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CENTRAL EASTERN EUROPEAN
GAS EXCHANGE



Global & Regional Market Analysis

NATURAL GAS, August 2023

18/10/2023

STORIES OF THE MONTH

SEPTEMBER 2023



- » Strike action began at the **Australian Gorgon and Wheatstone plants** on 14 Sept after unsuccessful negotiations with Chevron.
- » **On 22 Sept Chevron has reached a deal with the workers union** by accepting recommendations of the Australian Labour Regulator.



- » **A planned maintenance at the Troll field was extended until 18 Sept.** This was the largest outage since August curbing Norwegian flows to Europe.



- » **Feedgas flows dropped** for 6 days from 9 Sept and several cargoes were cancelled **at Freeport**, the US's second largest LNG terminal. The cause of the outage was not disclosed.



- » Companies could register their gas **demand until 27 Sept for the third round of the EU's joint gas buying.** Offers would be collected between 3-4 Oct.



- » The European Parliament approved the **amendments to the Renewable Energy Directive (RED III)** on 12 Sept by increasing the EU's renewable energy targets by 2030 from 32% to 42.5%.
- » On 9-10 Sept **during the G20 meeting leaders agreed to triple renewable energy capacity by 2030** and to phase-down coal power.



- » During the Putin-Erdogan meeting in Sochi on 4 **Sept Russia announced readiness to deliver gas to other nations via TurkStream.** (The main topic of the meeting was the Ukraine grain deal).
- » **Russia is at the final stage of defining the route of the Power of Siberia-2 pipeline** - said Russia's deputy prime minister on 6 Sept so the agreement might be officially announced during Putin's visit to China in October.
- » On 23 Sept Foreign Ministers of Russia and Hungary met at the UN General Assembly where **Russia pledged to guarantee energy supply to Hungary.**

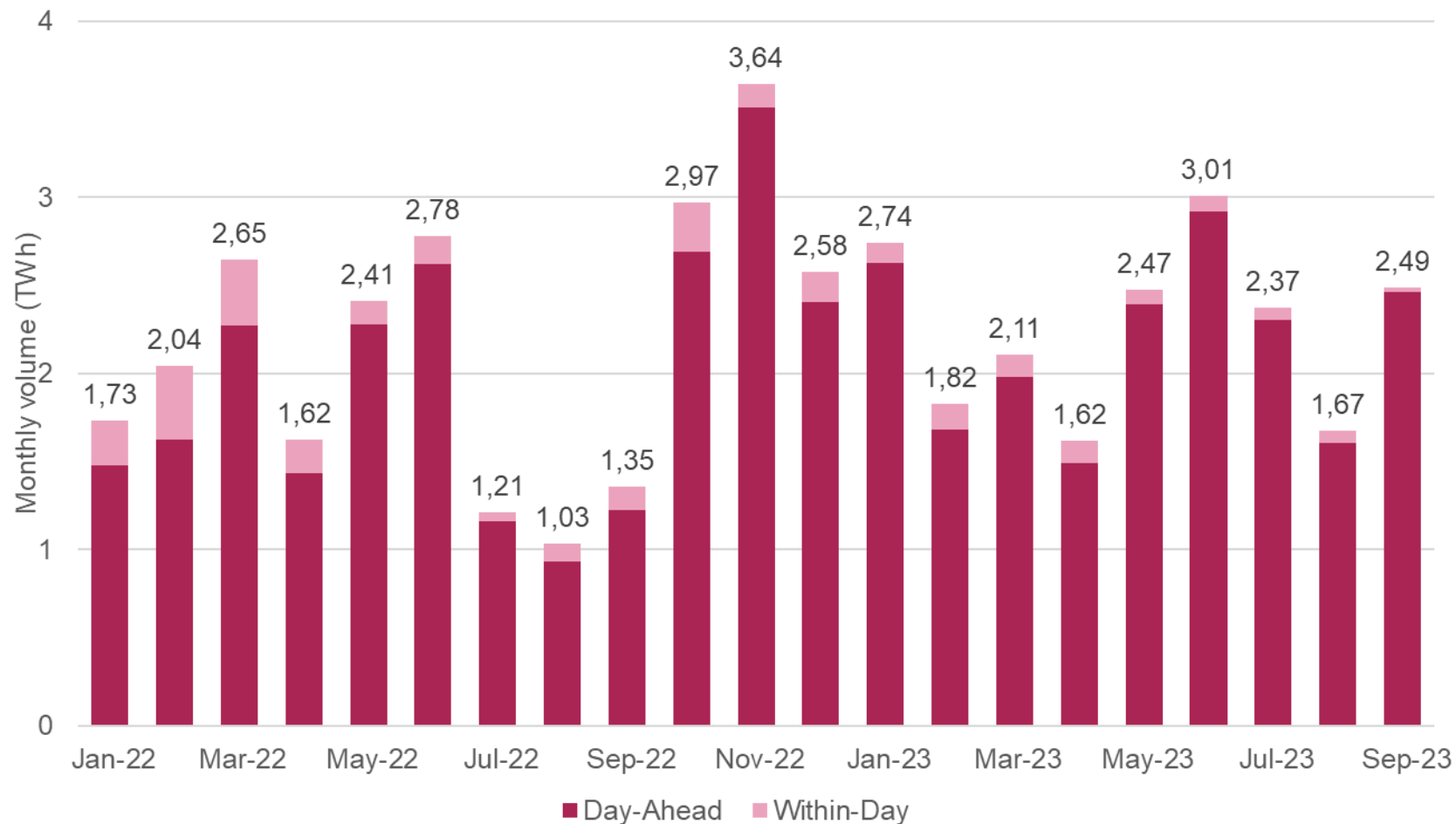


- » On 11 Sept FGSZ participated in a meeting with the Greek, Bulgarian, Romanian and Slovak gas TSOs in order to implement **projects to enhance network interconnection on the „Vertical Corridor“.**

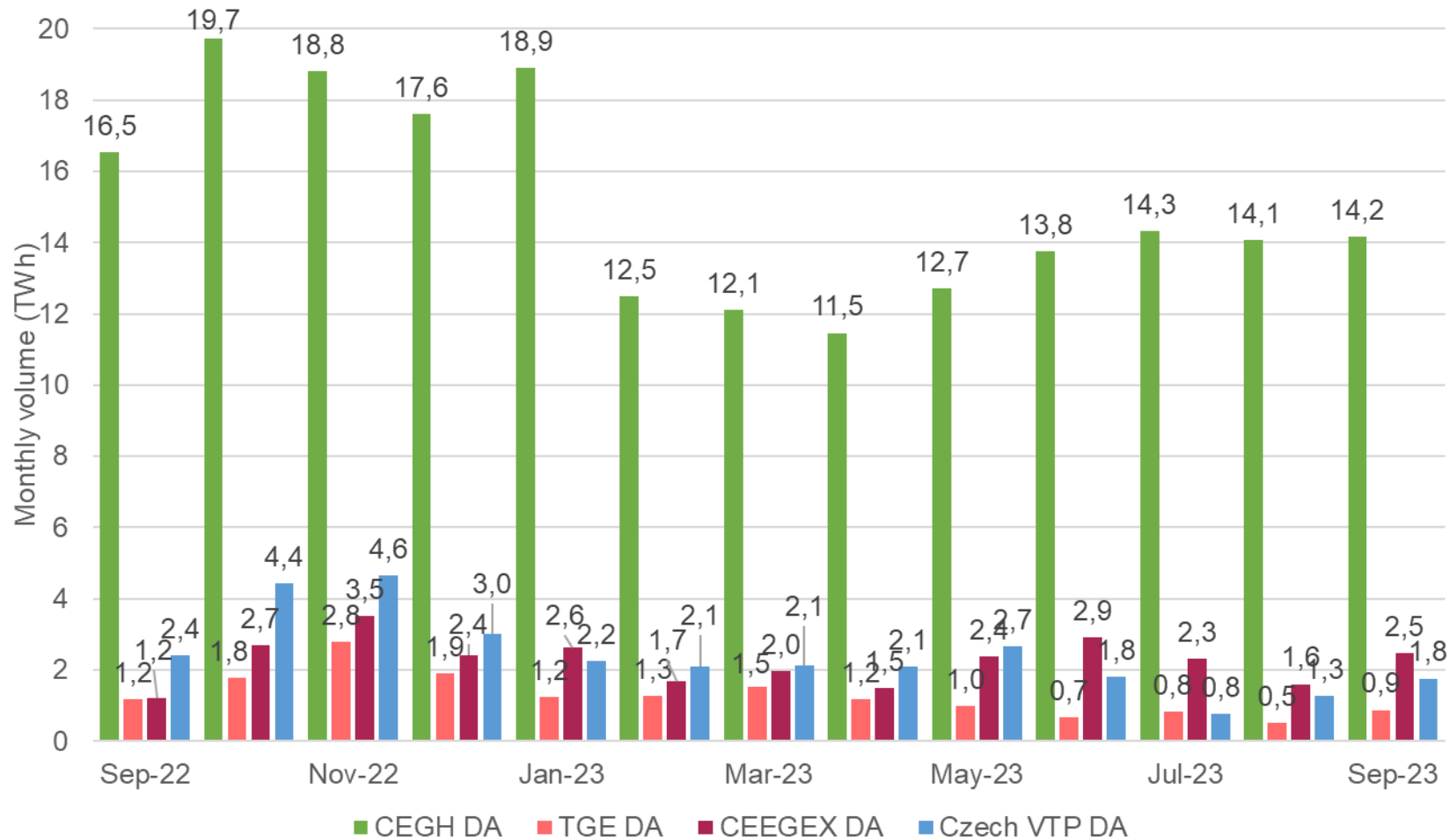
TRADED VOLUMES

EXPERT OPINION:

- » CEEGEX DA traded volumes in September surpassed August values and almost doubled year-on-year.
- » The TTF FM-spot spread remained around 0, so there was no real incentive to use the volumes of the long-term contracts instead of buying on spot markets.
- » Imports to Hungary lowered, while exports increased and the **pace of injections started to slow down in the second half of September as storages are almost full.**
- » In contrast, in August volumes were rather stored in HU or UA storages than sold on the spot market due to favourable W-S spread.



REGIONAL SCOPE DA MARKETS



EXPERT OPINION:

- » On CEGH traded volumes remained on similar level to August, while Czech VTP and Polish TGE volumes increased month-on-month.
- » **LNG imports to Europe lowered in September and the pace of injections also slowed down throughout Europe.**

EU JOINT GAS PURCHASING MECHANISM

The total supplier bids of the **three tenders'** amount to more than **50 bcm**, while the **total demand matched** is now above **34 bcm**.

First round (Apr 25 - May 10):

- » Total volume of **11 bcm of gas demand**
- » **63 European companies** have submitted requests
- » LNG demand represented 2 bcm
- » 9 bcm is requested for delivery via pipeline

Second round (June 26 – July 10):

- » Covered **16 bcm of gas deliveries**
- » Requested by **49 companies**
- » For the period from August 2023 to March 2025
- » Almost half of this aggregated demand was for LNG

Third round (Sept 27- Oct 4):

- » Aggregated demand was **record 16 bcm**
- » Submitted by **39 European companies**

Remarks by Executive Vice-President of the EC Šefčovič on the results of the third joint EU gas purchasing tender: „**a system that works should be a system that stays.**”

Nonetheless, there is lack of transparency regarding to data provided by the AggregateEU. Further shortcomings were articulated recently by industry representatives.

Some key points on this mechanism were examined by Oxford Institute for Energy Studies:

- » „As currently constructed AggregateEU can **only have limited impact on the workings of the gas market** as it is only a matching service. There is **no obligation for joint purchasing of gas** if matching occurs on the platform.
- » It **does not give companies any exemption from competition rules**, so works within the existing regulatory and market framework.
- » **The risk** for the natural gas market is that a ‘beefed up’ mechanism would be detrimental, for example by **harming competition between suppliers within the EU.**
- » It has the merit that **it is limited in scope and duration** and therefore unable to materially harm the internal gas market.”

**Source: Oxford Institute for Energy Studies*

Industry views regarding this topic:

- » „**Existing commercial channels** / energy exchanges remain **preferred** by experienced market participants
- » **Volumes** handled by the platform **are low**
- » **The emergency** and gas supply **risks have receded**
- » **The well-functioning of the EU internal market** has been at the core of **solving the supply crisis”**

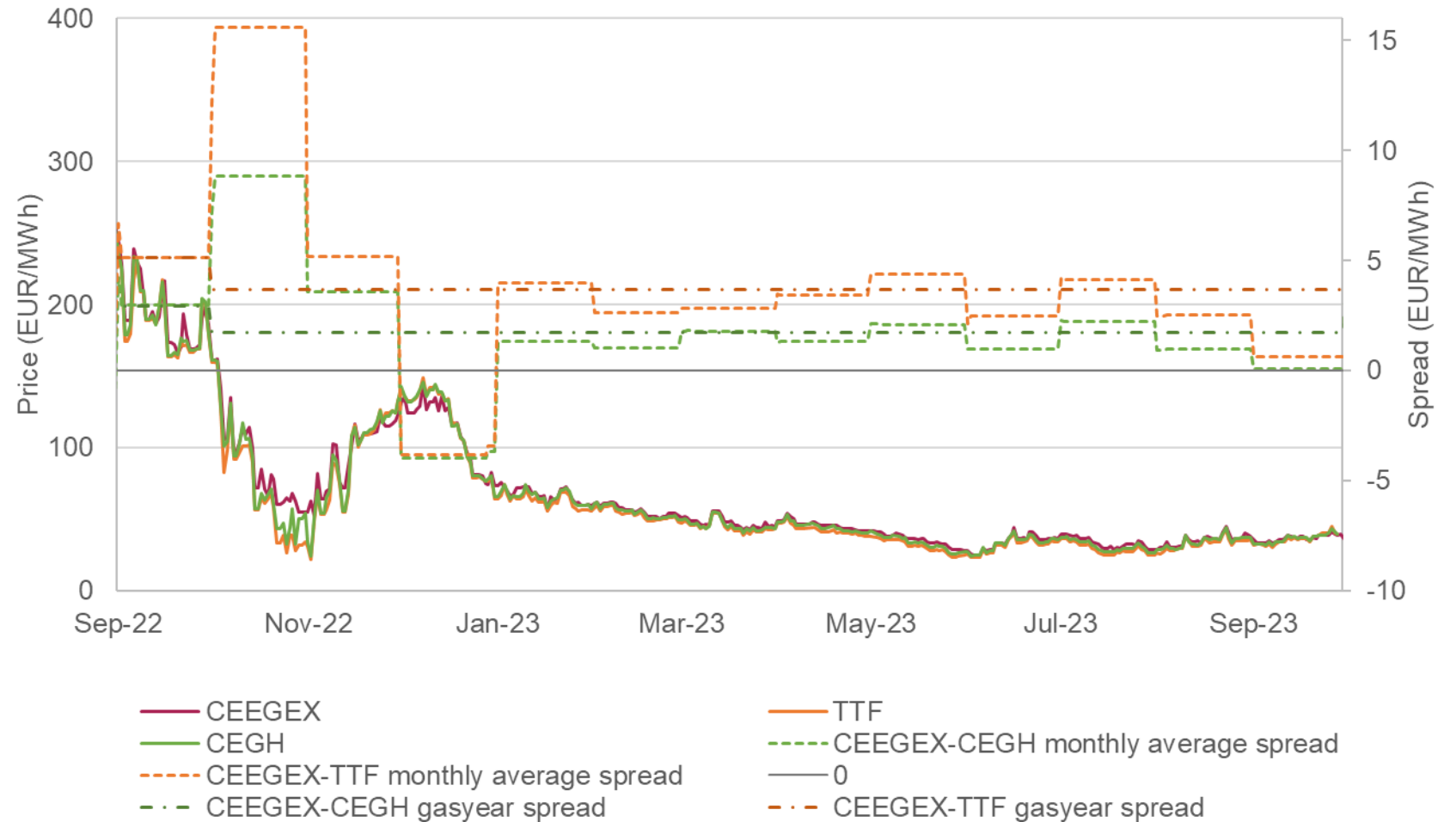
**Source: IOGP, EFET, International Gas Union, Europex*

From **the professionals' point** of view the mechanism is **not supported** due to **other existing working solutions.**

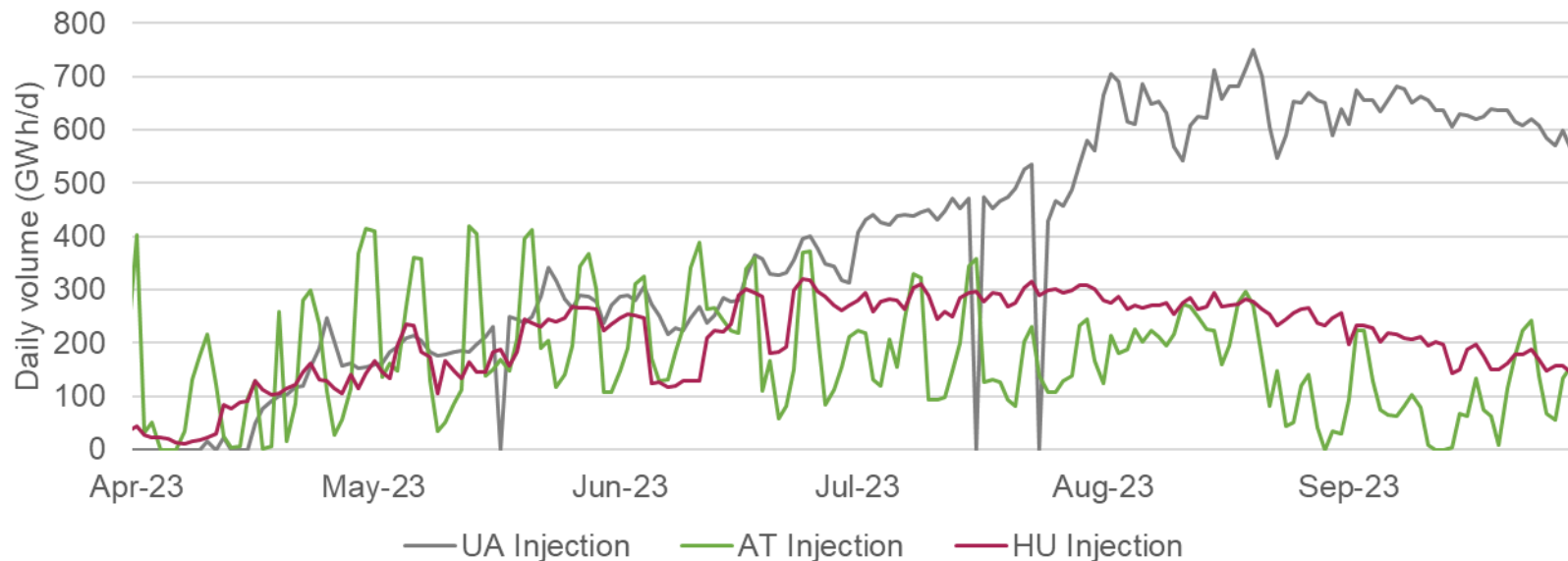
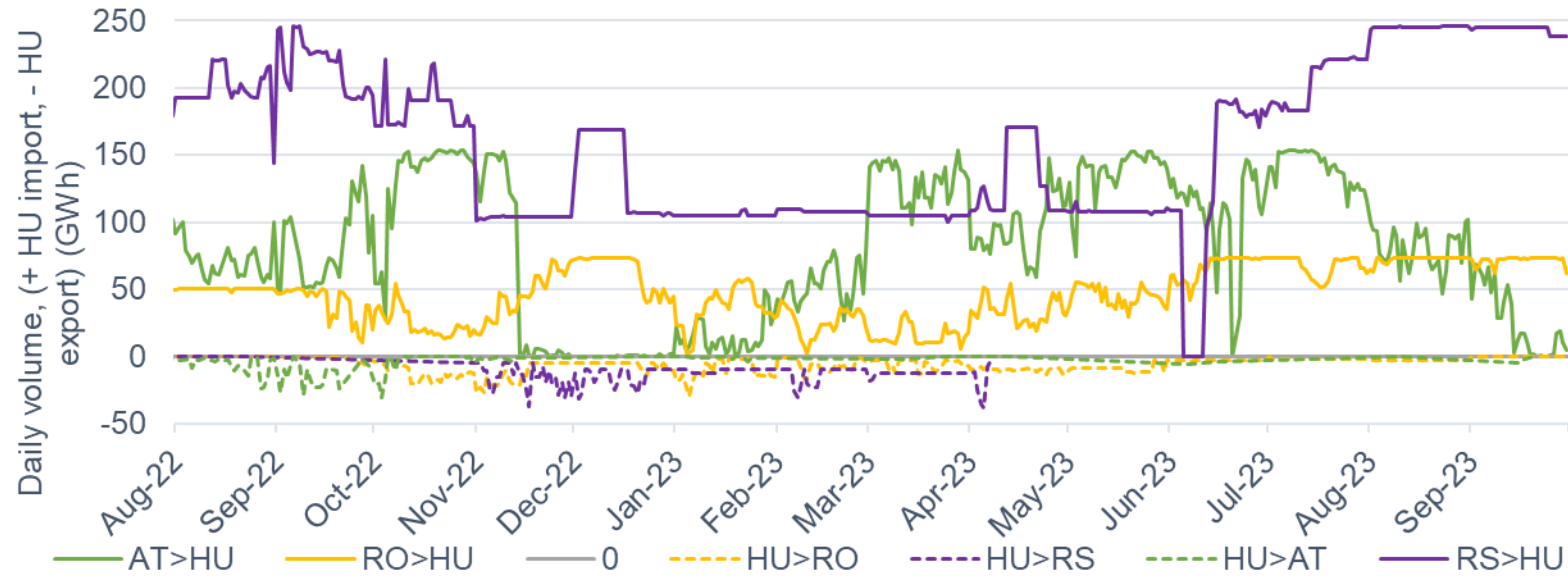
REGIONAL PRICES AND SPREADS

EXPERT OPINION:

- » The CX-CEGH and CX-TTF spreads remained in the same range since January.
- » The correlation with CEGH and TTF continued to be strong.
- » **In September the spreads narrowed to their lower level in 2023.**
- » The CX-CEGH spread moved closer to the negative territory, resulting in no profitability of gas imports from AT to HU.
- » Hungary's high dependence on Russian pipeline deliveries was associated with higher risk in comparison to NW Europe. **However, with almost full storages the premium diminished in September.**



NEGATIVE CEEGEX - CEGH VTP SPREAD



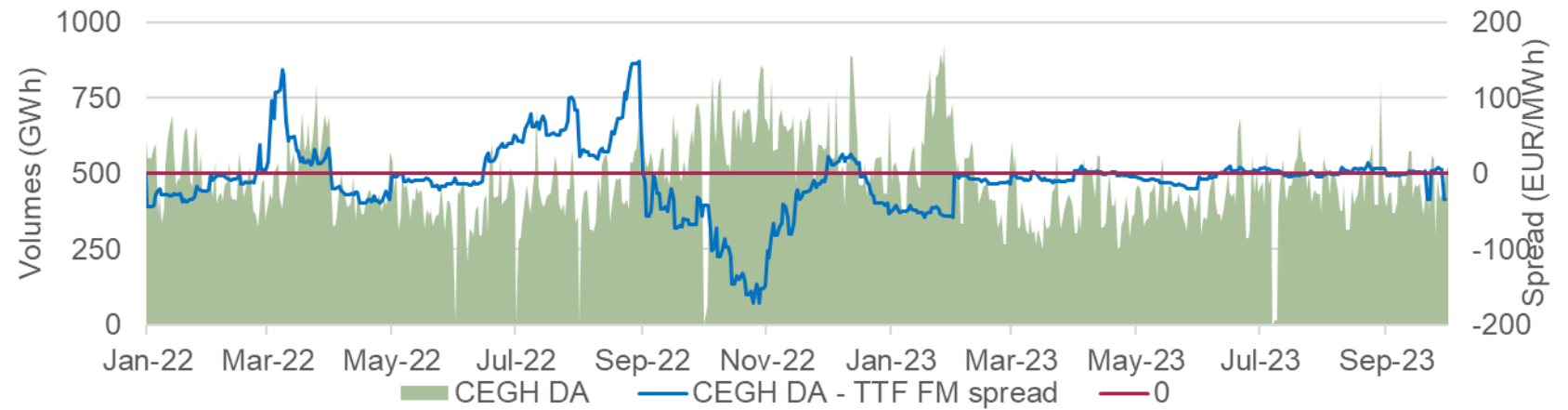
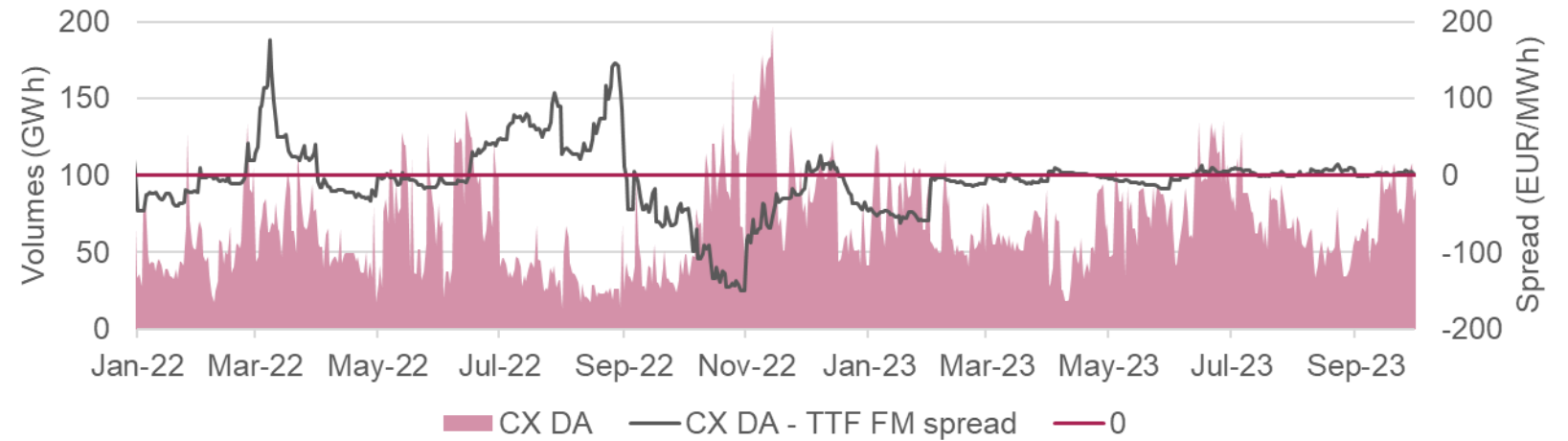
EXPERT OPINION:

- » Hungarian DA and FM prices have **flipped to a discount** to Austria in **September 2023**.
- » **Austrian gas imports** to Hungary this year September **have dropped**.
- » This was caused by two main reasons:
 - firstly, the almost **full gas storages** in Hungary,
 - and secondly, the **strong contractual imports**. Imports from Romania and Serbia were almost **at full capacity** at both interconnection points in the last two months until today.
- » Hungarian storage facilities were nearly **95%** full at the end of September, holding **~66.5 TWh**, which has increased to a very large extent compared to the same date last year (~70%, ~47 TWh).
- » The Ukrainian gas storages were still at **37%** capacity at the end of September, while the storages of the EU countries were almost **at full capacity**. Injections continued to **increase** in September in Ukraine.

TTF FM-SPREADS

EXPERT OPINION:

» Since February the spreads have remained around 0, which meant there was no real incentive to trade spot volumes.



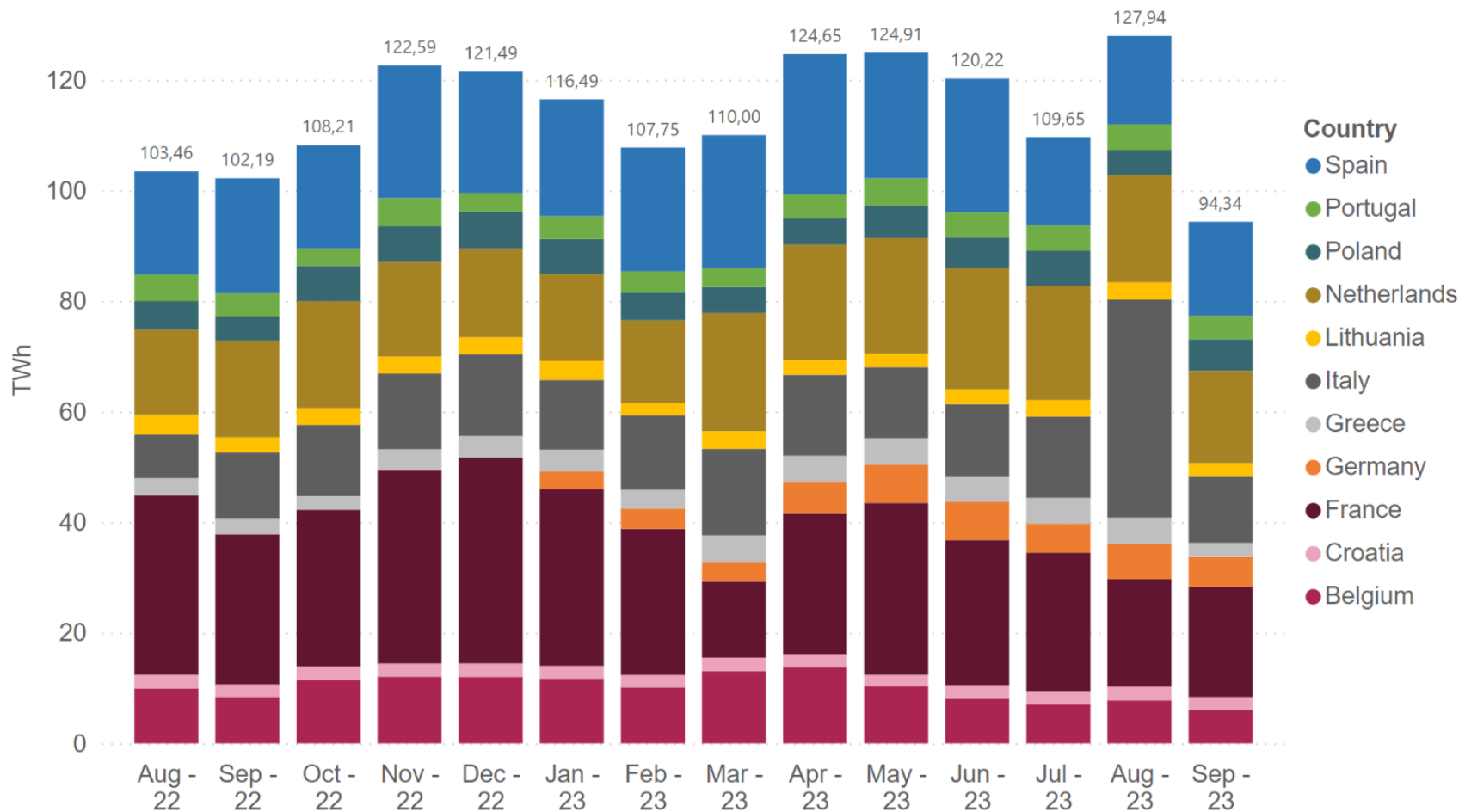
JAPANESE CANDLES LAST 3 MONTHS



EXPERT OPINION:

- » In August and September Australian LNG strikes added bullishness to prices (see separate story).
- » Current price swings are (below 5 EUR/MWh) moderate in comparison to 2022.

RECORD LNG SEND-OUTS BY EUROPEAN COUNTRIES*



EXPERT OPINION:

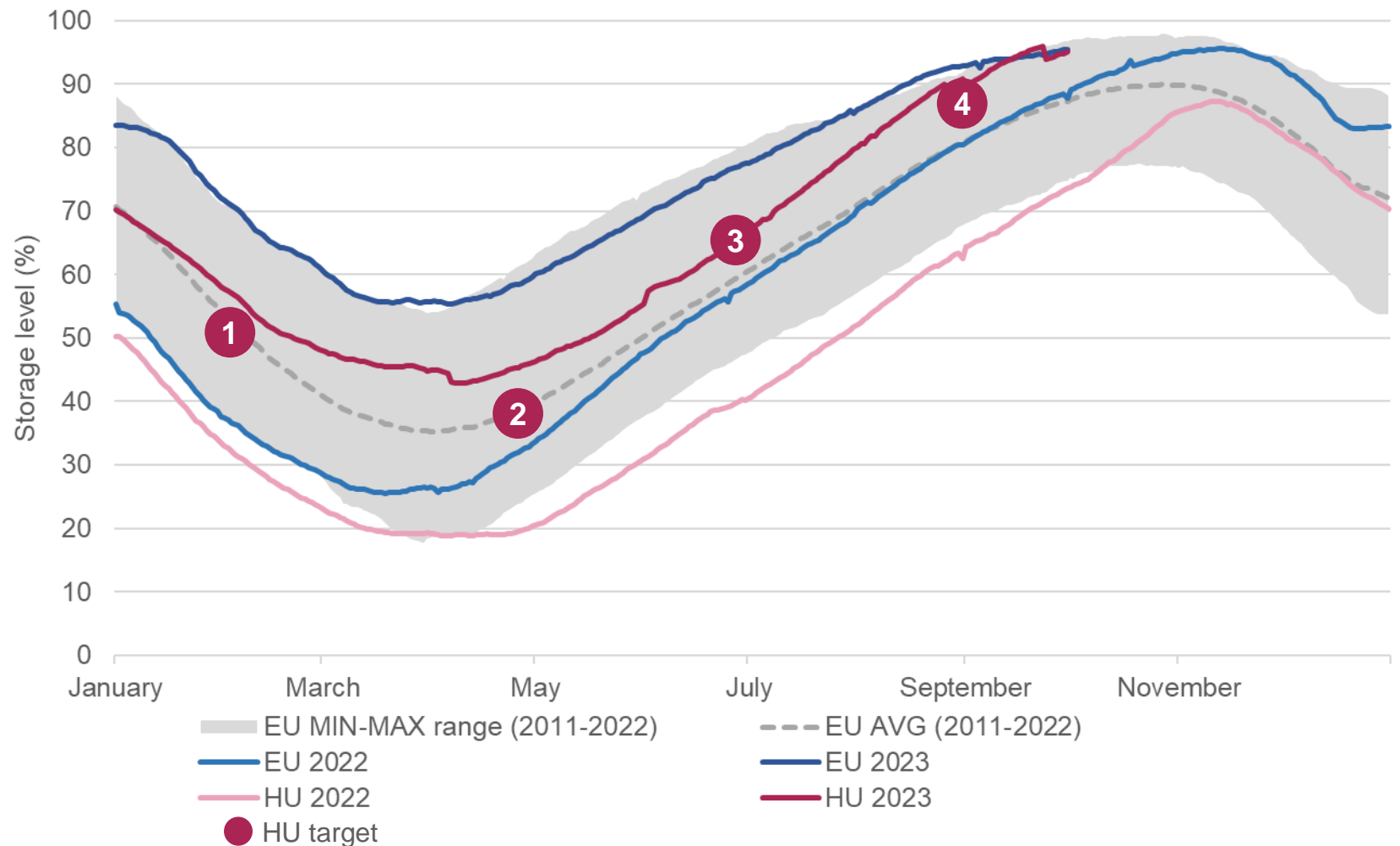
- » In September LNG send-out decreased month-on-month.
- » In August Italian LNG imports peaked during extreme heatwaves, then in September these additional volumes disappeared.
- » Most probably the drop was caused by lower demand amid milder weather.
- » Nonetheless, Europe remained the main destination of flexible spot LNG cargoes and new regasification capacity is expected to come online until the end of 2023.

• Excluding UK, Finland (data not available)

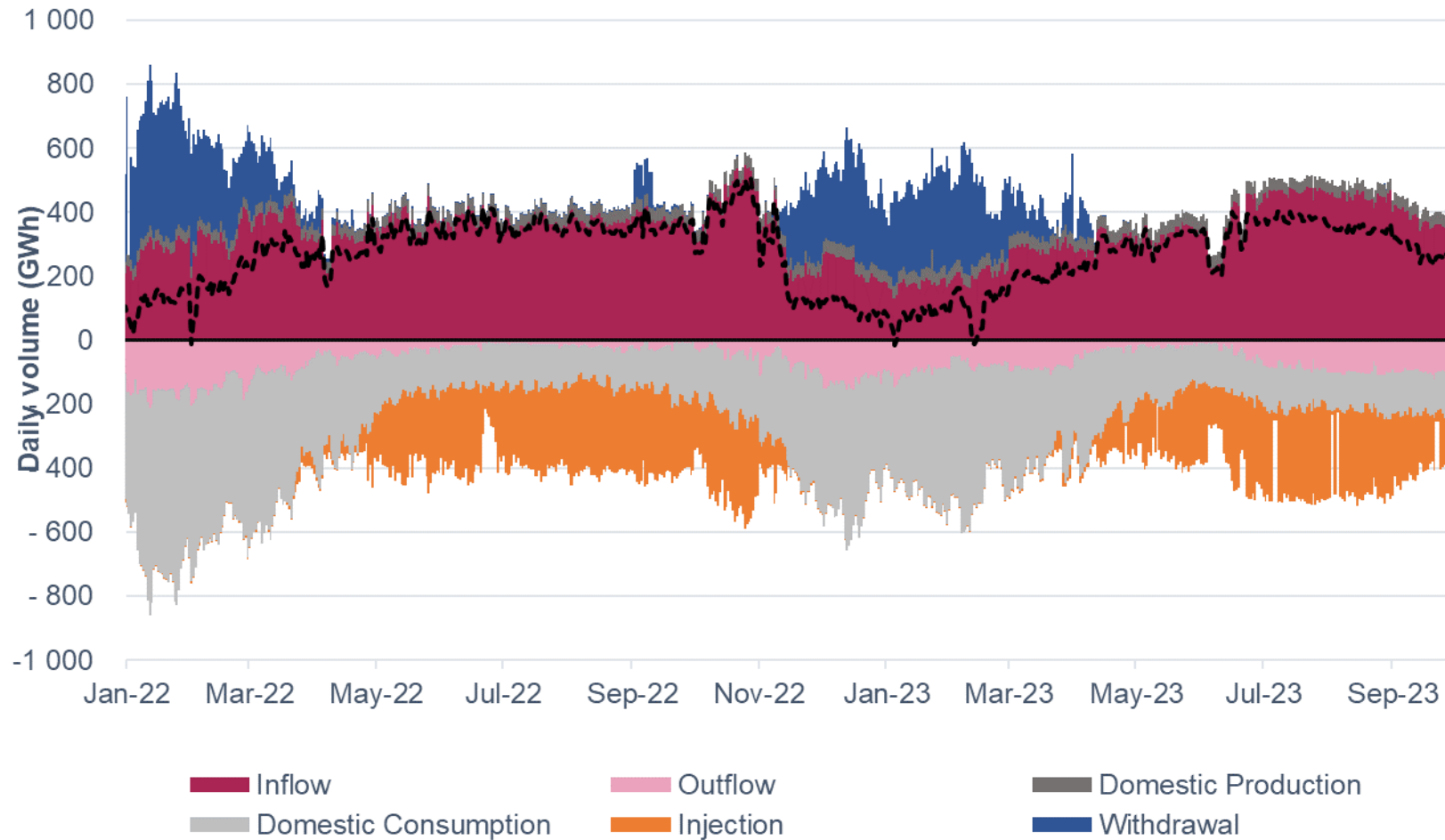
GAS STORAGE LEVEL IN EU AND HU

EXPERT OPINION:

- » Aggregated EU storages were at **95% on 30 Sept.**
- » Withdrawals started in France, Germany, the Netherlands and Spain.
- » Hungary **reached 95%** on 30 Sept.
- » Hungarian injections started to slow down by the end of September.
- » **EU final target by Nov: 90%**



HUNGARIAN GAS MARKET BALANCE



EXPERT OPINION:

- » Gas consumption remained on similar level YoY (see separate story).
- » The pace of injections slowed down by the end of the injecting season.
- » **Imports from RS increased, but AT>HU flows decreased.** RO and HR imports remained stable.
- » Since June **export volumes have ramped up**, especially in the direction of UA.
- » Parallel to the drop of Austrian imports, Slovakian exports increased.