

**ceegex**

CENTRAL EASTERN EUROPEAN  
GAS EXCHANGE



# Global & Regional Market Analysis

NATURAL GAS, May 2023

21/06/2023

# STORIES OF THE MONTH

## MAY 2023

- » European gas prices slid to **pre-crisis levels** amid a comfortable supply outlook (high storage levels & LNG influx) and despite Norwegian outages.
- » TTF FM dipped **below 30 EUR/MWh** on 18 May.

- » After the **EU's first joint gas purchasing** via the AggregatEU platform in May **10.9 bcm of demand from 77 companies** was matched with offered volumes. In total, **25 suppliers offered 13.4 bcm** exceeding the demand. Results were published on 16 May.
- » Further negotiations between parties are bilateral, the EC and Prisma would not participate in them. The process will be repeated each second month.
- » The EU's **Market Correction Mechanism was extended to all European hubs from 1 May** after an implementing act was adopted at the end of March. In case of activation, the price cap would apply also on HUDEX gas segment.

- » German LNG sendout from three **new FSRU sites reached 2 bcm in May**. Germany's LNG import capacity is expected to be further increased in 2023.
- » The Neptune FSRU LNG terminal in **Lubmin will be relocated to Mukran** as the port of Lubmin is too shallow for the tankers.

- » During the latest **G7 meeting** between 19-21 May in Hiroshima the 11th Russia **sanctions package was not amended with the ban of gas pipelines**. If any sanctions would be accepted later most probably they would apply only to supplies to Europe which were cut by Russia in 2022.
- » Earlier on 16 May the Spanish Energy Minister said that EU countries will agree sooner rather than later to ban import of LNG from Russia.
- » **Finland terminated its gas supply contract with Gazprom** on 22 May after months of unsuccessful negotiations in relation to a dispute on ruble payment.
- » On 9 May **Ukraine prohibited the import of fuels of unknown origin** to block the inflow of Russian fuel, petroleum products, oil gases and other hydrocarbons in gaseous form into Ukraine.

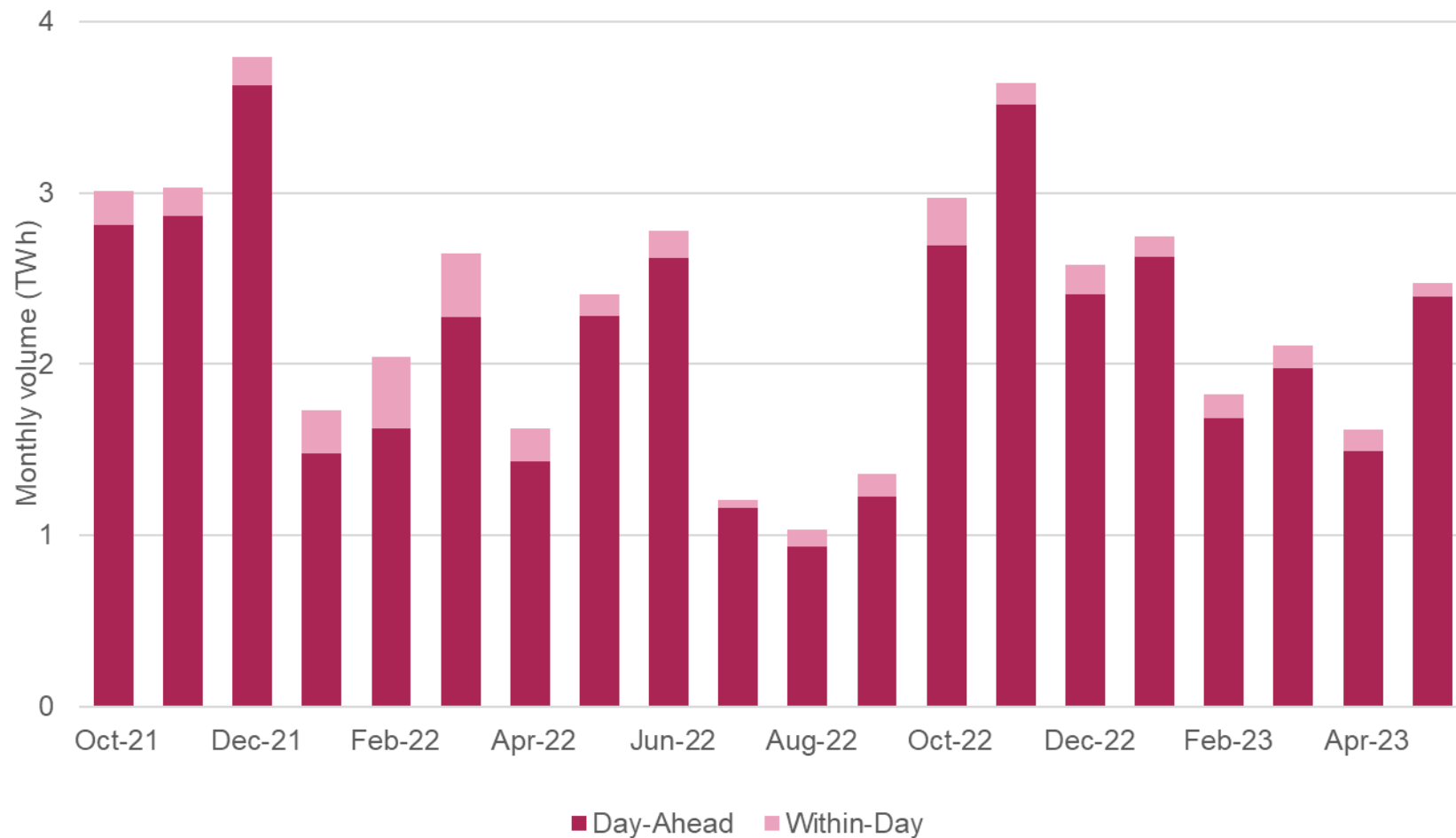
- » Annual reports for 2022 fiscal year were published in May. Most international energy giants closed the year with record YoY increase, but some companies, like Uniper had losses.

- » On 22 May **Hungary announced a gas purchase agreement with Qatar** after the Prime Minister's visit to Doha.
- » On 8 May MFGT installed its 2.5MW electrolyser system and hydrogen gas processing technology at the Kardoskút underground gas storage site with its **Aquamarine Project**.

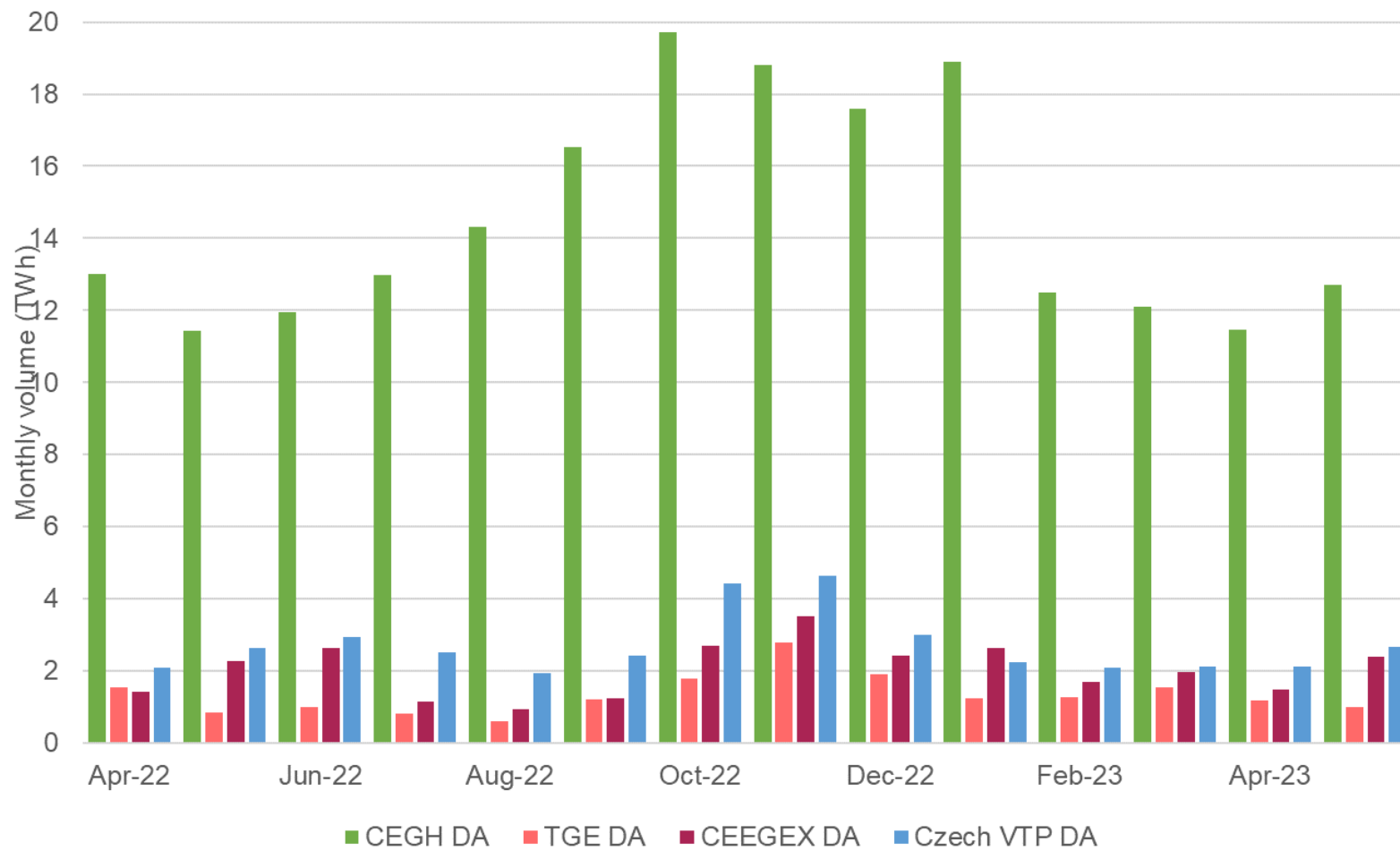
# TRADED VOLUMES

## EXPERT OPINION:

- » CEEGEX DA traded volumes increased in May and surpassed 2022 May values.
- » WD volumes are expected to remain on similar level to previous months.



# REGIONAL SCOPE DA MARKETS



## EXPERT OPINION:

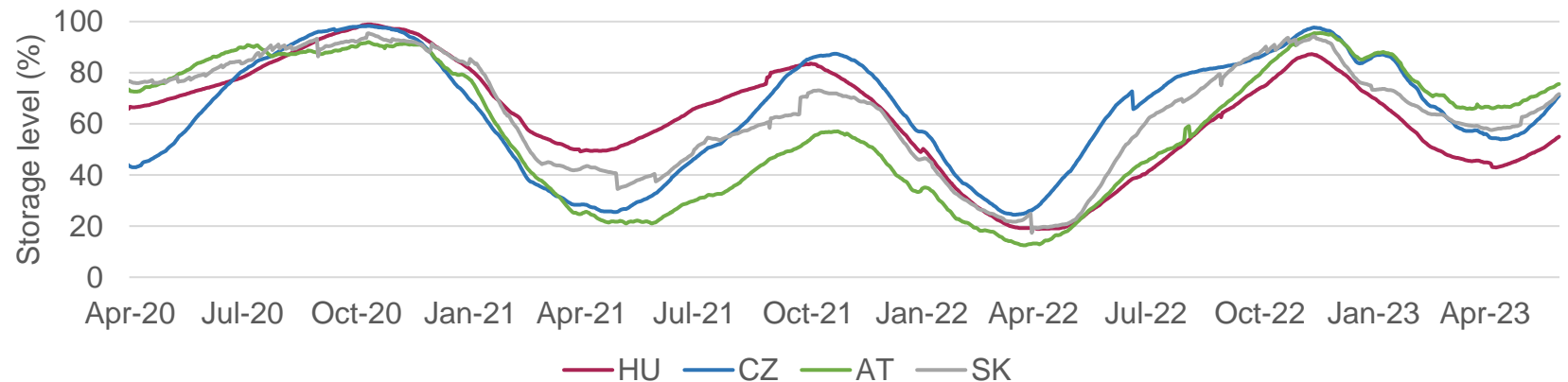
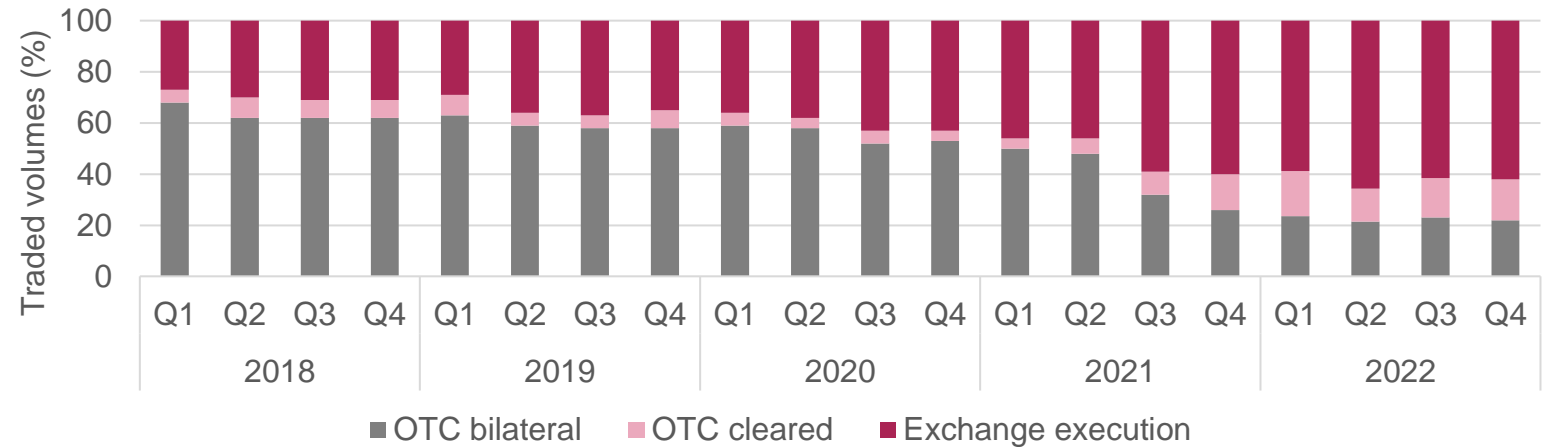
- » Traded volumes on other regional benchmarks had increased in May.
- » TTF prices dipped to pre-crisis levels and CEEGEX's premium to TTF widened. This might have incentivized selling volumes on CEEGEX.

# OTC LIQUIDITY CHANGES IN CEE

## EXPERT OPINION:

- » The 2021 energy crisis served as a catalyst for the reorganization of energy trading and as a result **more and more OTC trades was diverted to the exchanges**. During the turbulent period, in order to **avoid the increasing partner and non-performance risks**, the market participants turned to safer transaction forms, **despite the higher collateral requirements**.
- » **In May** however, the trend looks to be changing in CEE. According to ICIS data **AT, CZ, HU OTC trades have increased YoY**, except for SK.
- » **Collaterals have decreased to a lesser extent than gas prices**.
- » CEE liquidity recovered during the first quarter of 2023, as traders sought to replenish supplies.
- » As traditional gas routes have changed, **new participants might have entered CEE markets**. These participants might not be exchange members yet.

Historical share of traded volumes on the main European gas hubs\*



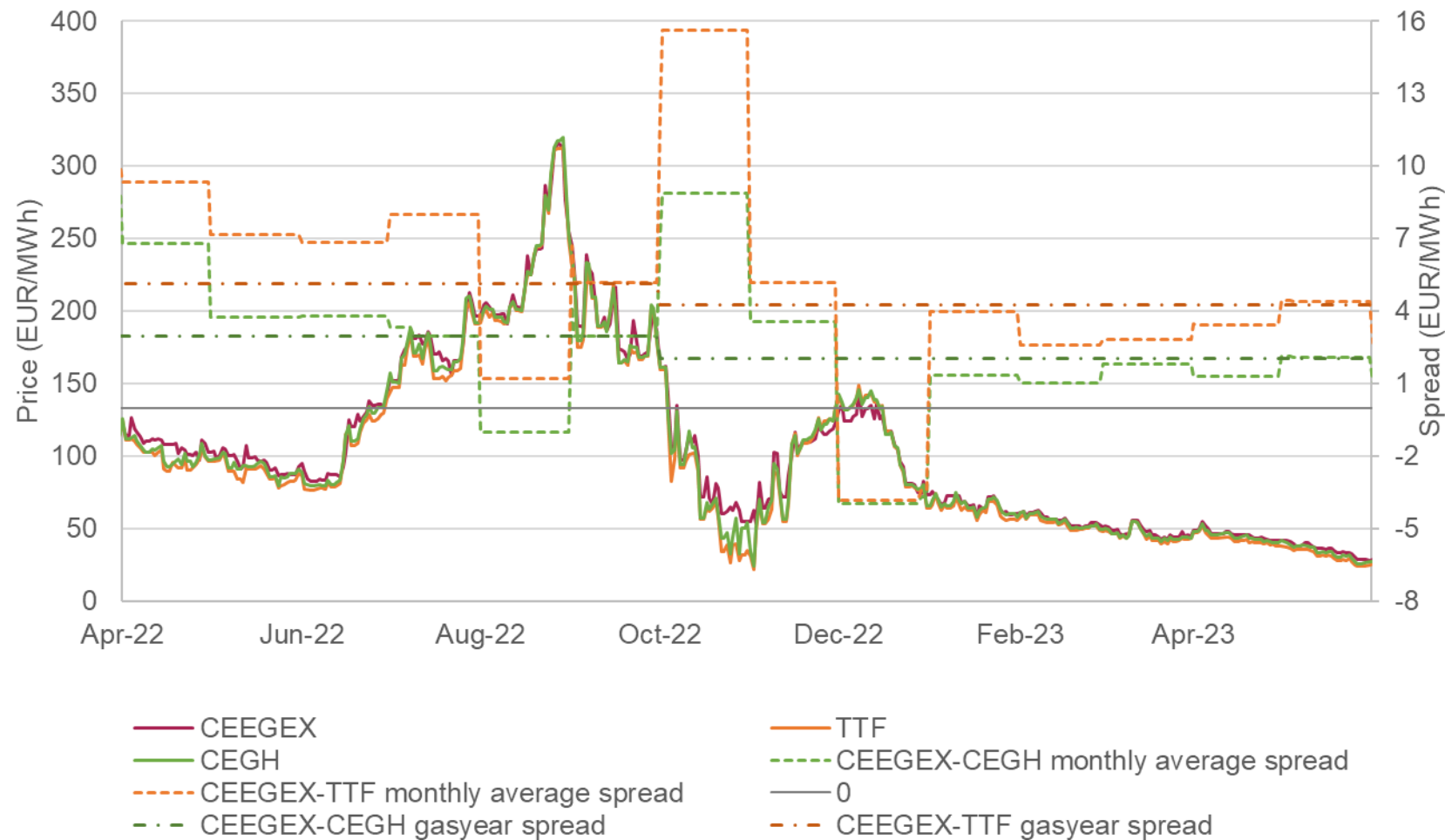
\*TTF, THE, PEG, PSV, PVB, Zeebrugge, VTP, NBP

Sources: EC, Trayport, ICIS

# REGIONAL PRICES AND SPREADS

## EXPERT OPINION:

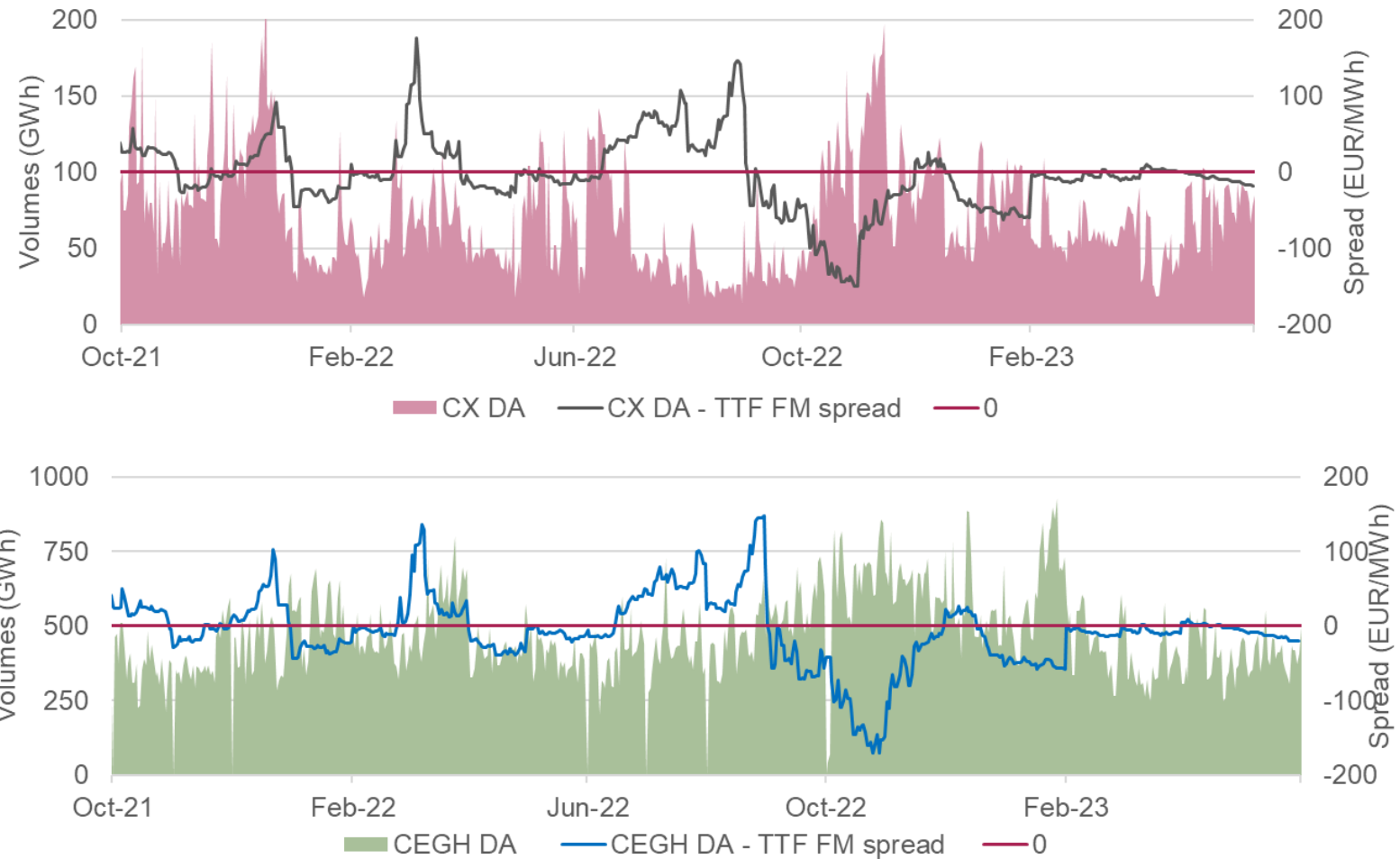
- » The CX-CEGH and CX-TTF spreads widened in May in comparison to previous month but remained narrow in comparison to 2022 values.
- » The CX-CEGH spread has remained in the positive territory since January, resulting in the profitability of gas imports from AT to HU.



# TTF FM-SPOT SPREADS

## EXPERT OPINION:

- » Between February and April, the TTF FM-spot spread remained close to 0, which meant there was no real incentive to trade spot volumes.
- » By mid-May both spreads spread slipped below 0, which materialized in slightly higher DA trades on CEEGEX and CEGH.



# JAPANESE CANDLES



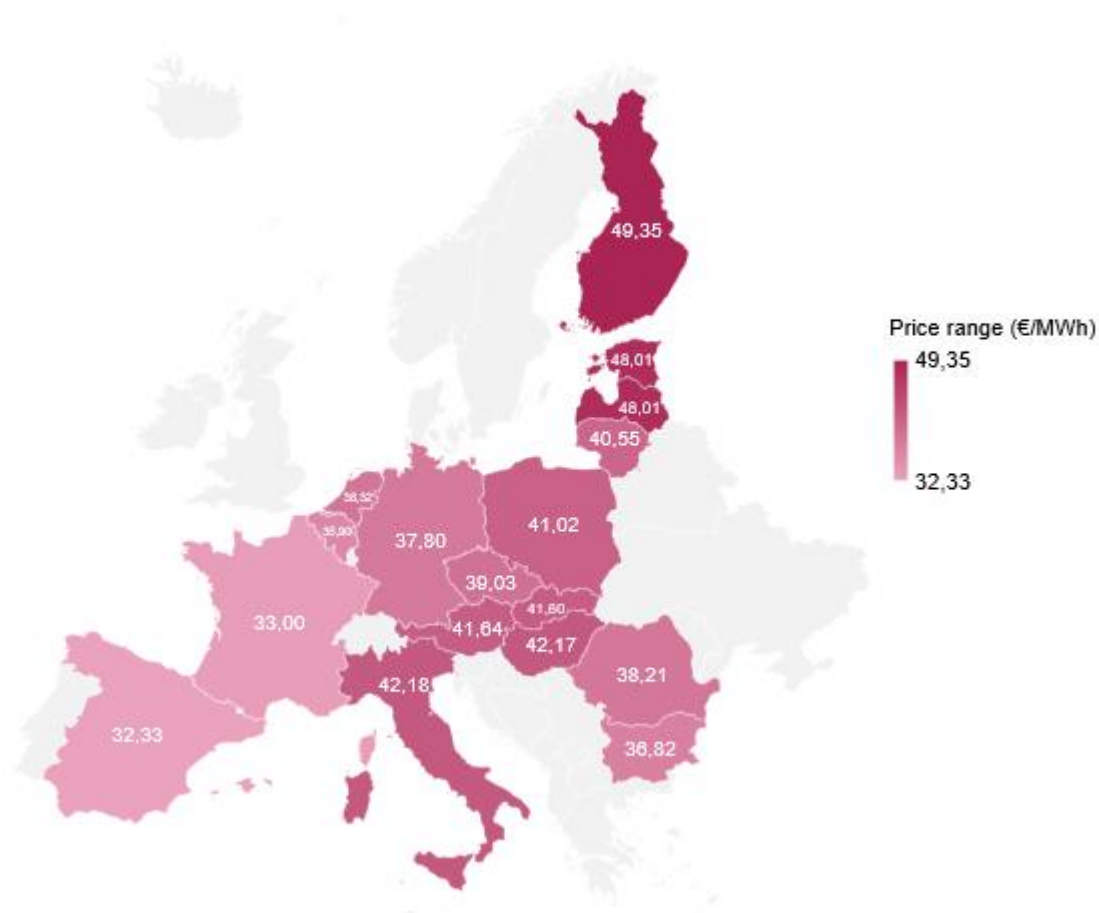
## EXPERT OPINION:

- » In May volatility moderated further.
- » Since January prices have been pressured by mild weather, low demand & high LNG inflow.
- » At the start of April colder weather and the continuation of LNG terminal strikes slightly bolstered prices.
- » No price swings can be observed since the end of the heating season.

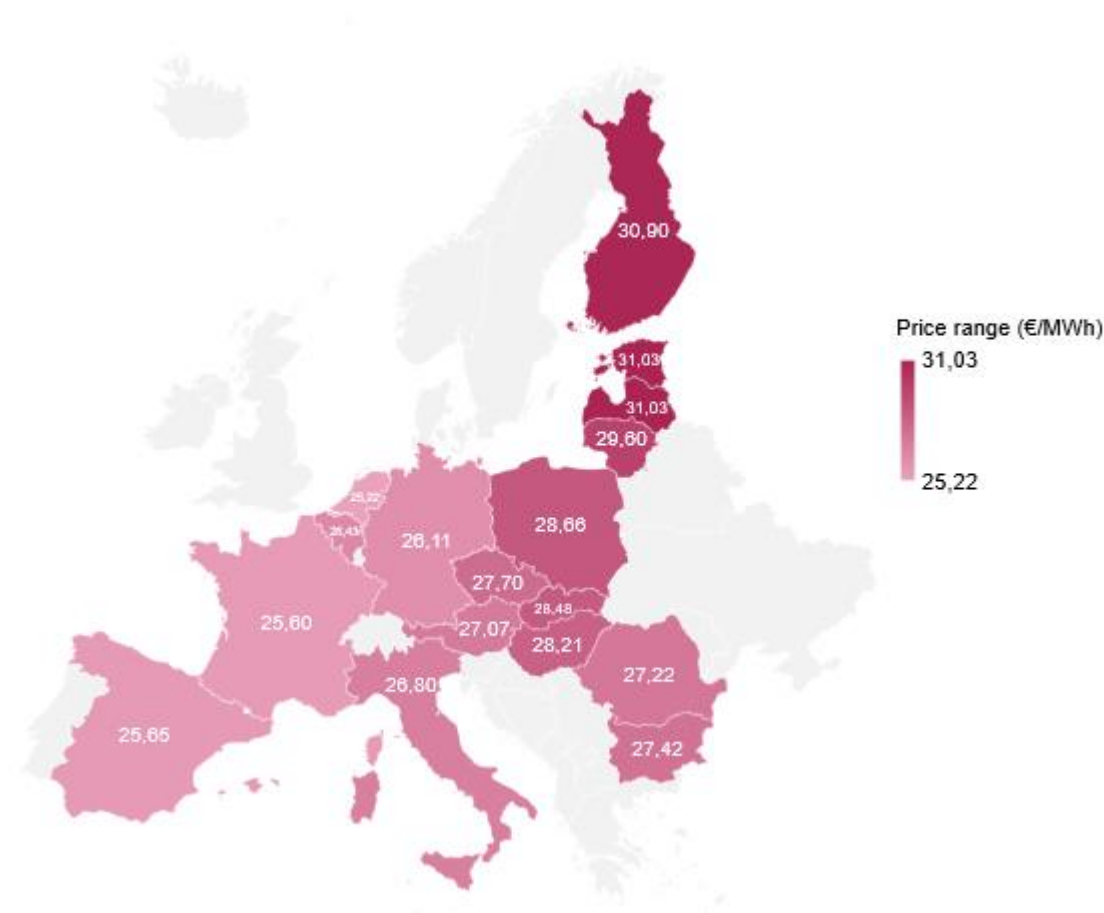


# NATURAL GAS PRICES SNAPSHOT

02/05/2023



31/05/2023



# LNG BENCHMARKS VS MCM

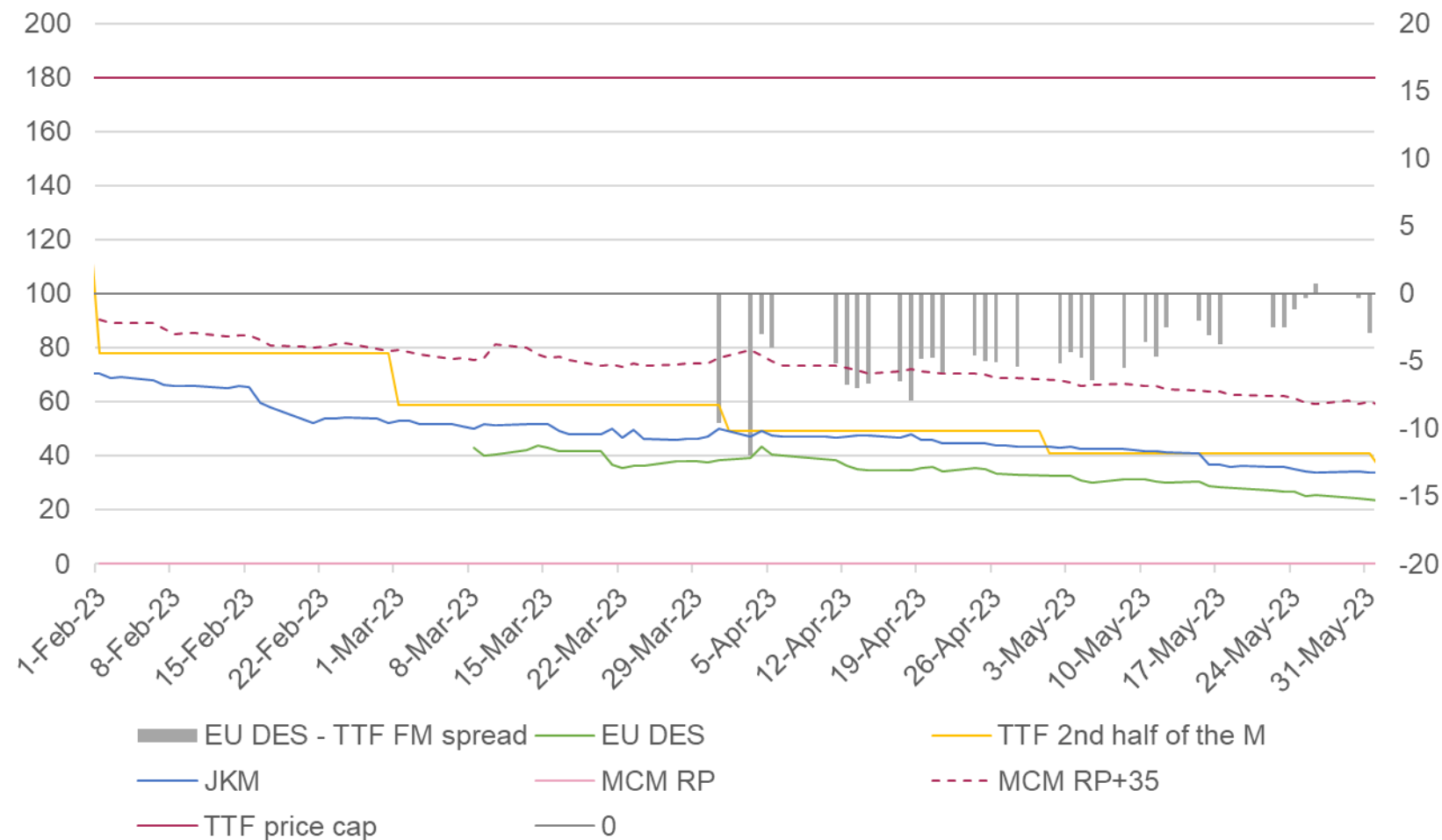
## EXPERT OPINION:

» ACER started publishing a set of new benchmarks in 2023:

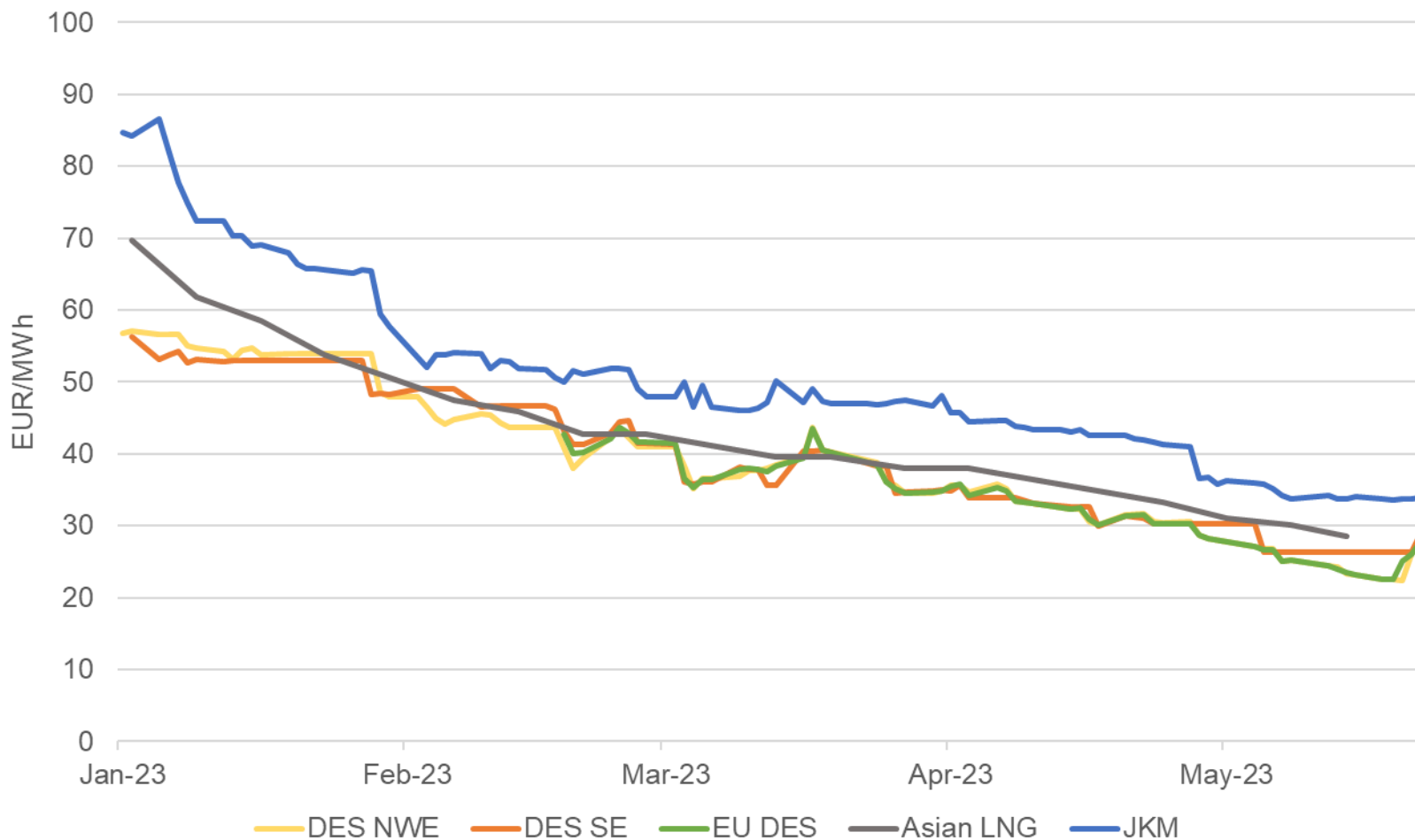
- EU DES = LNG price benchmark for EU (NWE & SE) based on data reported by market participants
- MCM RP = benchmark price based on EU DES, JKM, HH. This is the first basis of the „price cap” activation.
- EU DES – TTF FM spread = This is the second basis of the „price cap” activation.

» The EU’s LNG benchmark had further decreased together with Asian and TTF FM prices. No sign of rebound in Asian spot LNG demand so far.

» The spread between TTF FM and EU DES have further narrowed.



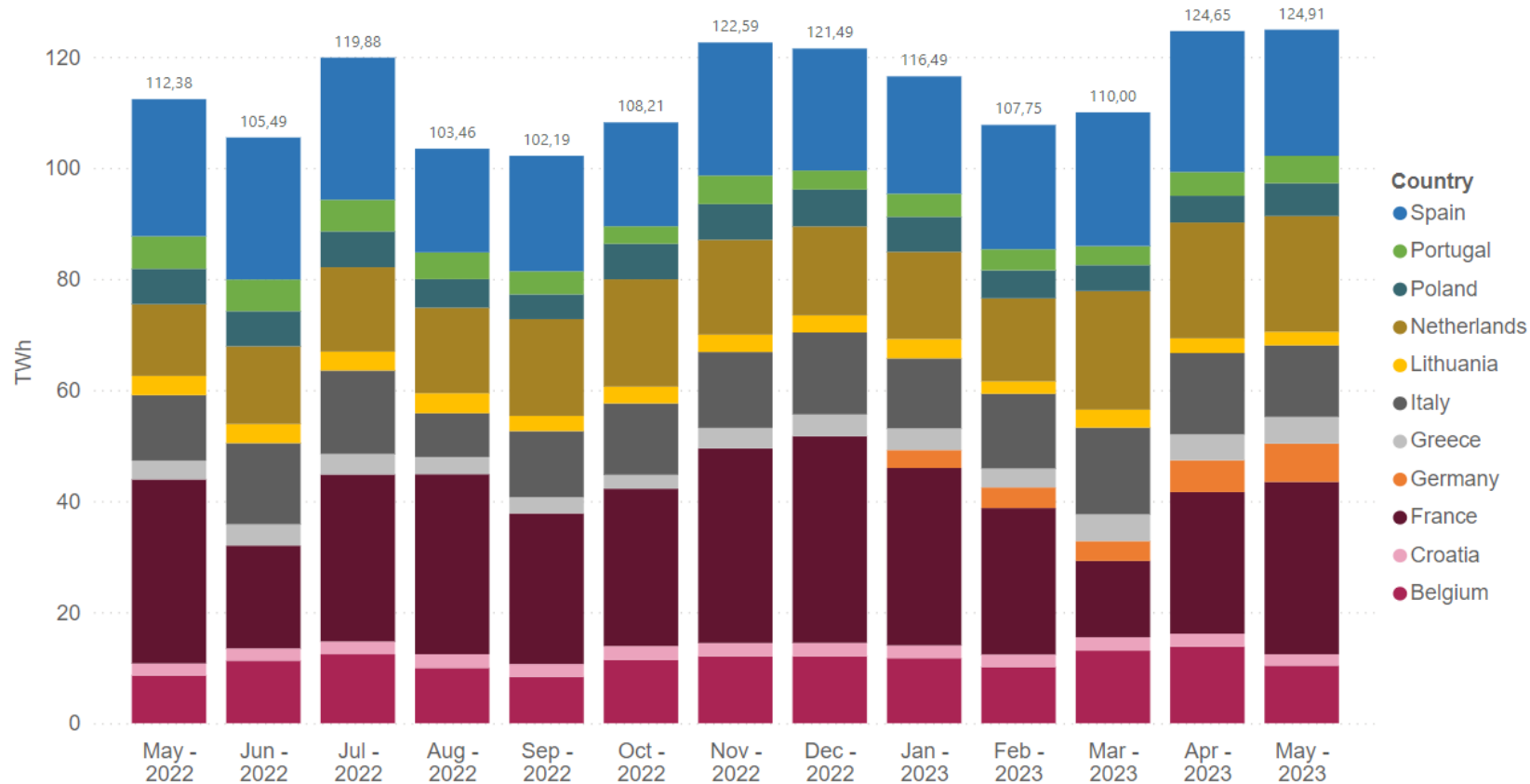
# ASIAN LNG PRICES



## EXPERT OPINION:

- » Asian and European spot LNG prices are close to their lowest levels in the last two years due to the low demand in Europe and lack of LNG buying appetite from Asia.
- » LNG demand in Japan, one of the top overall buyers of US LNG, remained weak in May.
- » In South Korea, the largest overall importer of US LNG expected to remain sluggish amid weak demand and higher nuclear power generation.
- » Experts expect that the low prices can boost the buying interest in Asia at the next few months.

# LNG SEND-OUTS BY EUROPEAN COUNTRIES\*



## EXPERT OPINION:

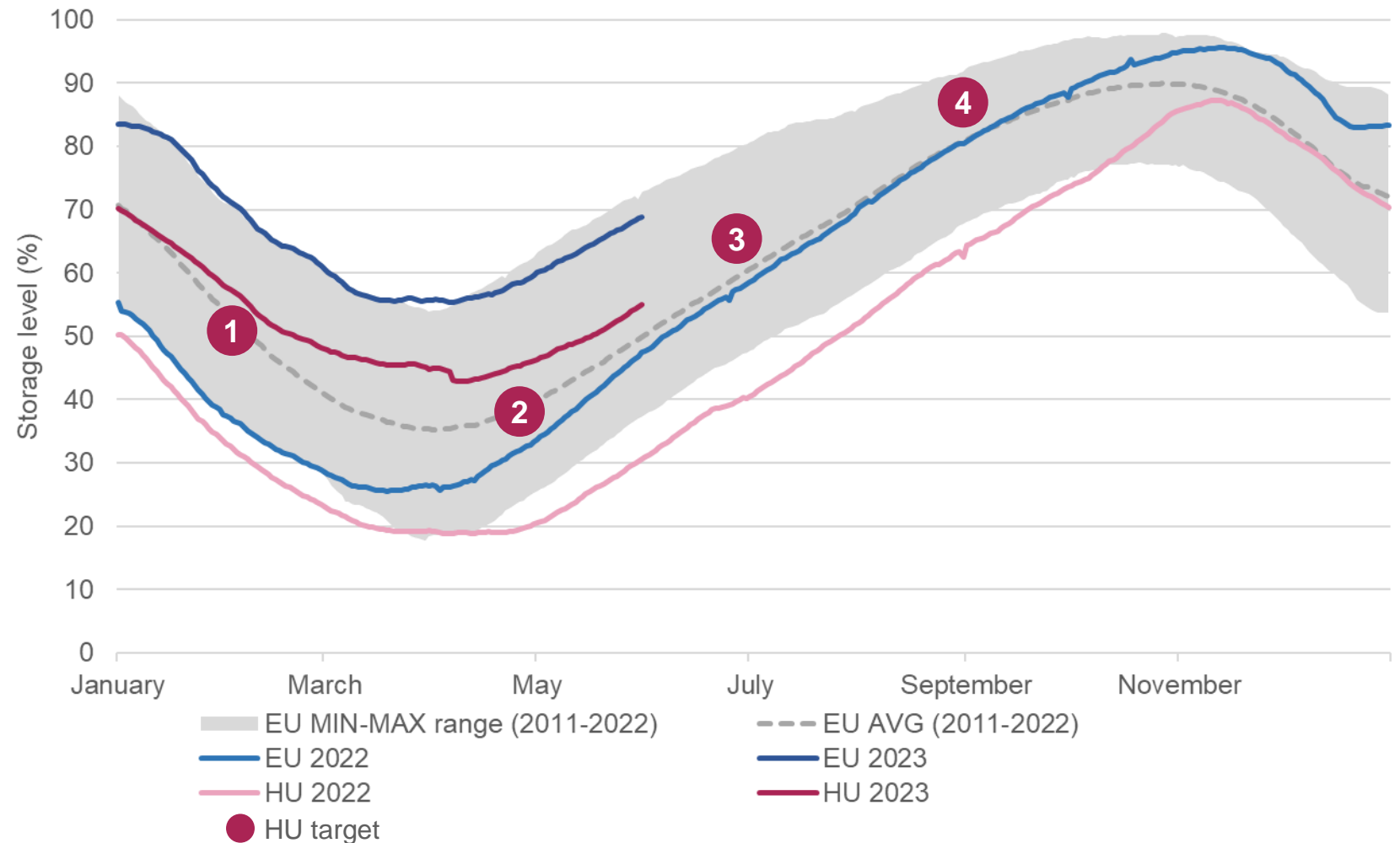
- » This year, LNG send-outs were at a record high, with European countries reaching a combined total of 124 TWh in April and May.
- » French, German and Portuguese demand increased significantly.
- » The Finland's Inkoo FSRU data is not available at the ALSI webpage, but the daily Physical Flow can be reached at ENTSO-g, so the LNG flow from January to June is 3,69 TWh.

- Excluding UK, Finland (data not available)

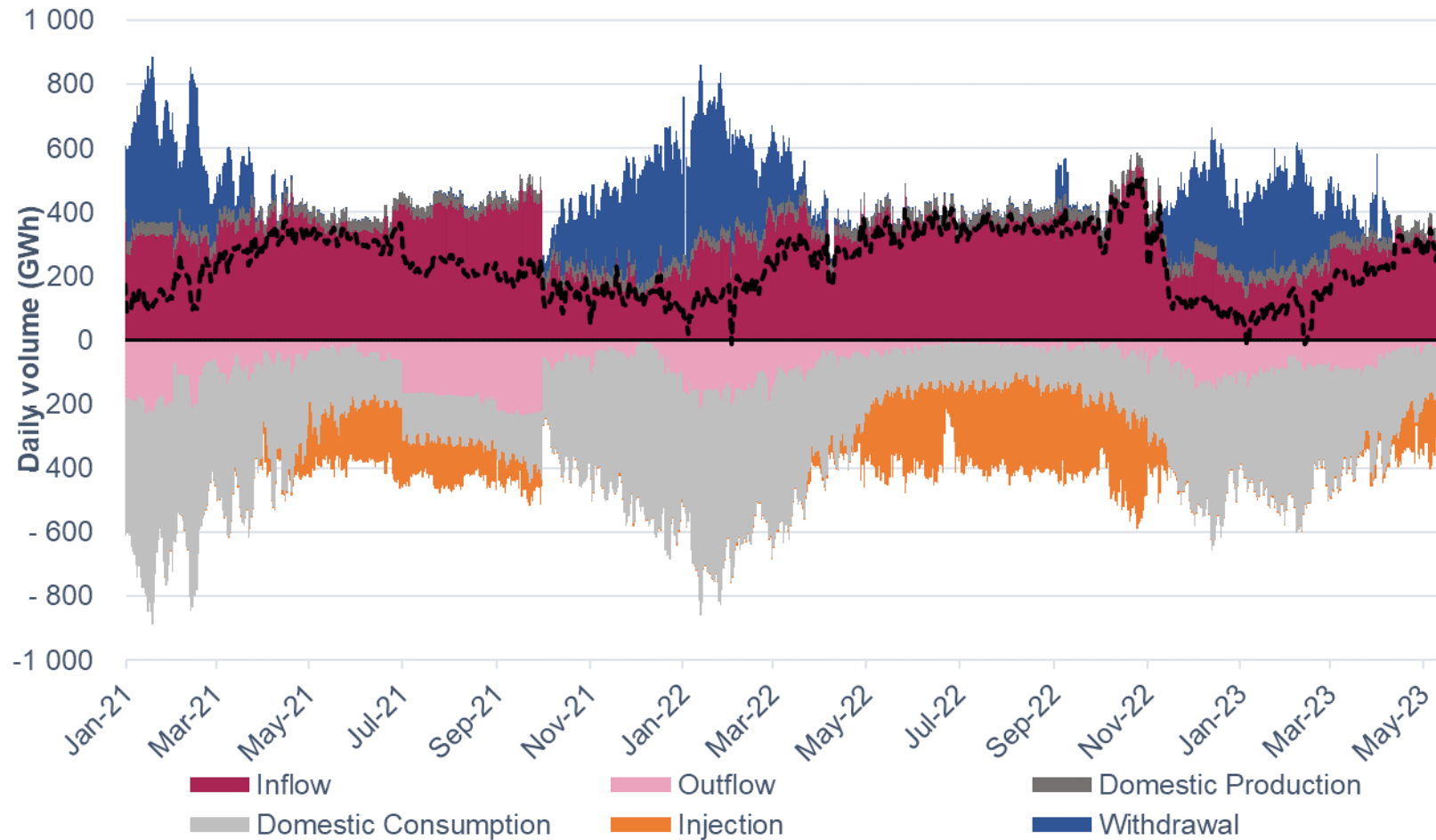
# GAS STORAGE LEVEL IN EU AND HU

## EXPERT OPINION:

- » European injections started already before 1 April but continued at a lower pace than one year ago.
- » As a result, aggregated EU storage levels went under the maximum values of 2011-2022 for the first time this year.
- » EU storages were at 69% on 31 May.
- » Hungary was on 55% on the same day significantly surpassing the May 1 target level.
- » **HU intermediate targets:**
  1. Feb 1: 51%
  2. May 1: 37%
  3. Jul 1: 65%
  4. Sept 1: 86%
- » **EU final target by Nov: 90%**
- » Data until May 31.



# HUNGARIAN GAS MARKET BALANCE



## EXPERT OPINION:

- » Gas consumption continued to wane away in May and remained lower YoY despite slightly colder weather in recent weeks.
- » Injections remained stable in May despite the fact that the target levels were surpassed.
- » Imports increased mostly due to higher flows from AT and RO.
- » Exports dropped, which suggests that most of the imported volumes were injected to storage.