



Geopolitical impacts on European Gas Markets

Montel German Energy Day

April 24th Düsseldorf 2024

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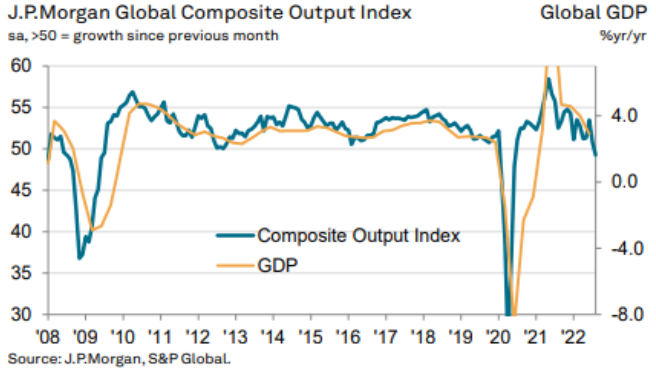
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LSEG DATA & ANALYTICS

2022 & Beyond (Montel Düsseldorf Sep 2022)



Conclusion

- Without Russian gas European market will remain extremely tight over the coming winter and into next summer. Flows through Ukraine (Velke Kapusany) are likely to stop in 2025.
- LNG is largely the main source of additional supply to help replace lost Russian volumes.
- Strong increase in regasification capacity in NWE should help bringing more LNG to the region but will not offset Russian supply fully.
- There is a need for demand disruption to balance European market this winter EU measures can impact. Gas price caps are not the key.
- Other notable risks are the return of China to the LNG spot market, French nuclear concerns, lower renewable generation, a beast from the east scenario, extended production outages in Europe and any disruption to US LNG exports. Further increase in Geopolitical uncertainty remains firmly on the table.

Recent headlines have highlighted a range of geopolitical concerns, a real departure from fundamentals.

GEOPOLITICAL RISKS LINGER ACROSS COMMODITY MARKETS

“The geopolitical issues might change the picture from one day to another, but fears are fading slightly about escalations with Iran or at least problems in Hormuz”

European natural gas spot contracts fell April 22 as jitters over geopolitical tensions began to cool off.

Prices for natural gas derivatives in Europe fell as market participants reevaluated risk premiums over the ongoing conflict in the Middle East

On the pricing impact of the ongoing conflict between Iran and Israel, the Germany-based trader pointed to “higher shipping costs” and “rising oil prices,”

Market participants attributed the dip in gas futures prices to the decline of the war risk premium around the conflict in the Middle East.

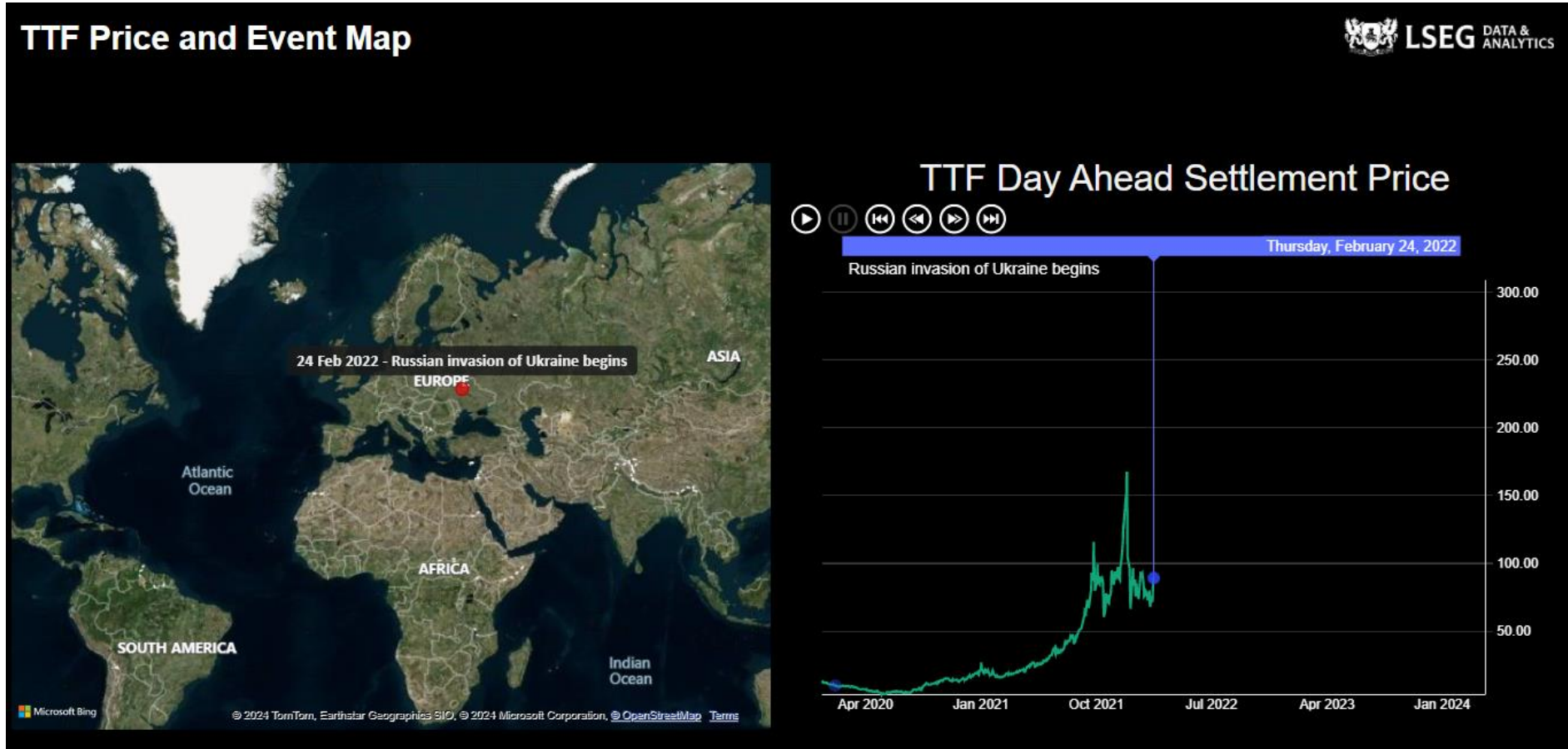
prices achieved during last week’s rally were hard to sustain for longer given the current level of demand for natural gas and agreed with the previous source on the easing of the risk premium related to the conflict.

Geopolitical risk is elevated and has not been higher in recent years, events in the Middle East and Ukraine are tinderboxes.

**EUROPEAN GAS PRICES FALL AS CONCERNS OVER
4 GEOPOLITICAL TENSIONS COOL**

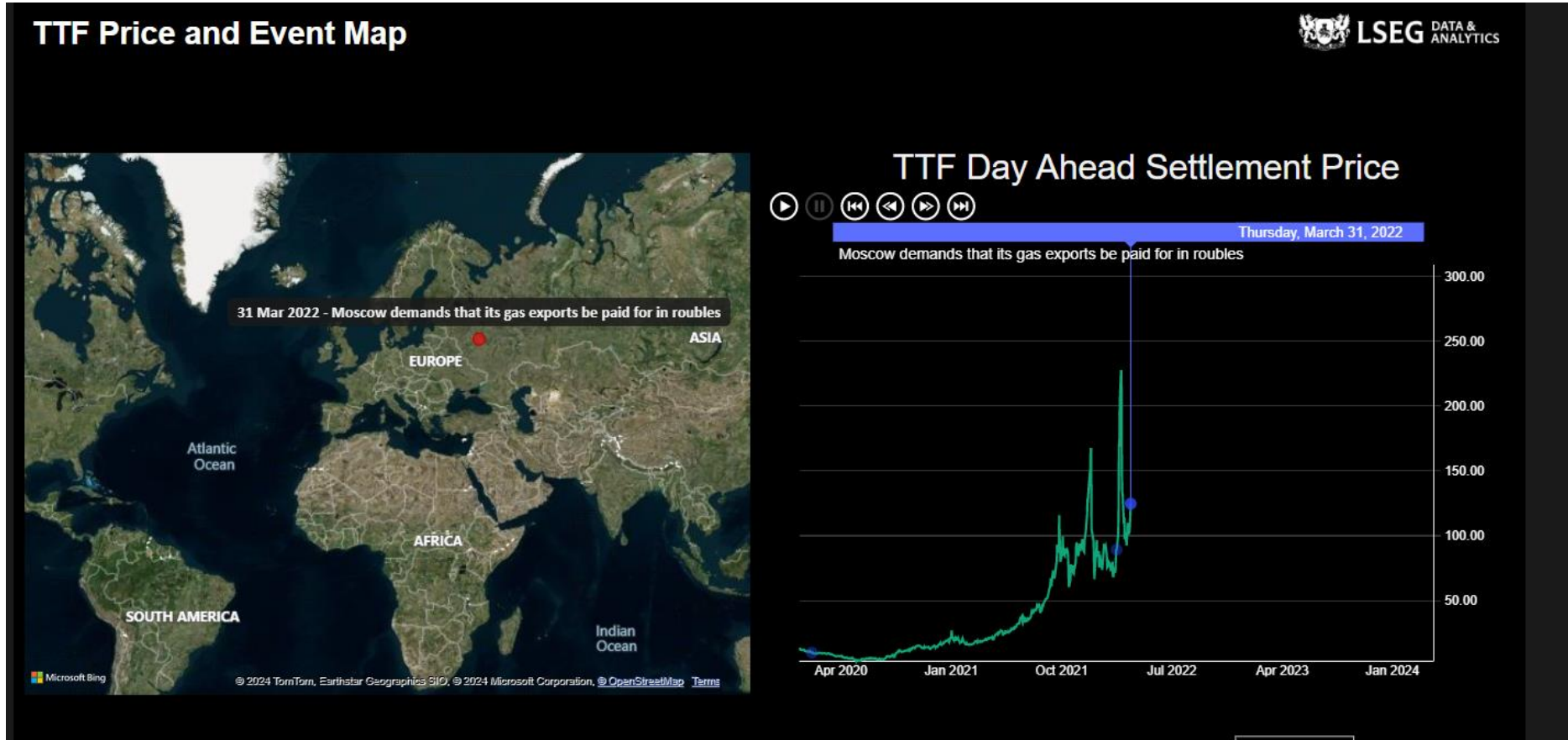
LSEG TTF price history and event map

This event lifted TTF DA by €29/MWh



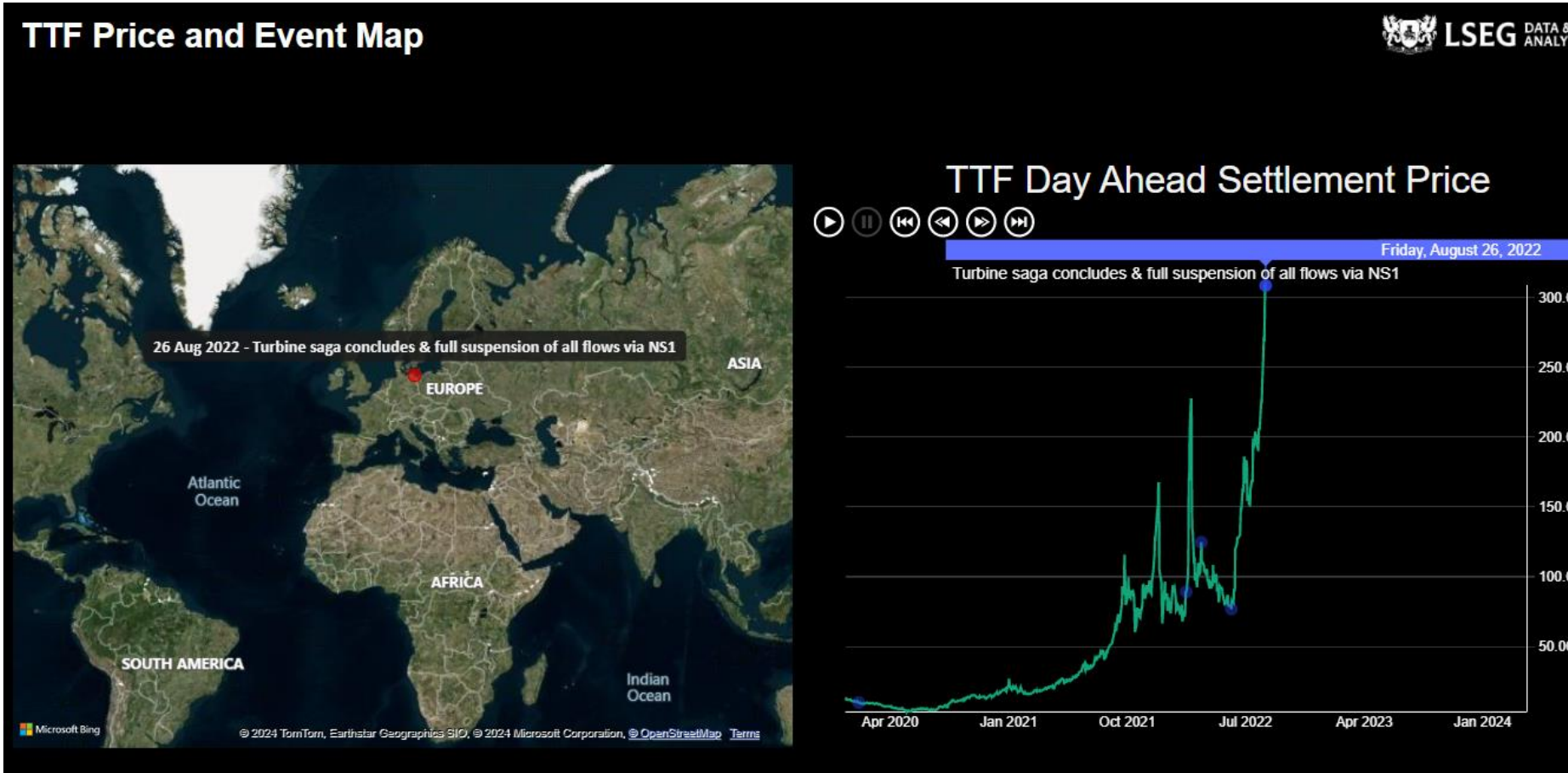
LSEG TTF price history and event map

This event lifted TTF DA by €17/MWh



LSEG TTF price history and event map

This event lifted TTF DA by €62MWh in three sessions



LSEG TTF price history and event map

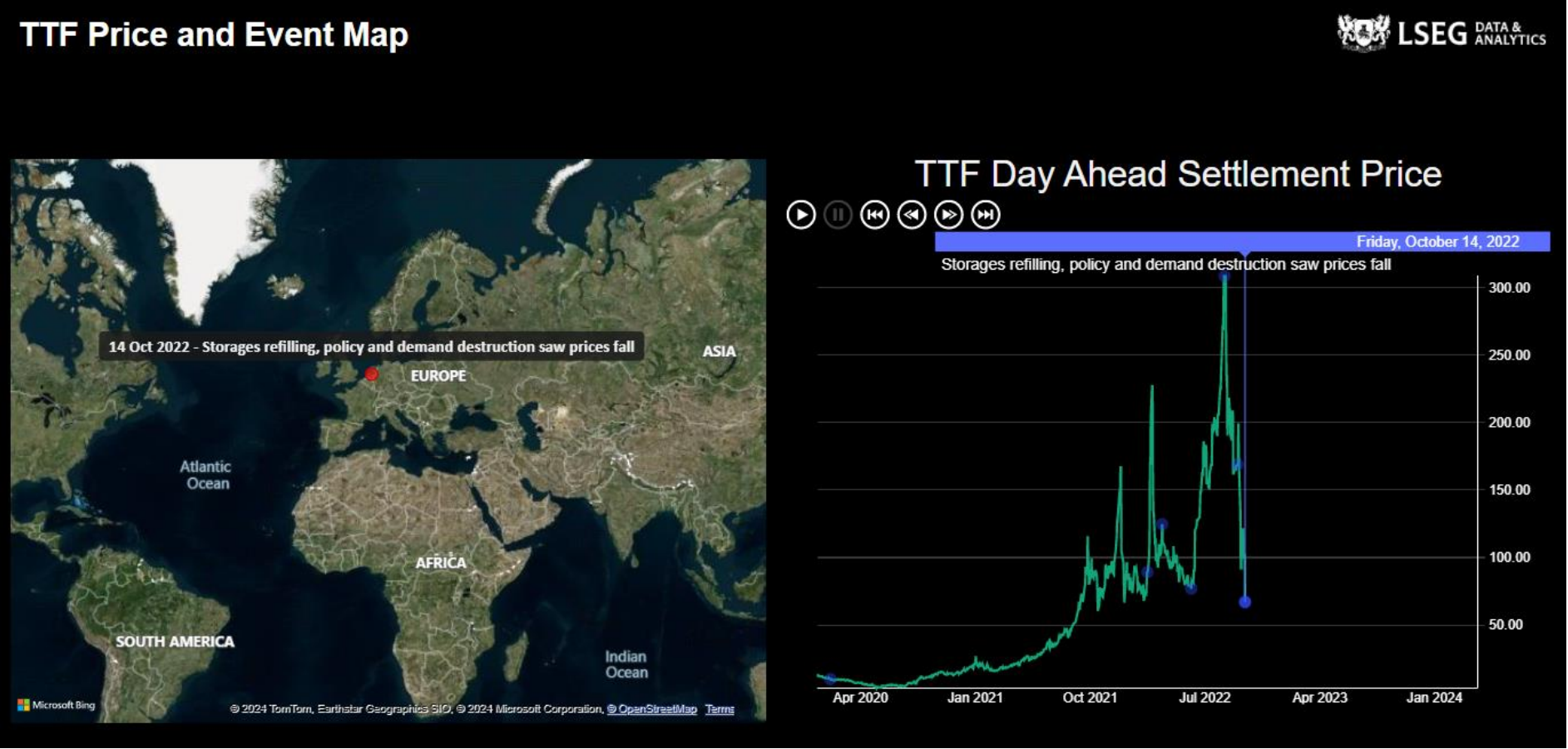
This event lifted TTF DA by €40MWh

TTF Price and Event Map



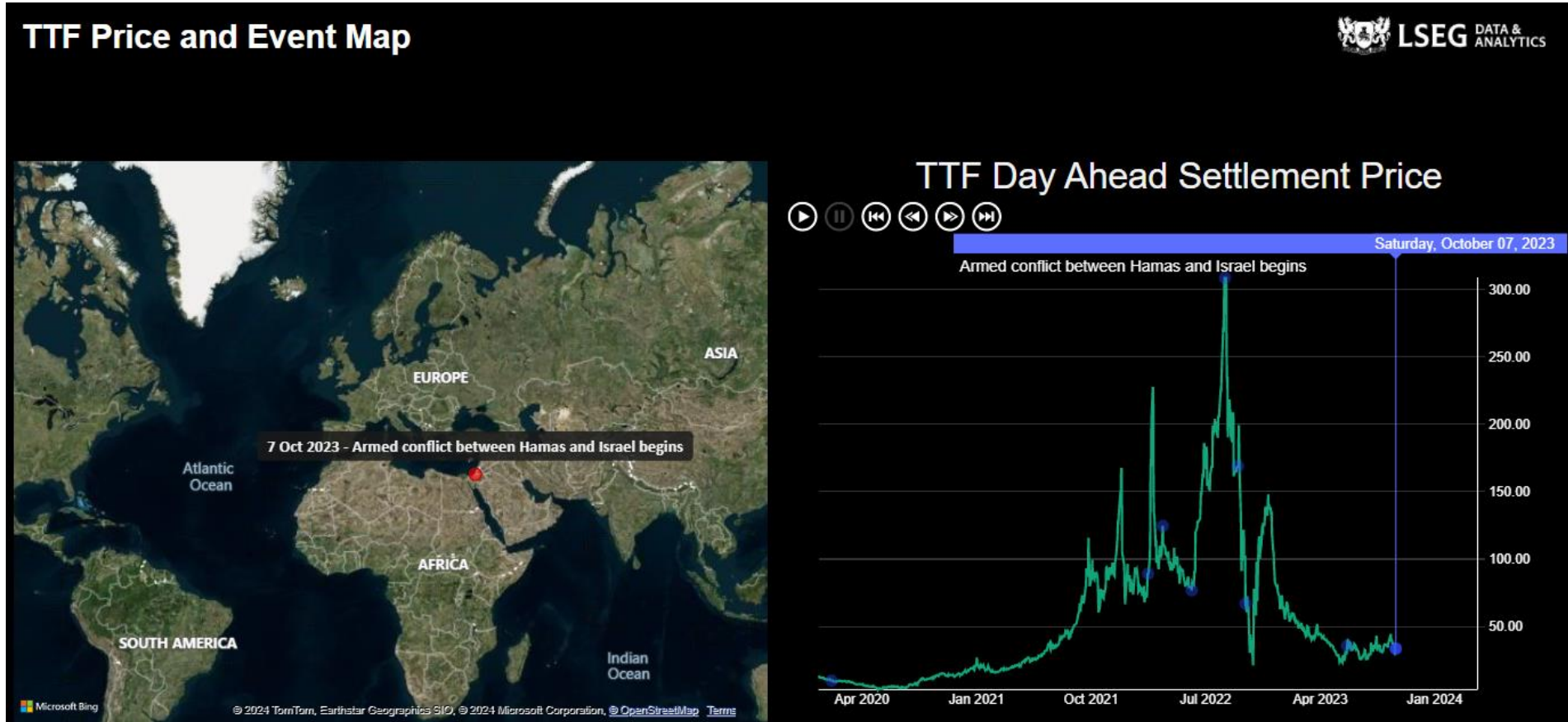
LSEG TTF price history and event map

TTF DA down €72/MWh over 7 sessions



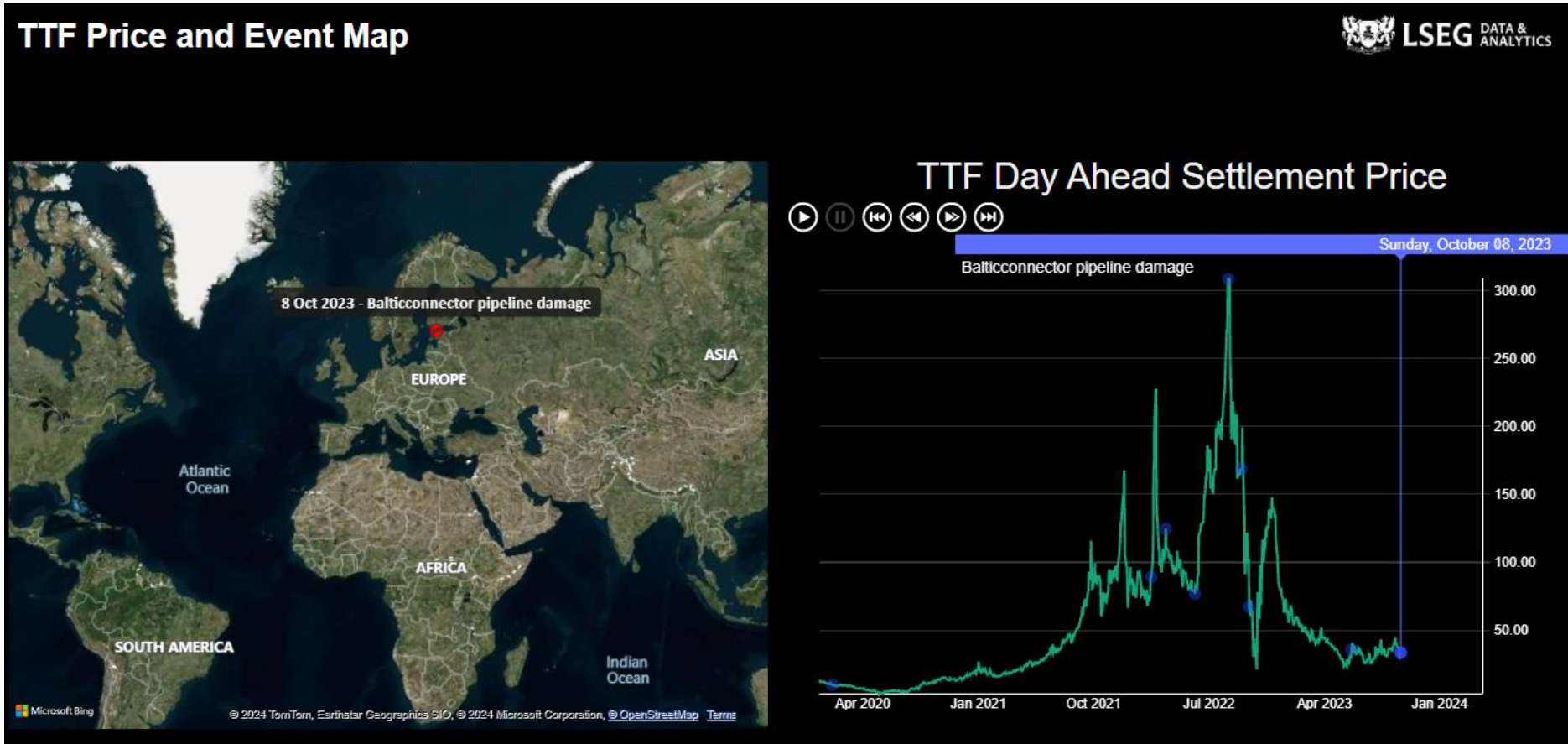
LSEG TTF price history and event map

+16/MWh



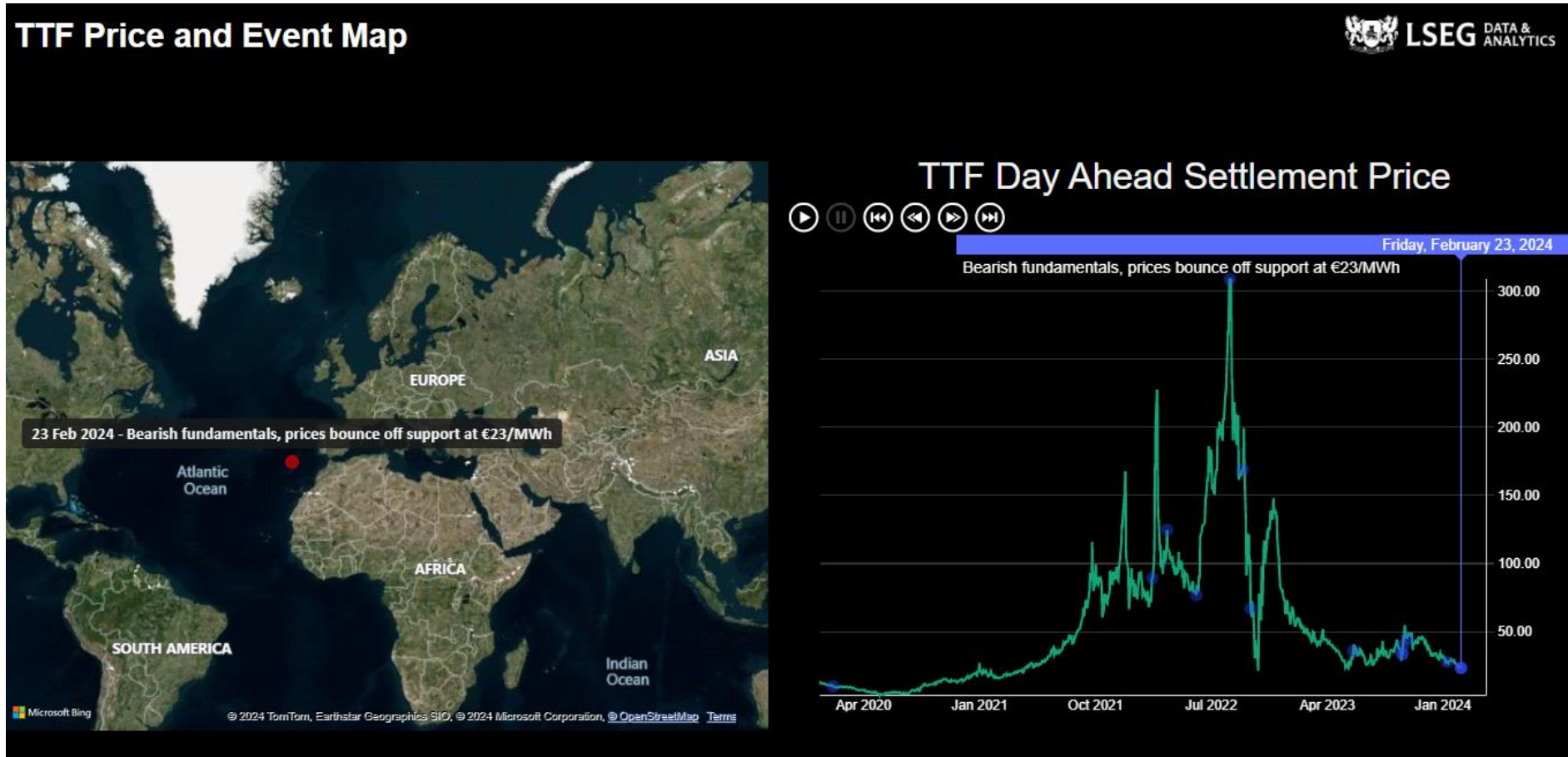
LSEG TTF price history and event map

+ €11/MWh



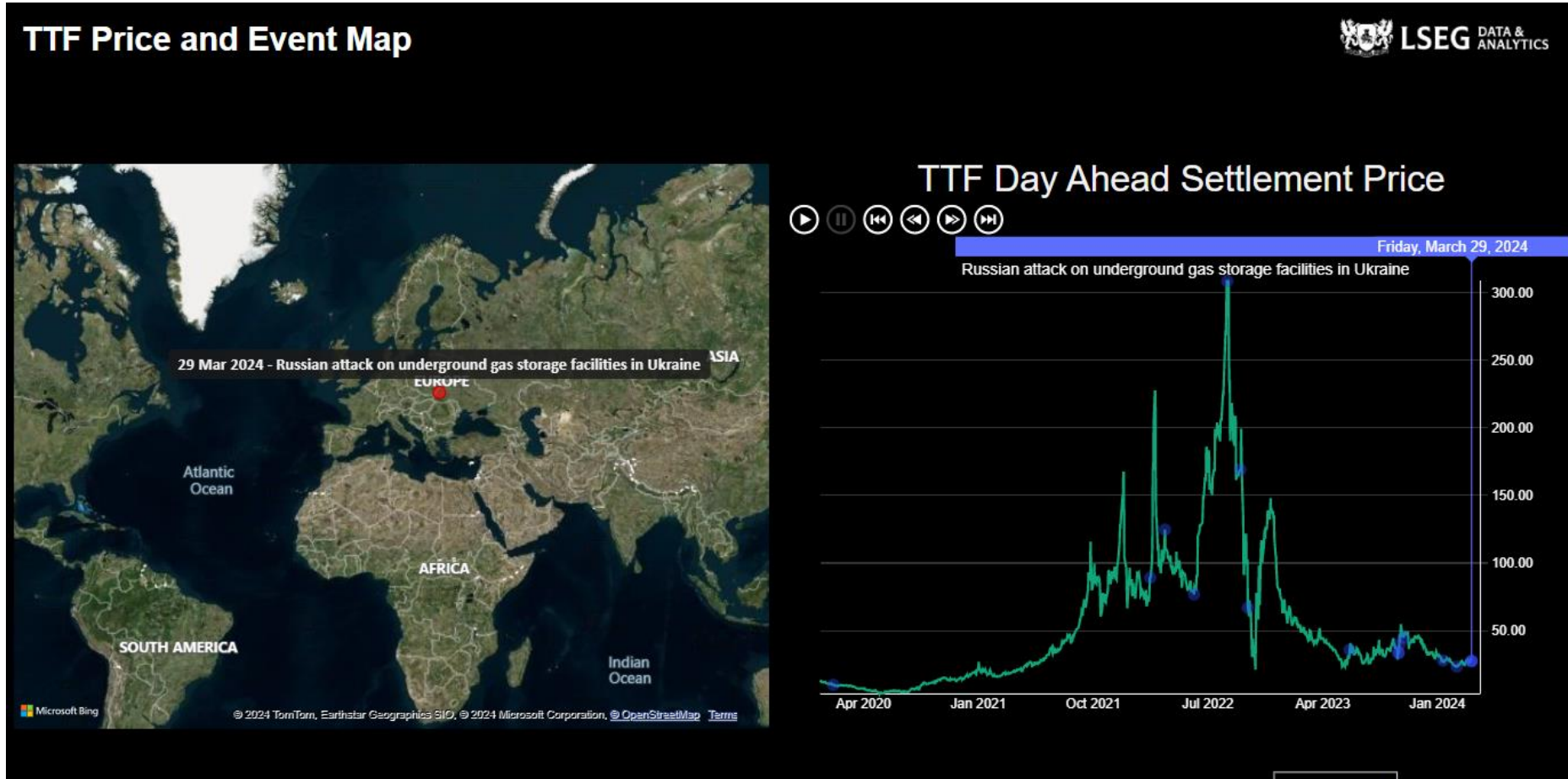
LSEG TTF price history and event map

A return to fundamentals!



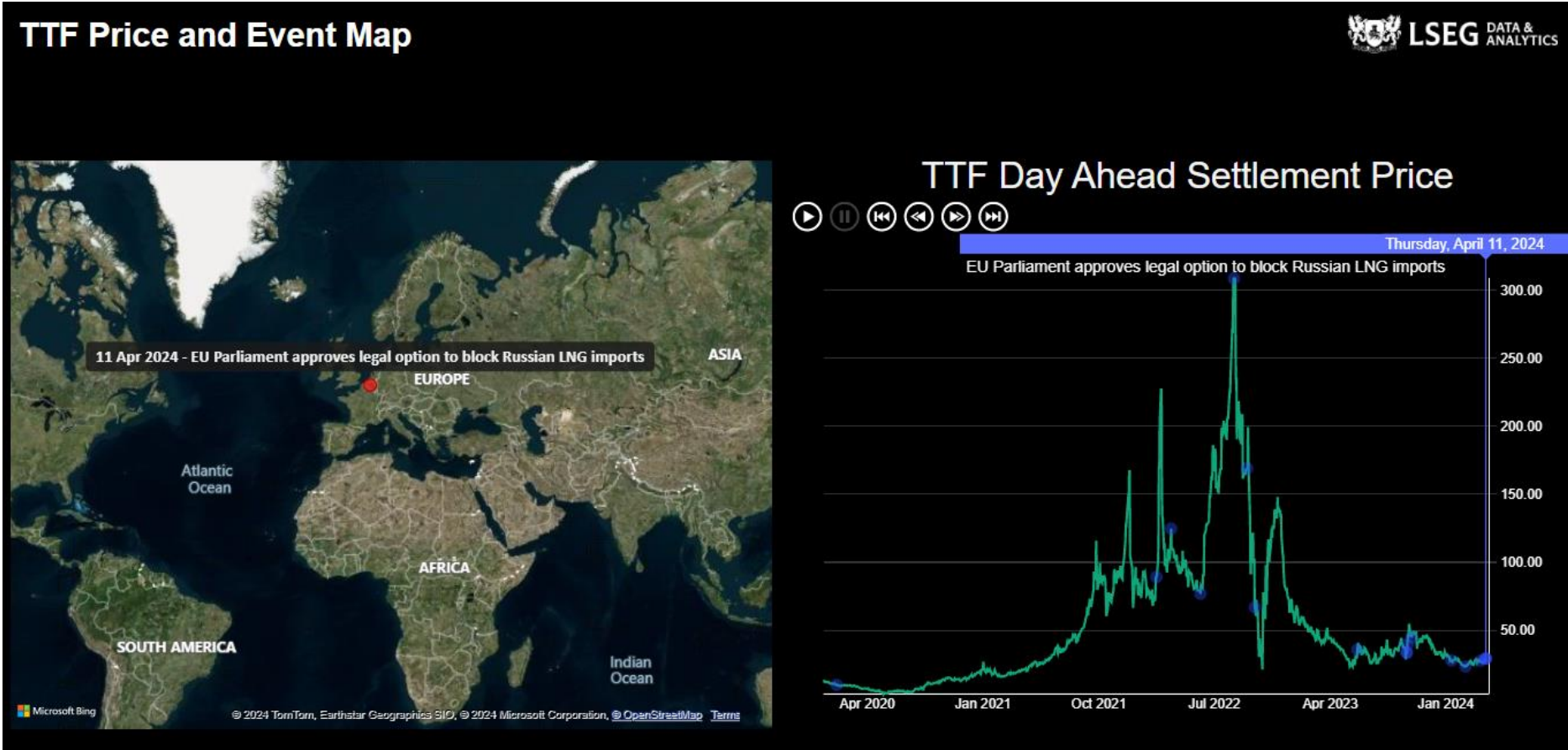
LSEG TTF price history and event map

TTF DA increased by 20% on a trifecta of events in a 15-day period.



LSEG TTF price history and event map

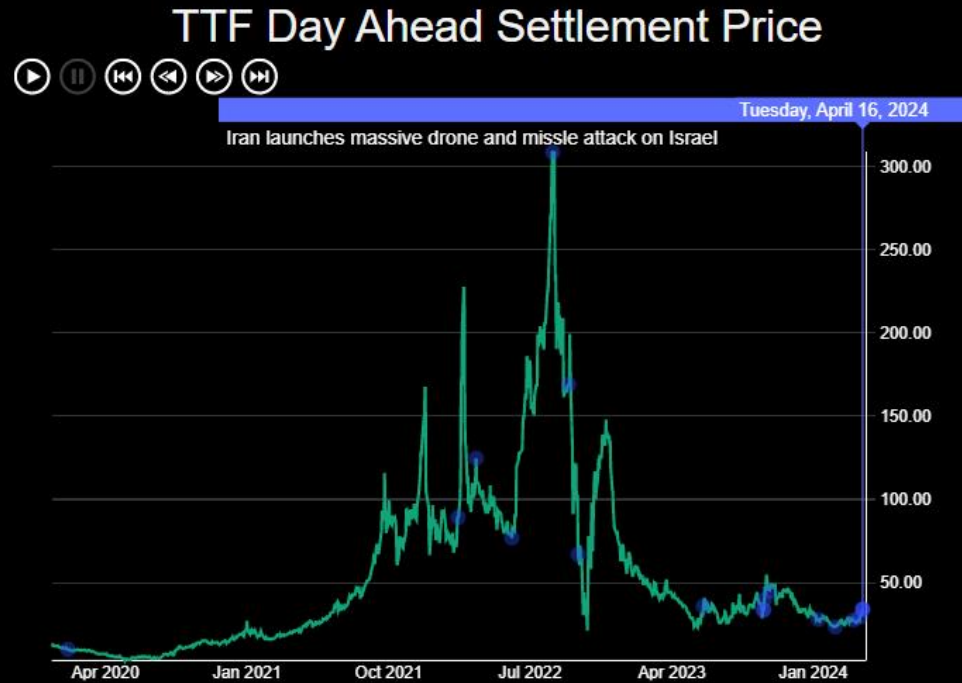
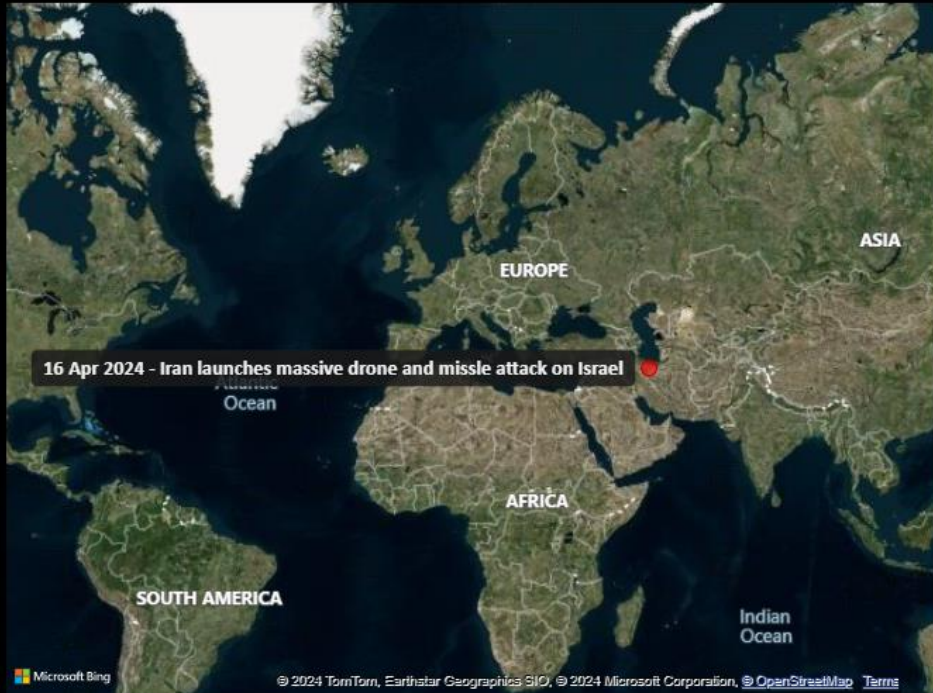
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LSEG TTF price history and event map

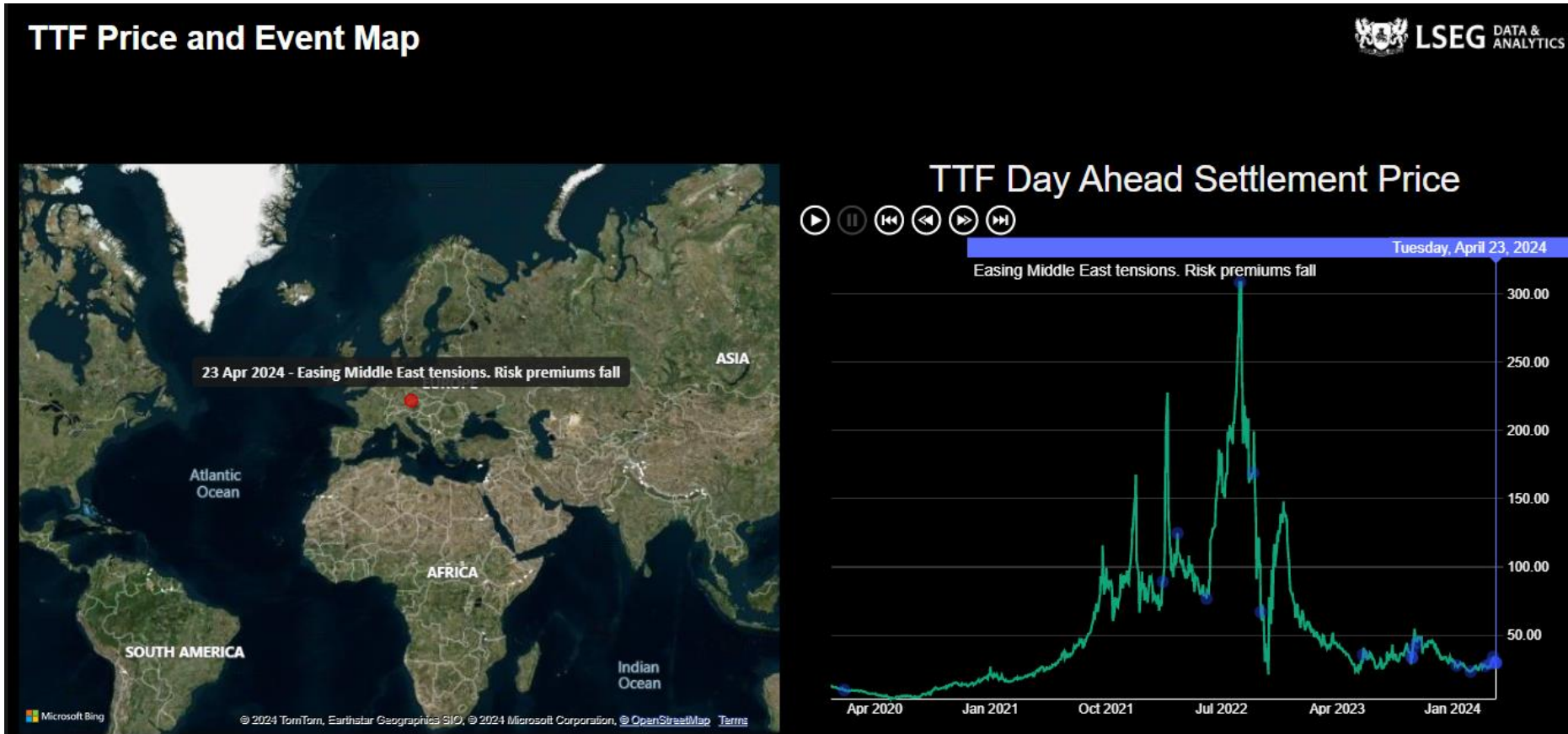
TTF DA increased by 20% on a trifecta of events in a 15-day period.

TTF Price and Event Map



LSEG TTF price history and event map

TTF DA down around €5/MWh and back below €30/MWh as geopolitical risks ebb.



TTF Prices as per yesterdays close.

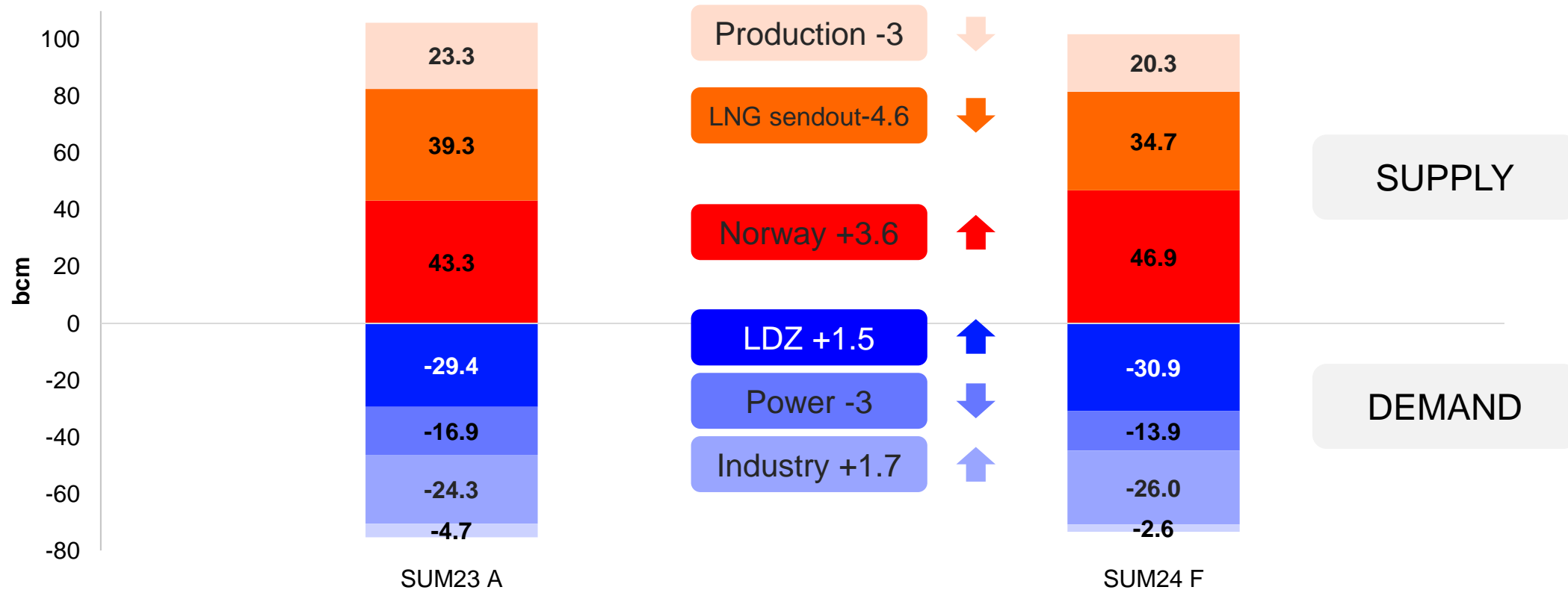


Fundamentals SUM 24

Norwegian supply up and gas for power demand down

Higher Norway and lower gas for power to offset lower LNG sendout and increased LDZ and industrial demand

Breakdown of the NWE balance in SUM23 and SUM24



- LDZ
- Gas for Power
- Industry
- Net Regional Borders
- Import from Norway
- LNG Sendout
- Production

Summer Storage Outlook.

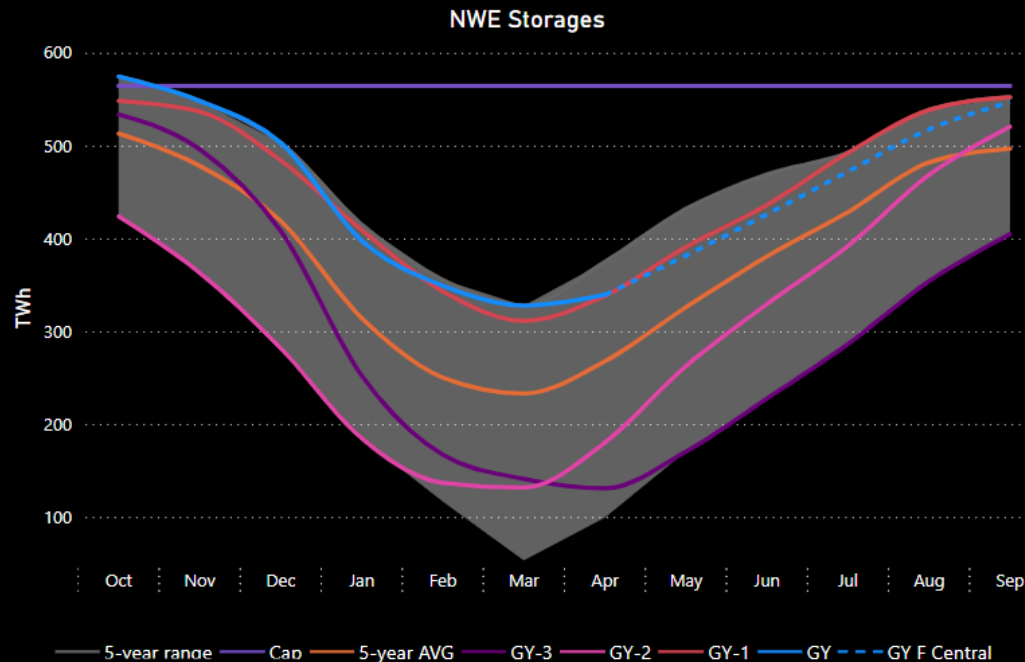
Storage to fill with ease ahead (96-98%) ahead of the start of WIN-25

Storage Conclusion



NWE Storages, end of month, TWh

Month	Capacity	5-year AVG	GY-3	GY-2	GY-1	GY F
April	564	268	131	180	338	339
May	564	326	170	262	391	381

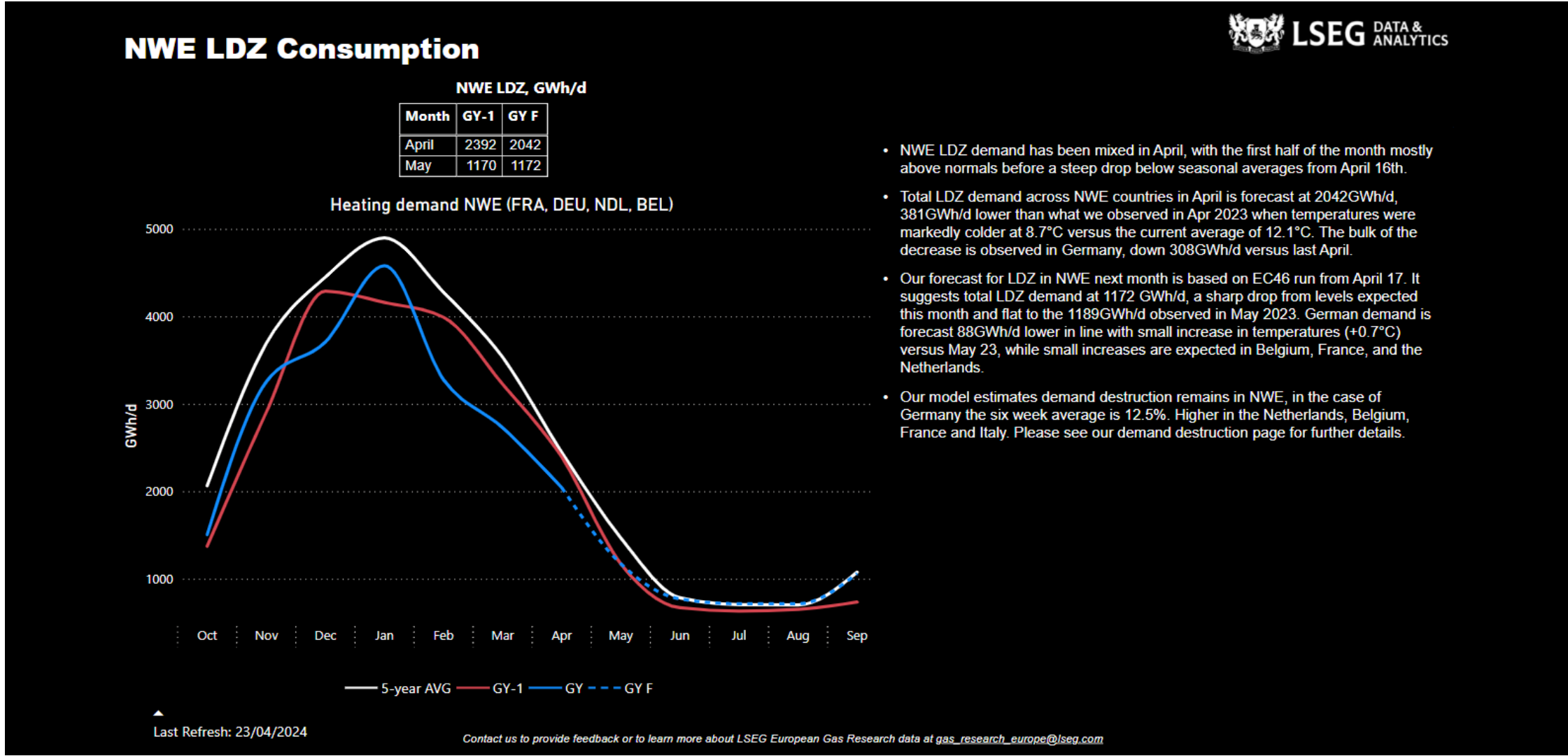


- Storages in NWE entered the summer season on April 1 with record-high aggregated stocks for this time of the year at 328TWh (58% full), somewhat above our expectation of 316TWh outlined in our Medium-Term Outlook published in mid-March.
- From April 1 several storage operators in the region shrank their storage capacity resulting in a 12TWh decrease to 565TWh in total NWE storage capacity. The largest downward adjustments were made by Astora, Uniper, VNG, and EWE in Germany, and by Storengy in France.
- Above-normal temperatures dominated the first half of April and the quick net injections started already from the first days of the month. Although a colder second half of April can see storages switching back to a short period with withdrawals we expect aggregated NWE gas inventory entering May with 339TWh (60%) in stock, a tad higher than our earlier expectation for the end of April at 322TWh. This is also roughly in line with last year but below the record high levels recorded at this time of the year in 2020.
- Our updated balance outlook suggests that in May stock levels will be replenished slower than last year. As a result, by the end of May operators are expected to accumulate 381TWh (68% full) of gas on stock, lower than 390TWh last year, but above our earlier expectation of 370TWh.
- Our outlook is based on the EC46 weather forecast from April 17th, which suggests around normal temperatures in May.
- In May, consumption is expected to remain almost sideways from last year, however, we expect to see a 427GWh/d drop in LNG sendouts year-on-year, which is the main factor behind weaker injections next month.

Last Refresh: 23/04/2024

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LDZ Demand Destruction Remains In Play. DEU 6-week average of 12%.



Softer Gas For Power This Summer.

Robust increases in wind and solar capacity, higher French nuclear.

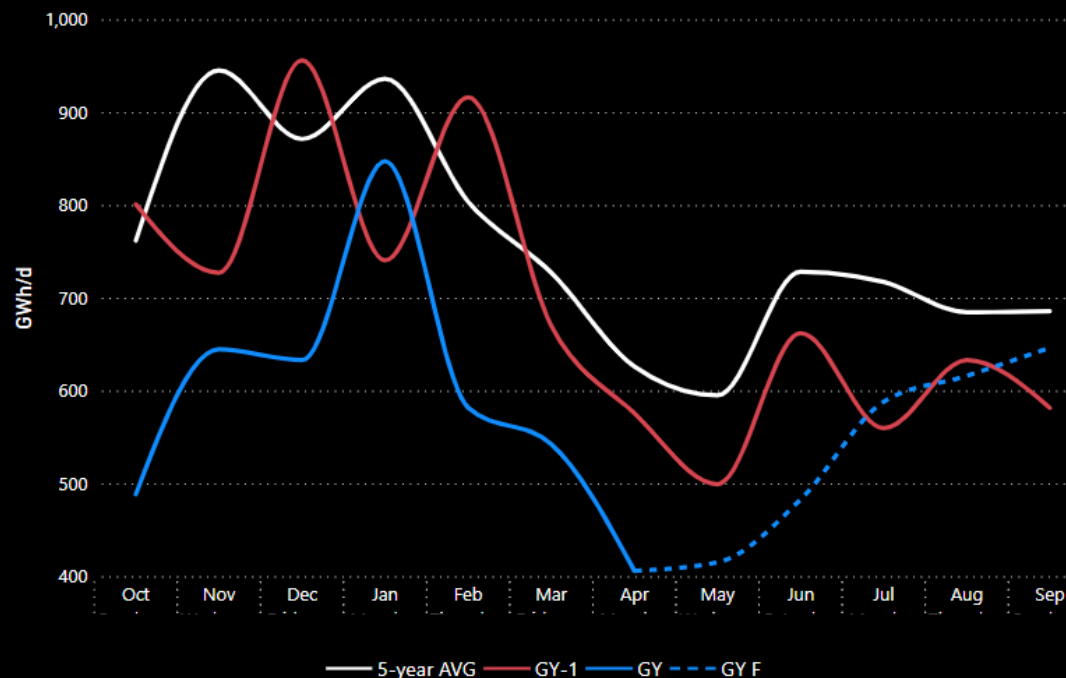
NWE Gas for Power Consumption



NWE Gas for Power, GWh/d

Month	GY-1	GY F
April	575.67	405.74
May	499.18	414.91

Gas for Power Demand (DEU, BEL, FRA, NDL)



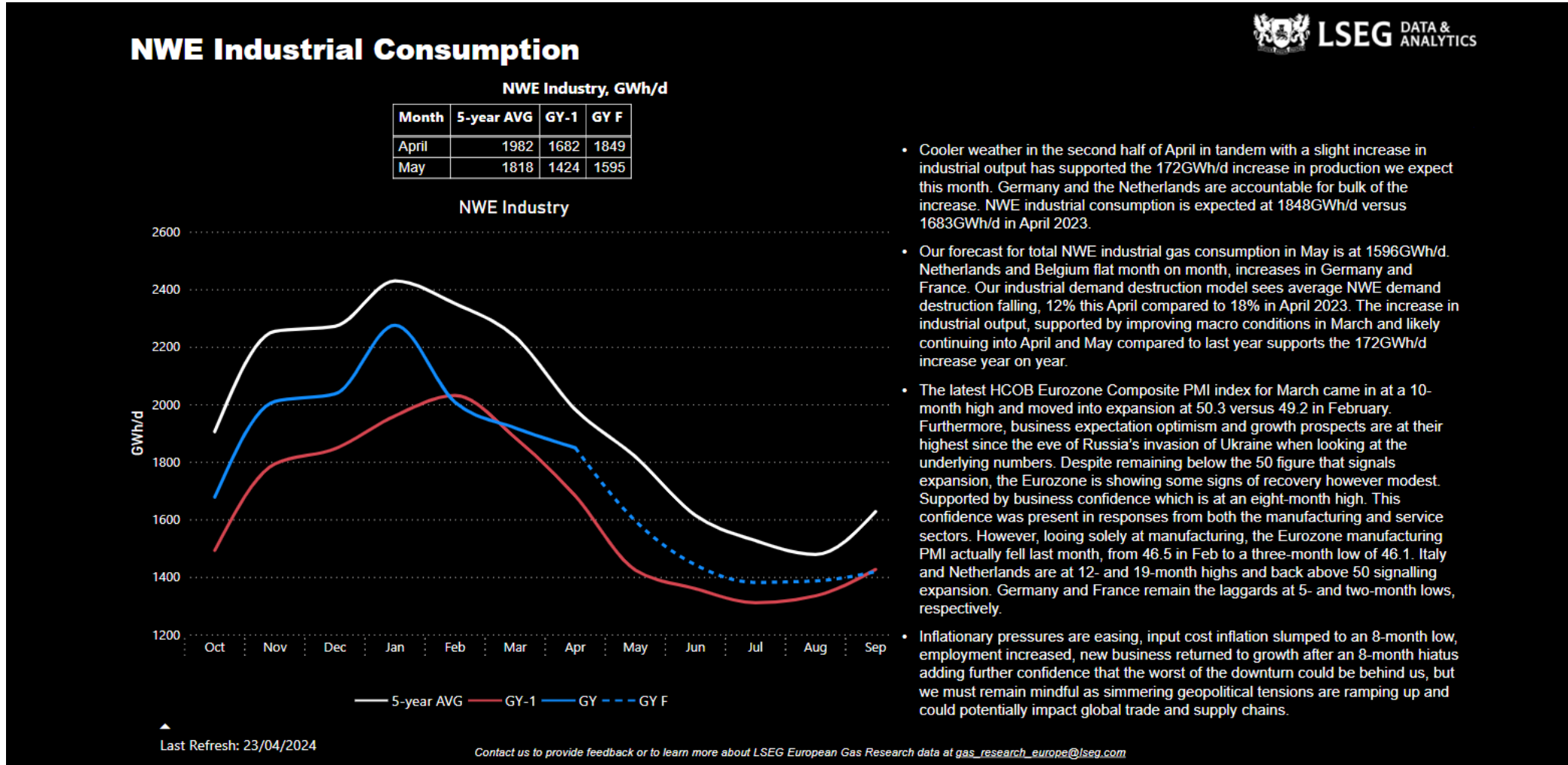
- Our NWE Gas for Power forecast predicts a consumption of 415GWh/d in May, flat on April and 100GWh/d lower than last year. April actuals are so far weak on strong wind, solar and hydro throughout Europe. With many public holiday days in Europe, May tends to be a low power demand month as well.
- The low power prices should continue into May as unusually high hydro balances could force not only river run off but also reservoirs to generate. The strong supply and low prices even caused curtailment of French nuclear power generation during several weekends in April and could also result in nuclear maintenances to be scheduled earlier if the outlook remains bearish. As of 19 April, our in-house forecast suggests French nuclear availability to remain strong at 42.5GW in May. This is just 0.5GW lower month-on-month, but up 6GW from May 2023 and overall contributing to the bearish gas for power outlook.
- As expected, the decommissioning of 7GW of German coal and lignite into April did not move the needle in European power markets. Another 1GW of coal will be decommissioned in Germany in the end of May. However, during the summer season demand of conventional power generation should remain heavily depressed by high renewables. First into late fall or early winter, we expect this to take a stronger impact on gas for power demand.
- Meanwhile gas prices rose from their lows in February, the fuel switching dynamic has only slightly shifted. Overall, it remains in favour of gas, as CO2 prices have seen a similar relative price rise.

Last Refresh: 23/04/2024

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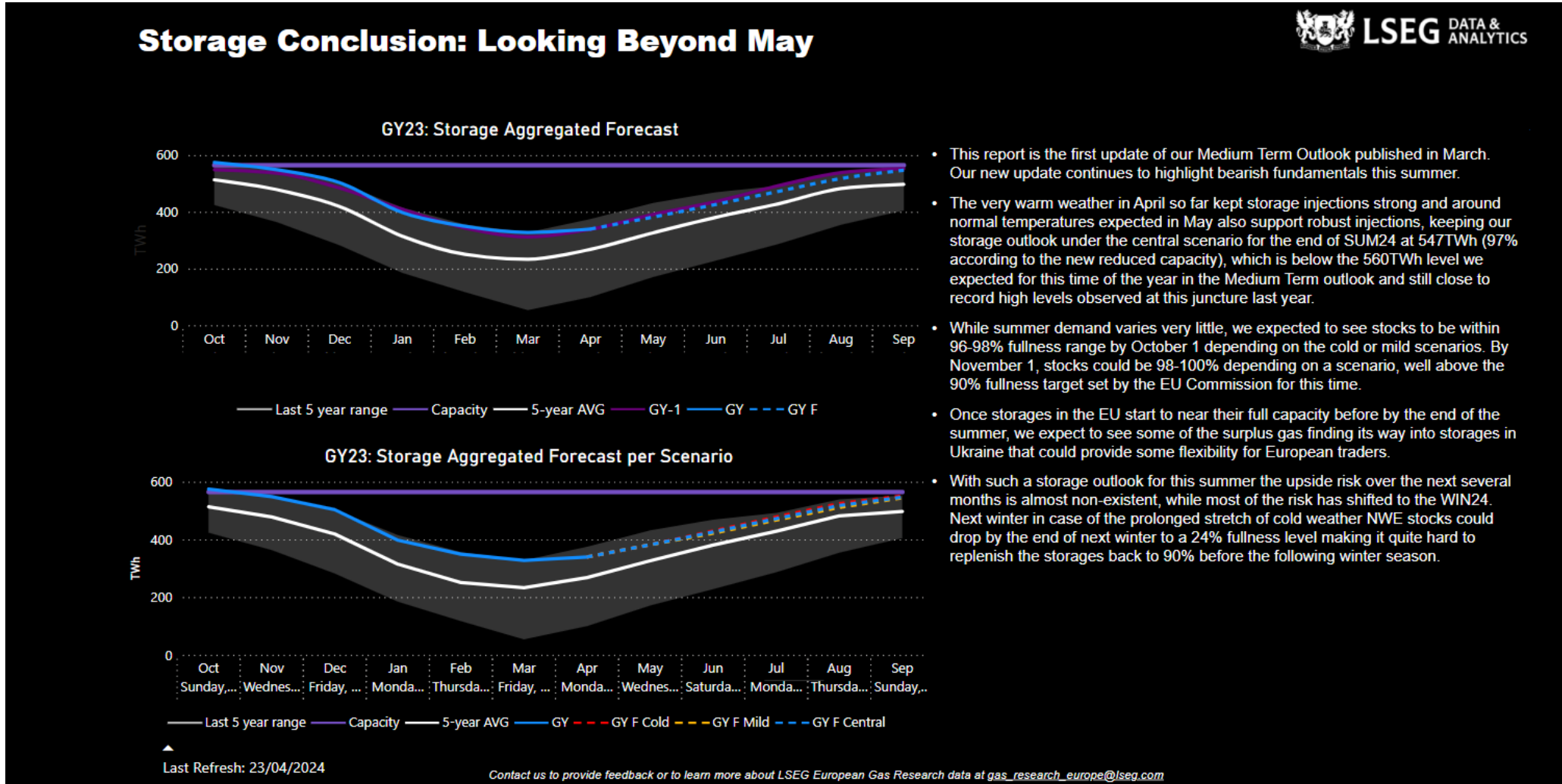
Industrial Demand

Remains weak but some green shoots of recovery, Eurozone composite at 10-month high and above 50. DEU demand destruction 6-week average at 12.5%



Storage Outlook Longer Term

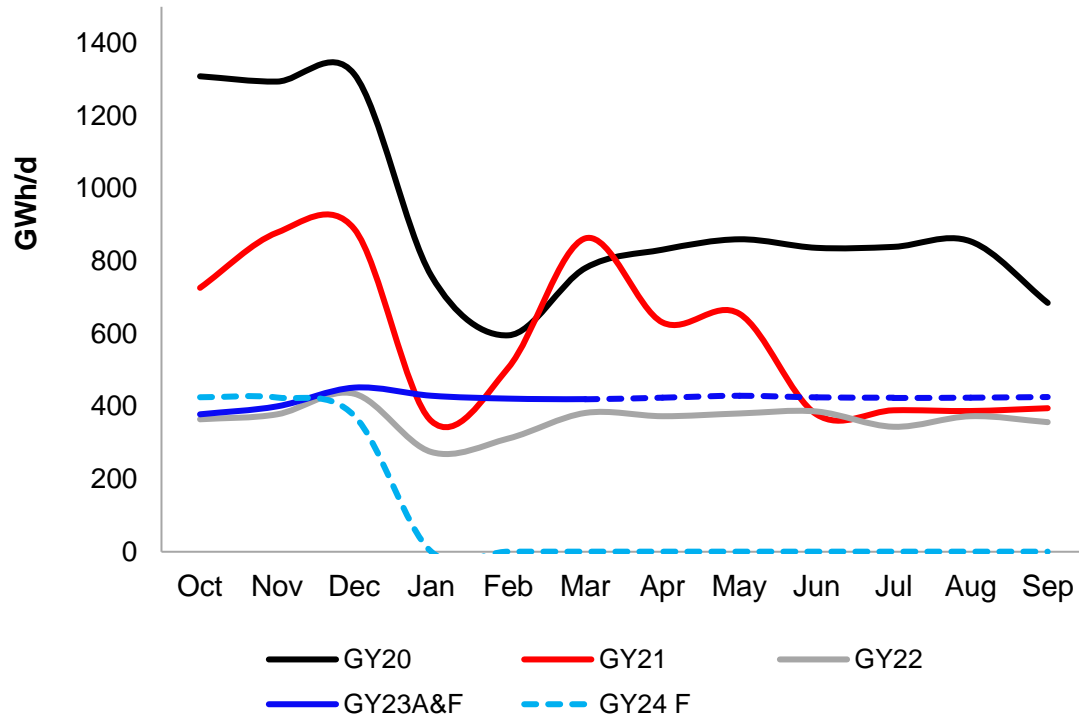
Risk is shifted to WIN-24. Notably in our cold scenario, potential to end at 27%



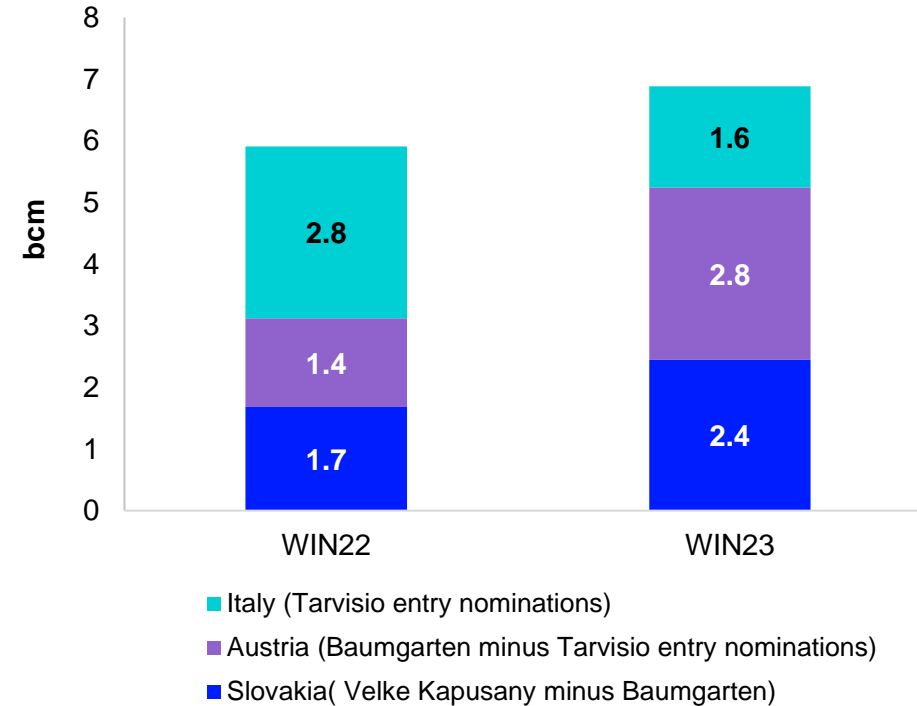
Impact of no Russian gas transit via Ukraine

We assume Russia flows via Ukraine to end from January 2025 with largest impact on Slovakia and Austria. Loss of 12-14bcm of Russian gas to drive more flows via other border points.

Velke Kapusany flows, actual and forecast

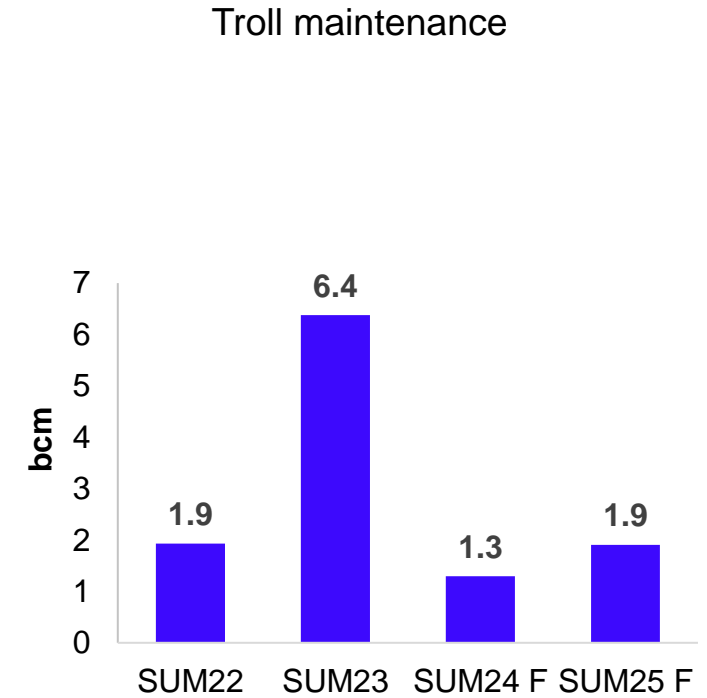
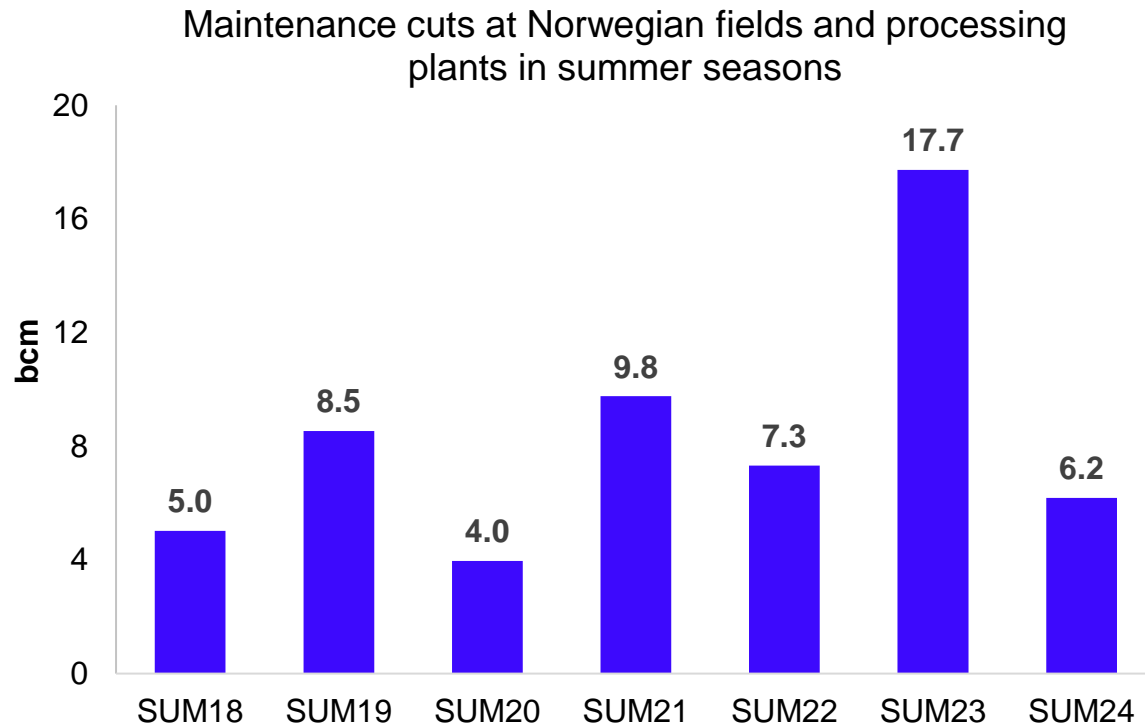


Supply via Velke Kapusany distributed between receiving countries



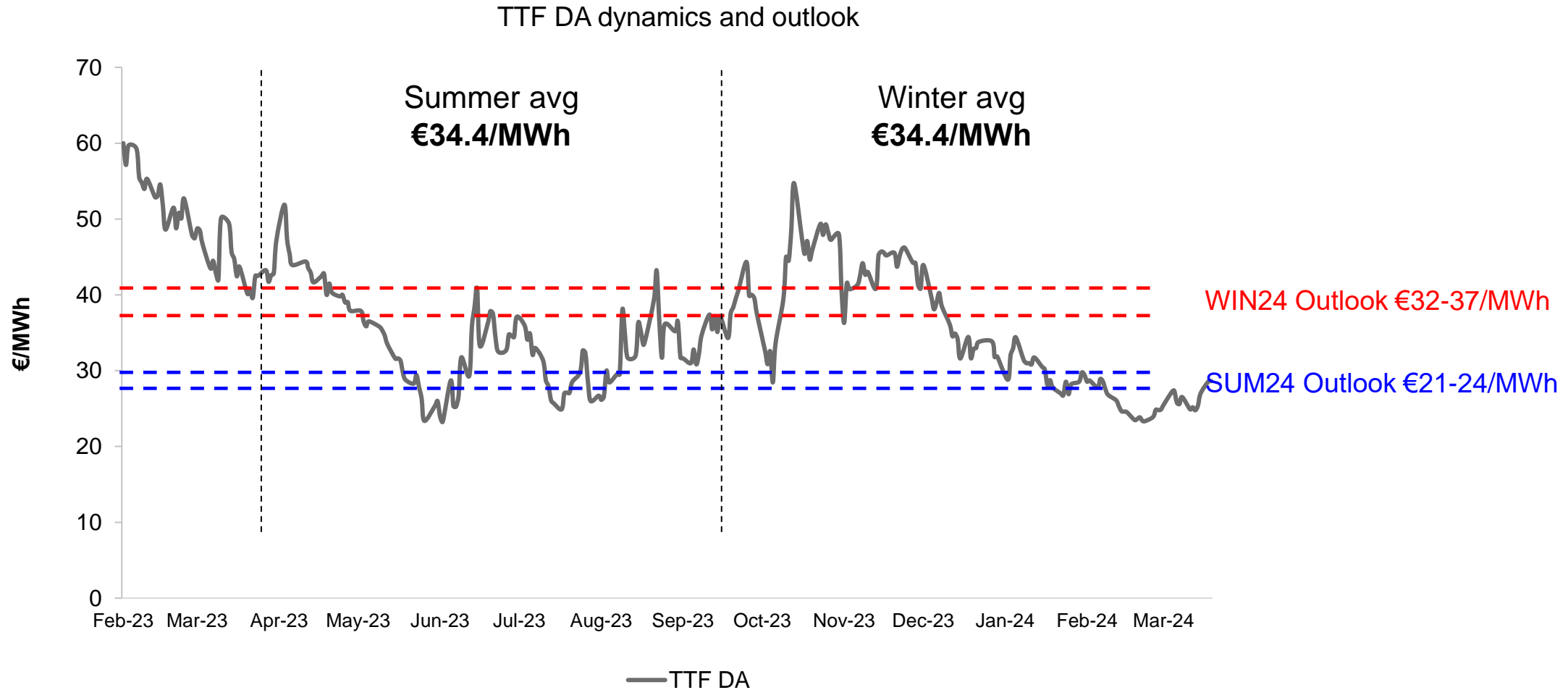
Norwegian maintenances in summer 2024 vs summer 2023

Lighter maintenance this summer will help keep production strong



TTF spot price outlook

Bearish pressure on prices to prevail in summer 2024. More risk rolls over to winter 2024 particularly in case of cold weather.



2024 & Beyond

