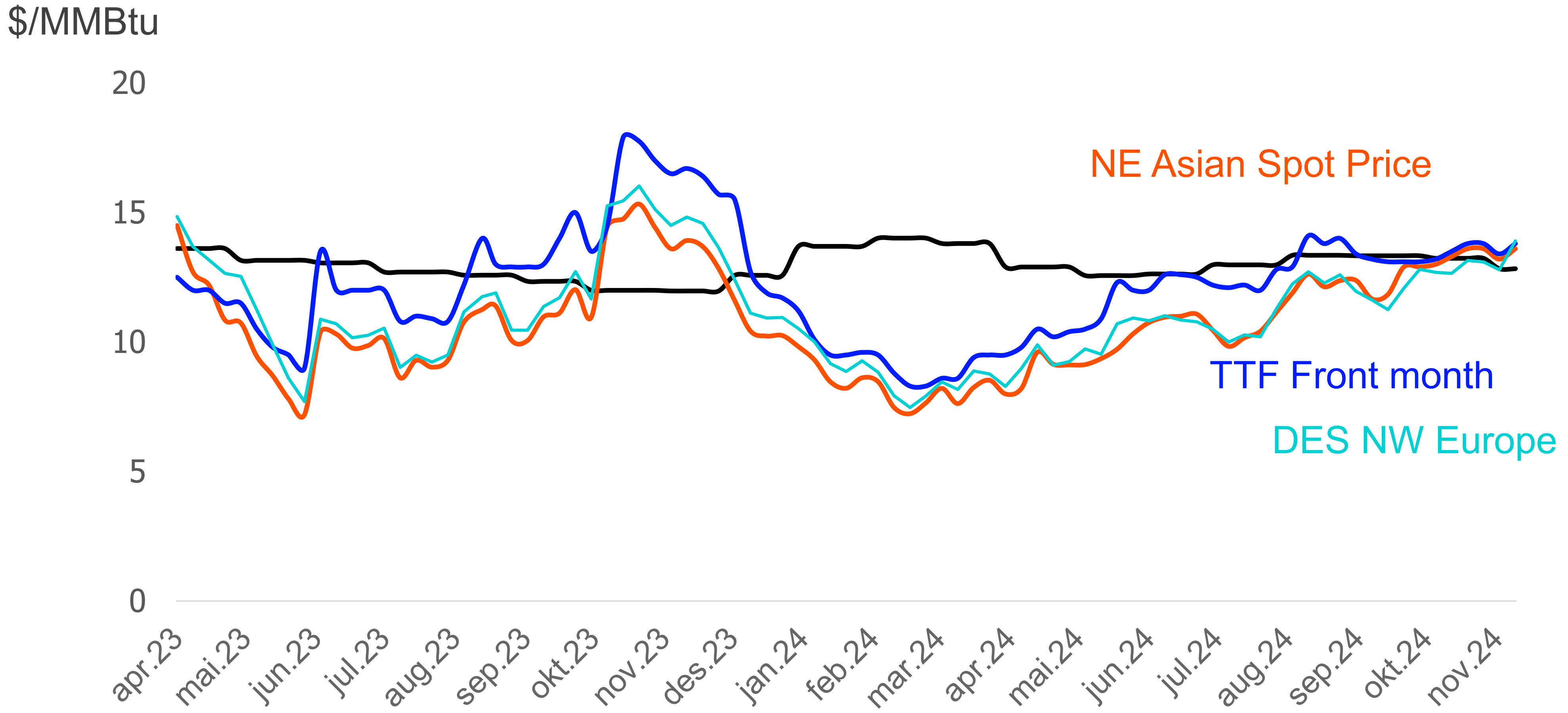
LNG Winter Outlook 2024/2025

Are we back to normal yet?

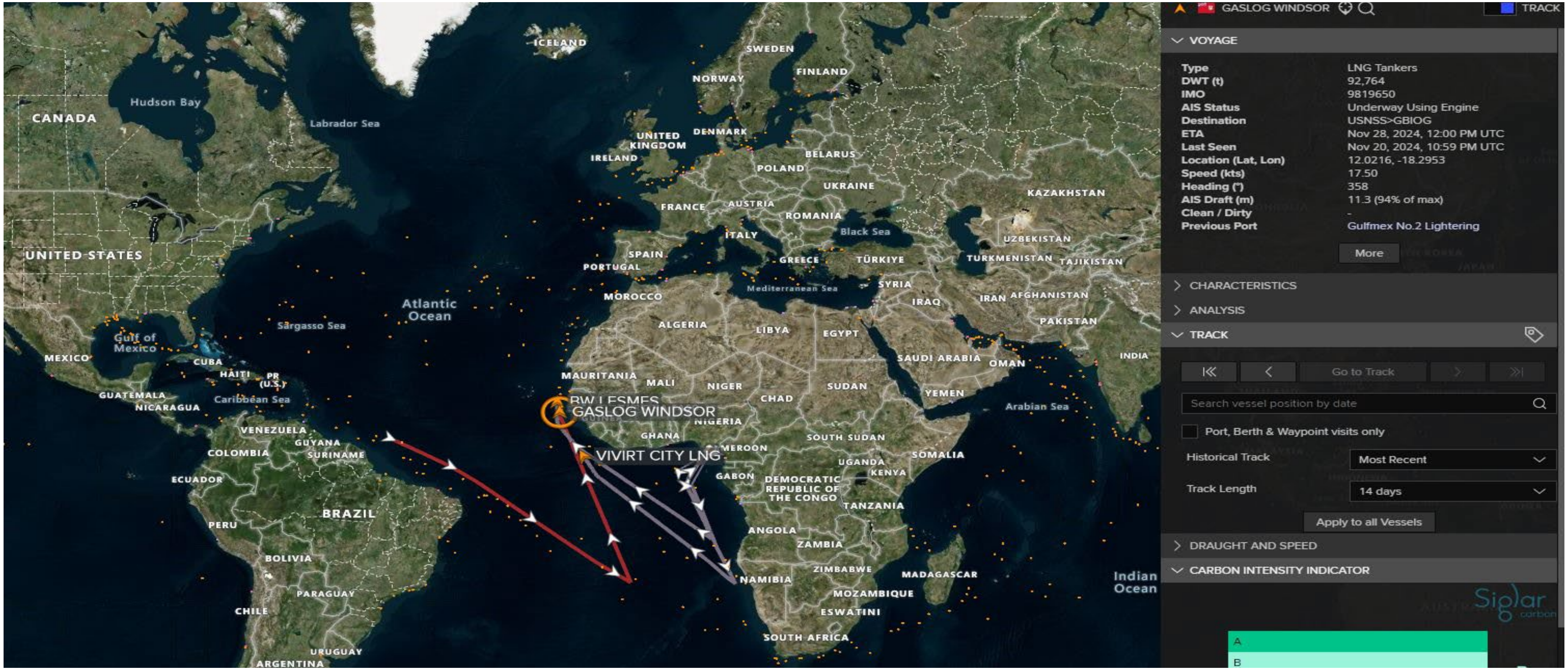
LSEG DATA & ANALYTICS

GLOBAL GAS/LNG PRICES



Source: Reuters News, ICE, ACER, LSEG Workspace

LNG CARGOES HEADING TO ASIA DIVERTED TOWARDS NW EUROPE



Source: LSEG Workspace

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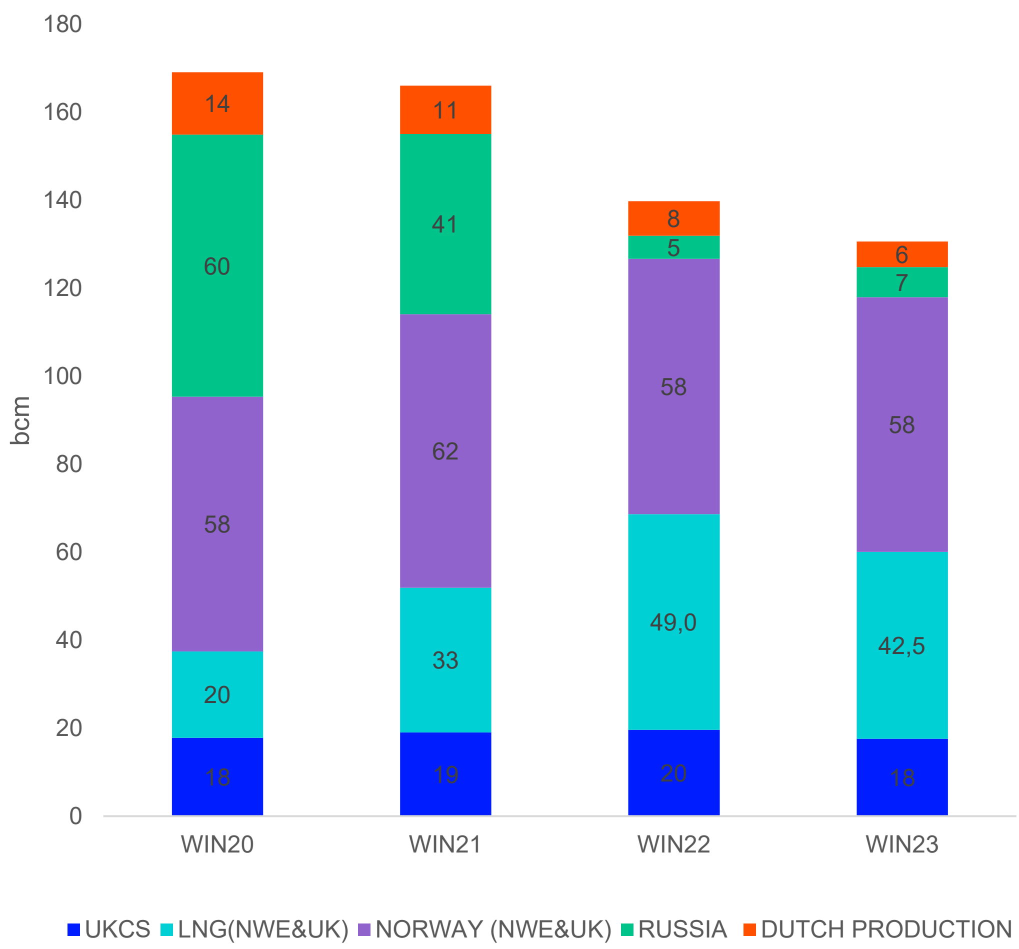
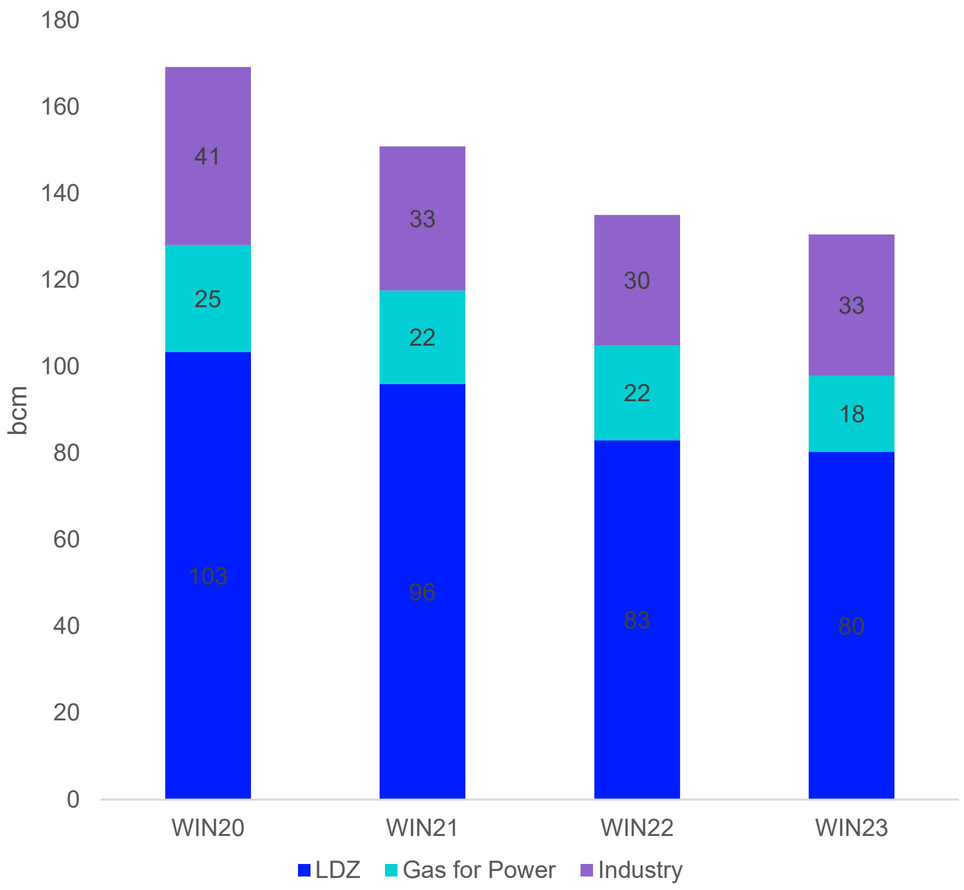
HISTORICAL BASELOAD DEMAND & SUPPLY NWE & UK





Source: LSEG Workspace

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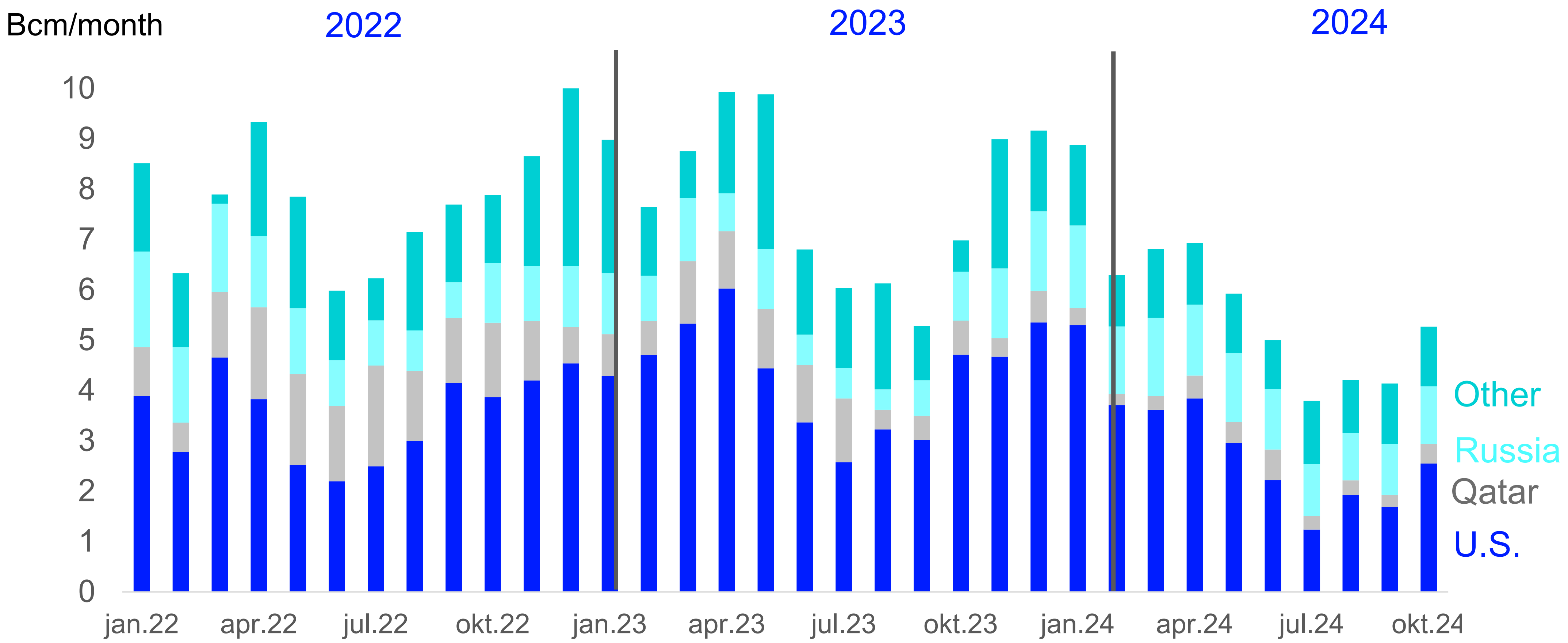
NW EUROPE – SLOW DOWN IN LNG CARGO ARRIVALS *

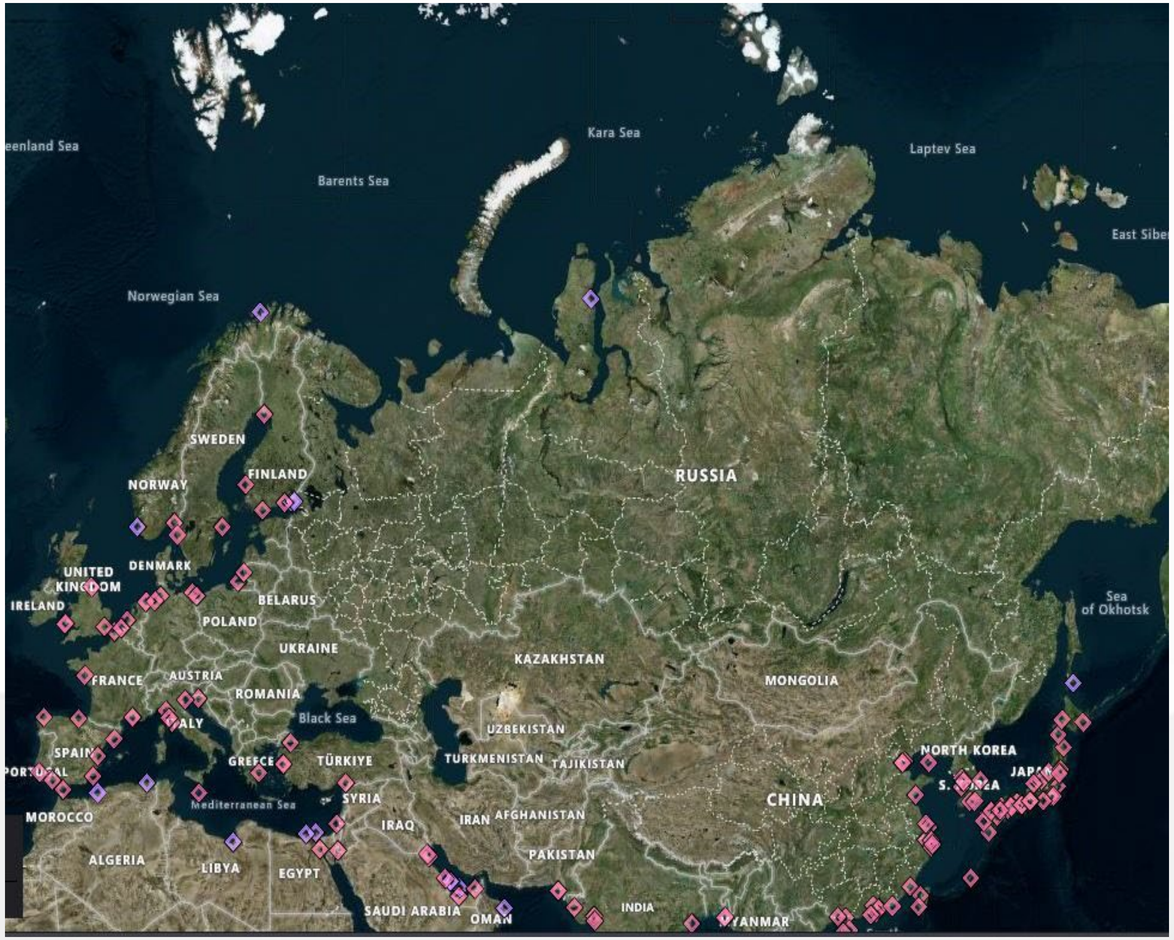


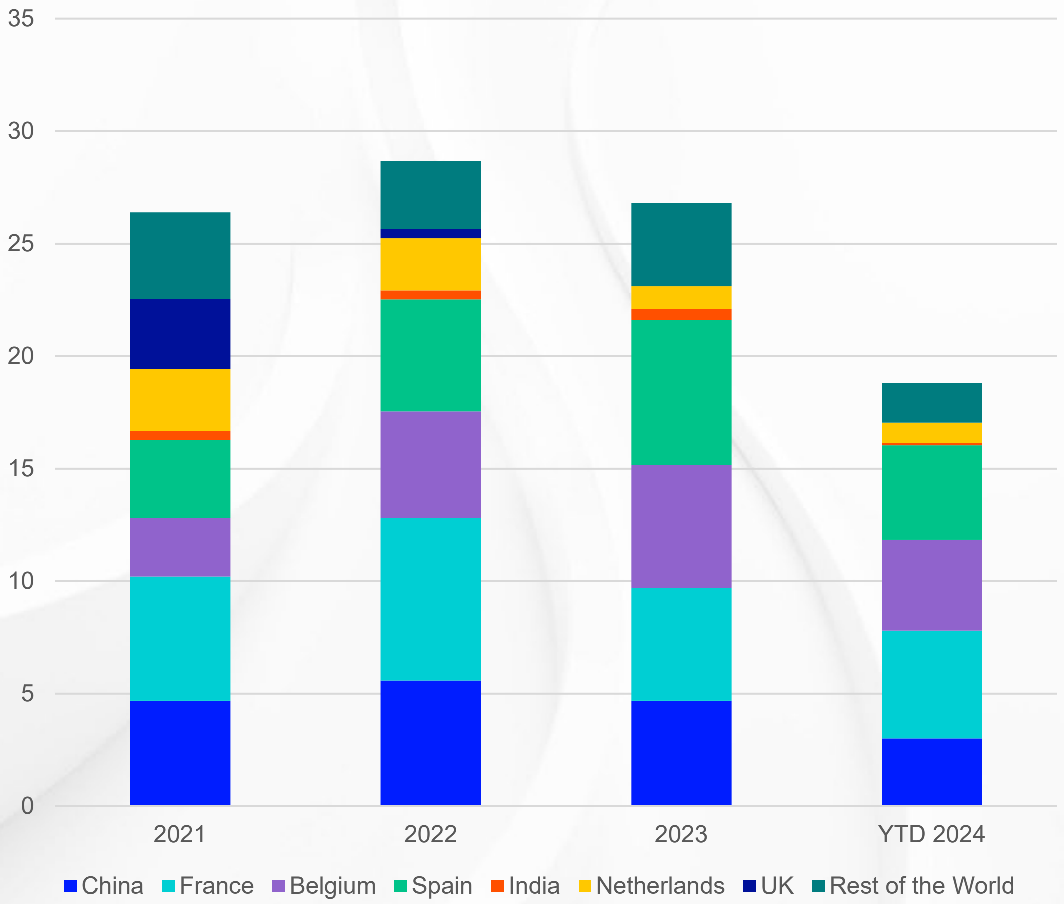
Source: LSEG Workspace, LNG Flows Data

* Gross imports

RUSSIAN LNG EXPORTS INTO EUROPE REMAIN STEADY

In 2024 YTD, Europe has accounted for 75% of exports from Yamal and Portovaya combined





Source: LSEG Workspace

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THE SAGA ON SANCTIONS ON RUSSIAN LNG

Autumn 2023: U.S. sanctions on Arctic LNG 2 and two ships designed to serve as transhipment terminals/vessels for cargoes from the project -> led to multiple FM declarations

Early April: Amendment of EU Gas Market Rules: The European Parliament voted to pass rules allowing European governments to preventing Russian firms from booking gas infrastructure capacity -> the ruling does not prevent Russian companies to utilise capacity already booked (Zeebrugge) – adopted 21 May

Late June : Proposal for 14th sanction package: EC impose restrictions to Russian LNG, including a ban on transhipments/re-exports starting March 2025 + sanctions on Arctic LNG 2, Ust Luga and Murmansk LNG

August : First cargo is lifted from Arctic LNG 2 onboard the Pioneer

Late August : US imposes further sanctions on “dark LNG “ fleet linked to the Arctic LNG 2 project

October : Arctic LNG 2 plant is shut again as the project remains unable to discharge any of the eight LNG cargoes loaded so far from the project

November : European Union President says the bloc might consider replacing Russian LNG with US LNG cargoes

Steps on the way: REPowerEU initiative in March 2022 is aiming to phase out all Russian fossil fuel imports by 2027

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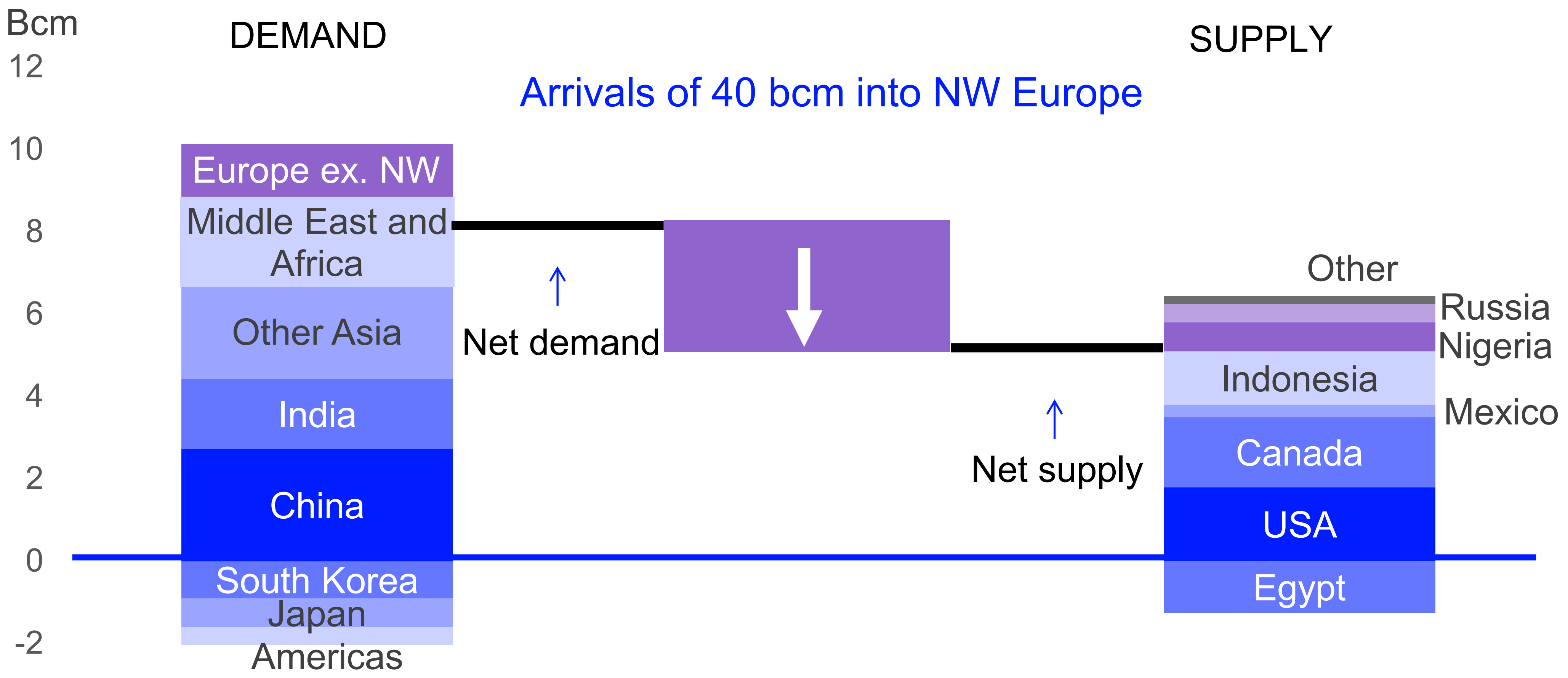
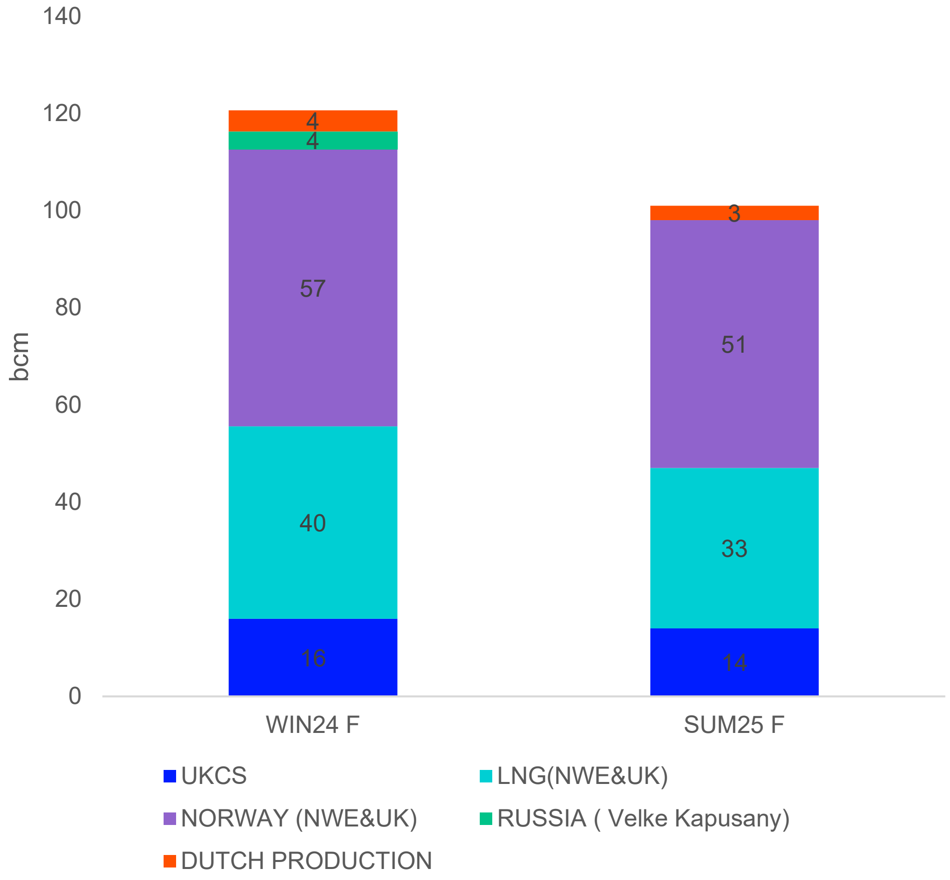
CHANGE IN GLOBAL LNG MARKET BALANCE COMPARED TO LAST WINTER

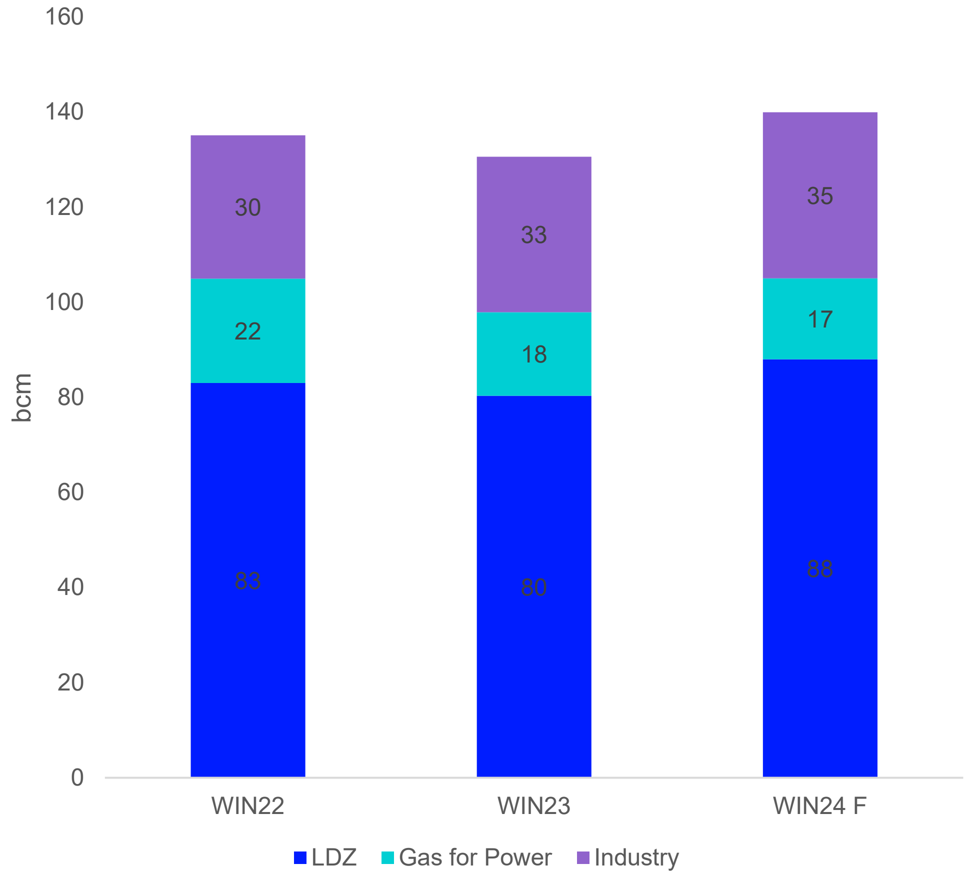
Expected decrease in arrivals to NW Europe of 2 bcm this winter



Source: LSEG Workspace

WIN24/SUM25: RISING DEMAND, DIP IN LNG & HALT OF RUSSIAN SUPPLY

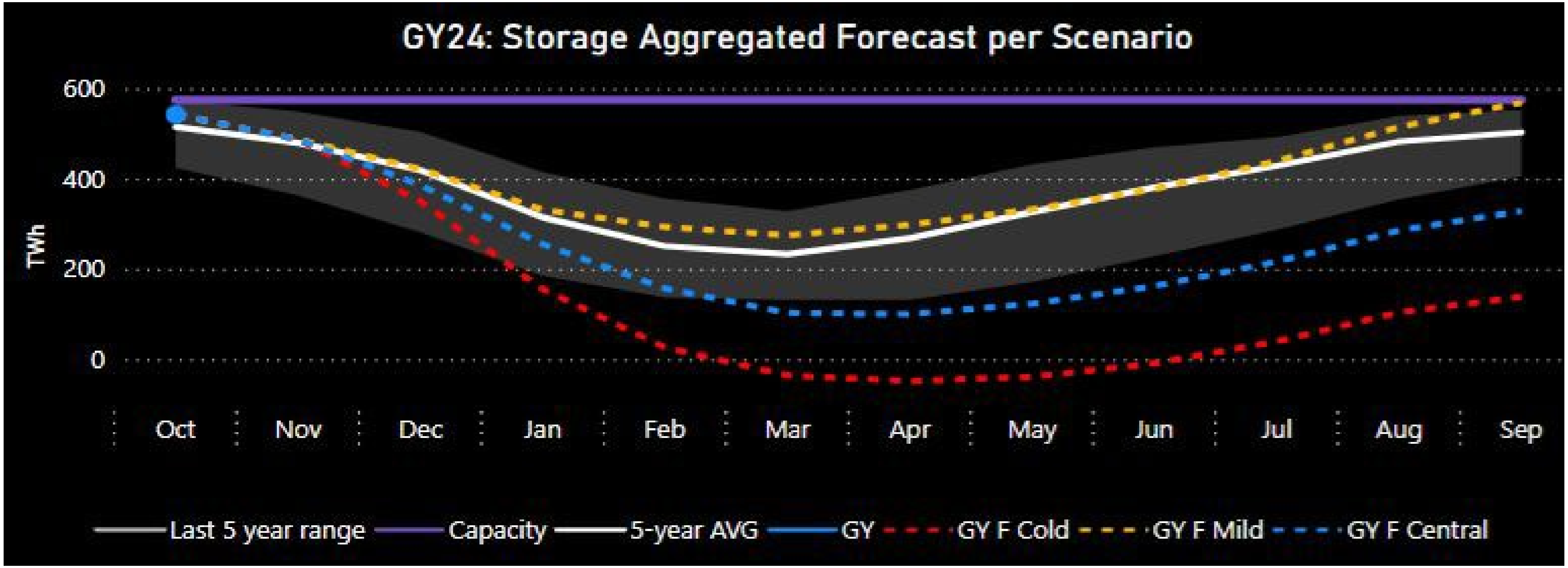




Source: LSEG Workspace

STORAGES FOR GY24: BULLISH RISK REMAINS WITHOUT RUSSIAN GAS

Storages are projected to be completely depleted in a cold scenario



Source: LSEG Workspace

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And – beyond this winter: up to and including Q3 2025

- Market balance expected to remain tight till the new supply wave hits in winter 2025/26
- Surge in competition for LNG cargoes should NW Europe come out of winter with significantly lower storages

SUPPLY:

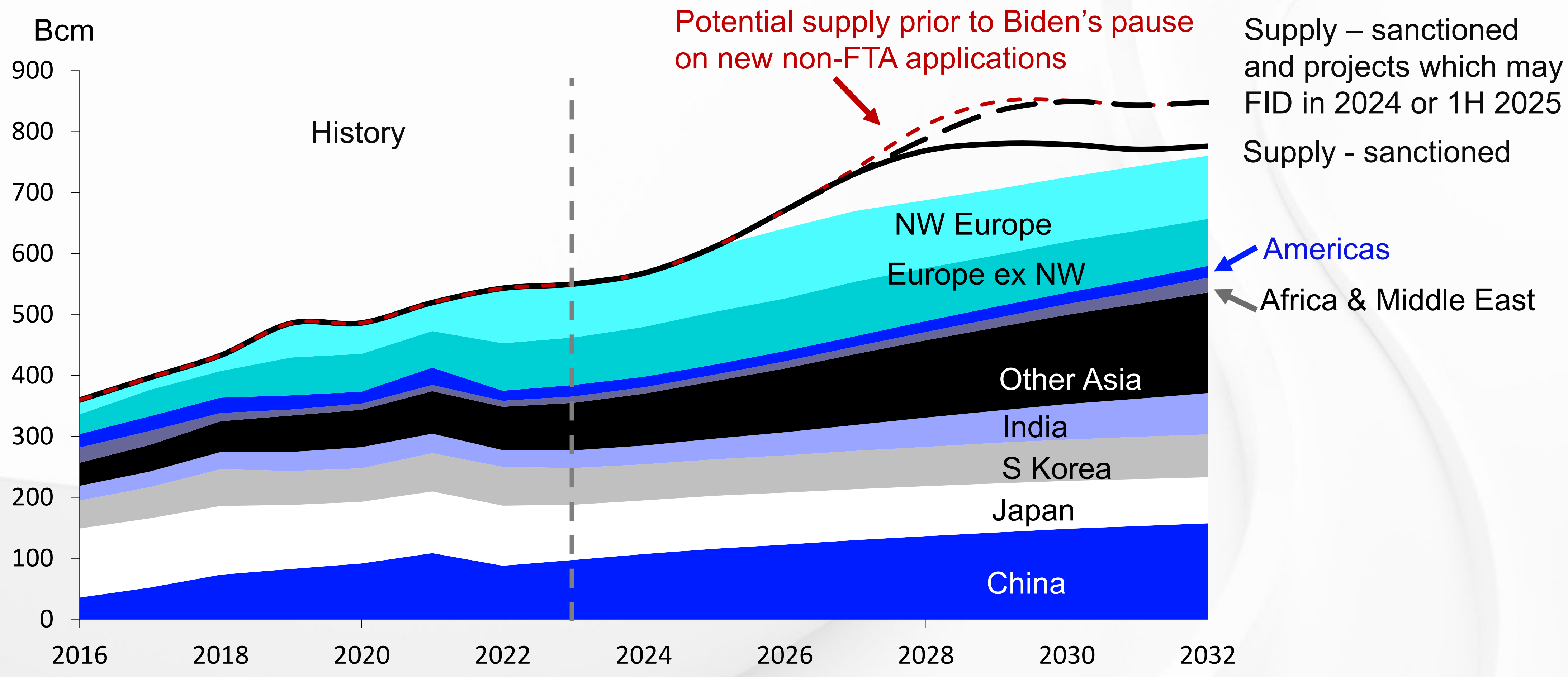
- Average growth rate expected to remain very moderate amid project delays
- Main contributors – US, Canada and Malaysia

DEMAND:

- China: modest LNG import growth
- Middle East- Growth driven by a further slump in Egypt’s domestic gas output
- Japan : further dip in imports as more nuclear reactors are coming online
- Other Asia: continued healthy growth in LNG demand

Global LNG Market Balance to 2032

LNG imports by region vs global supply – sanctioned supply and projects which may FID in 2025*



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* On 26 Jan, The Biden Administration decides to pause all new non-FTA applications. Assume 1 year delay to project start up.

Thanks

21/11/2024

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