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CENTRAL EASTERN EUROPEAN
GAS EXCHANGE



Global & Regional Market Analysis

NATURAL GAS, February 2023

22/03/2023

STORIES OF THE MONTH

FEBRUARY 2023



- » On **15 February the EU's gas price cap (MCM) came into force**, but it appears unlikely to be activated in the near future. Last December EU ministers agreed that the mechanism will be activated if the TTF FM price above 180 EUR/MWh for 3 trading days & the spread to the LNG benchmark exceeds 35 EUR/MWh.
- » The cap might be **extended to other European VTPs after 31 March**.
- » On 1 February **ACER published the first daily reference LNG price** at 55.21 EUR/MWh. This price is considered when triggering the MCM and it is based on several global LNG indexes and LNG market prices



- » Exchange operator **ICE on February 20 launched as planned a new market for TTF gas futures** on its London-based exchange. It offers an alternative price index without a price cap in case the European MCM would be activated.



- » On 6 February a very powerful wave of **earthquakes rocked Turkey and Syria**. The earthquake had not affected regional gas flows, the **TurkStream gas pipeline was not damaged**.



- » **Freeport LNG exported its first cargo** 12 February since an explosion and fire shut the US facility last June.



- » European **carbon prices breached 100 EUR/mtCO2e level** on February 21 with the December 2023 contract trading at a record-high.



- » Hungarian **households will not pay more** for gas, electricity and district heating **below the average consumption throughout the year**, system usage fees will not be increased either said Csaba Lantos on 16 February. Above average consumption prices will remain unchanged until 30 April.
- » Hungary's natural **gas storage tariffs will rise** significantly from 1 April.

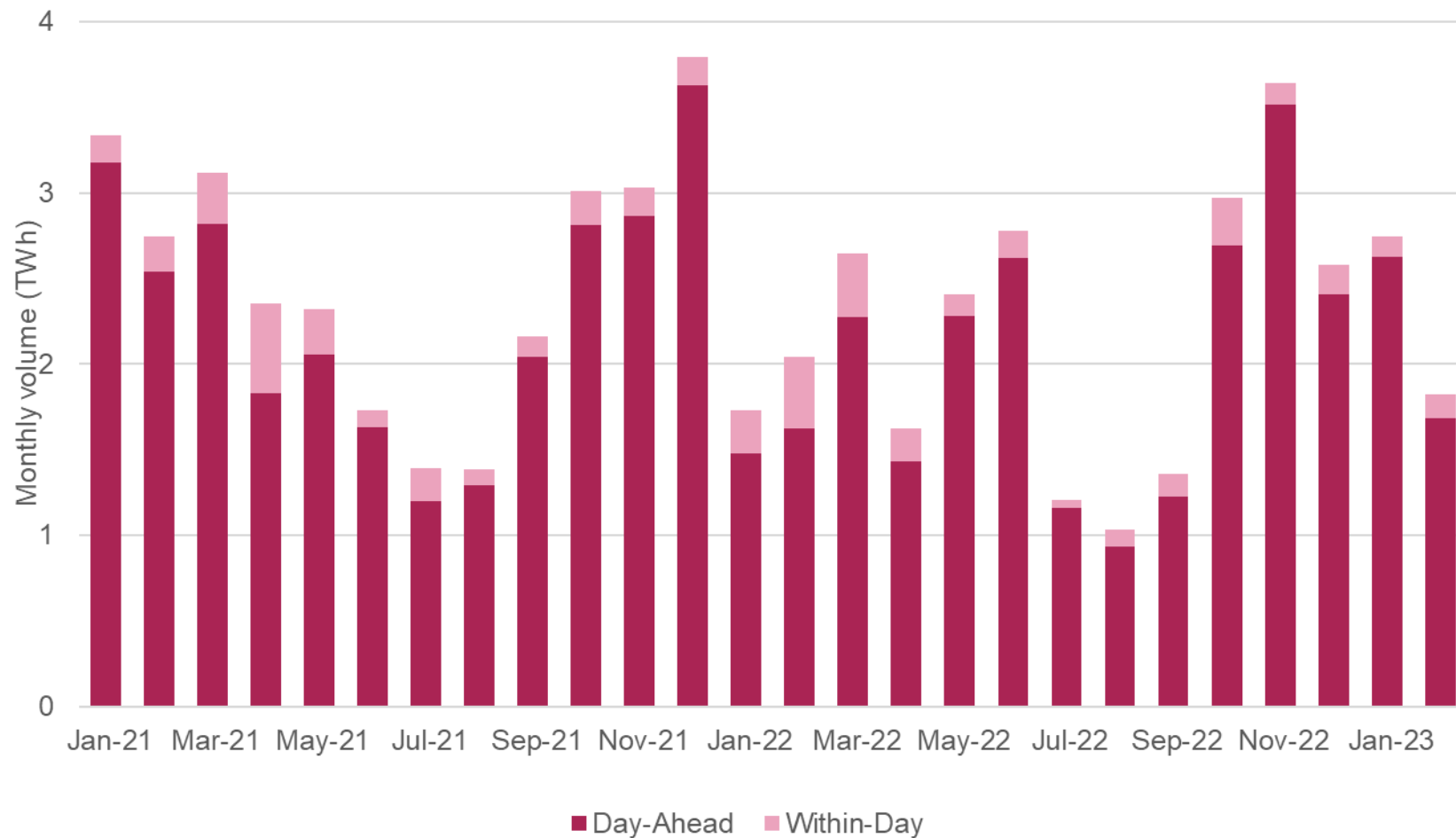


- » **Hungary and Azerbaijan signed a MoU** on cooperation in the field of natural gas. Azerbaijan aims to double gas imports to Europe by 2027.
- » **Hungary is planning to store 500mcm for Serbia** again in 2023. Hungary received 5bcm of Turkstream gas via Serbia and allowed them to store 300mcm in its underground facilities in 2022.

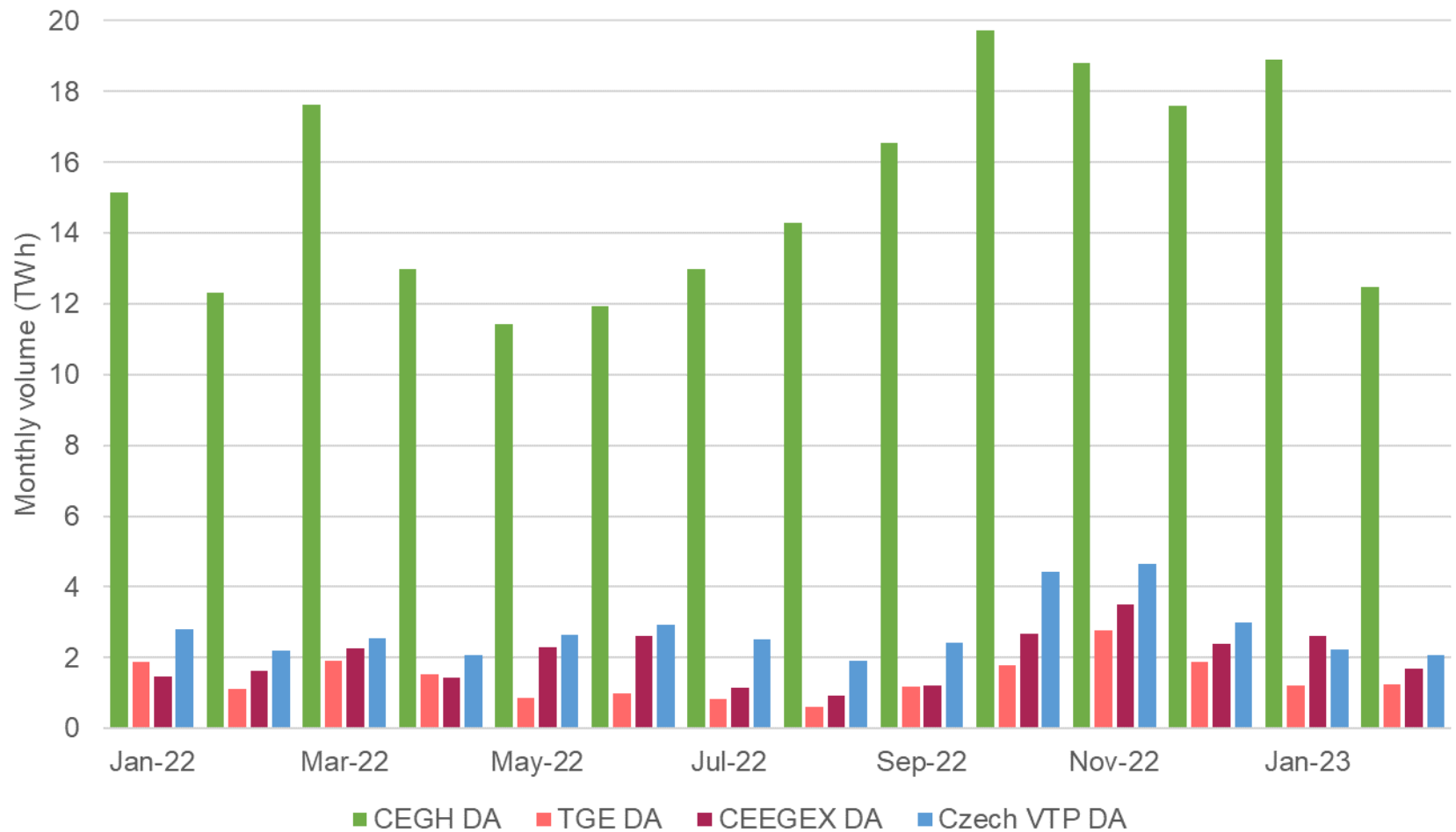
TRADED VOLUMES

EXPERT OPINION:

- » CEEGEX traded volumes **decreased MoM and YoY.**
- » WD volumes proved to be stable, thus the drop was caused by lower DA volumes.
- » In February the **TTF FM-spot spread was close to 0**, which means there was no real incentive to trade spot volumes.
- » Furthermore, **domestic demand lowered** and storage **withdrawals slowed** down, too.



REGIONAL SCOPE DA MARKETS



EXPERT OPINION:

- » **Similar decrease** in volumes is observable on the **regional markets**.
- » In February 2023 CEGH DA, Czech VTP and TGE DA volumes decreased to levels seen **at the eruption of the war** in February 2022.
- » Europewide **gas usage is lowering** despite low commodity prices and colder temperatures.

REGIONAL PRICES AND SPREADS

EXPERT OPINION:

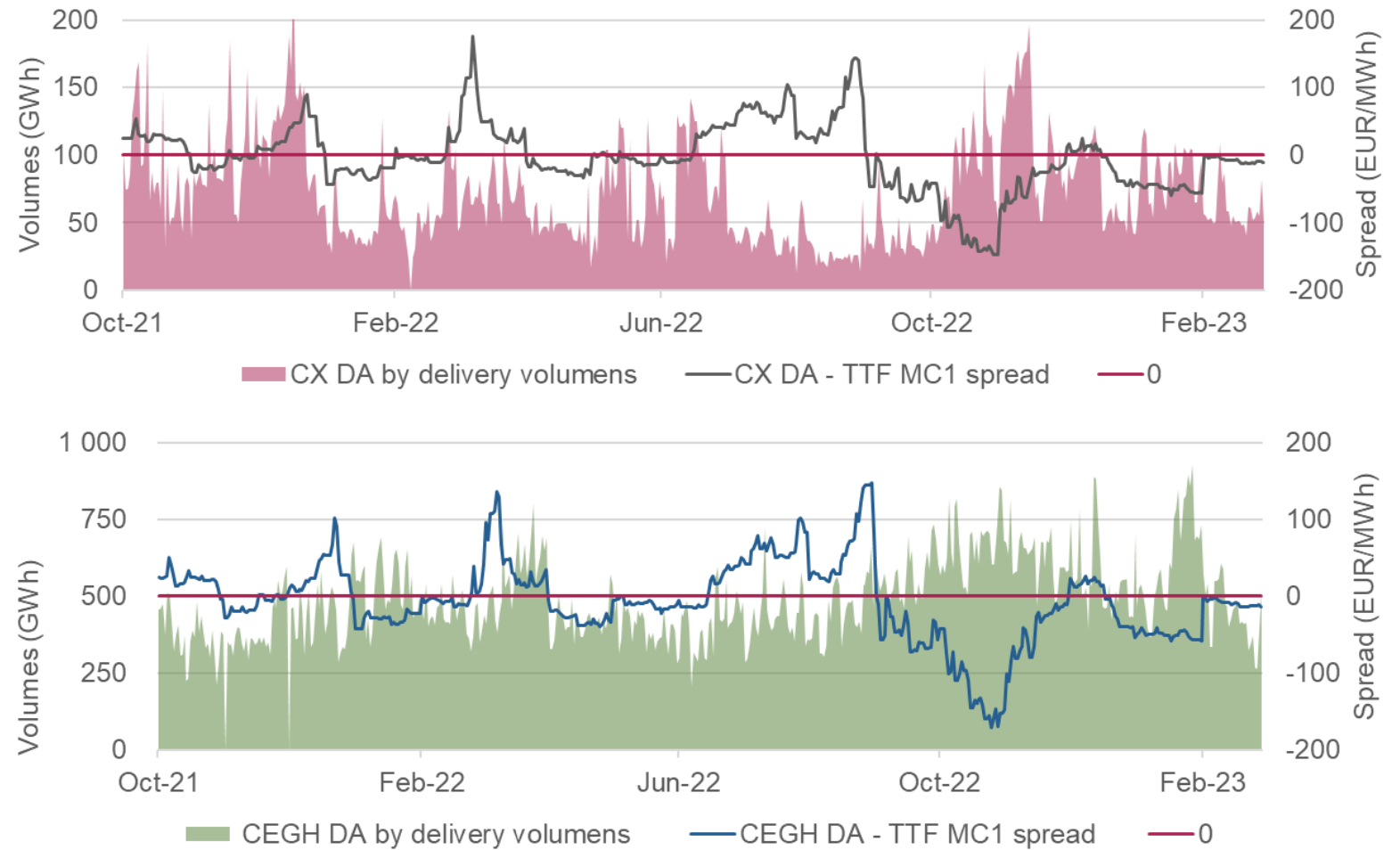
- » The **CX-CEGH spread remained positive**, and it resulted in the profitability of gas imports from AT to HU even at higher annual cross border fees.
- » **AT>HU flows have been increasing since January** after a drop in December, when the spread was below 0.



TTF FM-SPOT SPREADS

EXPERT OPINION:

- » In February the **TTF FM-spot spread was close to 0**, which means there was no real incentive to trade spot volumes.
- » Both on CX and CEGH it had materialized in lower traded volumes.



JAPANESE CANDLES



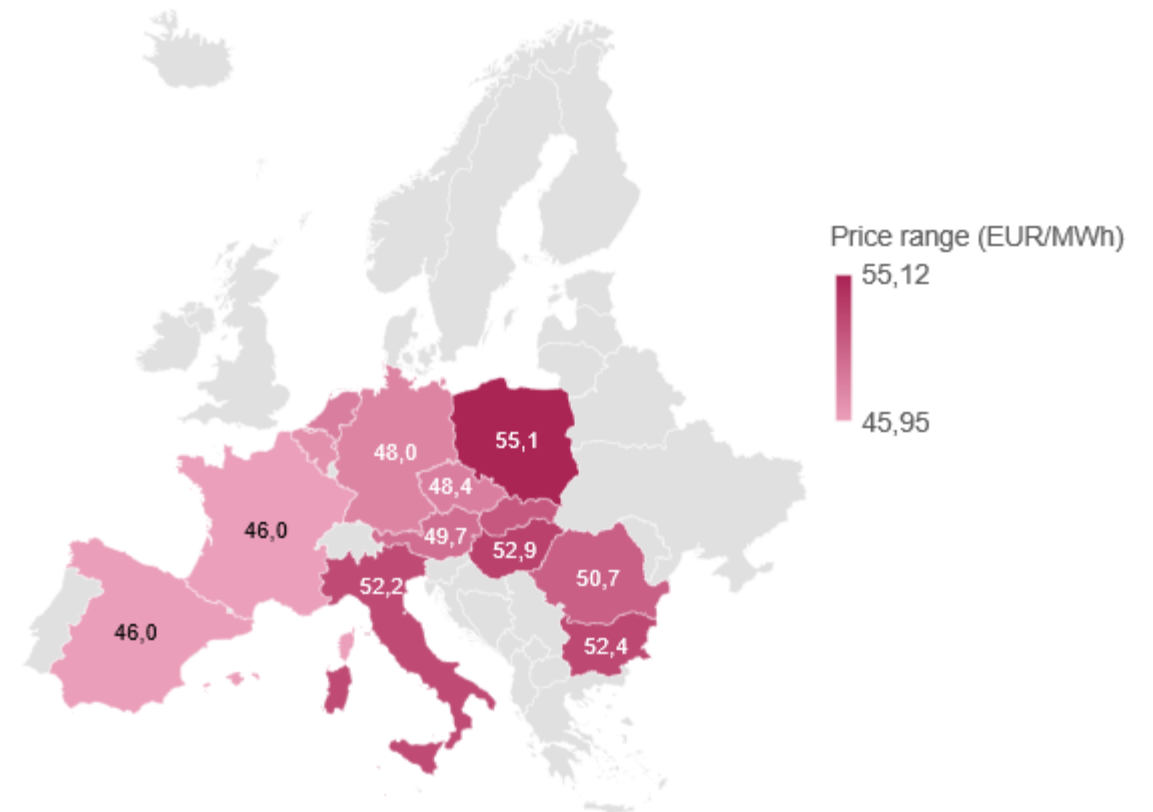
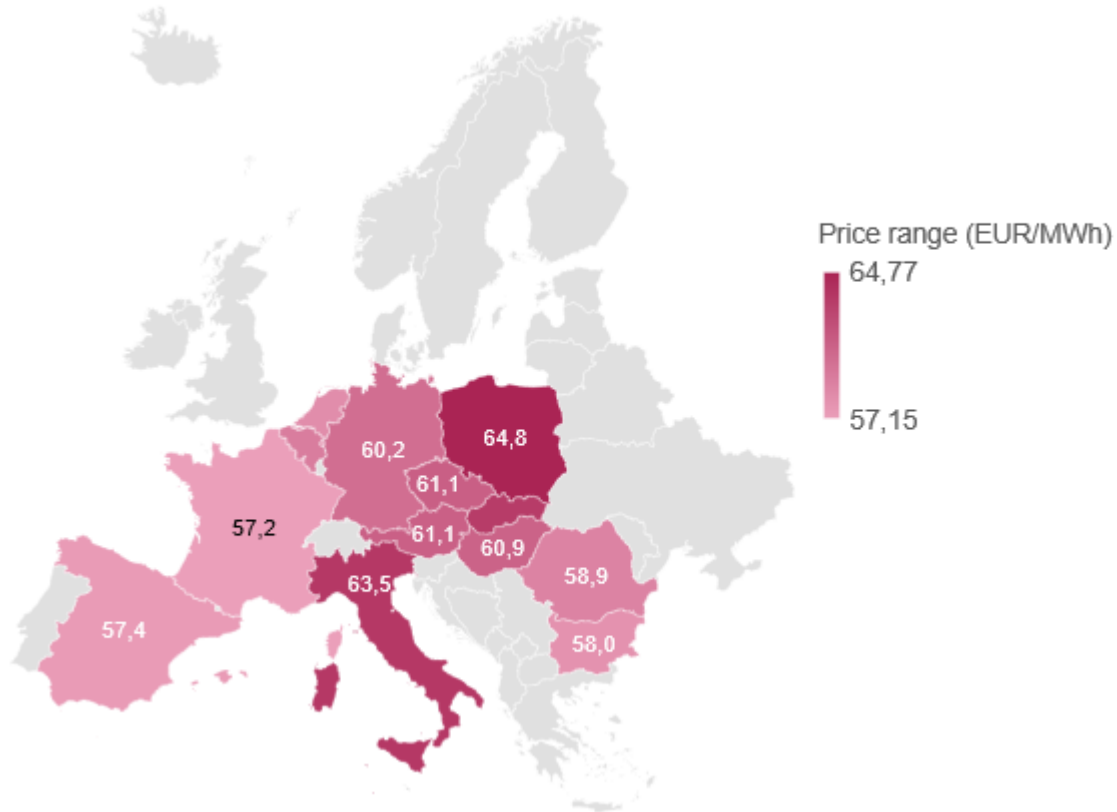
EXPERT OPINION:

- » In February **volatility significantly moderated** in comparison to 2023.
- » In January prices were pressured by **mild weather & low demand, high LNG & strong wind output**. The trend continued in February.
- » No significant news relating to pipeline supply drops or regulatory changes also kept markets calm.
- » One spike on 24 Jan due to a single high trade (15 EUR/MWh above the AVG daily price) at the opening, but further trades were in line with price levels of the previous days.

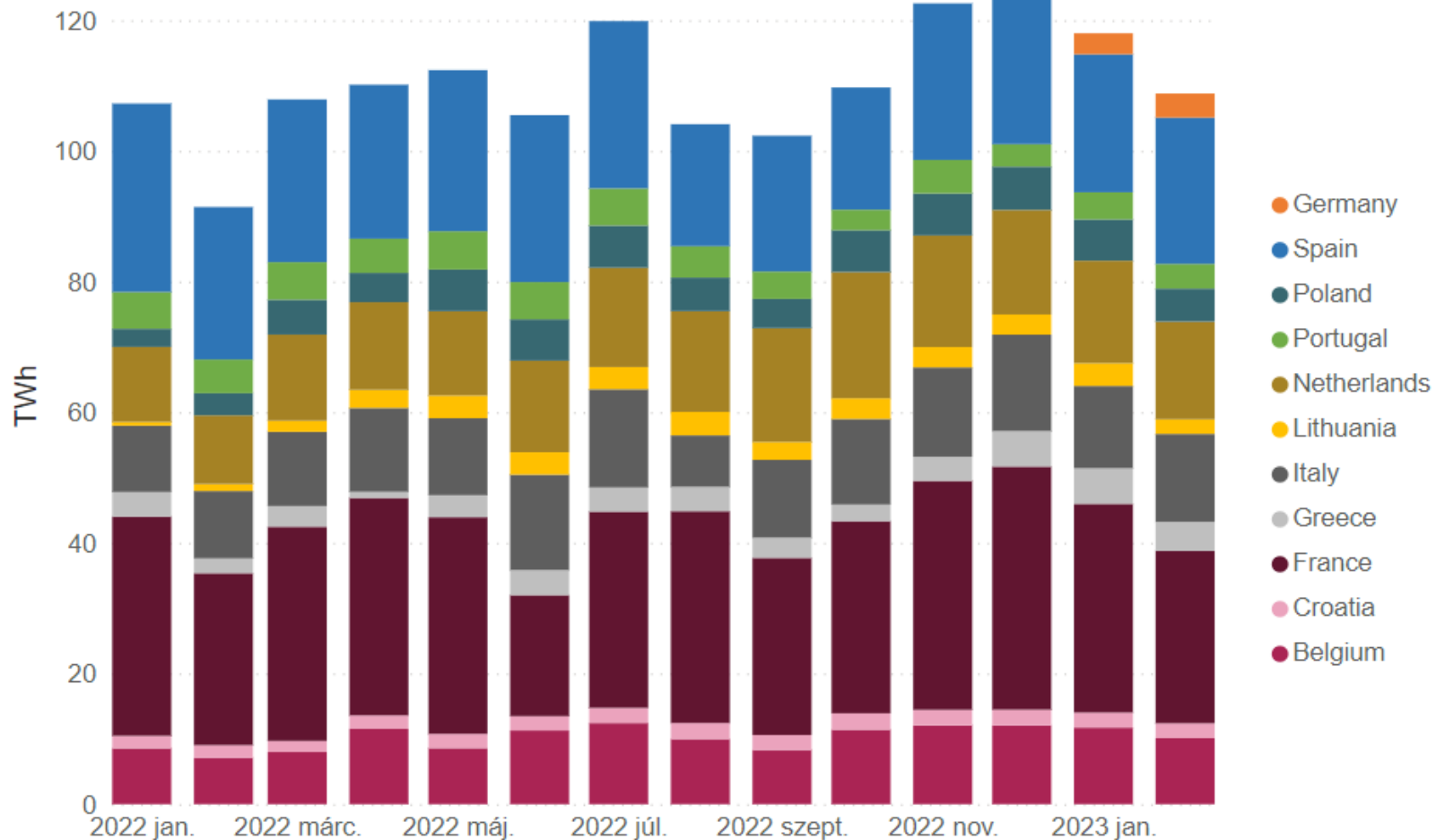
NATURAL GAS PRICES SNAPSHOT

01/02/2023

28/02/2023



LNG SEND-OUTS BY EUROPEAN COUNTRIES*

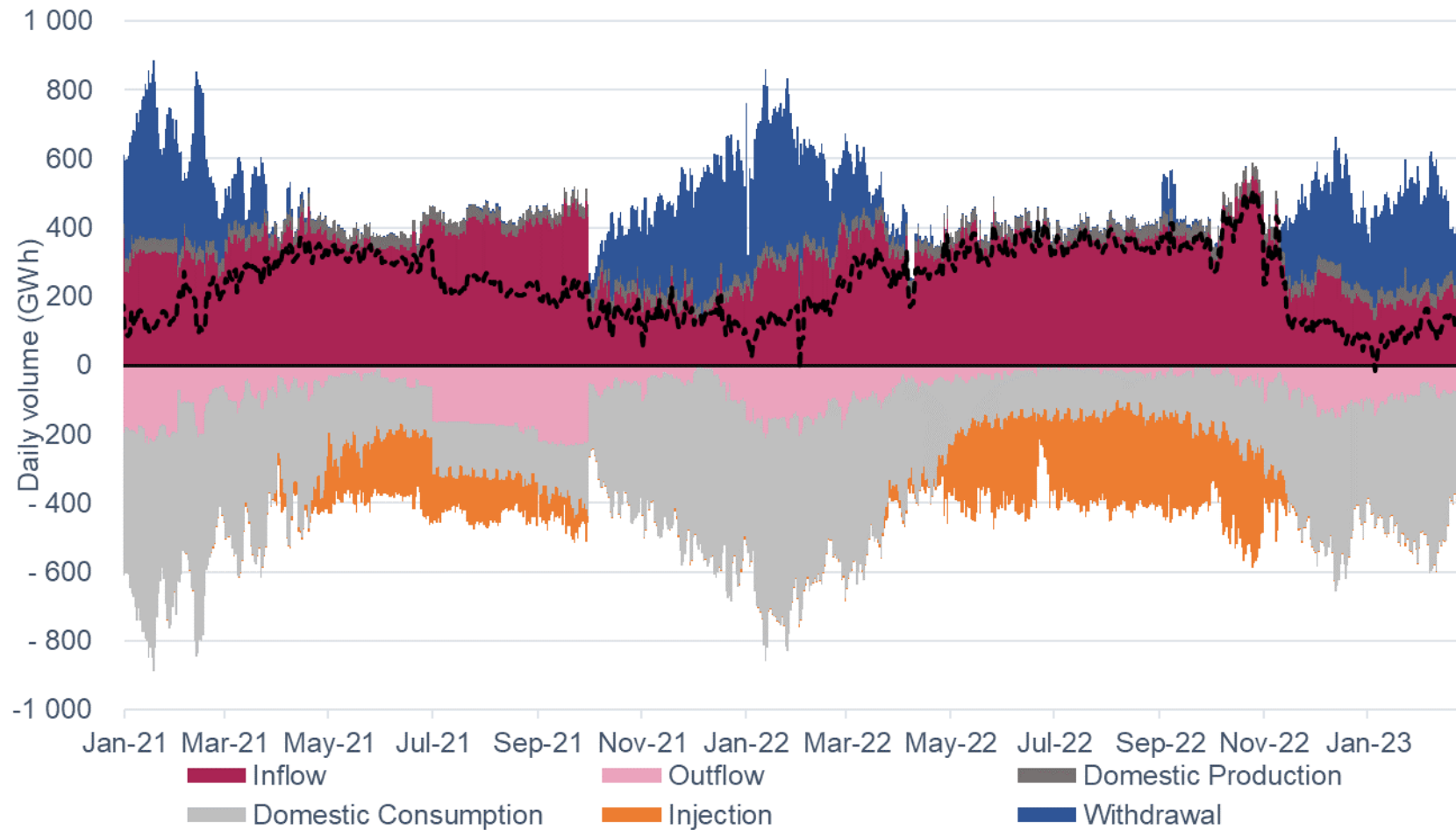


EXPERT OPINION:

- » Europe's demand for LNG fell as the weather eased.
- » French nuclear power production is above last year's level, but still below average.
- » Germany is unlikely to face a gas shortage in the coming winter and should halt the conversion of floating liquefied natural gas (LNG) terminals to fixed ones.

* Excluding UK

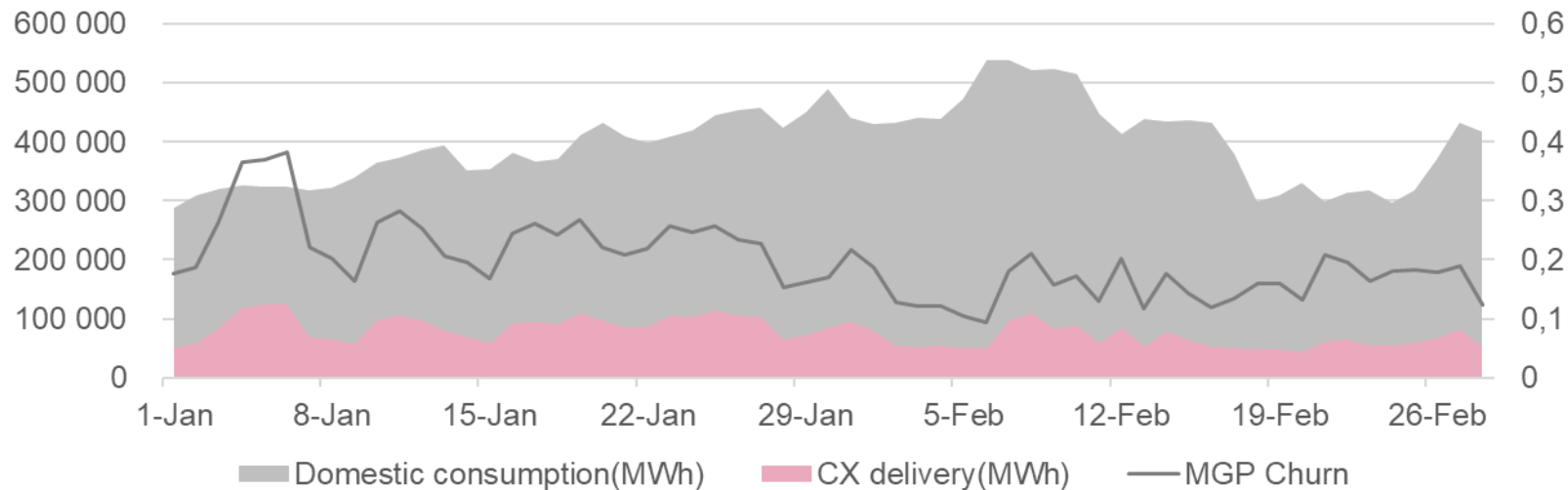
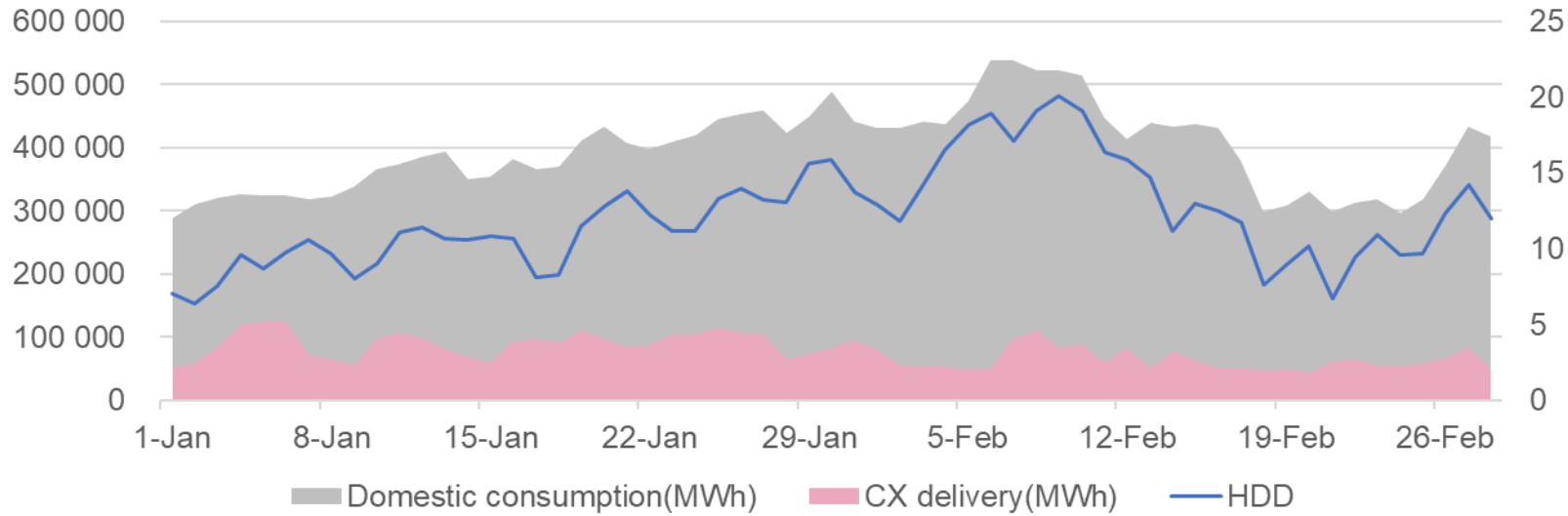
HUNGARIAN GAS MARKET BALANCE



EXPERT OPINION:

- » In Hungary, **February average temperatures were below January values**, which is reflected in the ~8% increase of the average daily consumption, while the total monthly gas usage was lower as February is the shortest month.
- » **Still, it was 12% below YoY.**
- » Despite colder temperatures and increased consumption, storage withdrawals remained slow in February.
- » On overall **imports decreased**, mostly due to lower volumes from AT and RS.
- » **Exports to UA increased**, while former high exports to SK disappeared.

DOMESTIC CONSUMPTION, WEATHER AND CEEGEX CHURN RATE



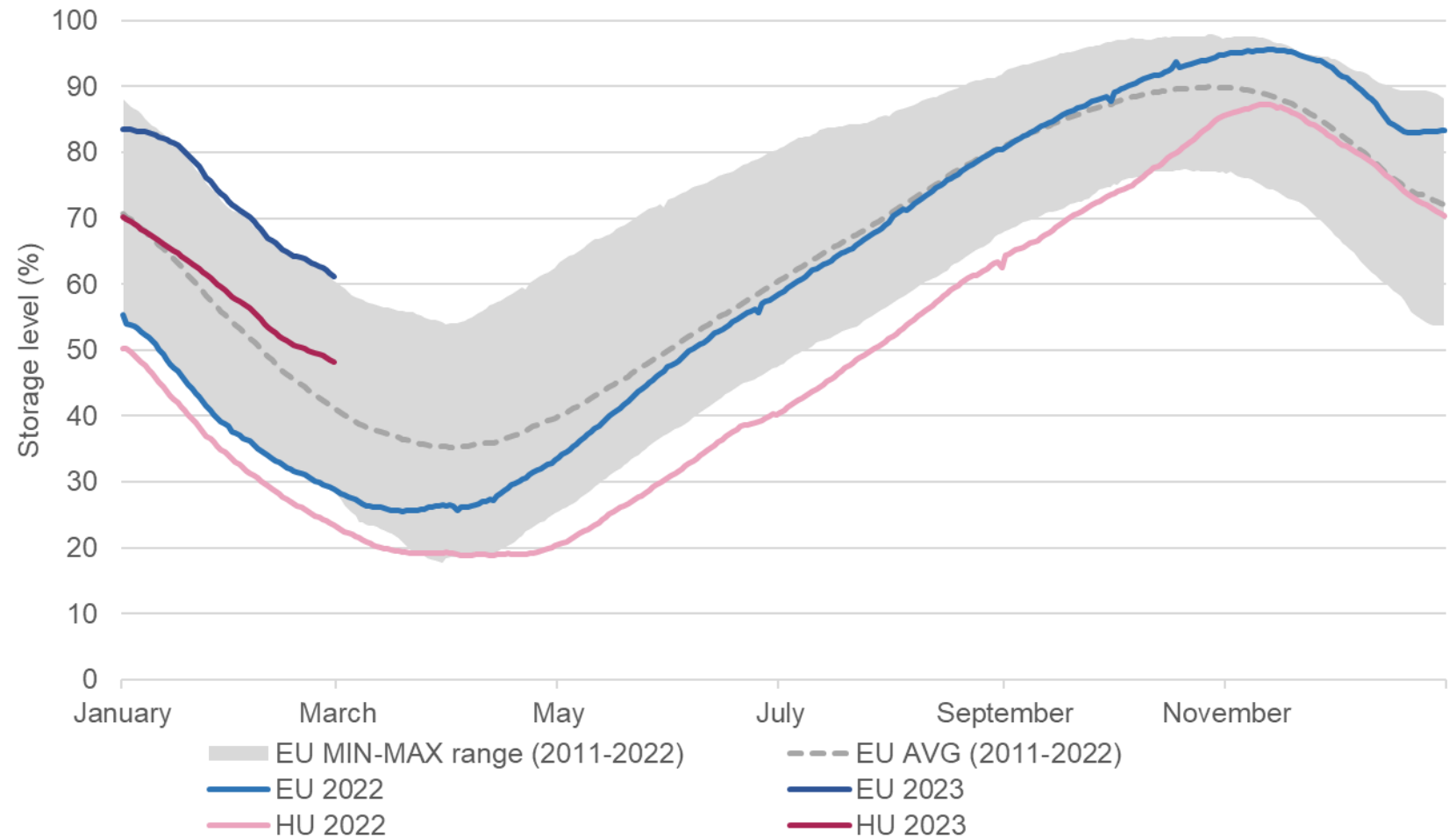
EXPERT OPINION:

- » The correlation between the domestic consumption, CEEGEX volumes and the HDD was quite strong during January. CEEGEX volumes was quite high, higher than in February
- » However in February, the correlation between the CEEGEX volumes and the HDD was weakened, we can still see some spikes on cold days, but the churn rate was much lower than in January.

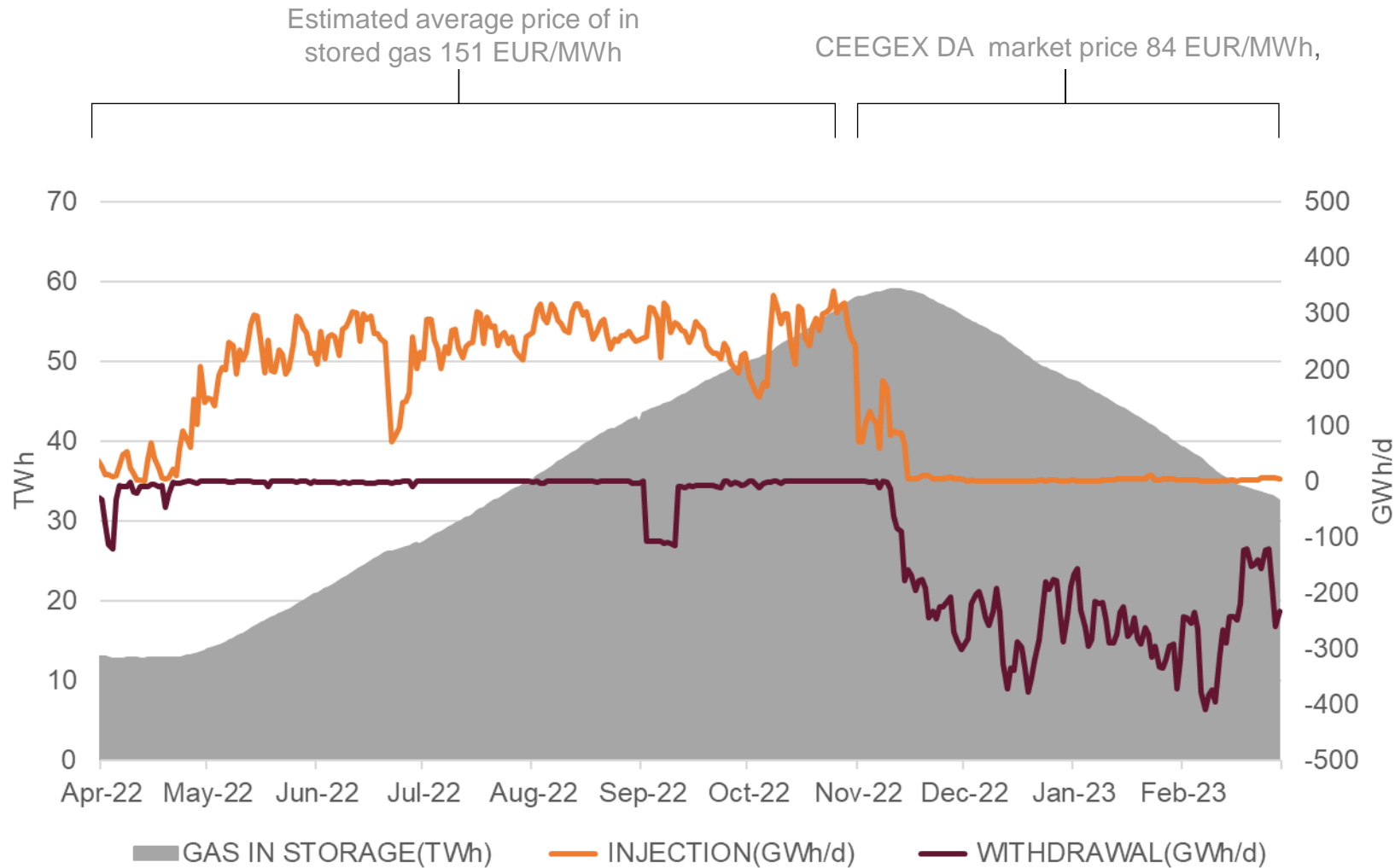
GAS STORAGE LEVEL IN EU AND HU

EXPERT OPINION:

- » European withdrawals started to speed up only in the second half of January. In **February the rate remained similar** and aggregated EU storage levels are below the maximum values of 2011-2022.
- » EU storages were at 61% by the end of the month.
- » **The rate of withdrawals slowed down more in Hungary** than the EU average rate.
- » HU storages were at 48% by the end of the month.



PRICE OF STORED GAS VS PRICE OF WITHDRAWN GAS



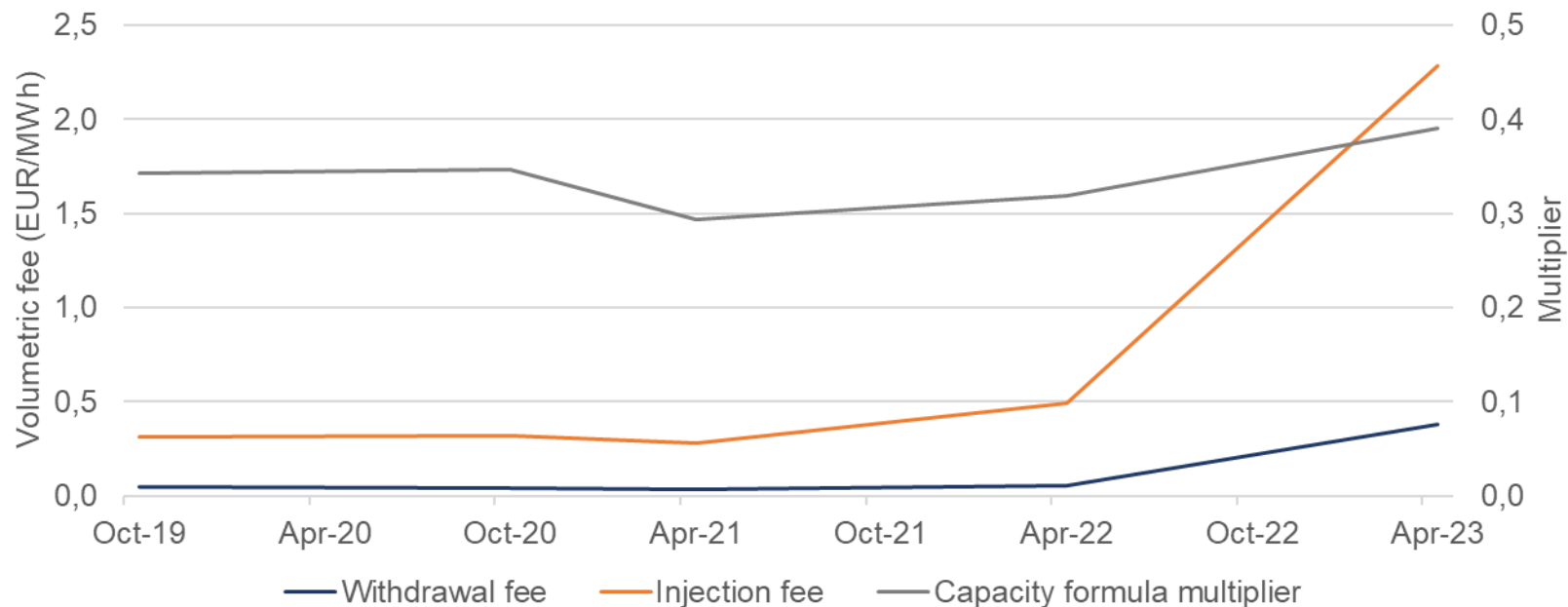
EXPERT OPINION:

- » In 2022, the withdrawal began in mid-November. This is approximately one month delay compared to last year.
- » In February, the level of the gas storages decreased more slowly, because the lower gas consumption and milder than expected winter conditions.
- » The amount of withdraw quantity does not reach last years level. The withdrawal is about 100 GWh/d less this year.
- » The average price of gas stored in is 151 EUR, which is almost double as the withdrawal gas VWAP.

HUNGARIAN STORAGE TARIFF RATES 2023

EXPERT OPINION:

- » Hungary's natural gas storage tariffs will rise significantly from 1 April.
- » The injection fee will increase by **800%**, the withdrawal fee will increase by **550%**, the multiplier of the formula for calculating the storage capacity fee will increase by **20%** in comparison to the average between 2019-2022.
- » Higher tariffs could make injections into Hungarian storages less attractive.



	2019.10.01	2020.10.01	2021.04.01	2022.04.01	2023.04.01
Withdrawal fee (EUR/MWh)	0,05	0,04	0,03	0,05	0,38
Injection fee (EUR/MWh)	0,31	0,32	0,28	0,49	2,29
Capacity formula multiplier	0,3422	0,3467	0,2933	0,3189	0,3906