

RISK MANAGEMENT IN POST-UKRAINE UNCERTAINTY

European Natural Gas

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THE CENTRAL AND EASTERN EUROPEAN REGION IS QUICKLY BECOMING A SPECIAL ANIMAL OF THE GLOBAL ENERGY LANDSCAPE

The last Mohicans of Russian gas: This region is the last one in Europe still significantly relying on Russian gas with Turkstream being the last major Russian pipeline in use

Full of landlocked countries: the European “LNG-fication” has limited effect in several land locked countries of the region. Special exceptions on sanctions will expectedly hold longer.

The nature of uncertainty: is this a temporary state? How long will it take? What is coming next?





WHILE THE OVERALL EUROPEAN INDUSTRY NEEDS TO START TO ACTIVELY RISK MANAGE ITS ENERGY COSTS

Shift in bargaining power: latest in 2022, it turned out unambiguously that the European industry is extremely exposed in energy

Left alone: ever since, some European industries were practically priced out from global competition and still severely exposed to European price fluctuation

Crying time: yet, potential solutions are targeting mostly certain bail out mechanisms and supporting aids

Go global: however, recent developments of global trade wars indicate that the actual solution can not be only on European level



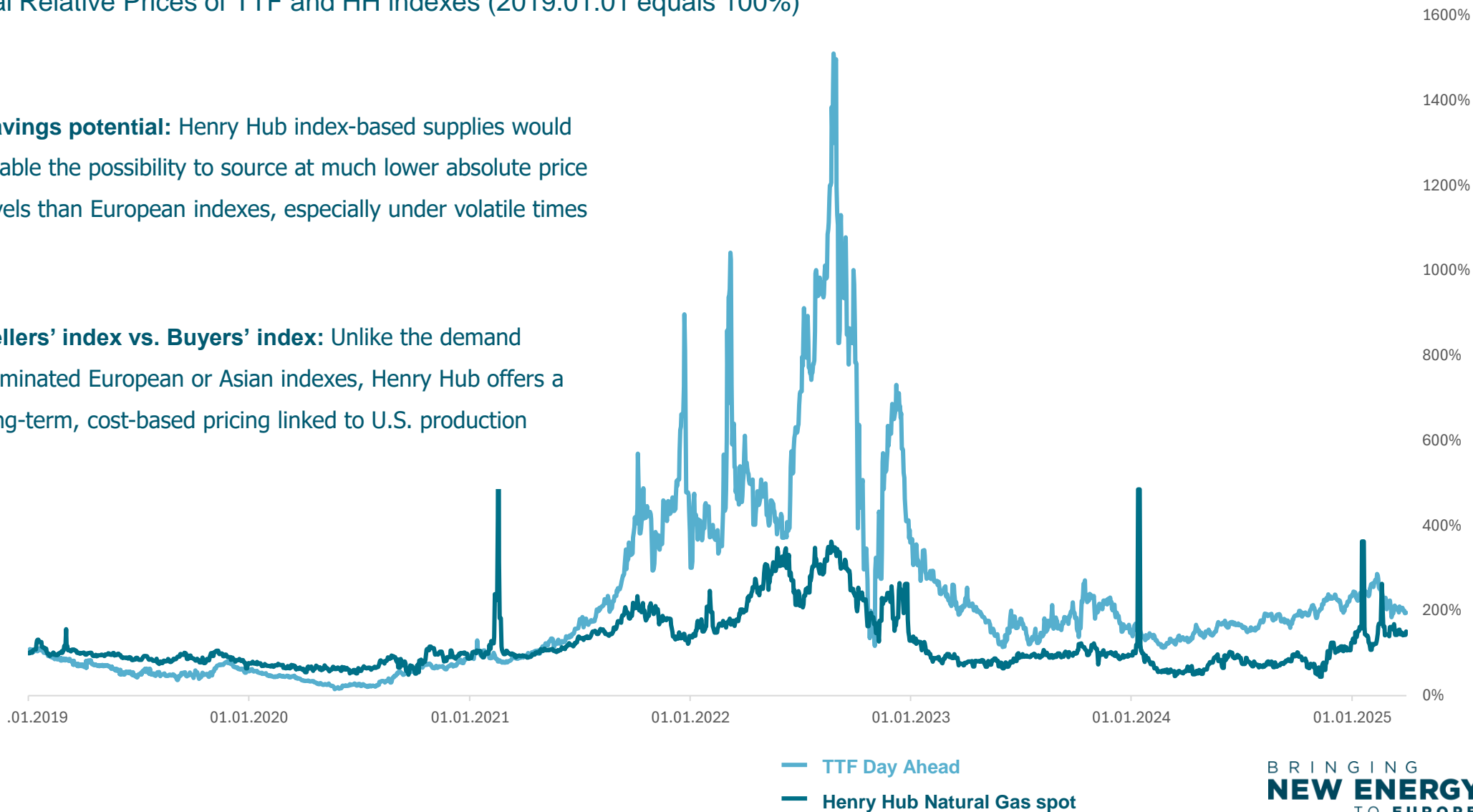


IT IS TIME TO CONSIDER PARTIAL HENRY HUB INDEXATION IN EUROPEAN INDUSTRIAL SOURCING PORTFOLIOS

Historical Relative Prices of TTF and HH indexes (2019.01.01 equals 100%)

Savings potential: Henry Hub index-based supplies would enable the possibility to source at much lower absolute price levels than European indexes, especially under volatile times

Sellers' index vs. Buyers' index: Unlike the demand dominated European or Asian indexes, Henry Hub offers a long-term, cost-based pricing linked to U.S. production



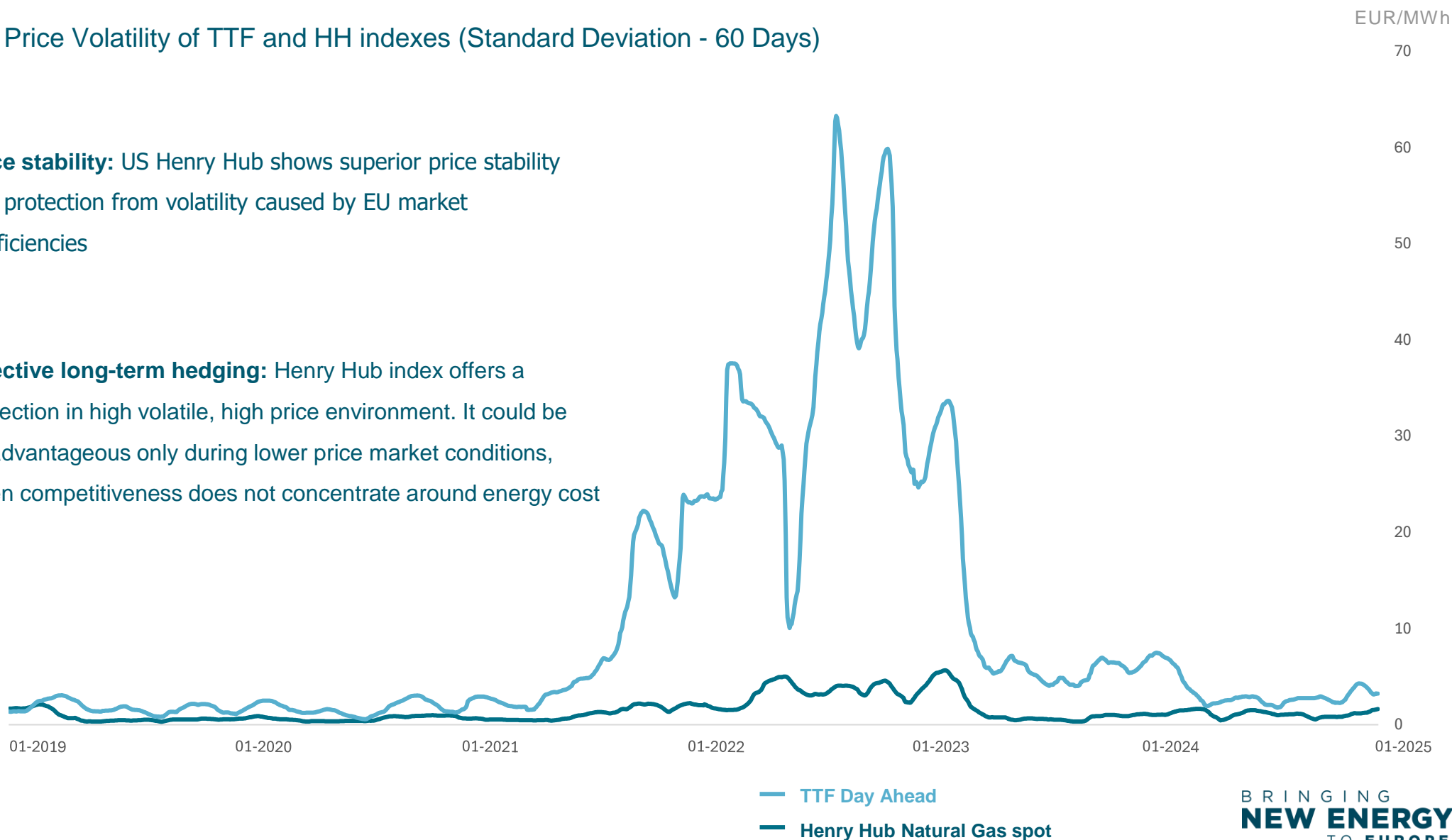


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Historical Price Volatility of TTF and HH indexes (Standard Deviation - 60 Days)

Price stability: US Henry Hub shows superior price stability and protection from volatility caused by EU market inefficiencies

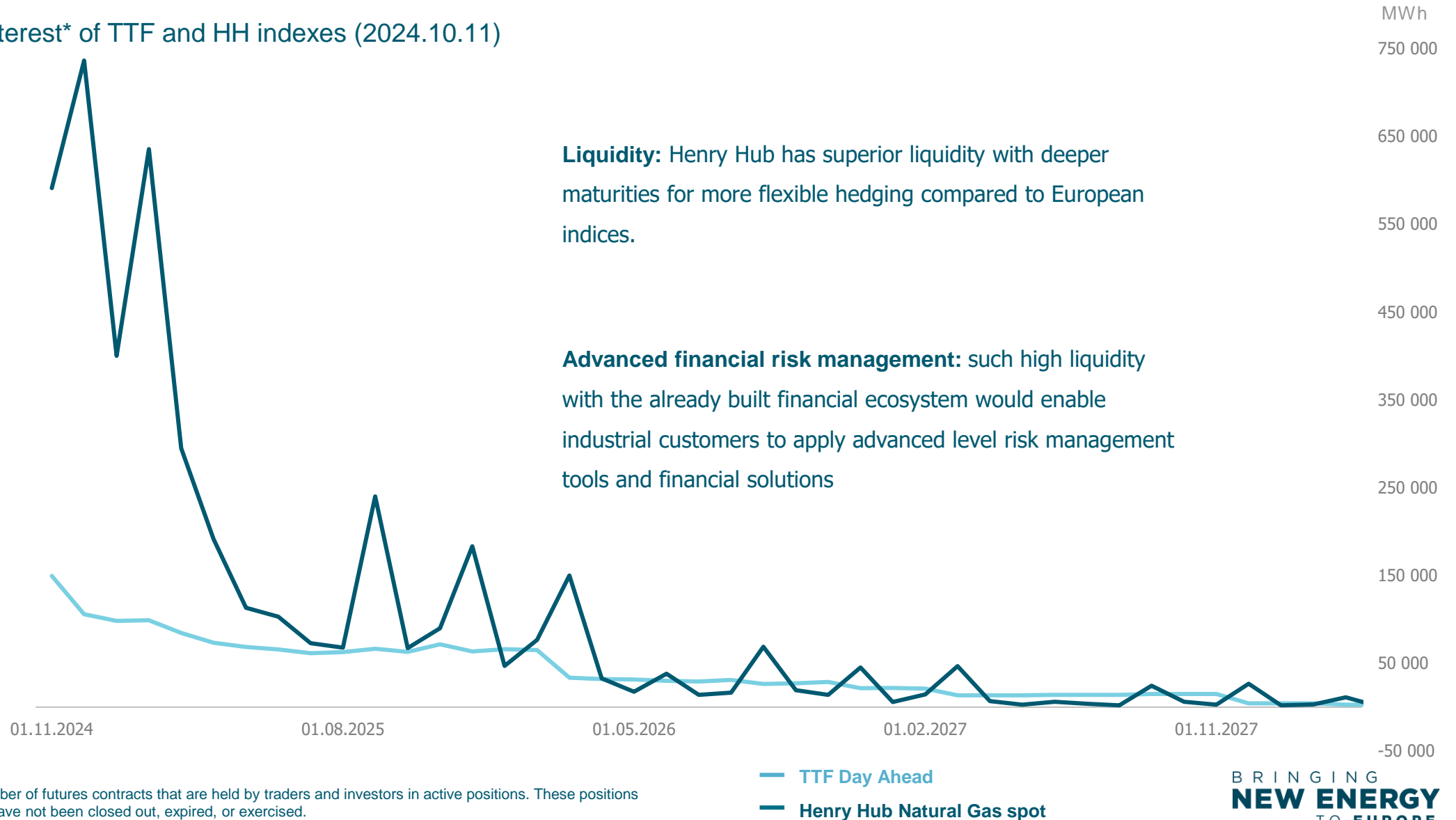
Effective long-term hedging: Henry Hub index offers a protection in high volatile, high price environment. It could be disadvantageous only during lower price market conditions, when competitiveness does not concentrate around energy cost





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Open Interest* of TTF and HH indexes (2024.10.11)



*Open interest is the number of futures contracts that are held by traders and investors in active positions. These positions have been opened, but have not been closed out, expired, or exercised.

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