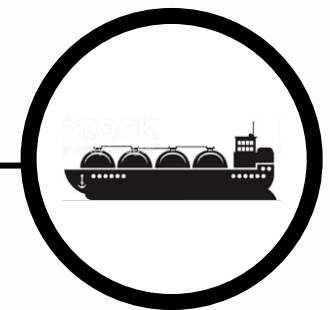


# Global & Regional Market Analysis

Natural Gas

April 2022

18/05/2022





# Stories of the recent weeks

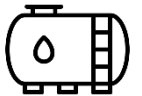
The Russia-Ukraine war entered the third month in April. So far, no sanctions were imposed on gas, but the EU has announced a plan of a sixth package of sanctions targeting Russian oil and bank sector.



Russian supplies to Europe lowered by mid-April, Gazprom suspended supply to PL and BG. Scheduled maintenance & unplanned outages reduced Norwegian exports from mid-April.



European aggregated storage levels surpassed 30% by the end of April. Shippers will need to inject around 55bcm to meet the EU's 80% target this summer. 1 April 2022 is the start of the injection period in most EU countries.



LNG influx to Europe remained strong especially due to lower LNG demand from China. China introduced lockdowns because of the spread of the omicron variant. The US overtook Australia and Qatar as the world's largest LNG exporter in Q1.

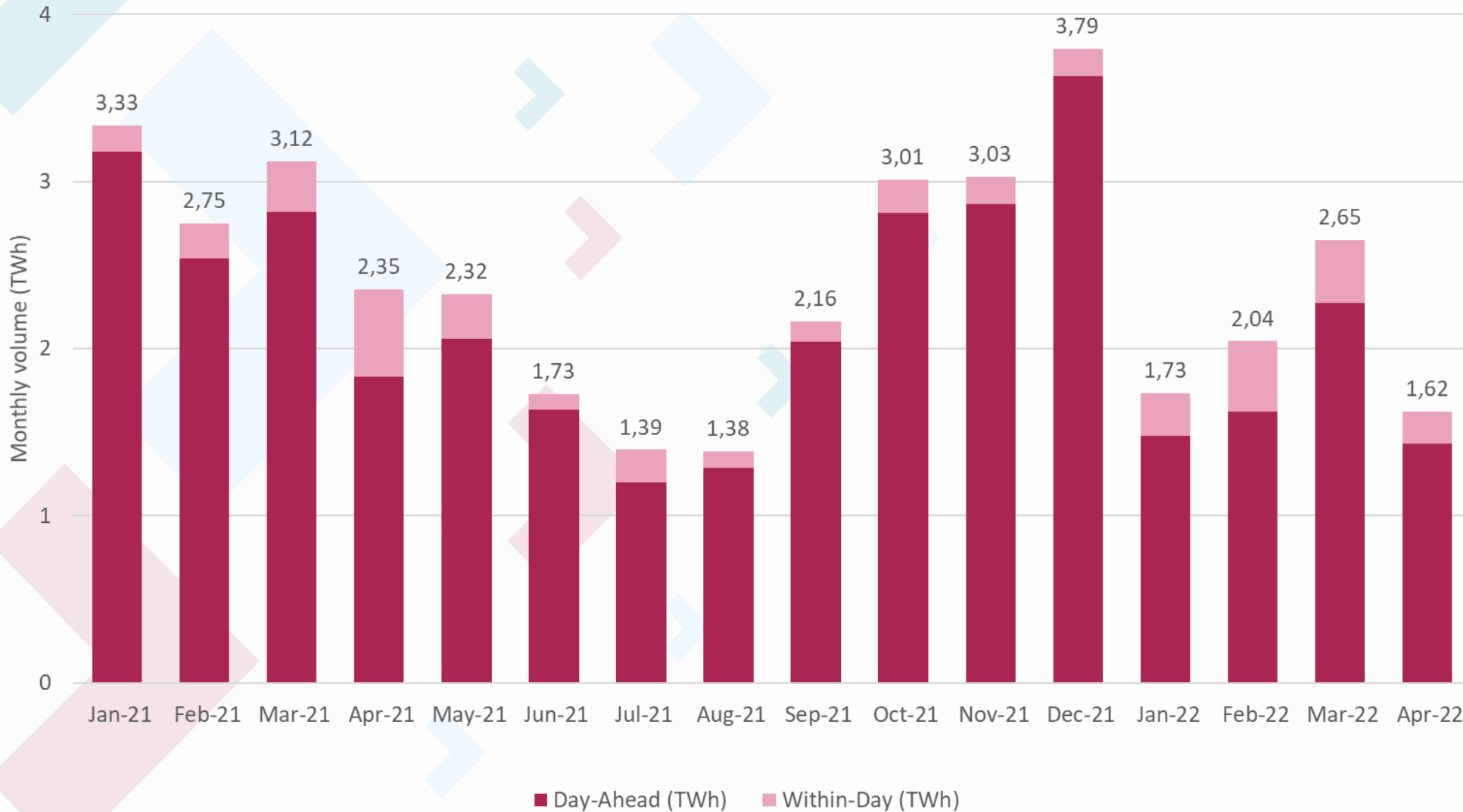


EU companies may be able to work around Russia's demand to receive gas payments in rubles without breaching sanctions if they pay in euros or dollars which are then converted into the Russian currency, the EC said by the end of April.



# CEEGEX monthly traded volumes

Source: CEEGEX

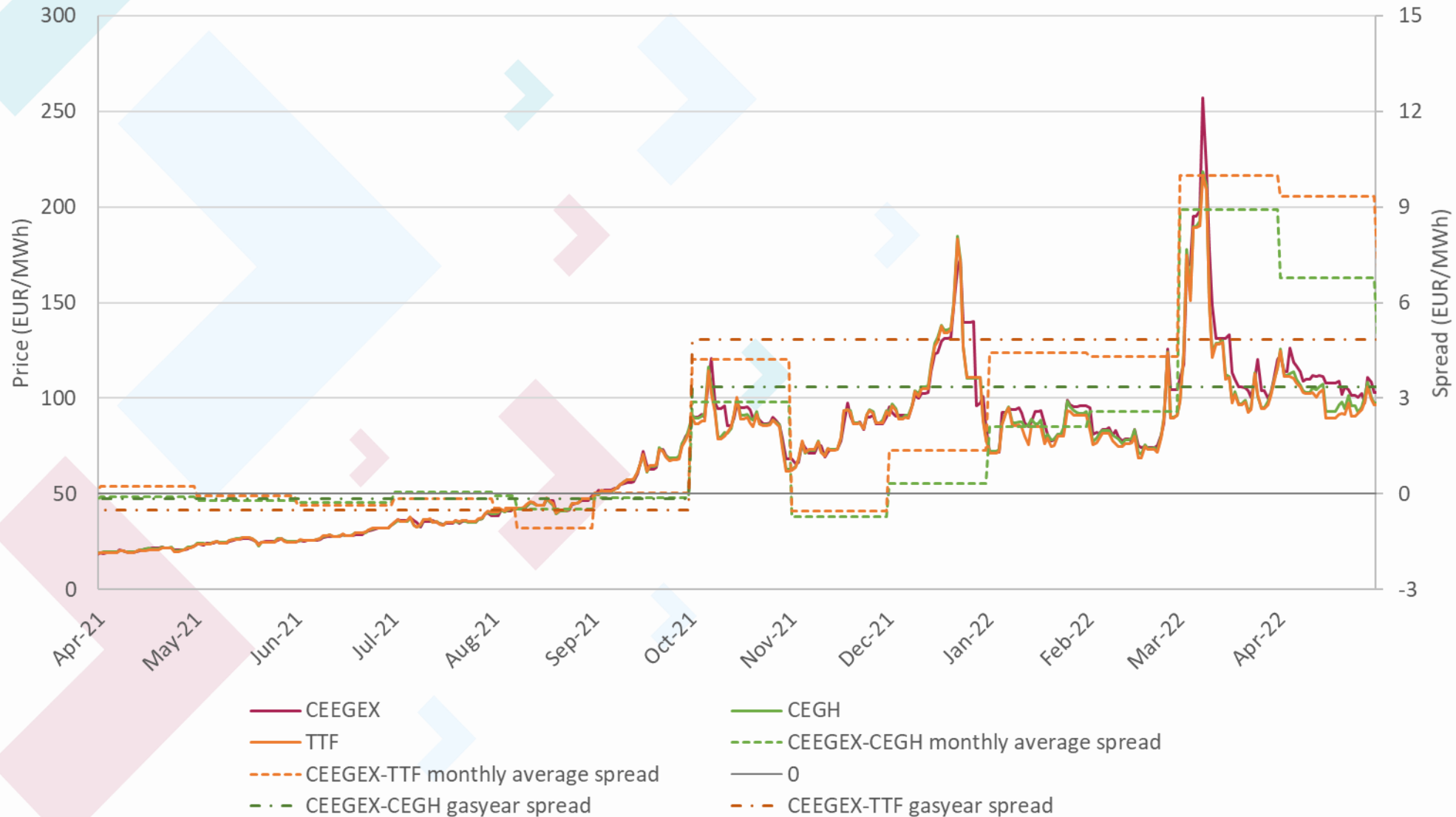


## EXPERT OPINION:

- CEEGEX April traded volumes decreased in comparison to March and also YoY.
- The main reason behind the decline is the current strong uncertainty on the markets at the start of the injection season.
- Winter-summer spreads are not incentivizing injections (Discussed in more detail later).

# Regional prices and spreads

Source: CEEGEX, EEX

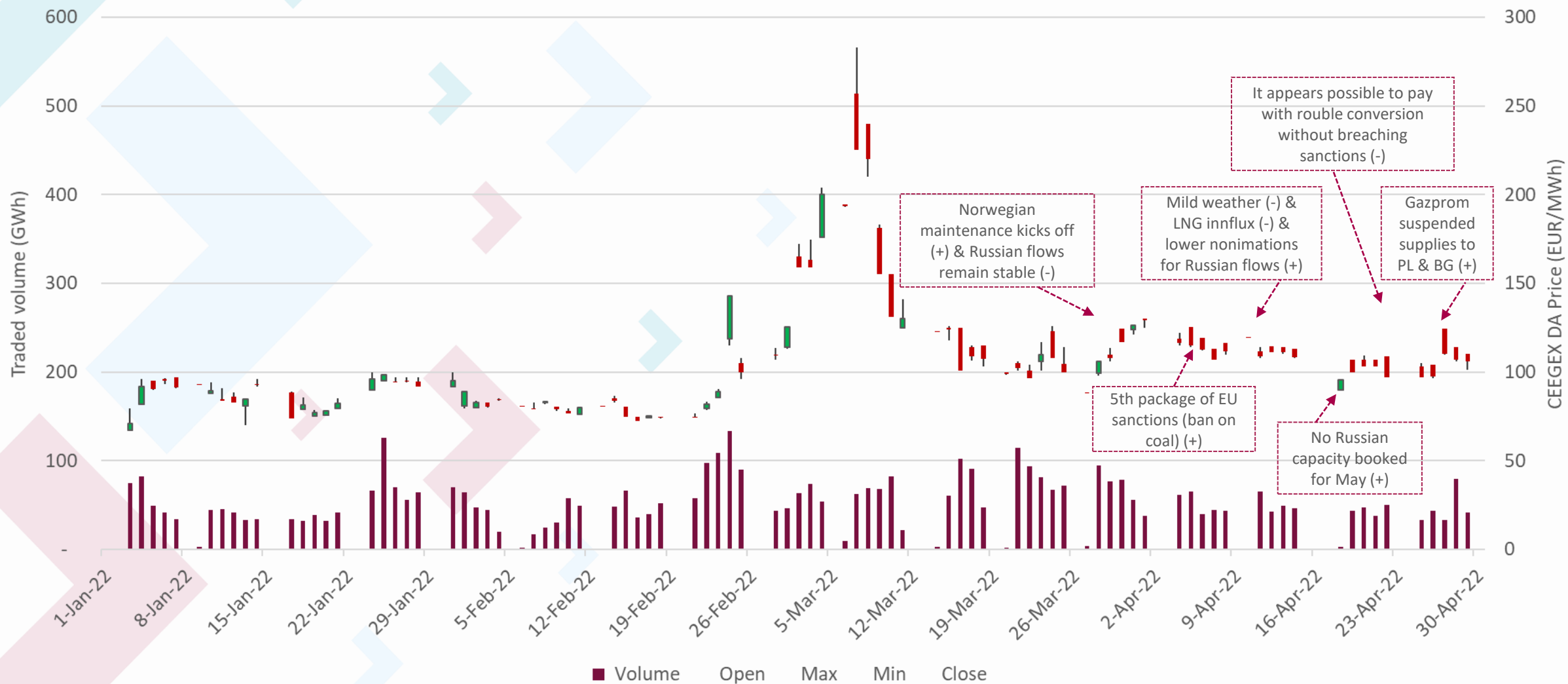


## EXPERT OPINION:

- In April the spread decreased in comparison to March.
- CEEGEX prices are at a premium to regional benchmark exchanges.
- Most probably the main reason behind that is that CEE markets are more reliant on Russian pipeline gas supplies than NW European markets, where LNG cargoes arrive are at record high levels. (Discussed in more detail later).

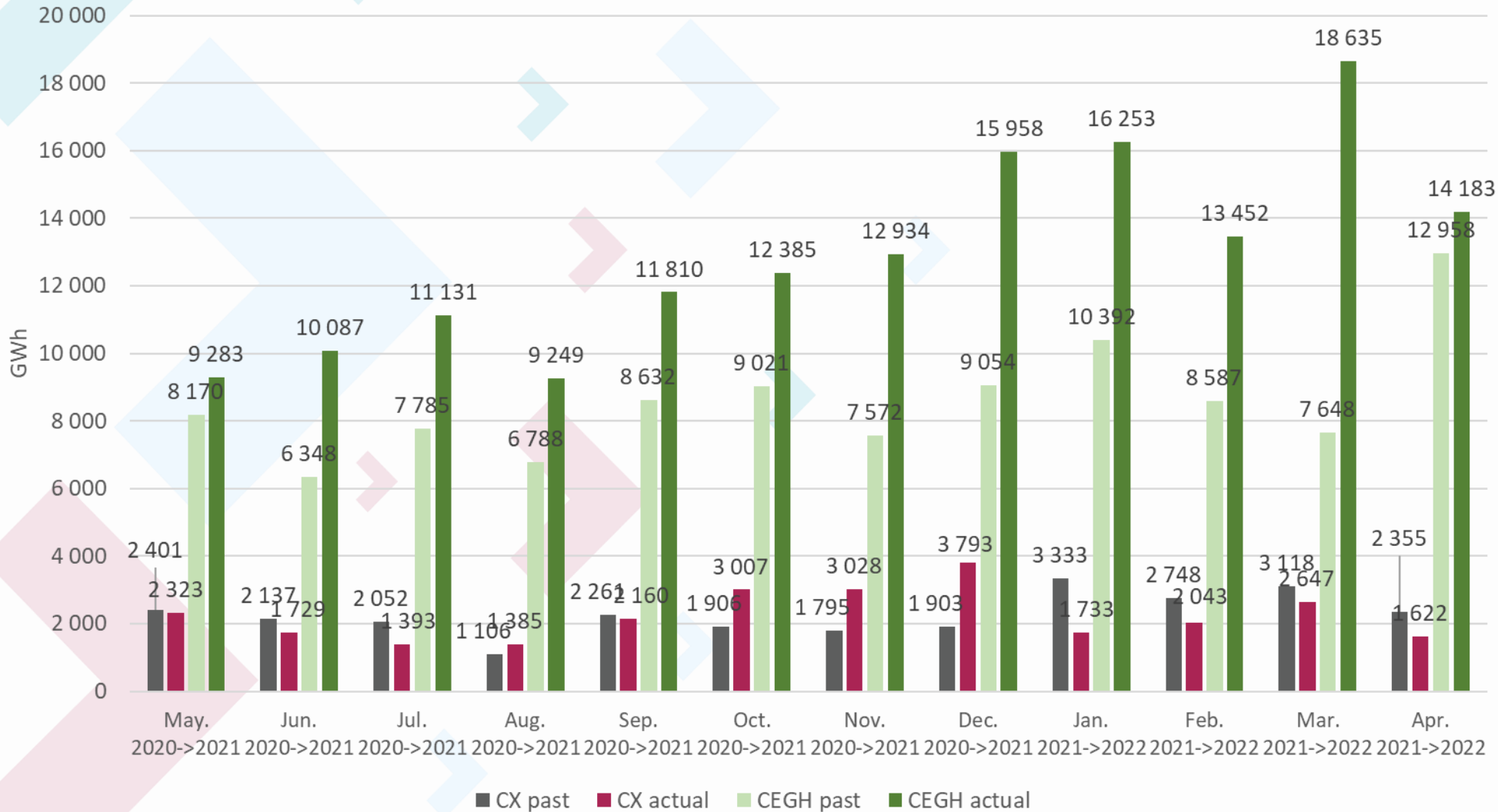
# Japanese candles

Source: CEEGEX, ICIS



# CEGH and CEEGEX traded spot volumes YoY

Source: CEEGEX, CEGH

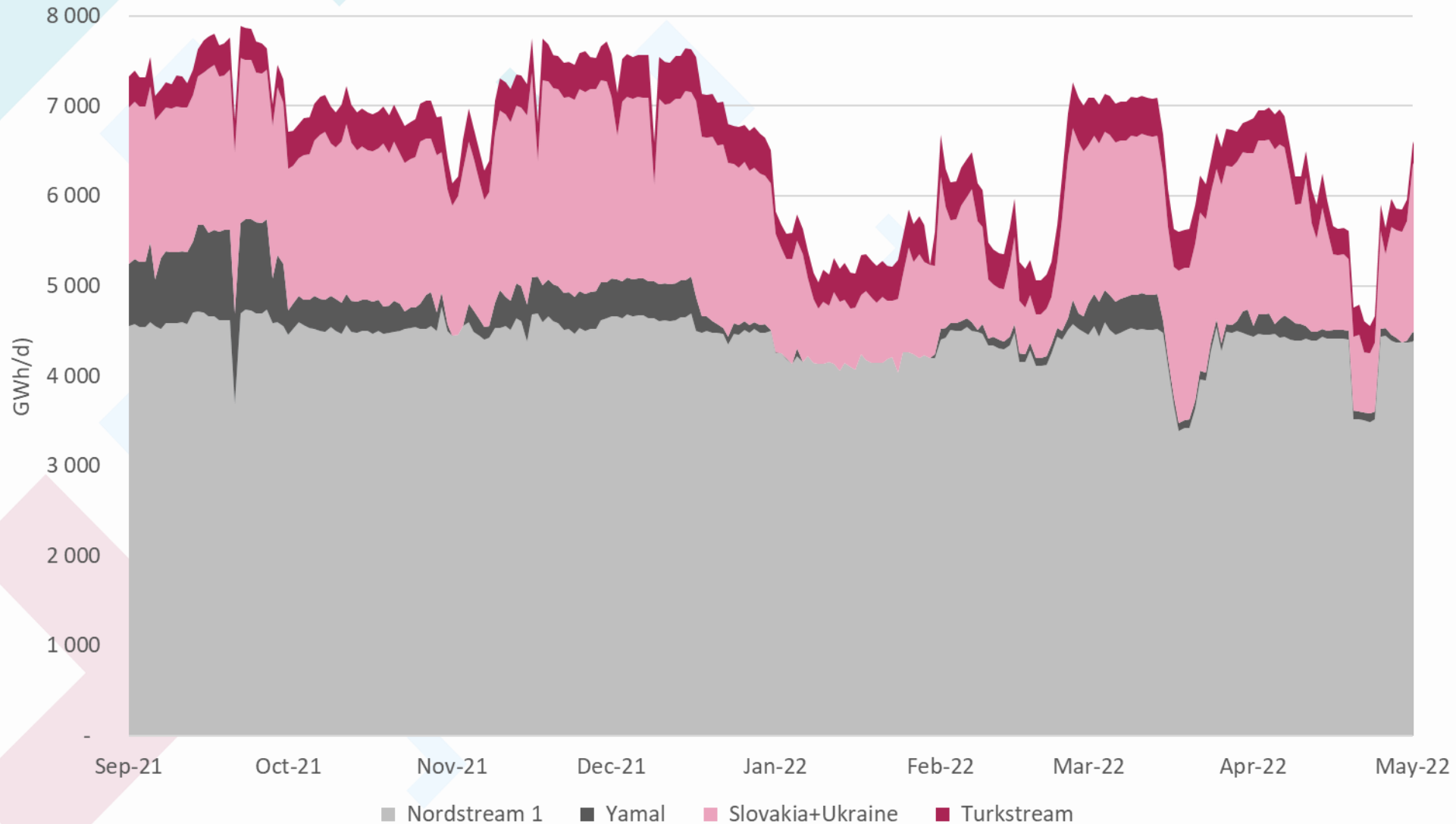


## EXPERT OPINION:

- Exchange trading volume could increase due to the higher counterparty risk what is higher in case of bilateral, uncleared OTC trading.
- CEEGEX volumes decreased in 2022 April due to uncertainty on the markets at the start of injections.
- CEGH volumes on the contrary have increased, but still remained below 2022 March volumes.

# Gasflows from Russia

Source: ENTSOG

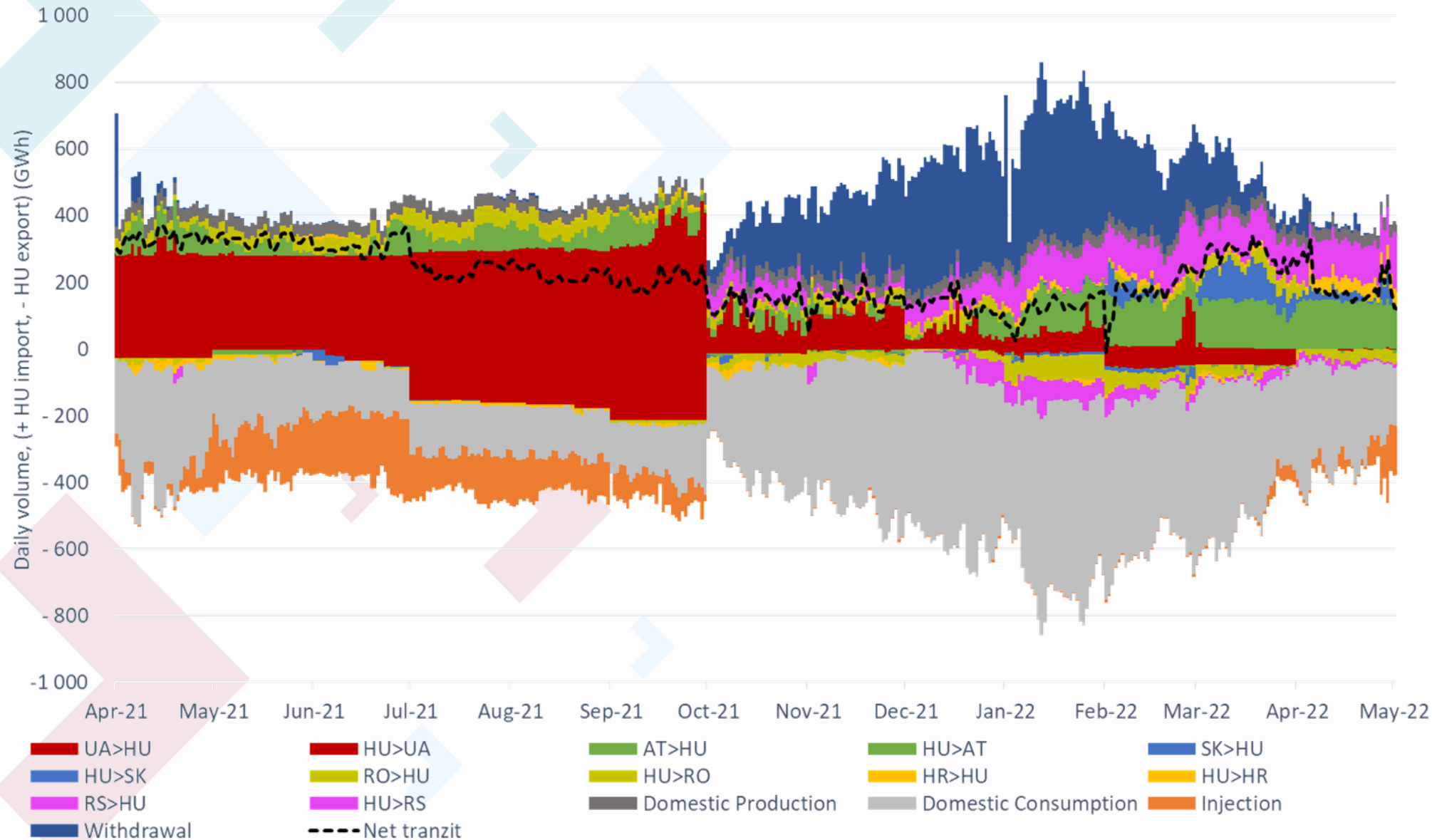


## EXPERT OPINION:

- Russian supplies on the NS1 pipeline decreased, but remained stable in April.
- Yamal flows also remained low relative to 2021.
- Flows via Ukraine dropped since February. Supplies via Slovakia ramped up at the start of April, but later flows started to decrease.
- Deliveries via TurkStream remained unchanged.
- Lower Russian flows might be attributed to the price spike in early March which made long term contracted gas more expensive, therefore buyers are nominating less.

# Hungarian gas market balance

Source: AGSI, FGSZ

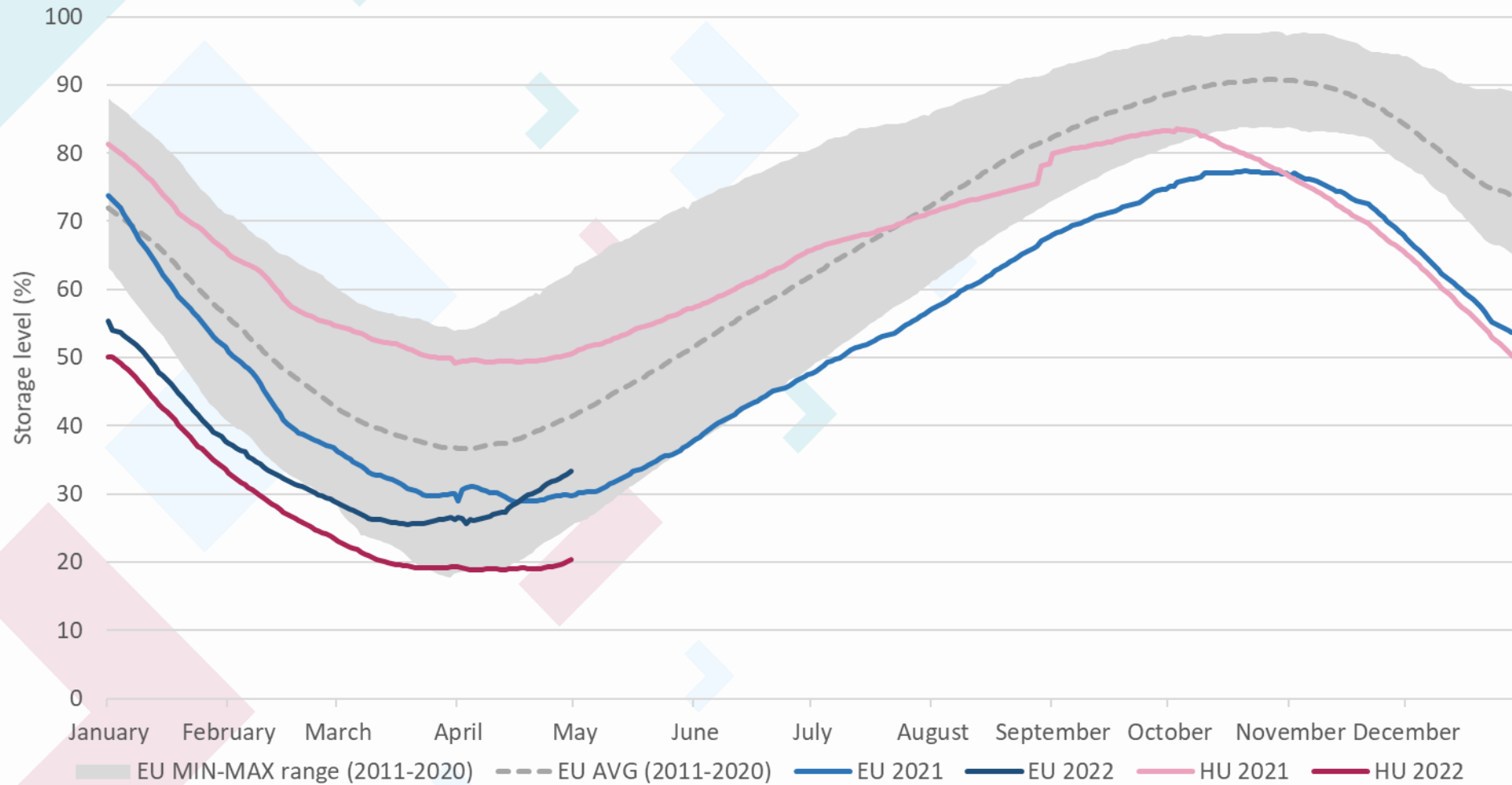


## EXPERT OPINION:

- On overall, imports to Hungary increased, while exports declined in April and March.
- Flows from Ukraine dropped to zero in April. Nonetheless, supplies on this route were moderate since last October.
- Flows from Austria and Serbia remained stable, Croatian import grew.
- Slovakian and Romanian imports lowered.
- Domestic consumption started to decrease in line with higher temperatures and lower heating demand.
- Injections remained low during April.



# Gas storage level in EU and HU



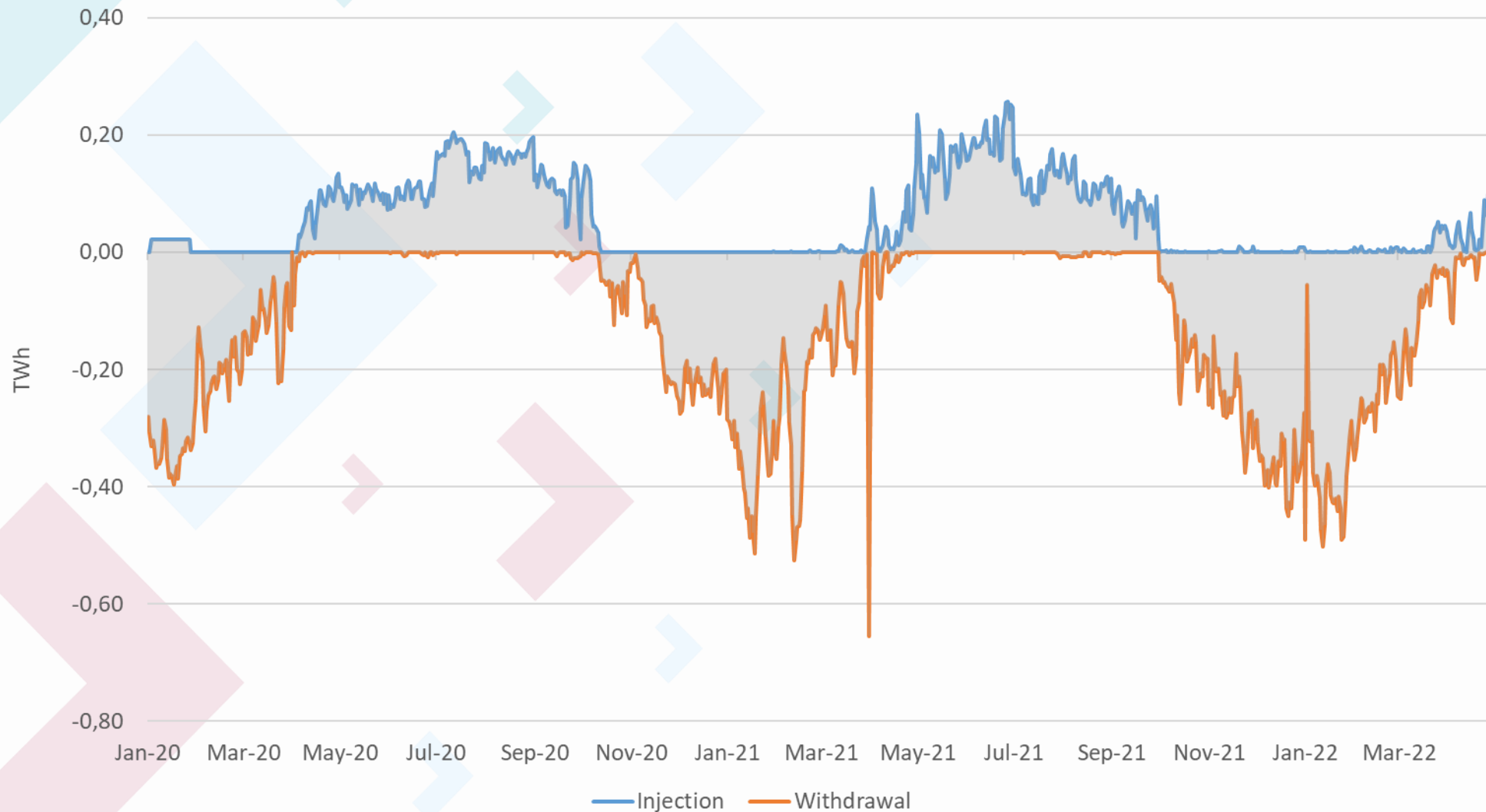
## EXPERT OPINION:

- European aggregated storage levels (excluding Ukraine) returned to their historical min-max range between 2011-2020 and surpassed 2021 levels for this time of the year.
- Still, they are below their historical average values.
- If we extrapolate injections based on how they outperformed historical average in April, Europe hits the 80% target in September.
- Levels of Hungarian stocks remained flat during April.

At the end of February Ukrainian storage operator temporarily halted withdrawals and suspended publishing storage data on its website in response to the emergency situation.

# Hungarian injection and withdrawal rates

Source: AGSI

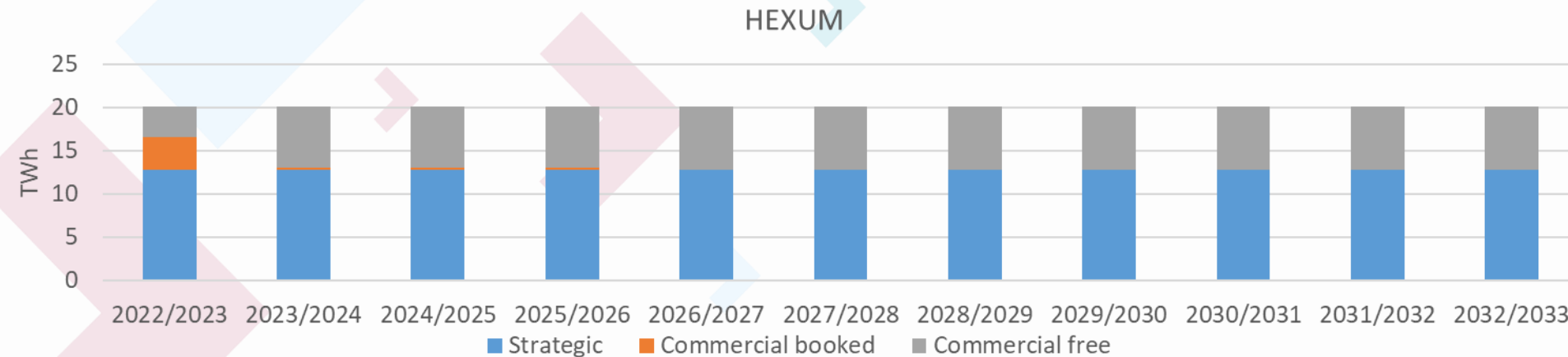
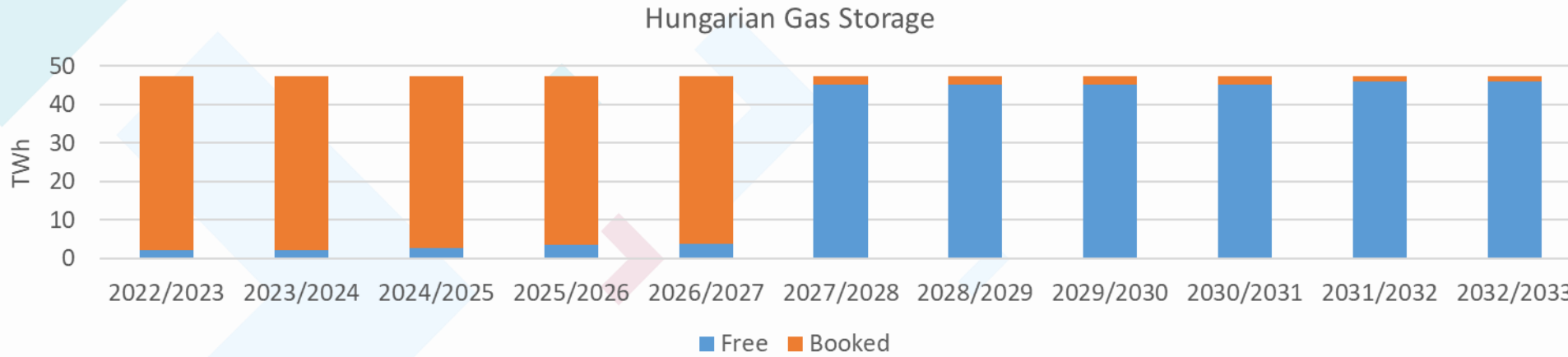


## EXPERT OPINION:

- The year started with low storage levels , but injections only started to ramp up at the end of April.
- One possible reason is that, despite the non-existent summer-winter spread, most of the injections are related to supply security.
- This would mean that, this volumes are mostly the ones required by MEKH.

# Booked gas storage capacities in Hungary

Source: : MFGT, HEXUM



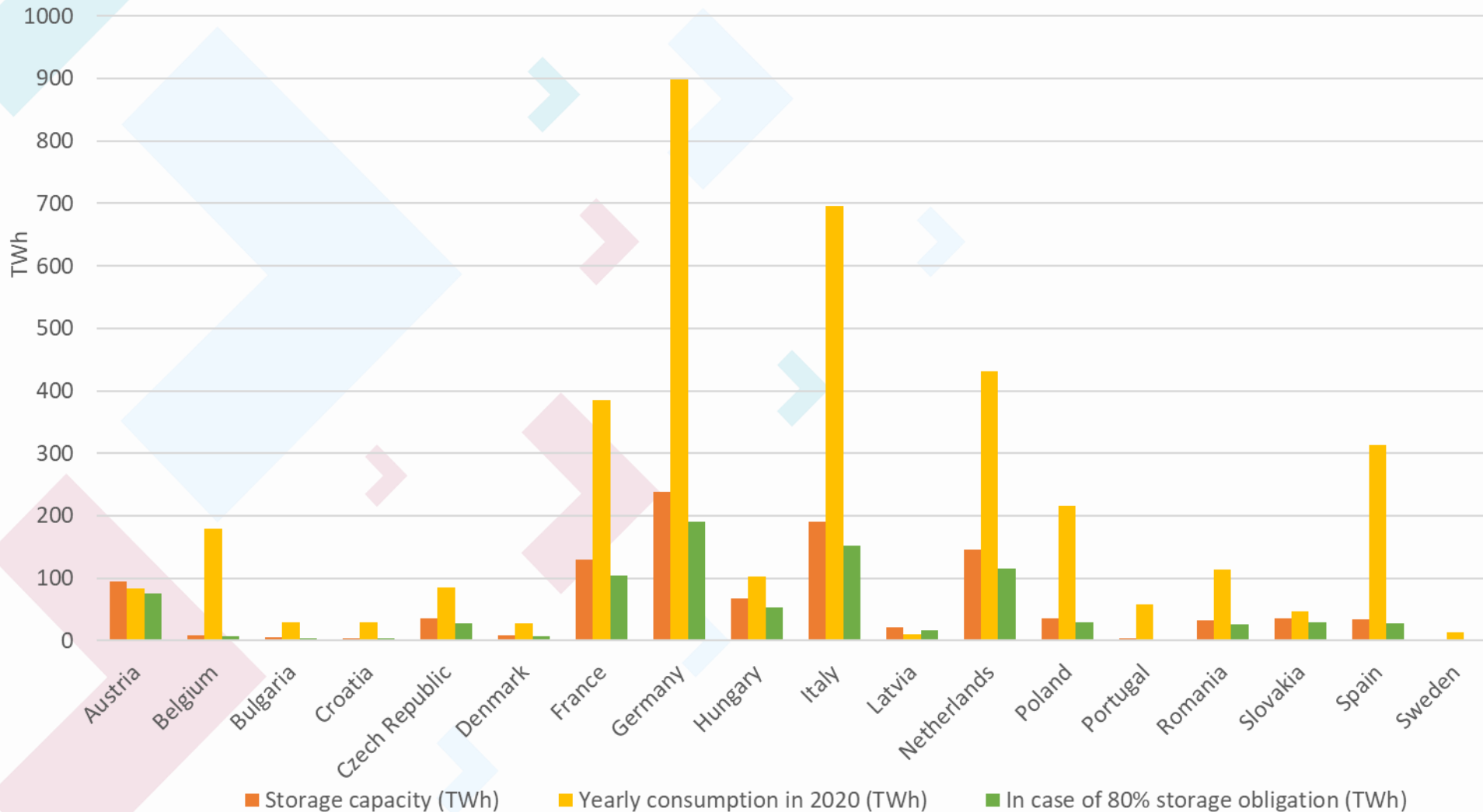
Hungarian storage obligation for the year 2022/2023 is 17,84 TWh for the universal service provider

## EXPERT OPINION:

- Most of the commercial capacities are booked for the next 5 years.
- The possible 80% storage obligation would make no more additional costs in terms of storage capacity booking.
- Circa 29 TWh will be stored as strategic stock and storage obligation will require.

# EU countries with underground gas storage site and their consumption

Source: AGSI, EUSTAT

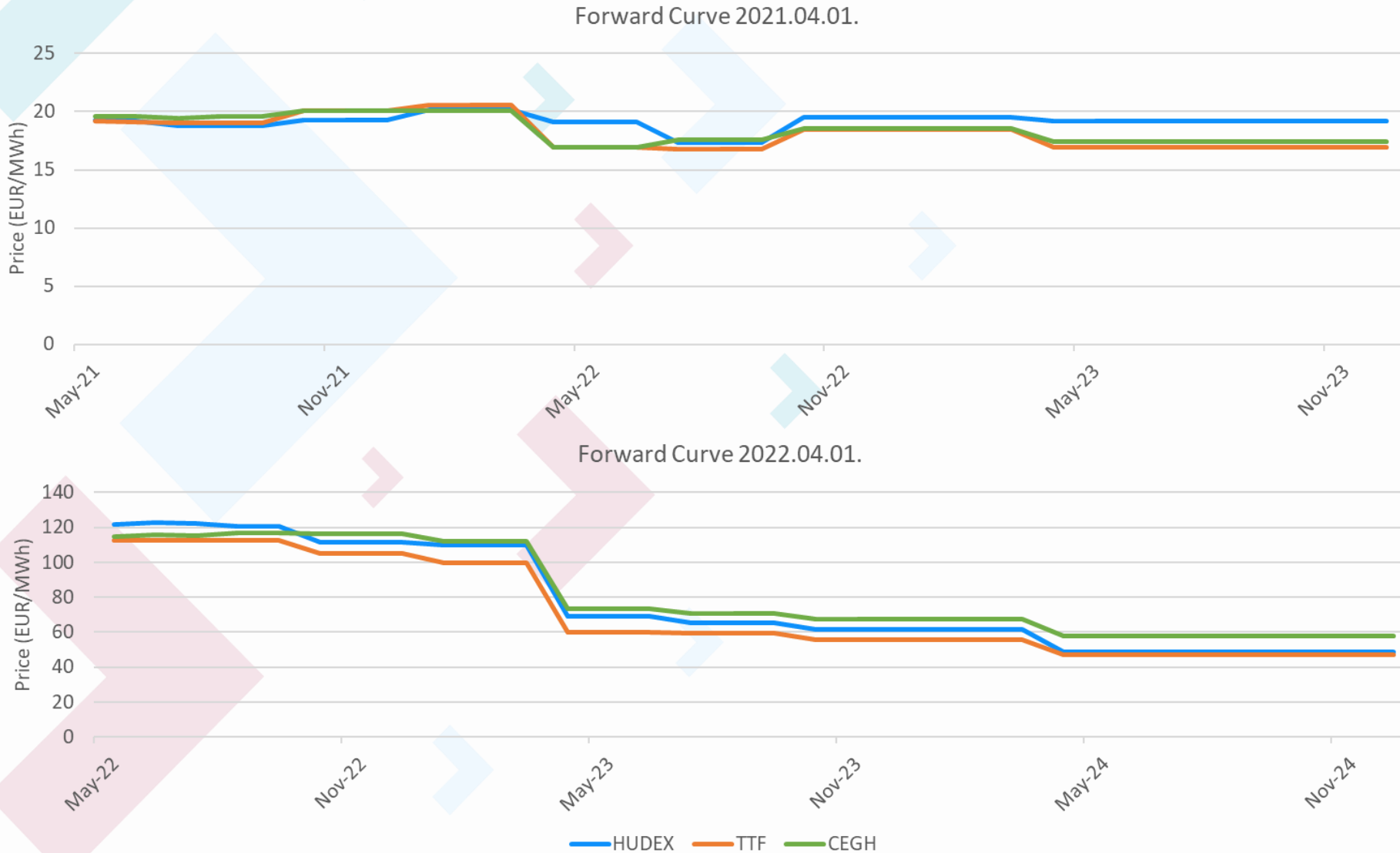


## EXPERT OPINION:

- Possible EU regulation regarding the 80% gas storage obligation seems like impractical or most like futile.
- Most of the countries do not have enough storage capacities according to their consumption.
- Cyprus, Estonia, Finland, Ireland, Luxembourg, Malta and Slovenia does not have underground storage capacities.

# Negative forward curve

Source: HUDEX, EEX



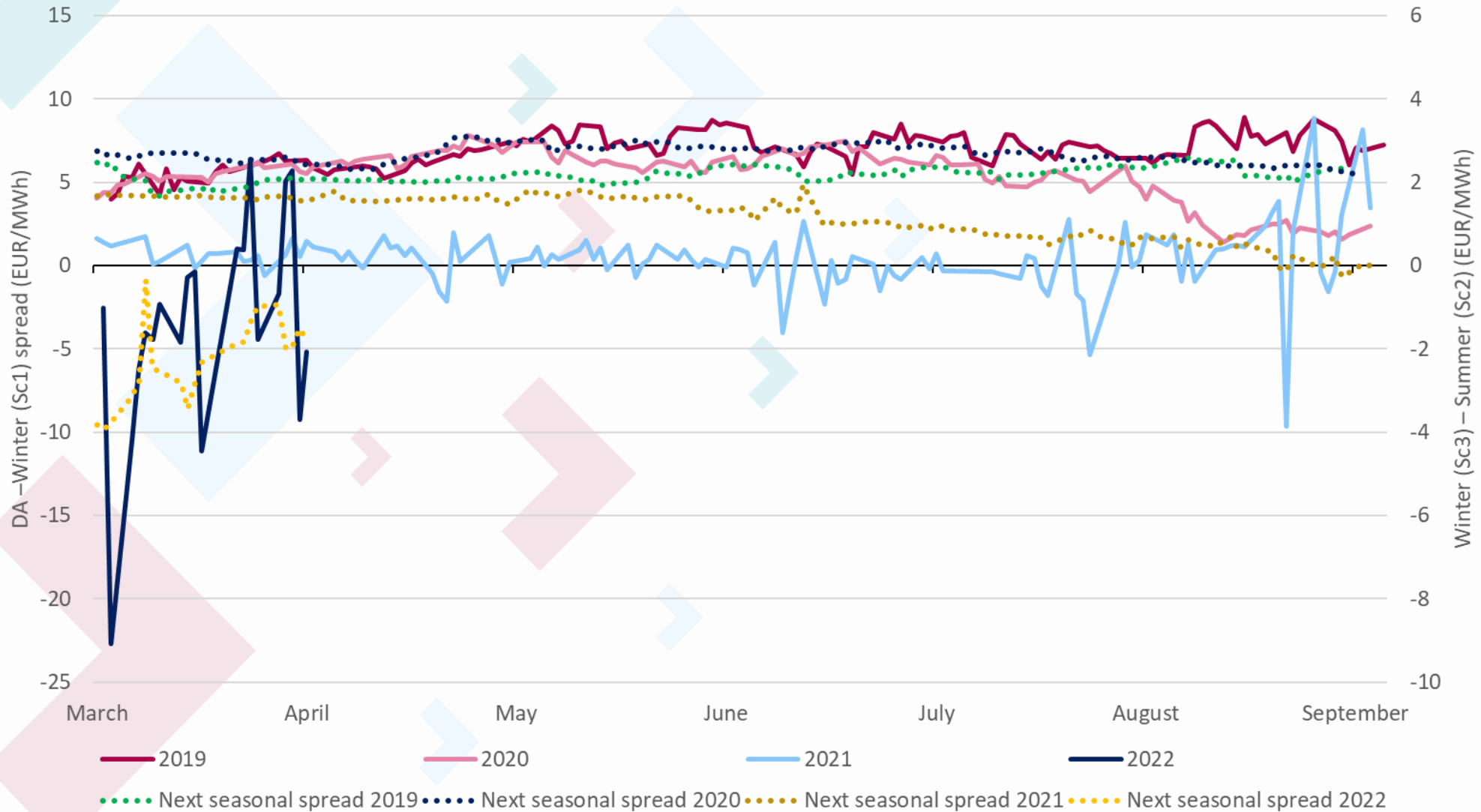
## EXPERT OPINION:

- The forward curve for natural gas would normally show essentially lower prices in the summer period due to the seasonality of demand for the product.
- At the same time, due to the extremely high price environment, the market basically expects a slow, gradual, steady decline in prices. As a consequence, the seasonality that was previously known has disappeared.

# Winter-Summer spread

Source: HUDEX, Refinitiv

TTF Winter-Summer spread (Winter-DA & next sesonal spread) during the injection period

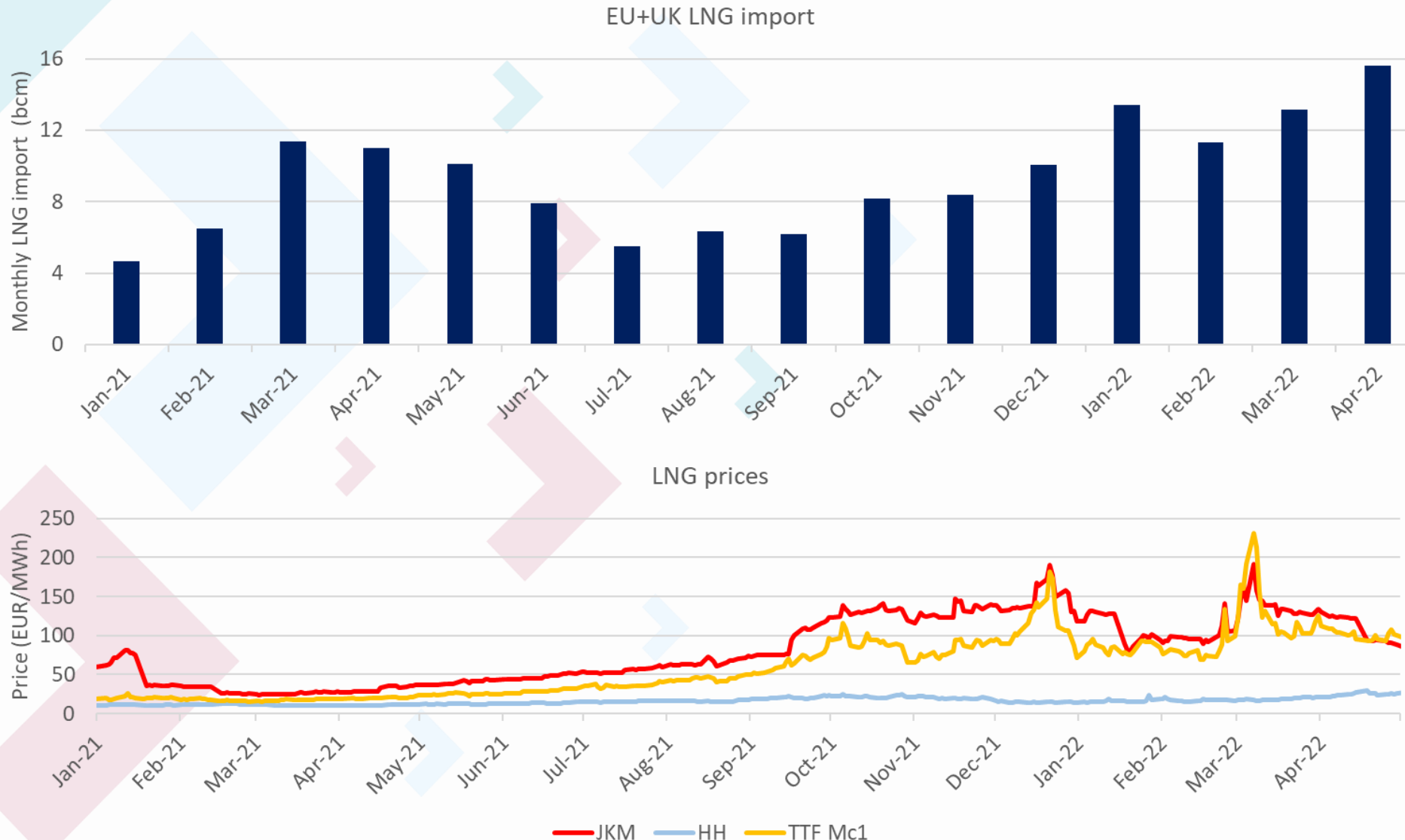


## EXPERT OPINION:

- Due to the volatile prices caused by the energy crisis and uncertainty, the winter-summer spread has diverged from its previous seasonality
- In the past, the winter-summer spread used to be basically positive, which also determined the period of storage and withdrawal. However, this has recently changed significantly.
- Due to the volatile and much higher-than-normal current price environment, the market expects a continued price decline in the long term, while negative winter-summer spreads have become common.

# New record LNG import in April

Source: Refinitiv



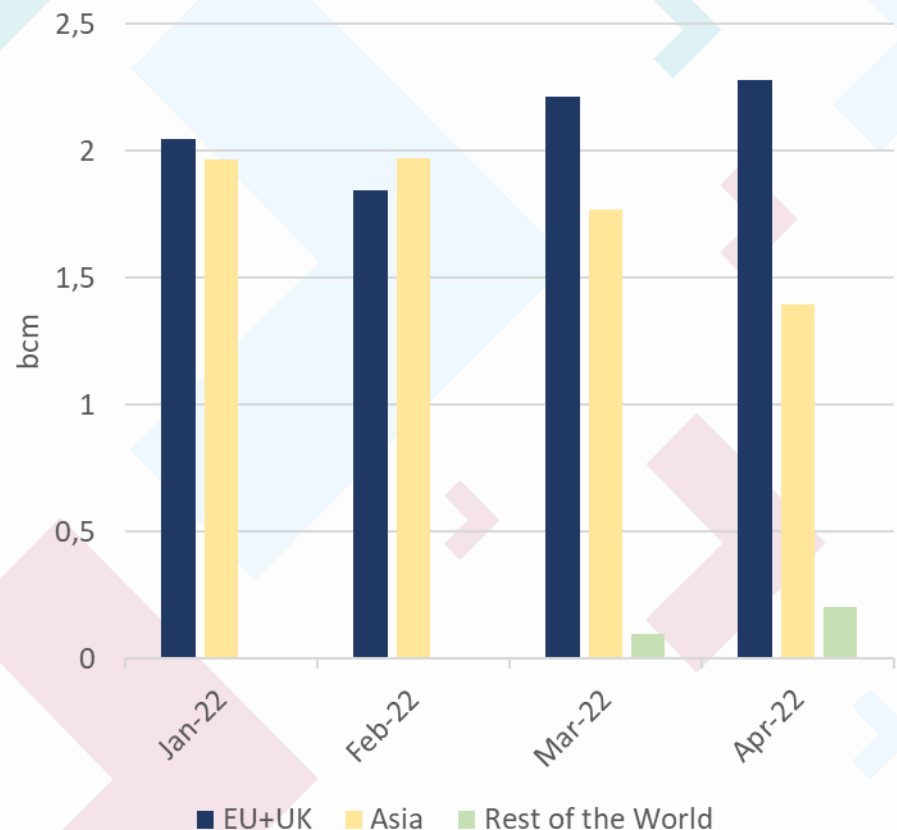
## EXPERT OPINION:

- After a record month in January, EU and UK LNG imports hit another record in April.
- Due to the war in Ukraine and the uncertainty of the Russian pipeline gas the TTF went above the JKM again.
- In April due to the huge European demand and the increasing world LNG prices, the Henry Hub price hit its highest level since 2008.

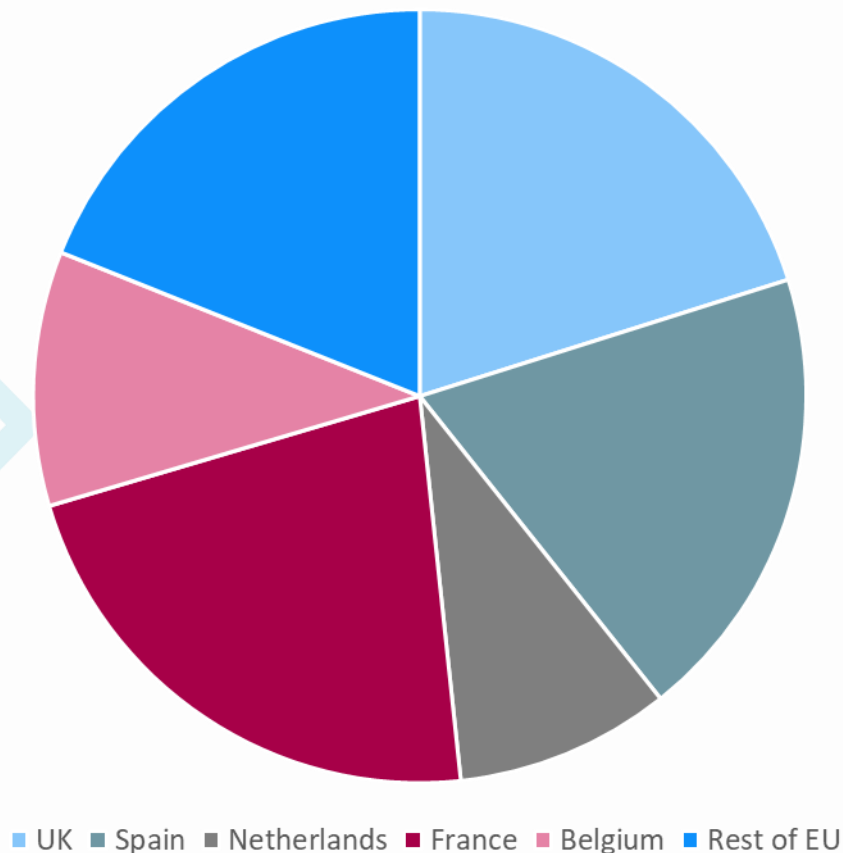
# New record LNG import in April

Source: Refinitiv

### Russian LNG export



### EU+UK LNG import 2022 April



## EXPERT OPINION:

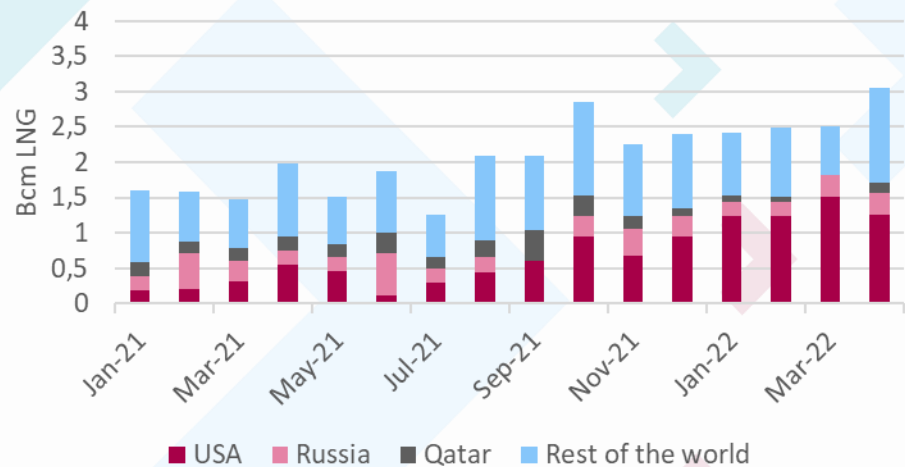
- Russia increased its LNG export to the EU in March and April.
- While some countries have stopped importing Russian LNG, the EU as a whole has seen an increase in Russian LNG since the beginning of the war.
- At the same time, less Russian LNG went to the Asian market.
- In April, France imported the most LNG in Europe. The top 5 European LNG importing countries bought 81% of total European imports.



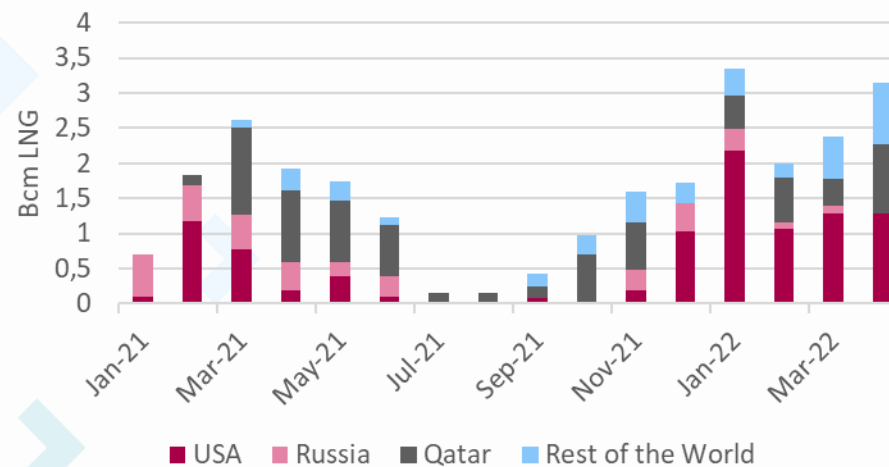
# Biggest importers and the country of origin

Source: Refinitiv

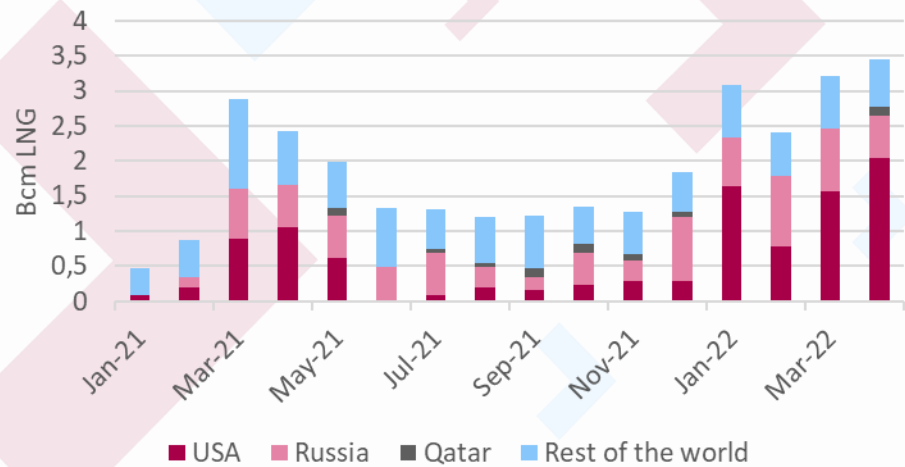
ES



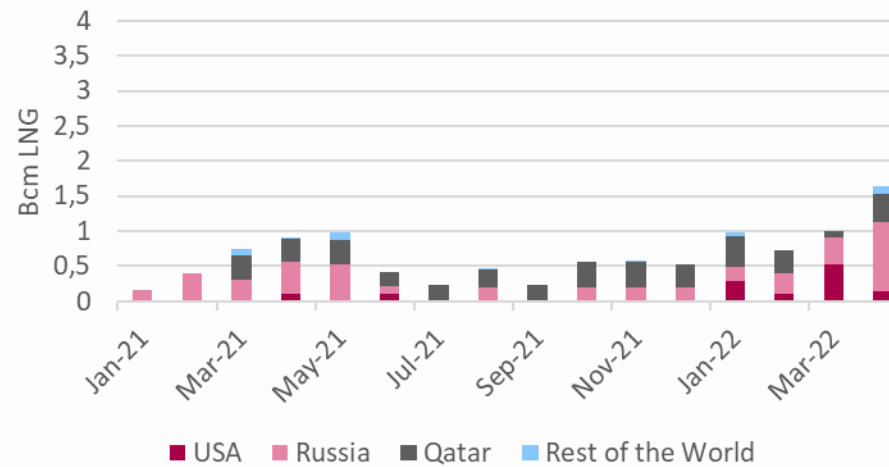
UK



FR



BE

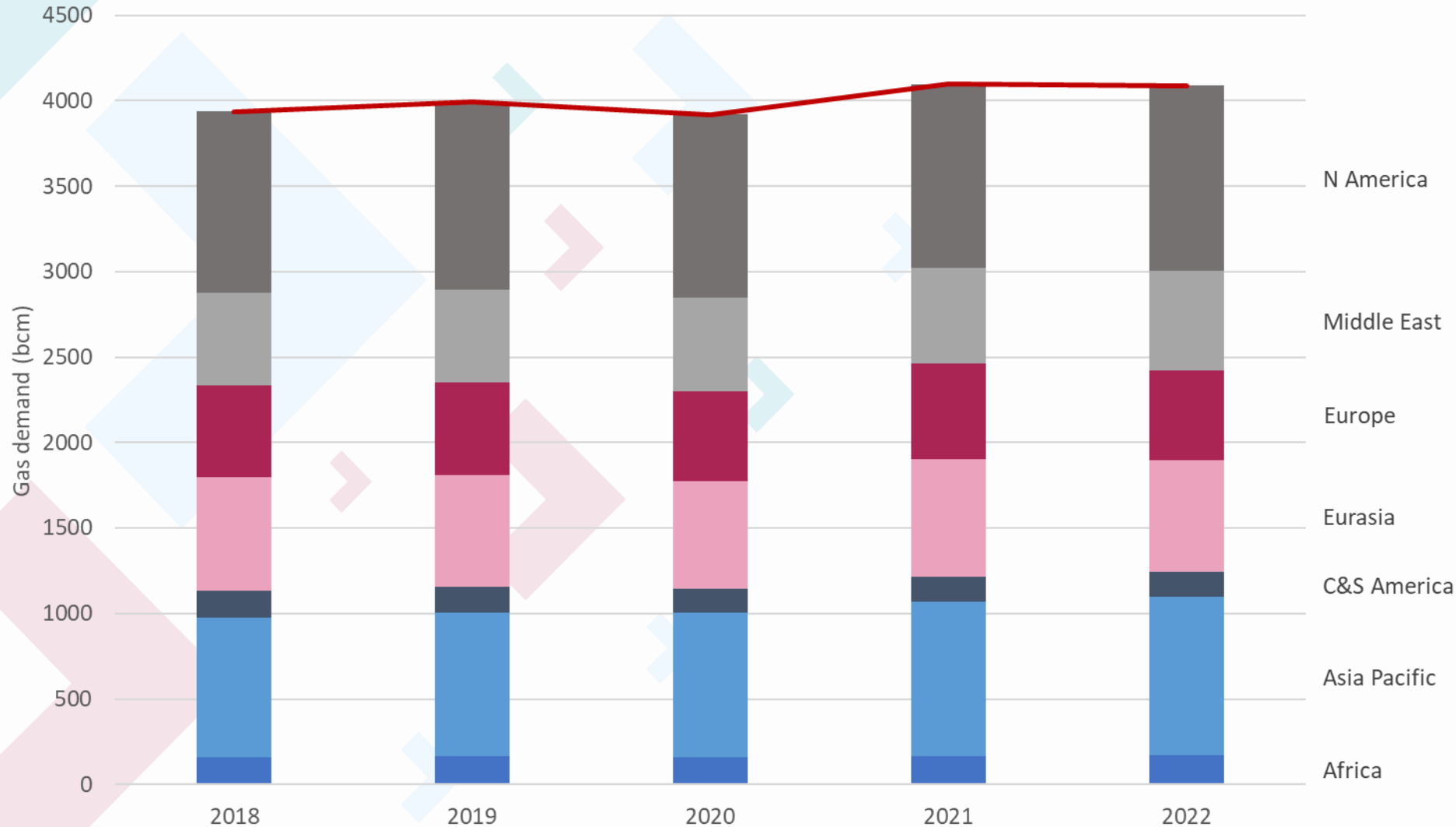


## EXPERT OPINION:

- The largest European importing countries have been sourcing a significant proportion of their LNG from the US since January 2022.
- At the same time, for example in France, Russian imports are also significant.
- However, in 2022 April Belgium was the biggest importer of the Russian LNG in the world.

# IEA 2022 Q2 gas report

Source: IEA



## EXPERT OPINION:

- Global gas demand growth is limited by record high gas prices and war-induced economy this year.
- Europe's LNG imports broke records in Q1, in Q2 Europe is expected to become the premium market for LNG over Asia.
- The US became top LNG exporter in Q1 leaving behind Australia and Qatar.
- China's gas demand growth is set to slow to 7% this year, against an average of 12% in the last 5 years.
- Storages are starting injections below their five-year average levels:
  - EU -25%
  - US -18%
  - Japan -14%