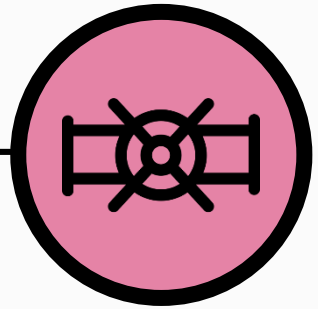
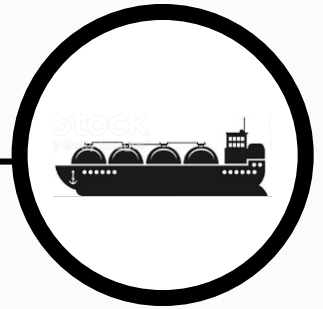


Annual Global & Regional Market Analysis

Natural Gas

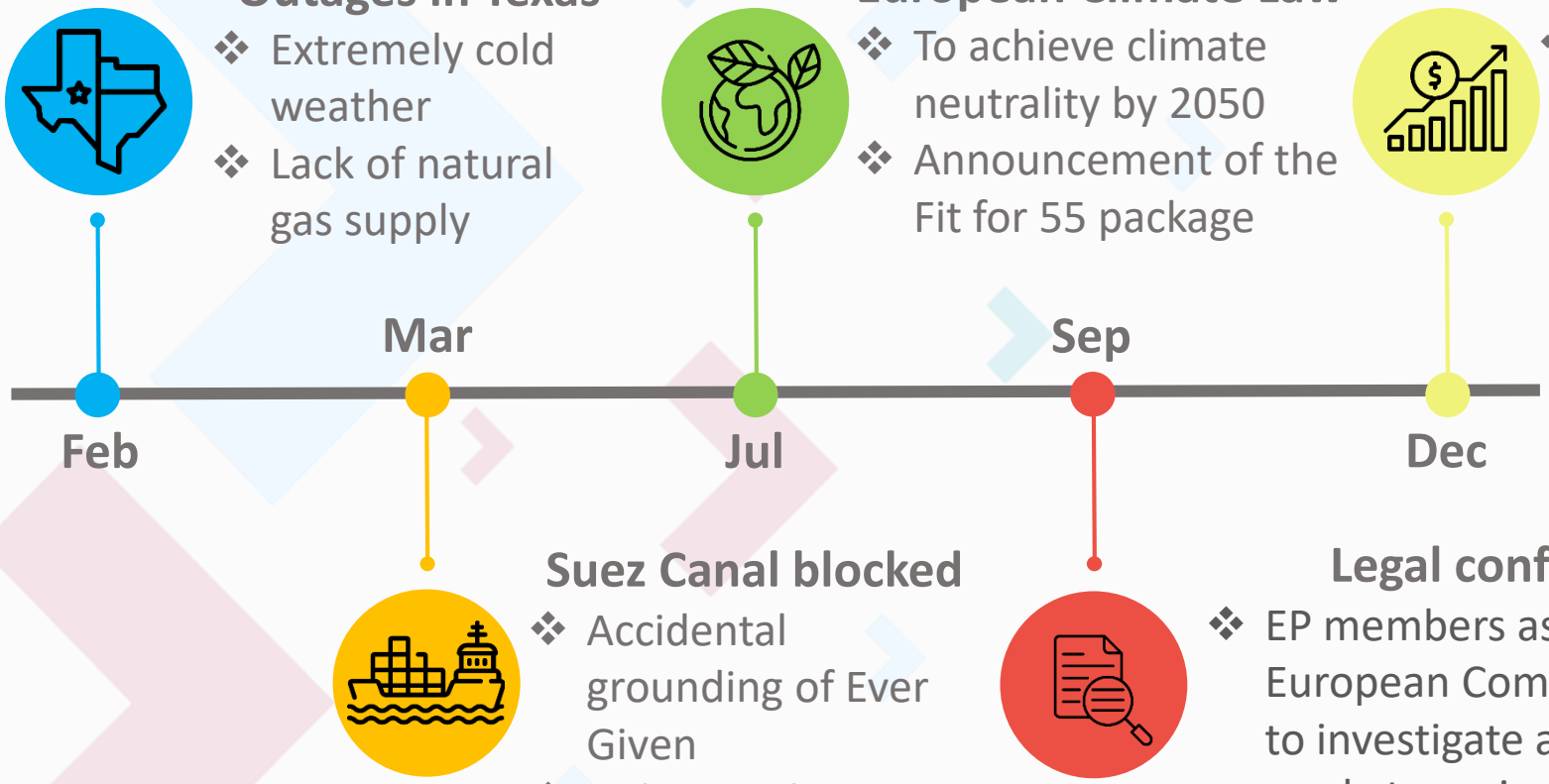
2021



Sources: EIA, HH, ICIS, DOE, CEENERGYNEWS, Portfolio, CEEGEX, HUDEX

The main events of 2021

One-time events of major importance



Outages in Texas

- Extremely cold weather
- Lack of natural gas supply

European Climate Law

- To achieve climate neutrality by 2050
- Announcement of the Fit for 55 package

Extreme prices

- The price of natural gas reaches 180 EUR on TTF

Suez Canal blocked

- Accidental grounding of Ever Given
- Delays in shipping for 6 days

Legal conflict

- EP members ask the European Commission to investigate a possible market manipulation by Gazprom

2021 for CEEGEX and HUDEX

CEEGEX:

- **Apr:** All-time WD traded volume record (0,52 TWh)
- **Q1 & Q4:** All-time traded volume record (>9 TWh)

HUDEX:

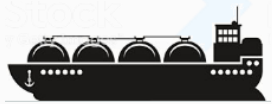
- Total traded volume record (1,13 TWh)

Hot topics of the year

Sources: ICIS, CEENERGYNEWS, MFGT, POLITICO, NRGreport, Portfolio, NS2 AG, EEX, Reuters

LNG

- **Jan**: First LNG carrier -Tristar Ruby- arrives at Krk. Bullish JKM LNG price reroute LNG cargoes.
- **Feb**: The second LNG cargo arrives at the Krk LNG terminal.
- **Mar**: Rising prices in Europe are in favour of increasing LNG volumes. Second LNG cargo of MFGK arrives to Krk.
- **May**: MET Croatia delivers its first LNG to Krk on the 26th of April.
- **Jun**: The 6th LNG cargo arrives to Krk.
- **Jul**: Krk LNG Terminal out of operation between 15th and 20th June. Asian price peak causes lower LNG inventory and send out, several ships are rerouted from Europe to Asia.

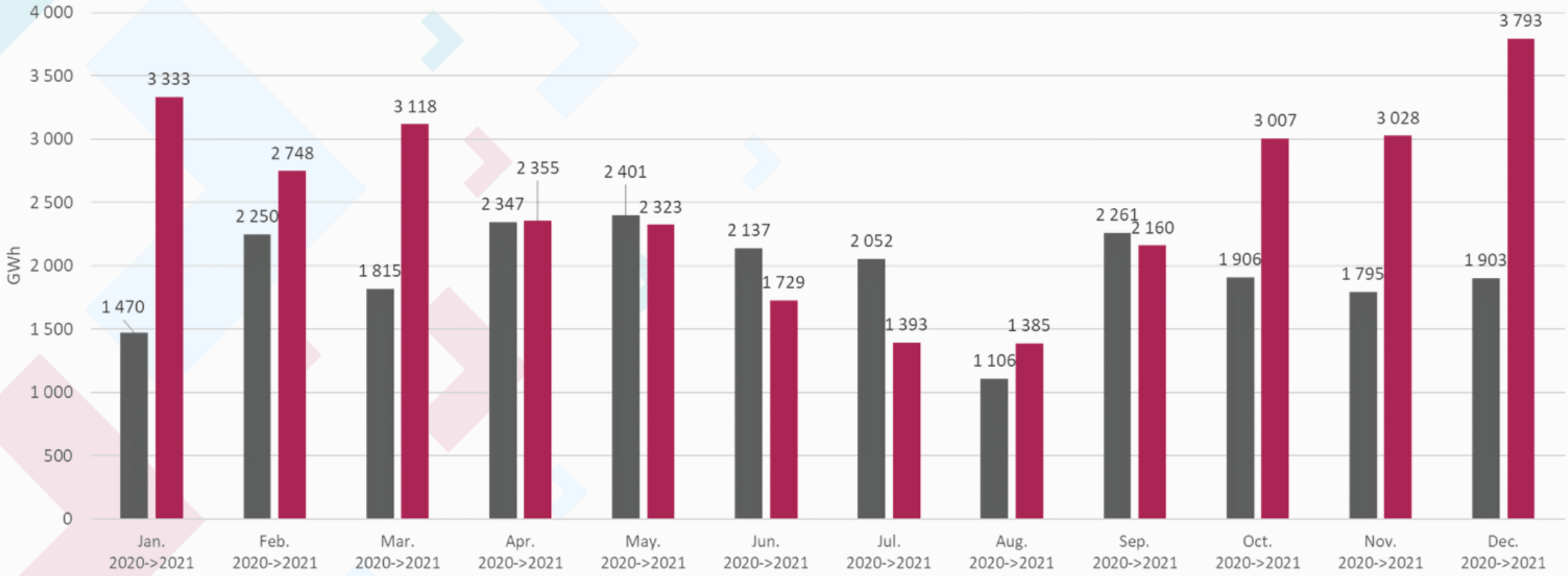


Nord Stream 2

- **Apr**: European Parliament asks EU to stop Russian Nord Steam 2 over the actions on Alexei Navalny.
- **May**: The White House is in talks to appoint a special envoy to lead negotiations on halting the construction of Nord Stream 2.
- **Jun**: Vladimir Putin announces the completion of the first line of the Nord Stream 2 pipelines.
- **Jul**: US and Germany agrees on Nord Stream 2 with Ukraine receiving 245 million USD, with a possibility to extend the compensation up to 1 billion USD.
- **Oct**: Filling the first of the two lines of Nord Stream 2 is completed.
- **Nov**: Nord Stream 2 certification is suspended by the German regulator.

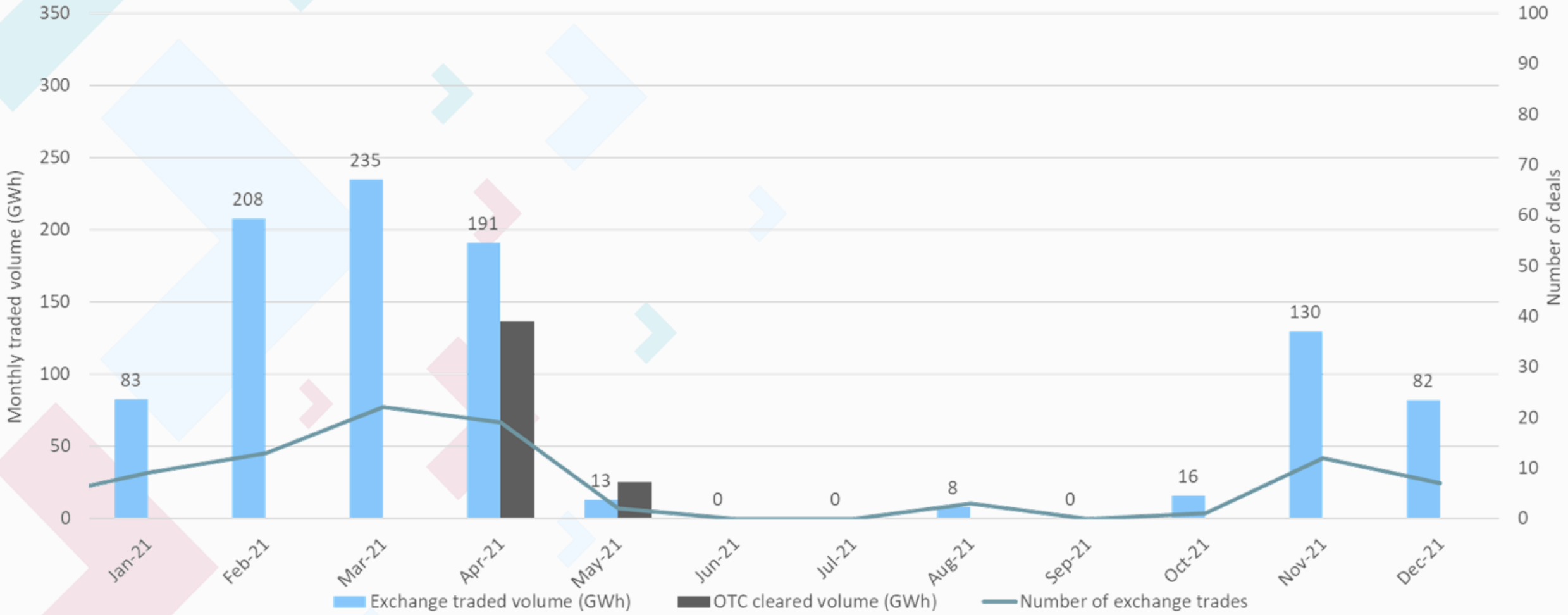
Source: CEEGEX

CEEGEX monthly traded volumes



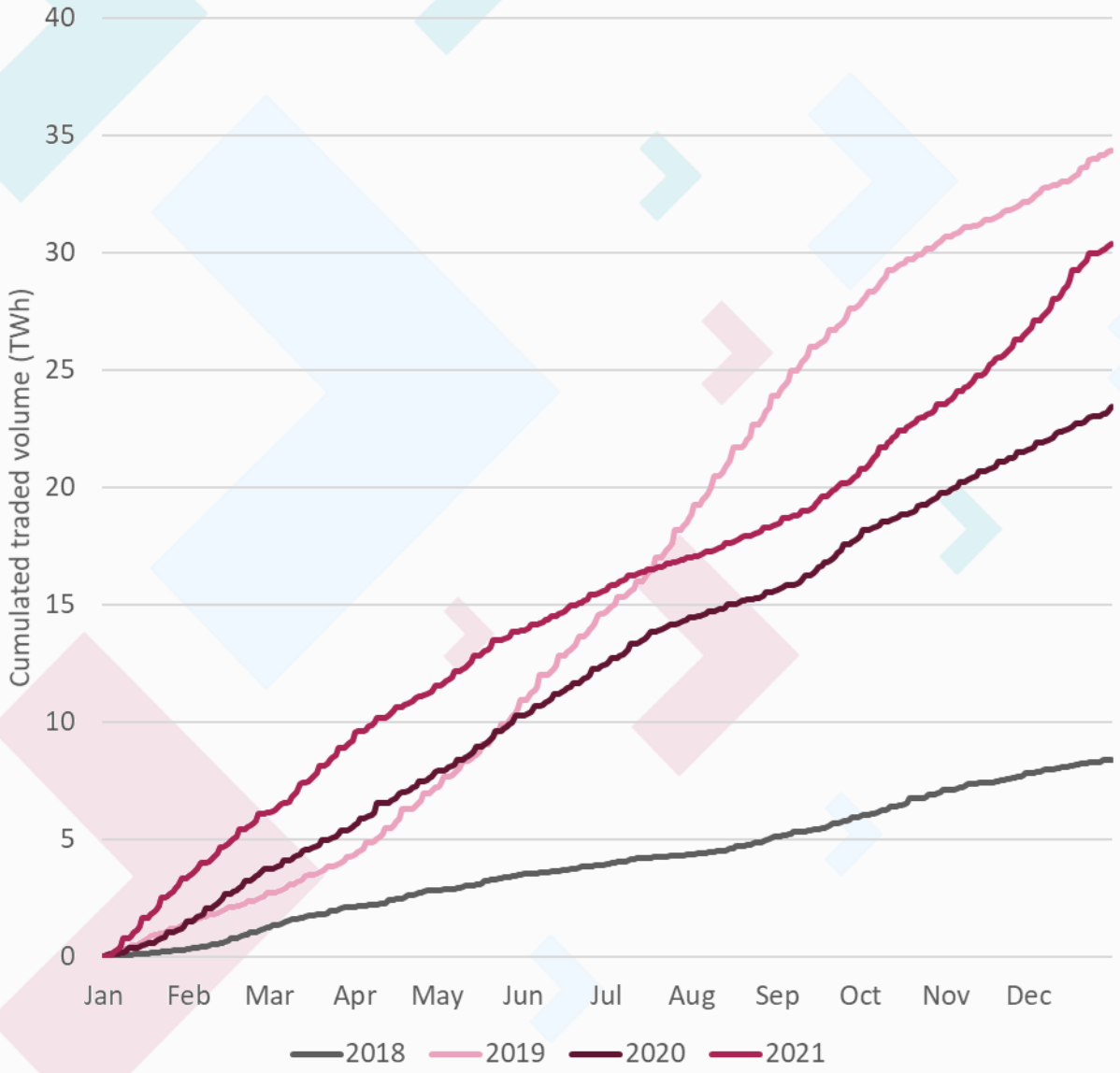
Source: HUDEX

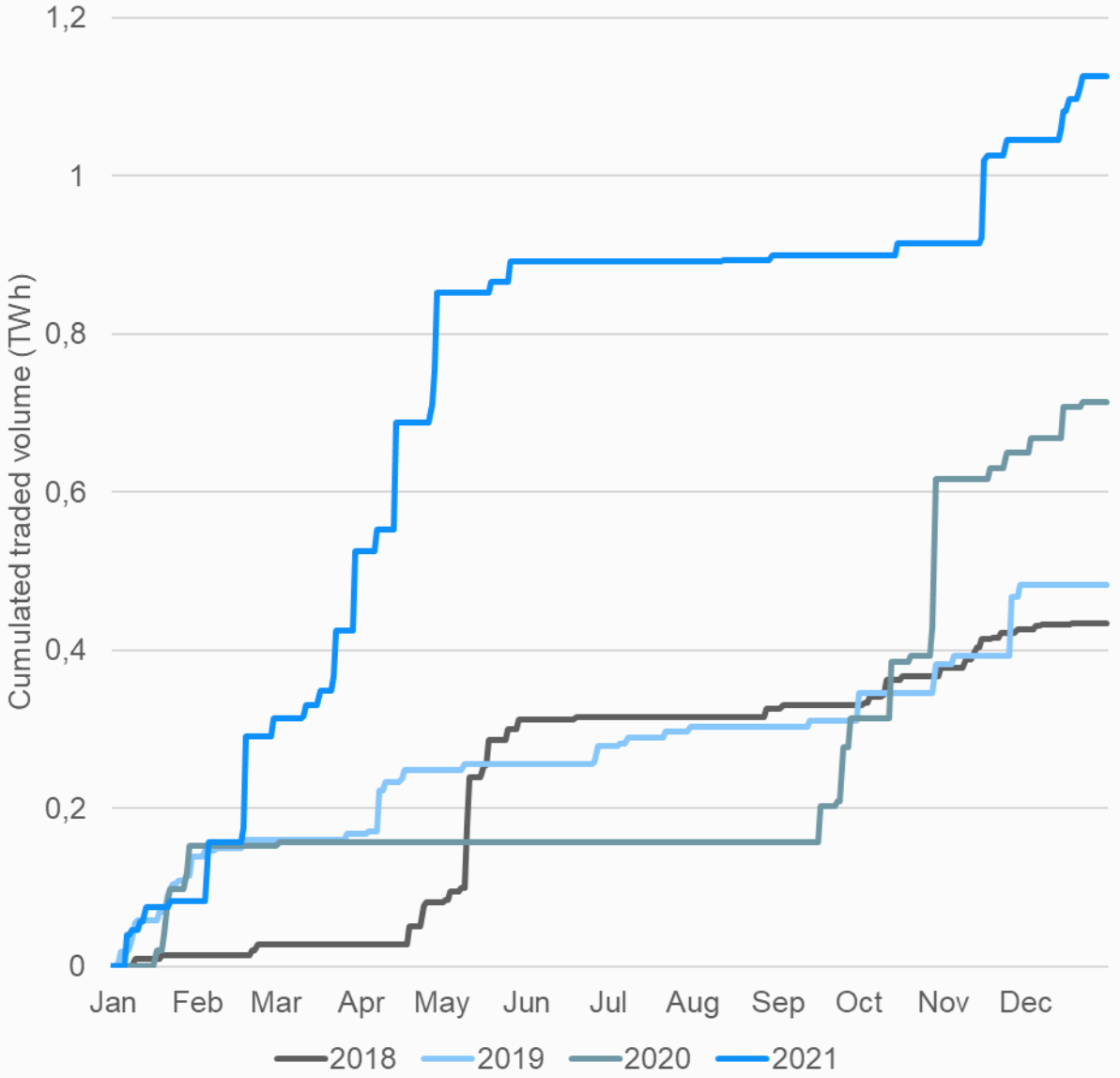
HUDEX Natural Gas Segment



Sources: CEEGEX, HUDEX

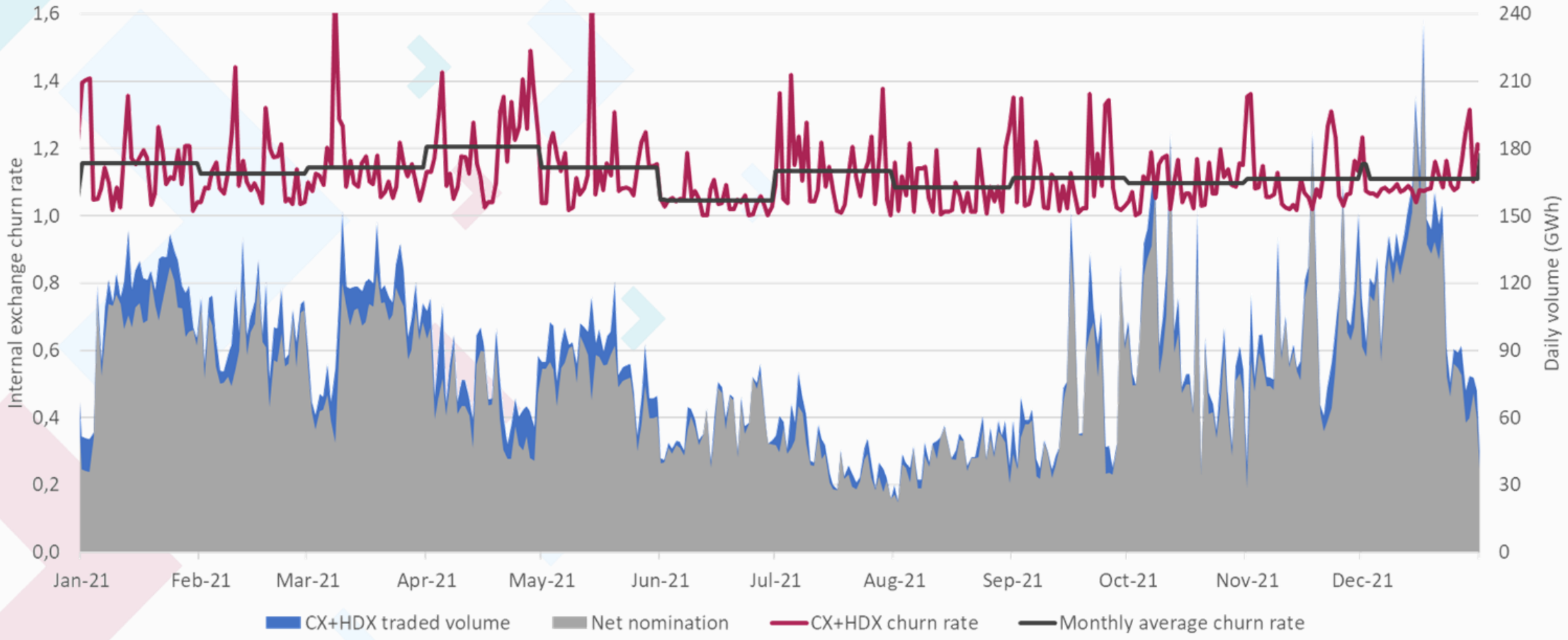
CEEGEX and HUDEX Natural Gas cumulative annual volumes





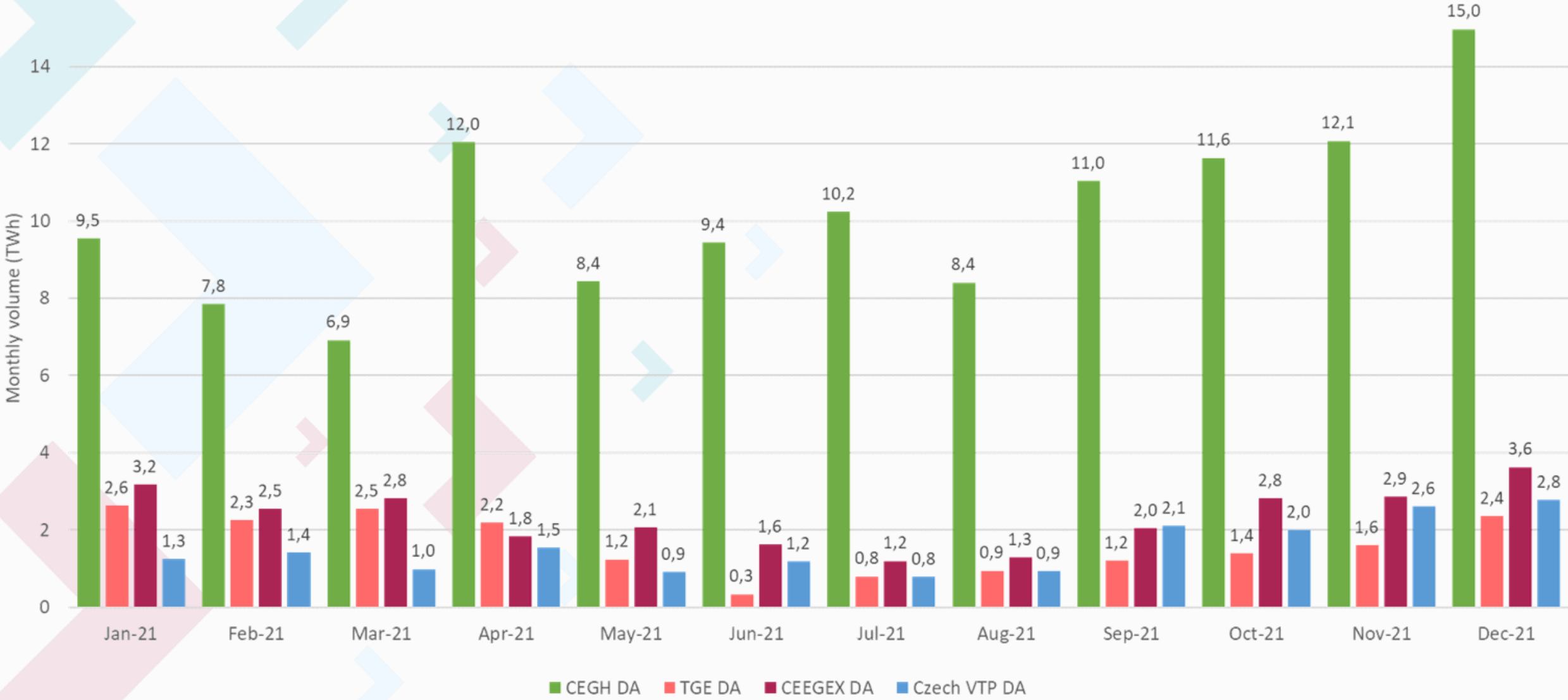
CEEGEX-HUDEX internal churn rate

Source: CEEGEX, HUDEX



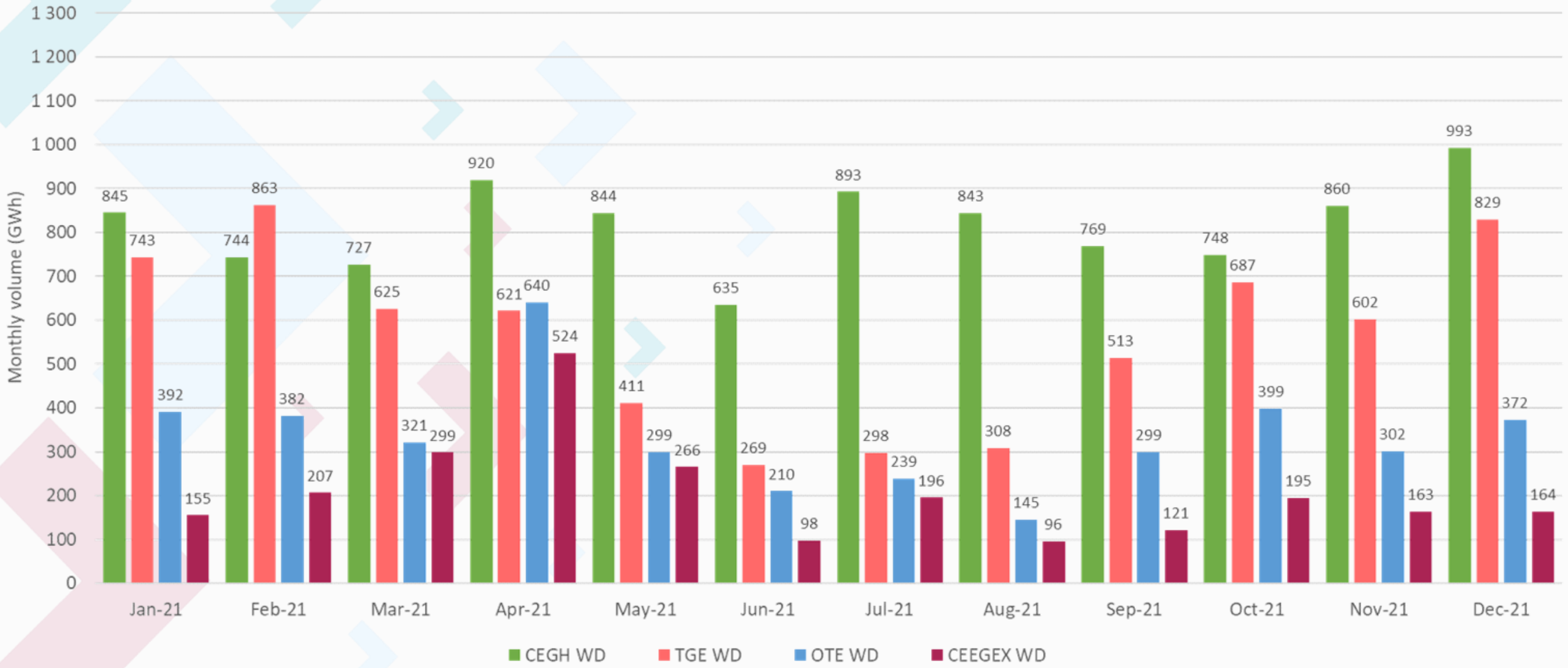
Sources: CEEGEX, EEX, TGE

Regional Day-Ahead traded volumes



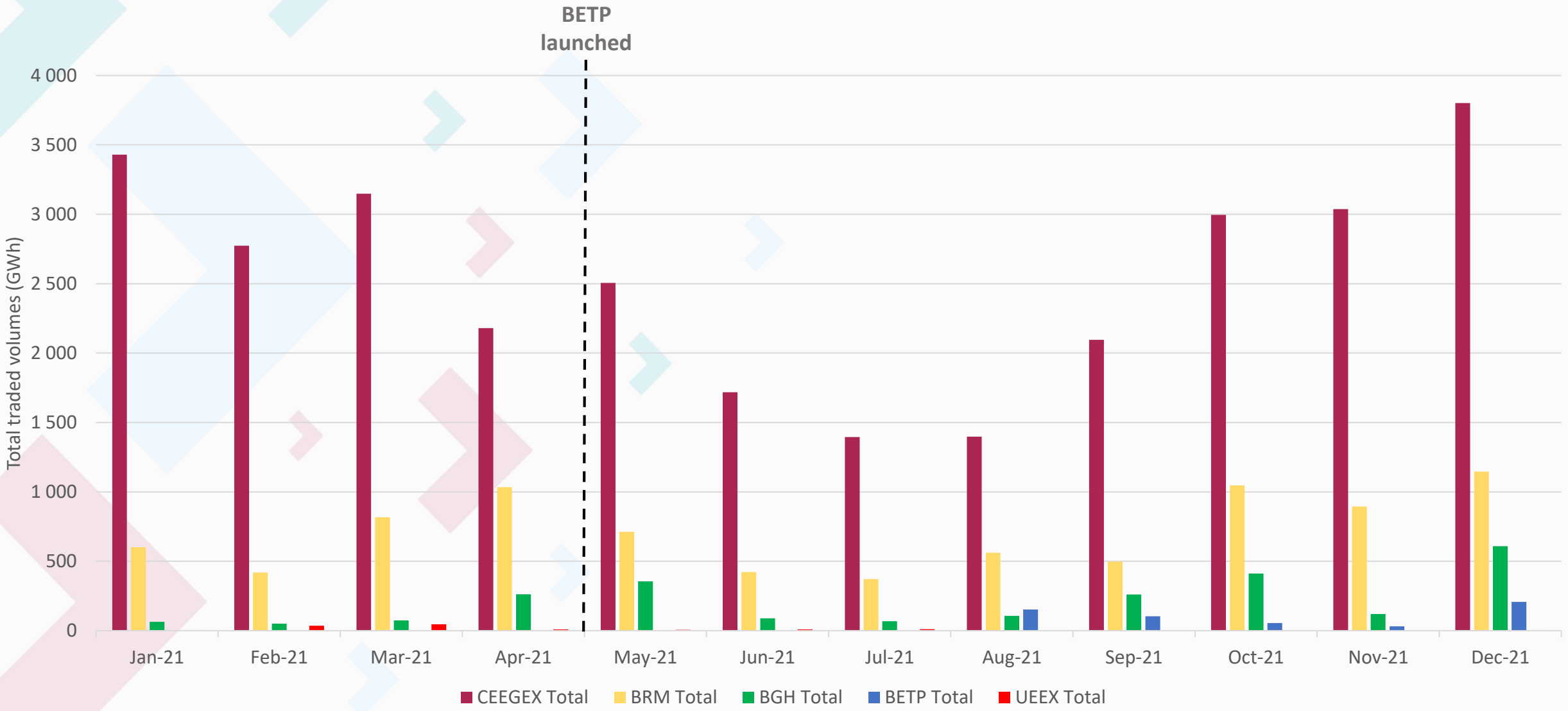
Sources: CEEGEX, EEX, TGE, OTE

Regional Within-Day traded volumes



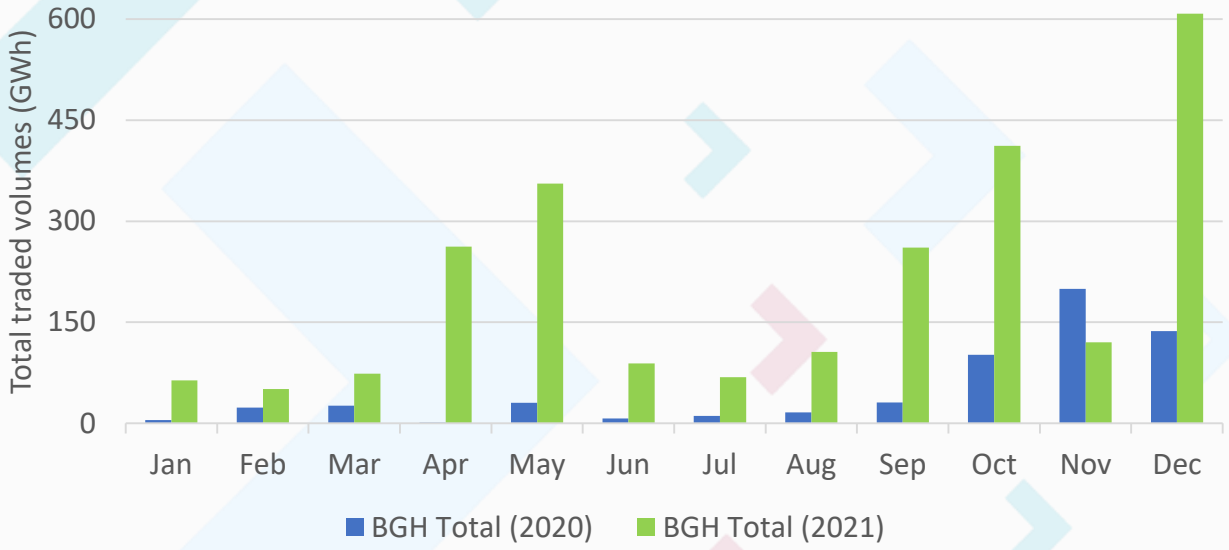
Sources: CEEGEX, BRM, BGH, BETP, UEEX

Emerging gas hubs & CEEGEX spot traded volumes



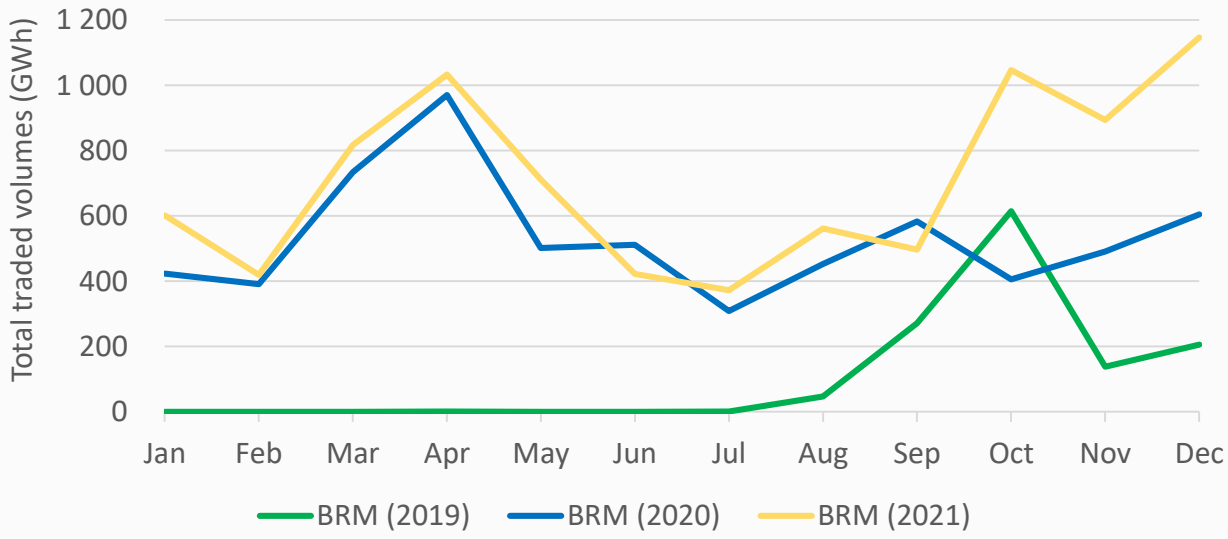
Sources: BGH, BRM

BGH and BRM spot traded volume increased



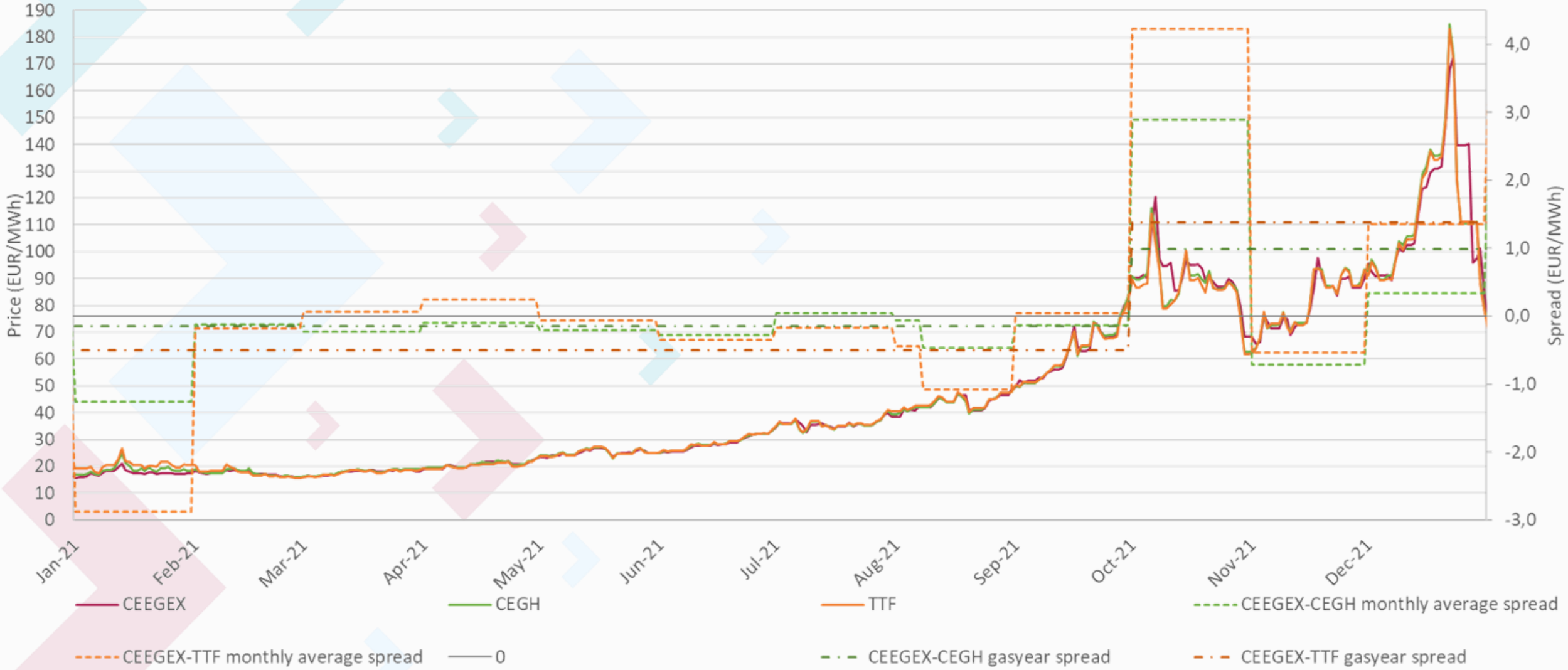
In March a decision was made to authorize the Balkan Gas Hub EAD to organize a natural gas exchange market. In October, BGH expanded with a new product, BoM.

In July a Memorandum of Understanding about trans-regional cooperation on the development of an integrated South-Eastern and Eastern European gas (SEEGAS) market was signed by energy exchanges and trading service providers BRM, UEEX, TGE, CEEGEX and ECG.



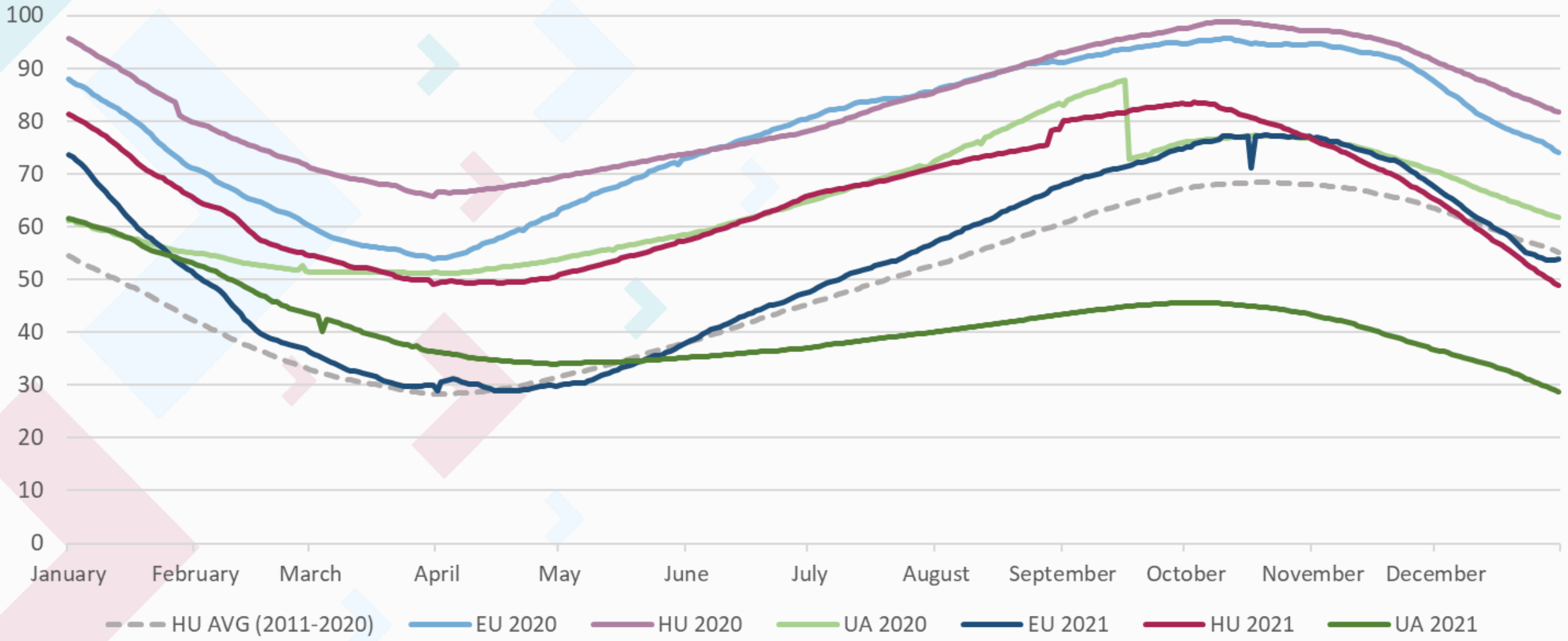
Spot prices and spreads

Source: EEX, CEEGEX



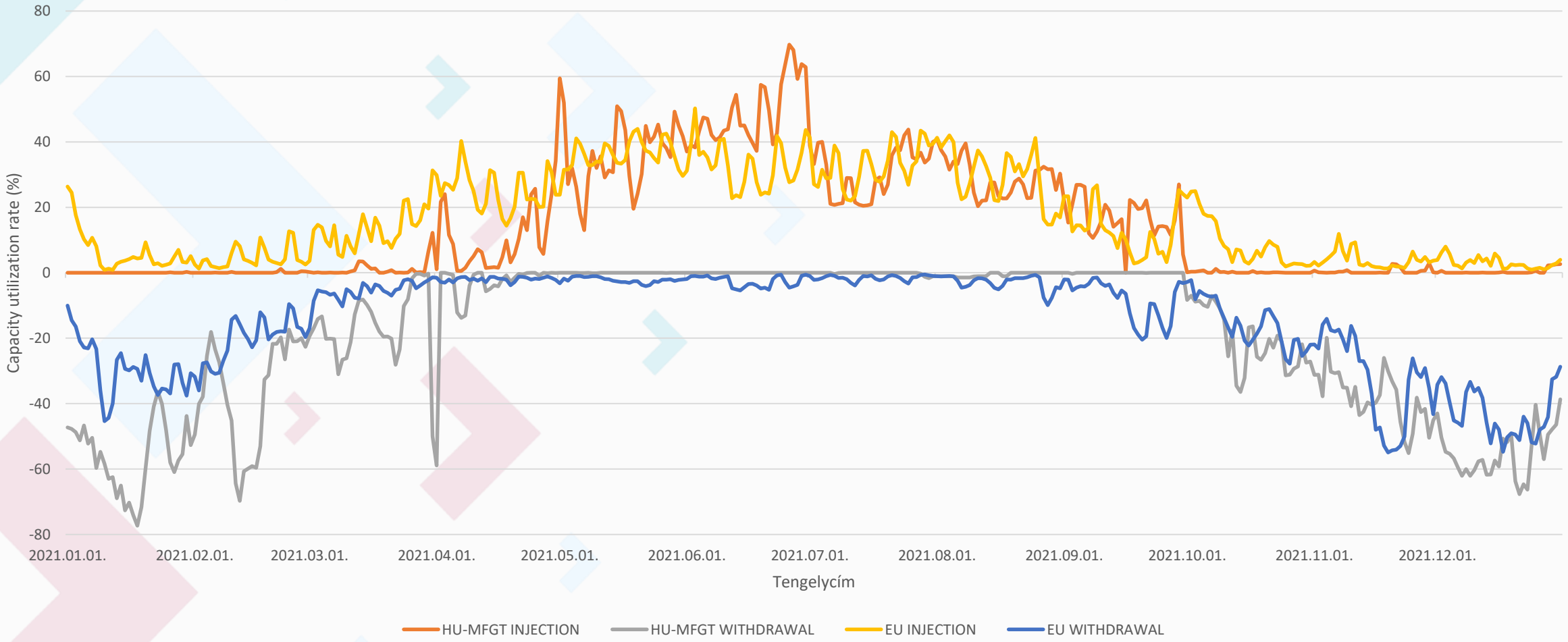
Storage level in EU

Source: AGSI



Source: AGSI

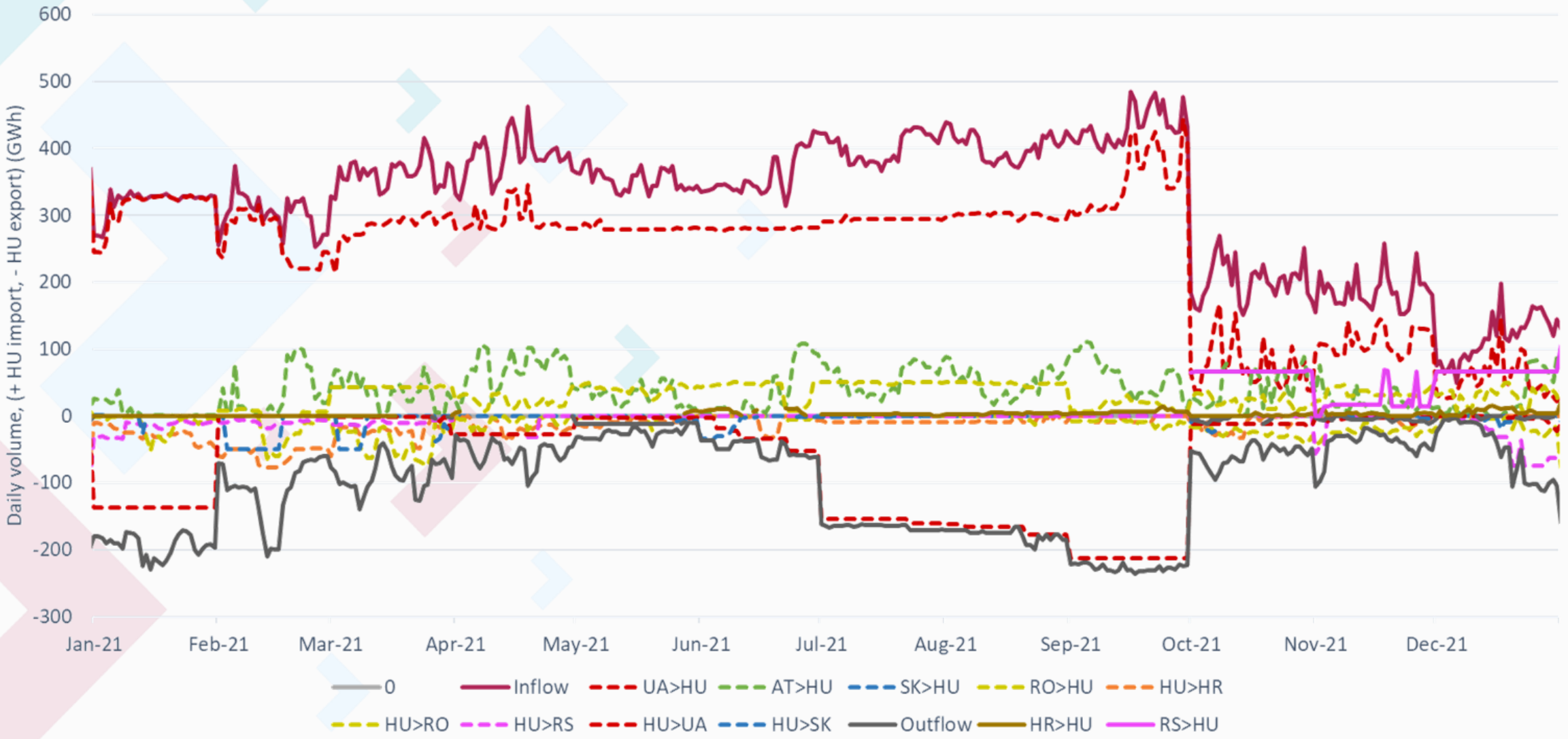
Underground Gas Storage injection and withdrawal capacity usage



Hungary started the 2021/22 gas year with relatively more gas in storage than the European average. However the relative injection rates were more or less similar.

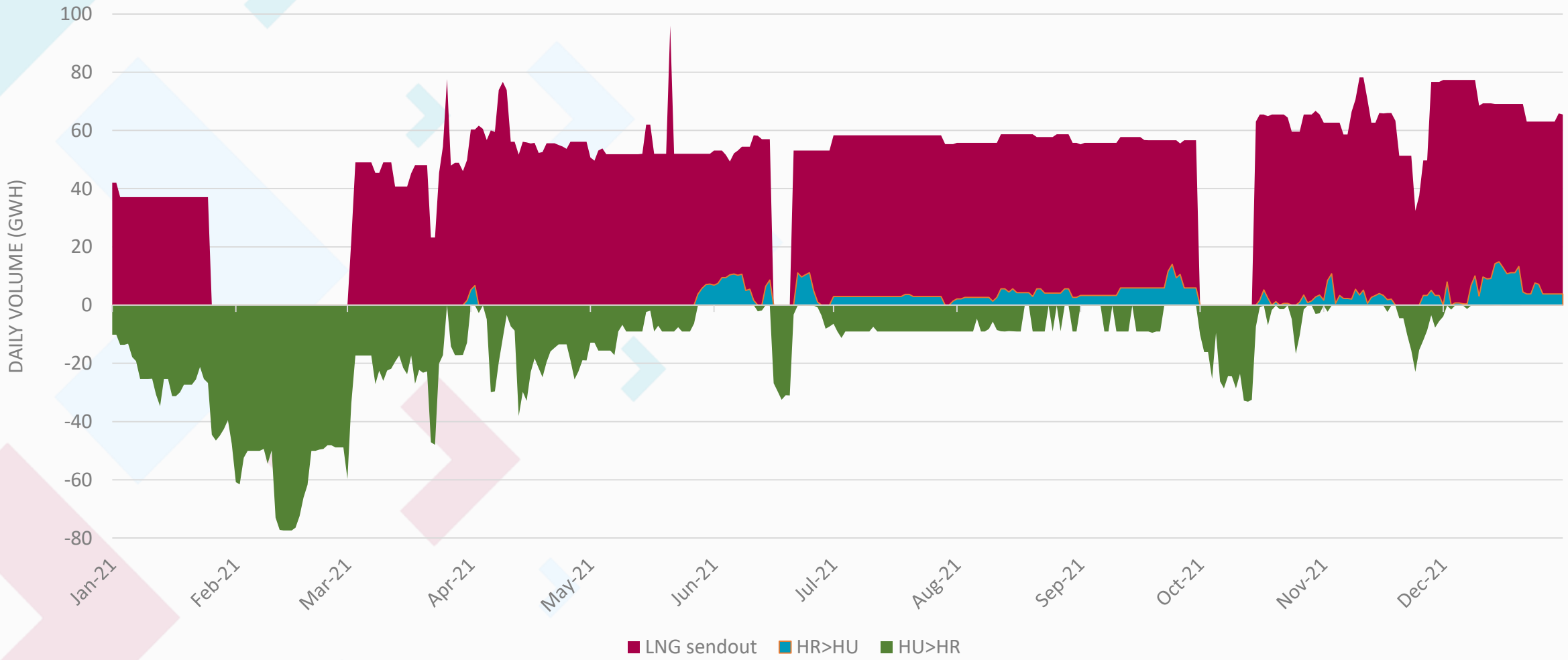
Source: RBP

Significant changes in case of Hungarian cross-border allocations



Source: RBP, ALSI

HR-HU allocation with LNG sendout

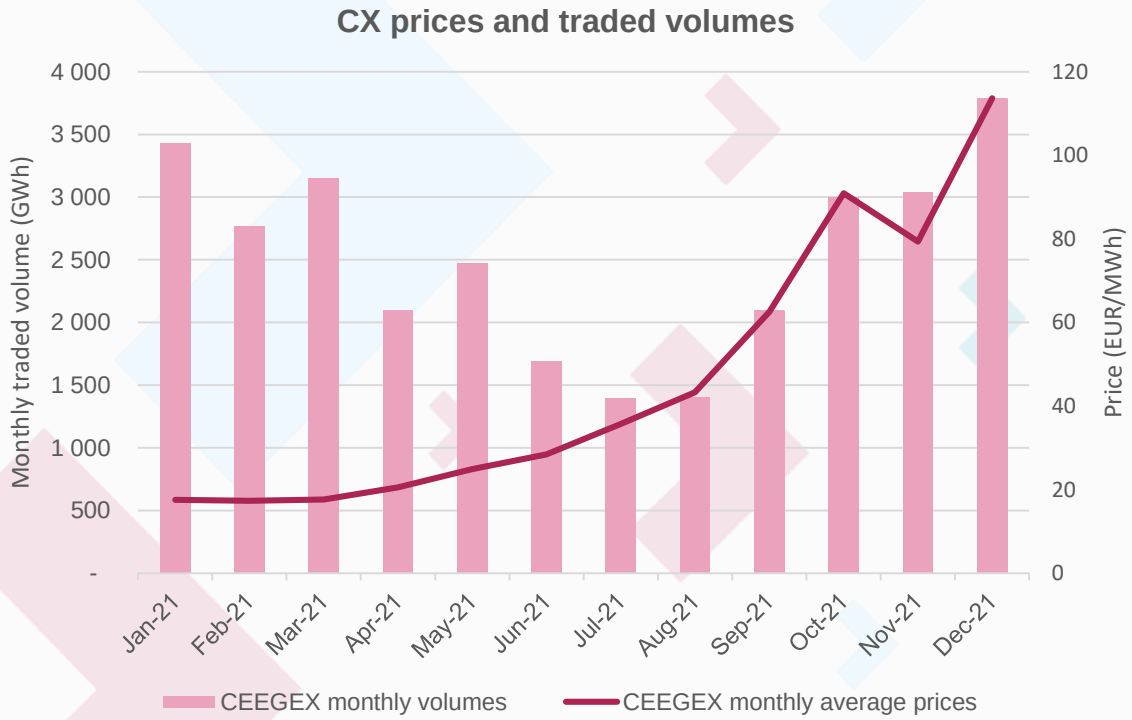


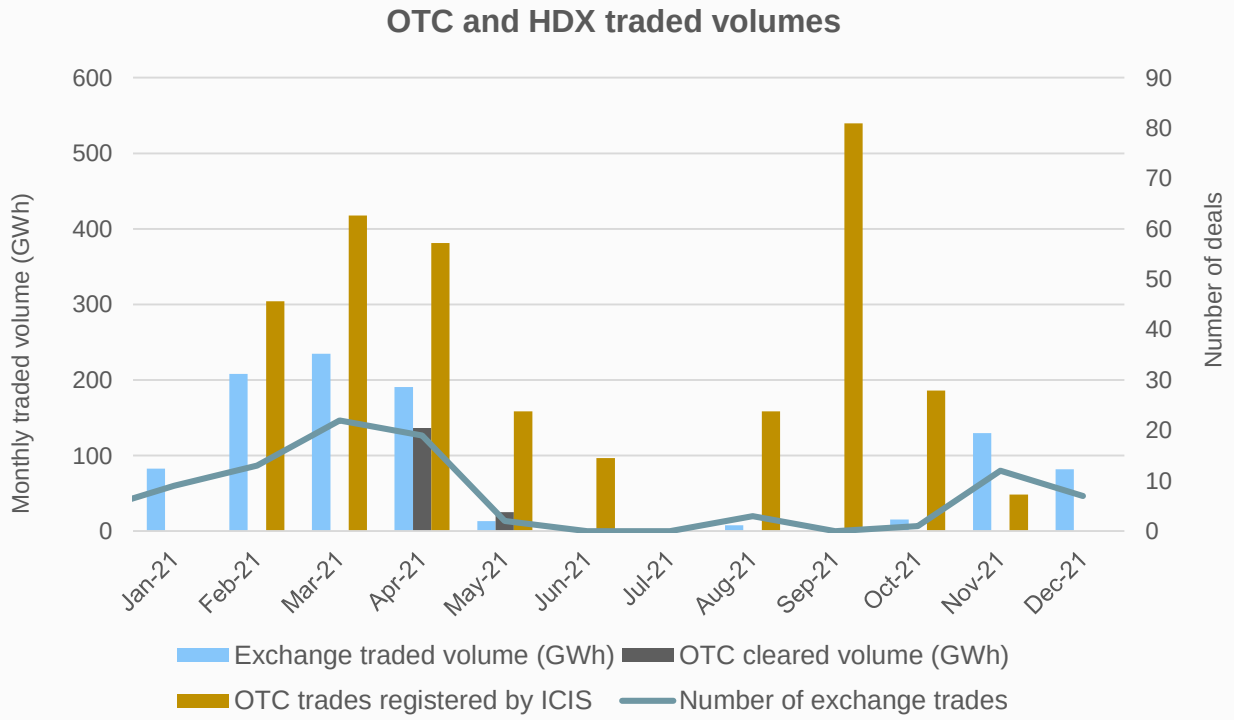
The gasflow from Hungary is mostly outgoing, even when there is adequate LNG sendout. We can assume that, there is little or none natural gas in Hungary from LNG.

Source: CEEGEX, ICIS, Bloomberg, MEKH

Spot exchange trades increased in 2021 Q4

- In **2021 Q4 exchange trades increased** in line with energy prices **despite growing collateral requirements**. Central Clearing Counterparties define the value of financial instruments required to back up a deal on the basis of the trade's value, therefore high energy prices resulted in higher margin requirements. If the current high price environment and volatility would persist, **more frequent margin calls might be possible**, especially in case of smaller counterparties. In addition, **market concentration** could grow, leaving only the strongest (in terms of capital) groups of companies in the markets.
- Parallel, in **2021 Q4 OTC trades fell** as market participants became more **risk averse**. Brokers have to compete with exchanges offering clearing services that eliminate default risk. Apart from a spike in September volumes, OTC trades showed a decreasing trend last year. Furthermore, there was a **shift to non-bilateral spot trades** from futures trades.





- By the end of 2021 **Gunvor**, a multinational commodity trading company had margin calls of around $1 billion, while the German energy supplier **RWE** had to involve additional financial collaterals, too. Also in 2021 Q4 the Hungarian Regulator suspended for 90 days the natural gas trading license of **JAS,** a Hungarian energy supplier.
- At the beginning of 2022 **Uniper**, another German energy company received a loan of €10 billion from their parent company. The value of the loan corresponds to about two-thirds of the company's market value. According to Uniper, higher commodity prices increased the value of their underlying energy assets.

Gas package

- On 15 December 2021, the European Commission released its Hydrogen and Gas Market Decarbonisation package **("Gas Package")**, along with legislation on methane emissions, the energy performance of buildings, and sustainable carbon cycles. **The proposal for a new framework** (revision of the Gas Regulation and the Gas Directive) **aims to decarbonise gas markets, promote hydrogen, reduce methane emissions and align EU gas legislation with Europe's new energy transition targets**.
- The proposals must **be debated and agreed by both the European Parliament and the Council of the European Union**, before they can become binding (~18-24 months).
- Gas industry broadly welcomed the package, but environmental organisations or geothermal industry have criticised it.

Key new rules of the Gas Package include:

- creating the conditions for a **shift from fossil natural gas to renewable and low-carbon gases** (RES&LC)
- **easing the access of RES&LC gases to the existing gas infrastructure** by removing tariffs for cross-border interconnections and lowering tariffs at injection points, proposing rules of transparency of gas quality parameters and hydrogen blends or rules of repurposing of gas networks for hydrogen transport
- **establishing a competitive market for hydrogen**, creating the right environment for investment, enabling the development of dedicated infrastructure, including for trade with third countries, unbundling, non-discriminatory network access and cross-subsidisation
- these market rules for hydrogen will be applied in **two phases: before 2030** („Transition Phase") **and after 2030** („End Phase").
- a new governance structure in the form of the **European Network of Network Operators for Hydrogen (ENNOH)** will be created by 2025
- **extension of the EU ETS and introduction of a certification scheme** to confirm whether the gas brought on the market is renewable or low-carbon
- **no long-term supply contracts would be allowed for unabated fossil gas** lasting beyond 2049, while long-term contracts for RES&LC accepted
- **strengthening the resilience of the gas system** by automatic solidarity across borders through new pre-defined arrangements and clarifications or voluntary joint procurement of strategic gas reserves to be used in case of emergency, or by adaptation to new risks (cybersecurity)
- new rules will allow **EU financing for projects to convert natural gas transport and storage assets to hydrogen** until 31 December 2027 and fast-track permitting as EU projects of common interest (PCIs)
- new rules to **tackle methane leakage**, ban on venting and flaring
- **consumer** empowerment and protection
- fostering **integrated network planning** between electricity, gas and hydrogen networks