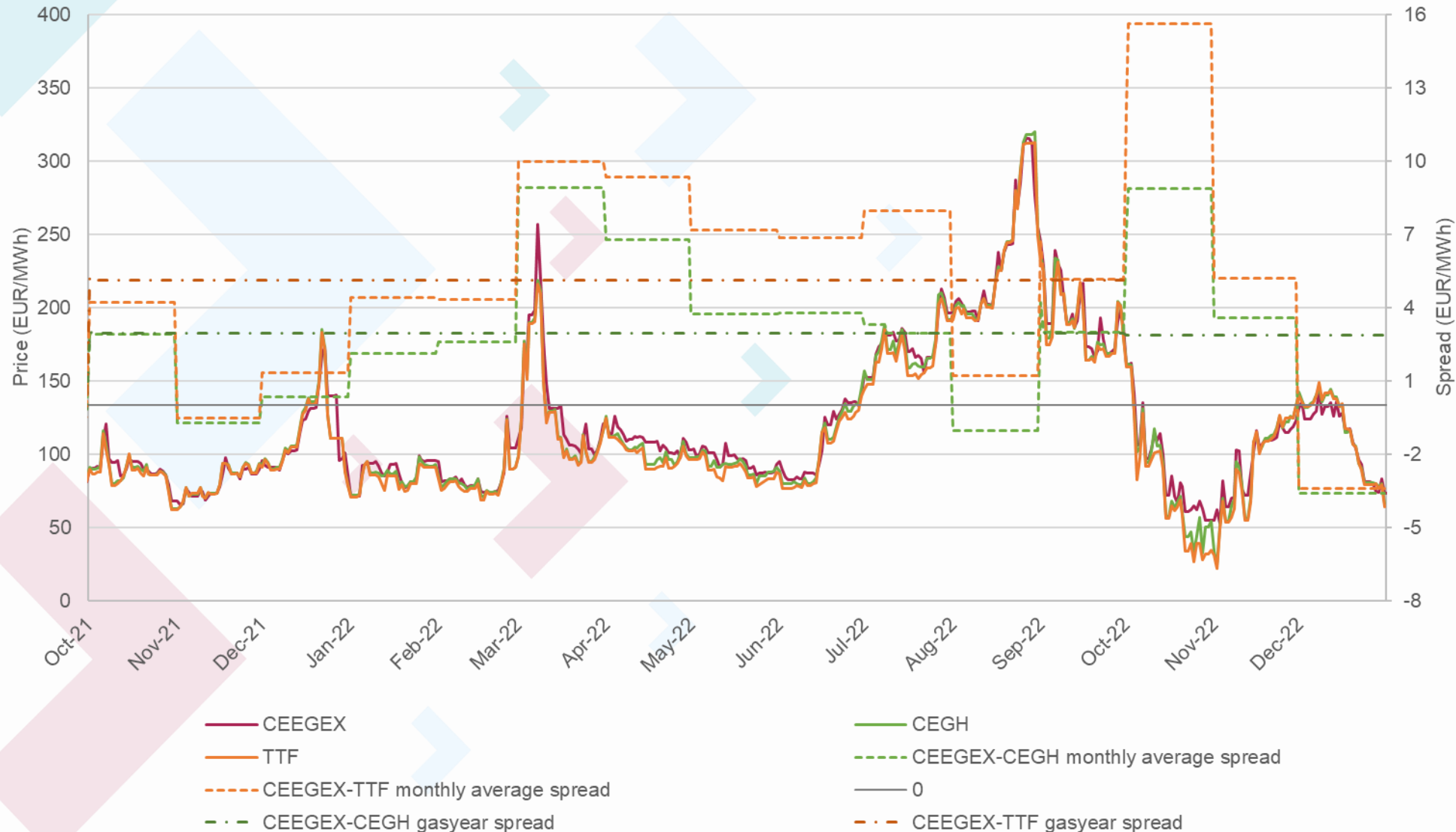


EXPERT OPINION:

- Similar decrease in volumes is observable on regional exchanges.
- Unseasonably mild weather and muted demand contributed to the decrease.
- AT>HU flows disappeared in December as the CX-CEGH spread was in the negative territory.

Regional prices and spreads

Source: CEEGEX, EEX, IEA

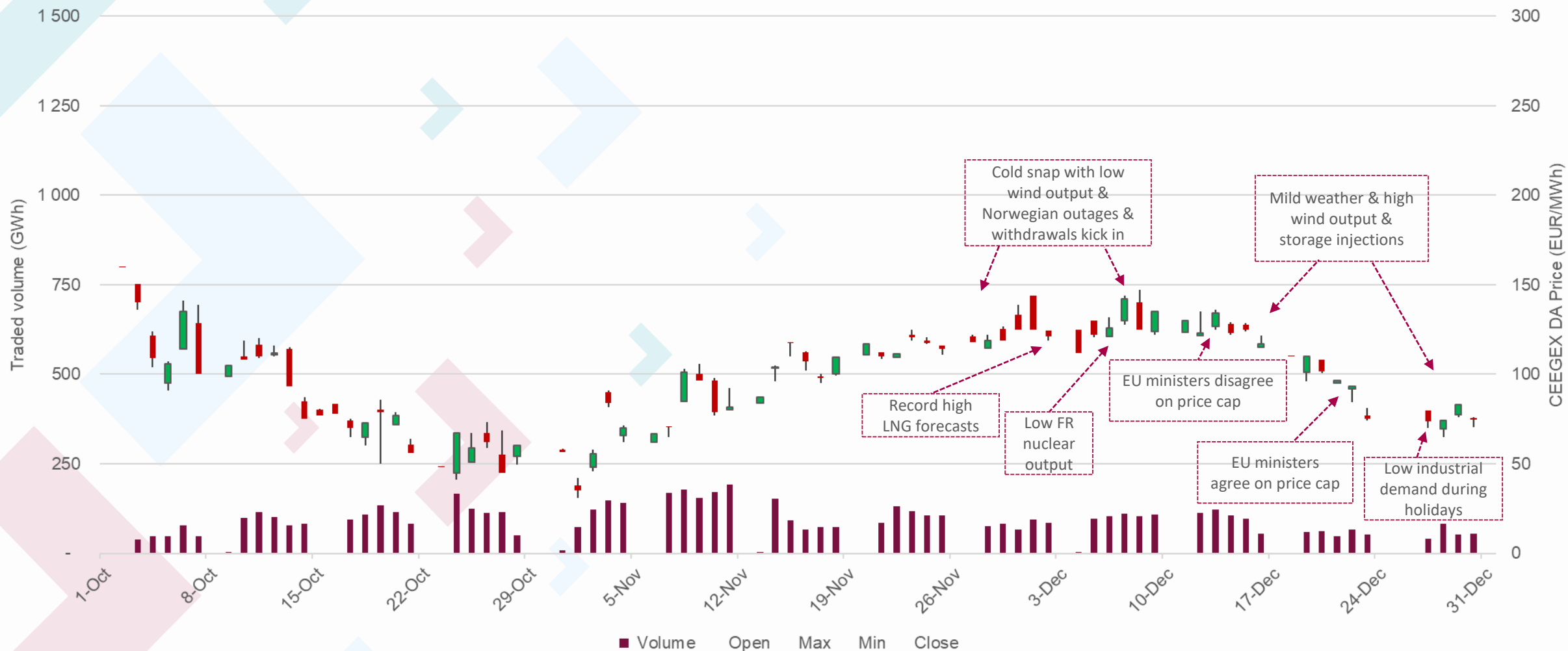


EXPERT OPINION:

- In November the CX-CEGH and CX-TTF spreads started to narrow and in December both turned negative.
- As weather became the most important price driver in December, regional differences in temperatures might have contributed to the flip.
- In the first half of December Norwegian outages and reduced French nuclear output supported prices in NW Europe, while milder average-temperatures in the CEE region sent bearish signals to markets.

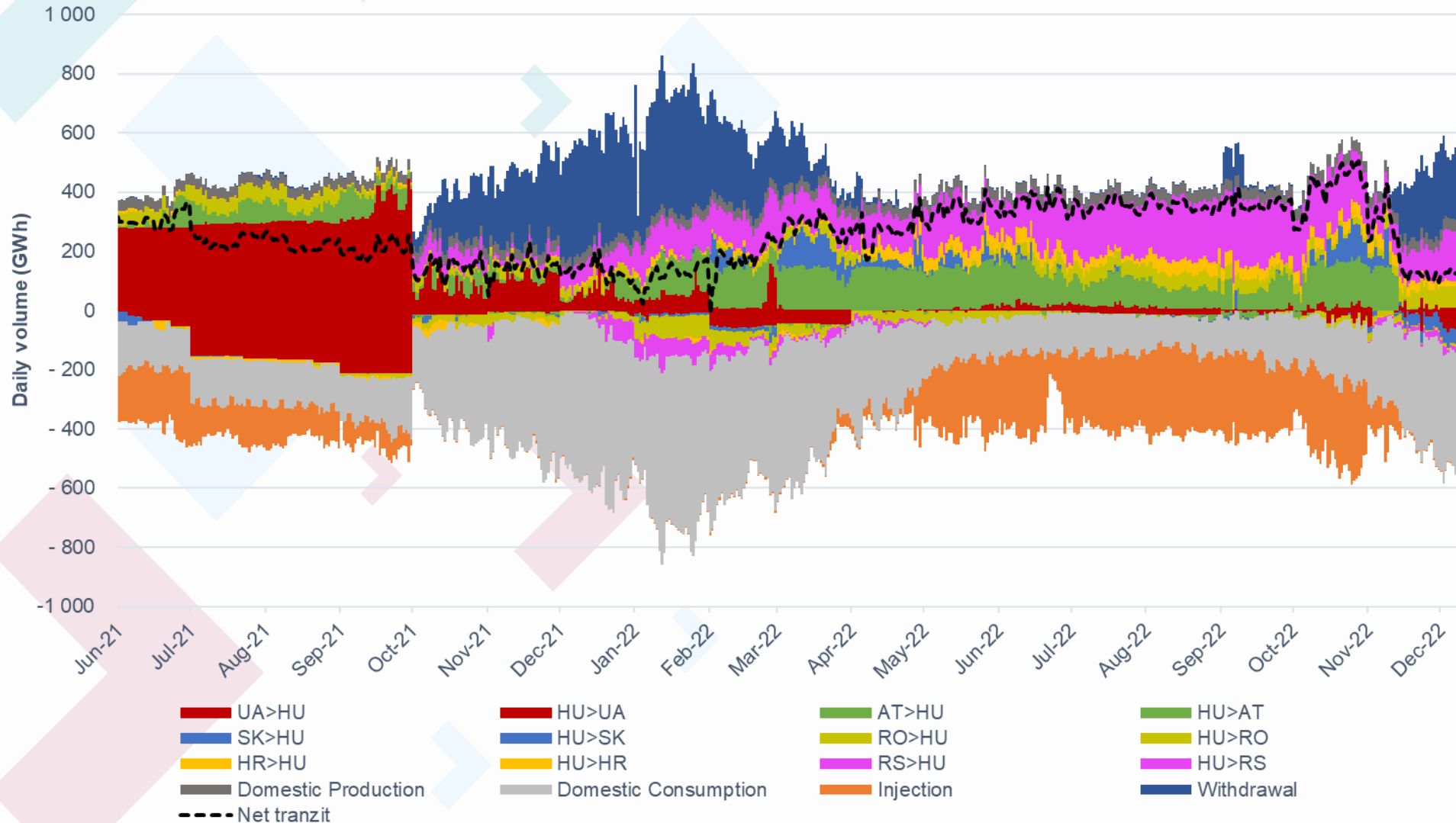
Japanese candles

Source: CEEGEX, ICIS



Hungarian gas market balance

Source: AGSI, FGSZ

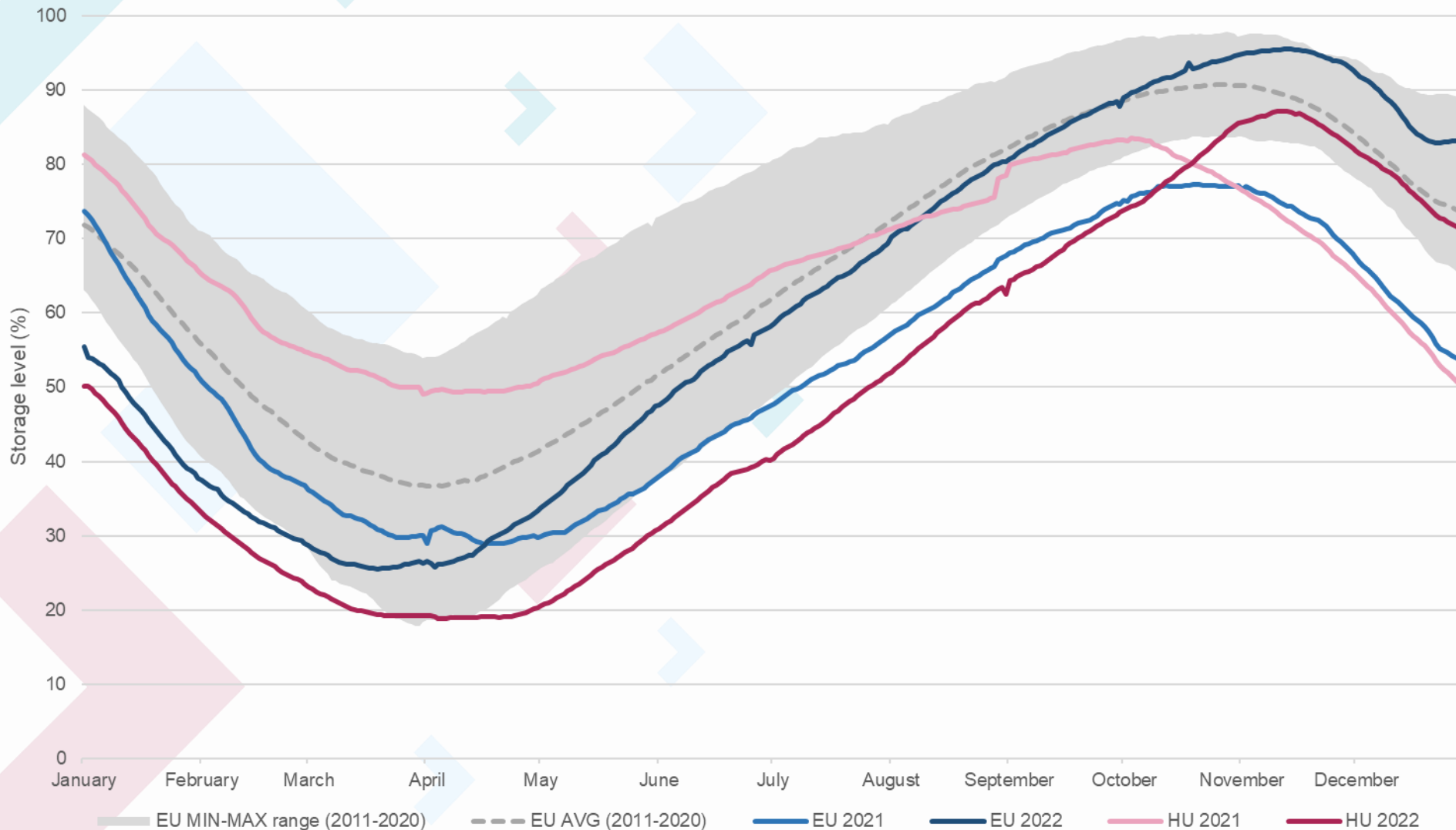


EXPERT OPINION:

- Domestic consumption increased, still it remained below 2021 values. Withdrawals also increased, but at a lower pace in comparison to last winter.
- In Dec imports remained low in annual terms, but increased above Nov values.
- AT imports disappeared, RS imports increased in the first half of the month, similar to their summer levels. HR and RO imports are in a complementary distribution since Oct.
- UA exports might be directed to spare UA storages, while the SK exports might be in connection with new infrastructure (see separate story).

Gas storage level in EU and HU

Source: AGSI, ICIS, MEKH

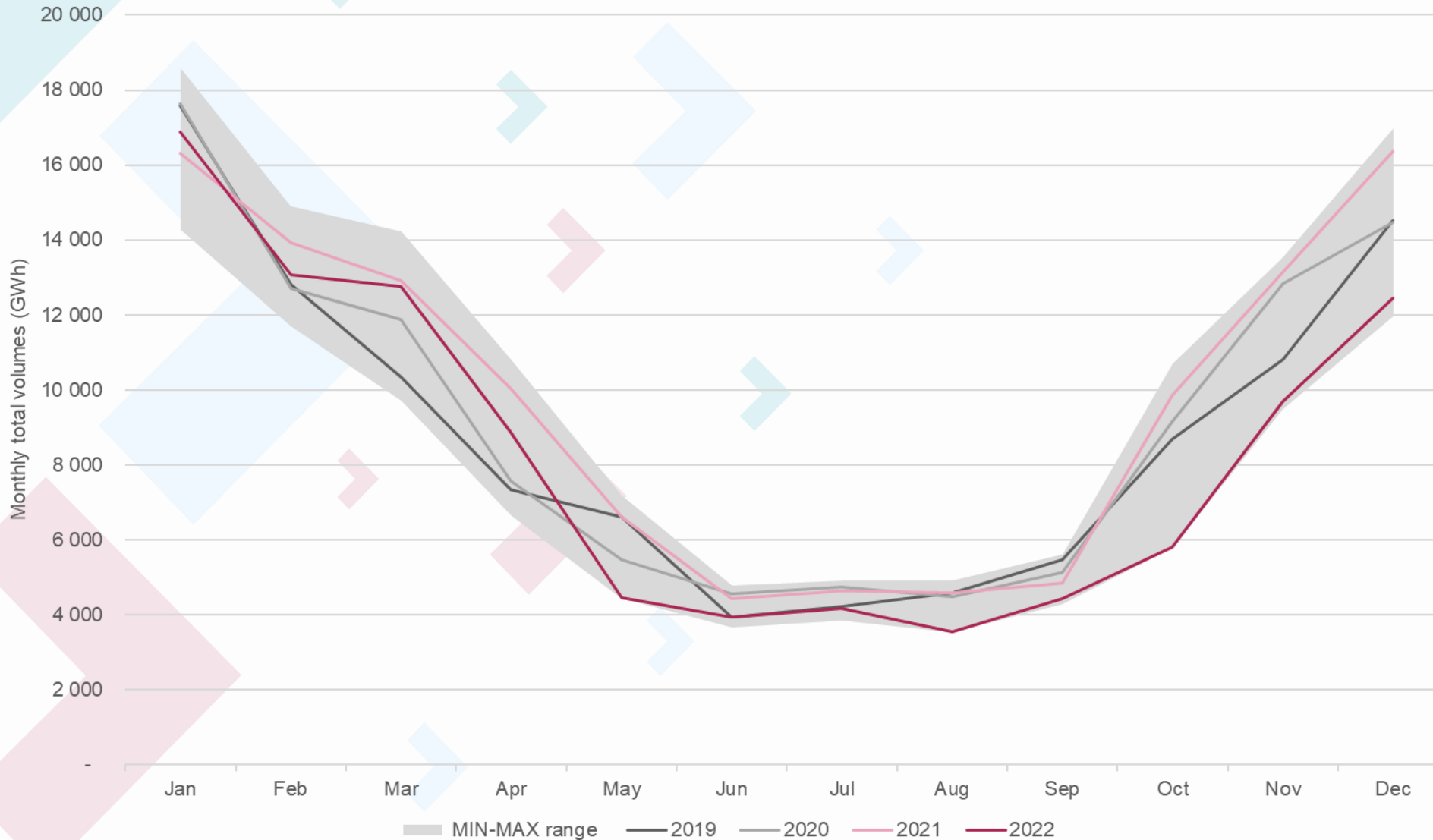


EXPERT OPINION:

- Since Nov EU wide storage levels were decreasing due to cold weather. Europewide withdrawals ramped up in the first half of Dec.
- However, low industrial gas consumption during the holidays and high non-Russian imports allowed Europe to build gas storages in the second half of the month, which is atypical at that time of the year.
- In Hungary compressors were not reversed, thus withdrawals continued, but slowed down.

Domestic consumption (HU)

Source: AGSI, FGSZ, ICIS, IEA, MEKH



EXPERT OPINION:

- Hungarian domestic consumption started to increase in September, still usage is well below the 2019-2021 lowest values.
- Since May, the consumption fell even below 2020 values.
- In October and December milder weather contributed to gas savings.
- According to ICIS data EU natural gas demand in Dec was 13% below, in Nov 23% below the 5-year average.