

ceegex

CENTRAL EASTERN EUROPEAN
GAS EXCHANGE



Global & Regional Market Analysis

NATURAL GAS, 2023

28/02/2024

STORIES OF THE MONTH

JANUARY 2024



» **Russia is ready to hold talks with the EU** on gas supplies as the **Ukraine transit deal expires at the end of 2024.**



- » **By reason of environmental concerns Joe Biden paused regulatory approval for at least 17 LNG projects** currently awaiting final investment decision, which would export to countries without a US free trade agreement.
- » One of Texas **Freeport LNG unit faces month-long outage** to fix an electrical issue caused by Arctic freeze. Apart from that multiple cargos was cancelled by US LNG exporters, which caused **US domestic gas prices to be way above international gas prices for a short time.**
- » **Because of Red Sea attacks voyage time increased and shipping costs more than doubled**, ships take longer turn around Africa, instead of passing through the Suez Canal.
- » Regardless of US sanctions Novatek (Russia's LNG producer) **has begun production at its Arctic LNG 2 project.**



» **Fire broke out after a drone attack** on 22 January, at a Baltic Sea terminal belonging to Novatek, Russia's largest LNG producer.



» A proposal of Austria to **triple transmission capacity tariffs in 2025** can make CEE markets more expensive than wester European hubs.



» **Slovakia, Ukraine and Moldova joined the Vertical Corridor** initiative by signing a memorandum on 19 January.

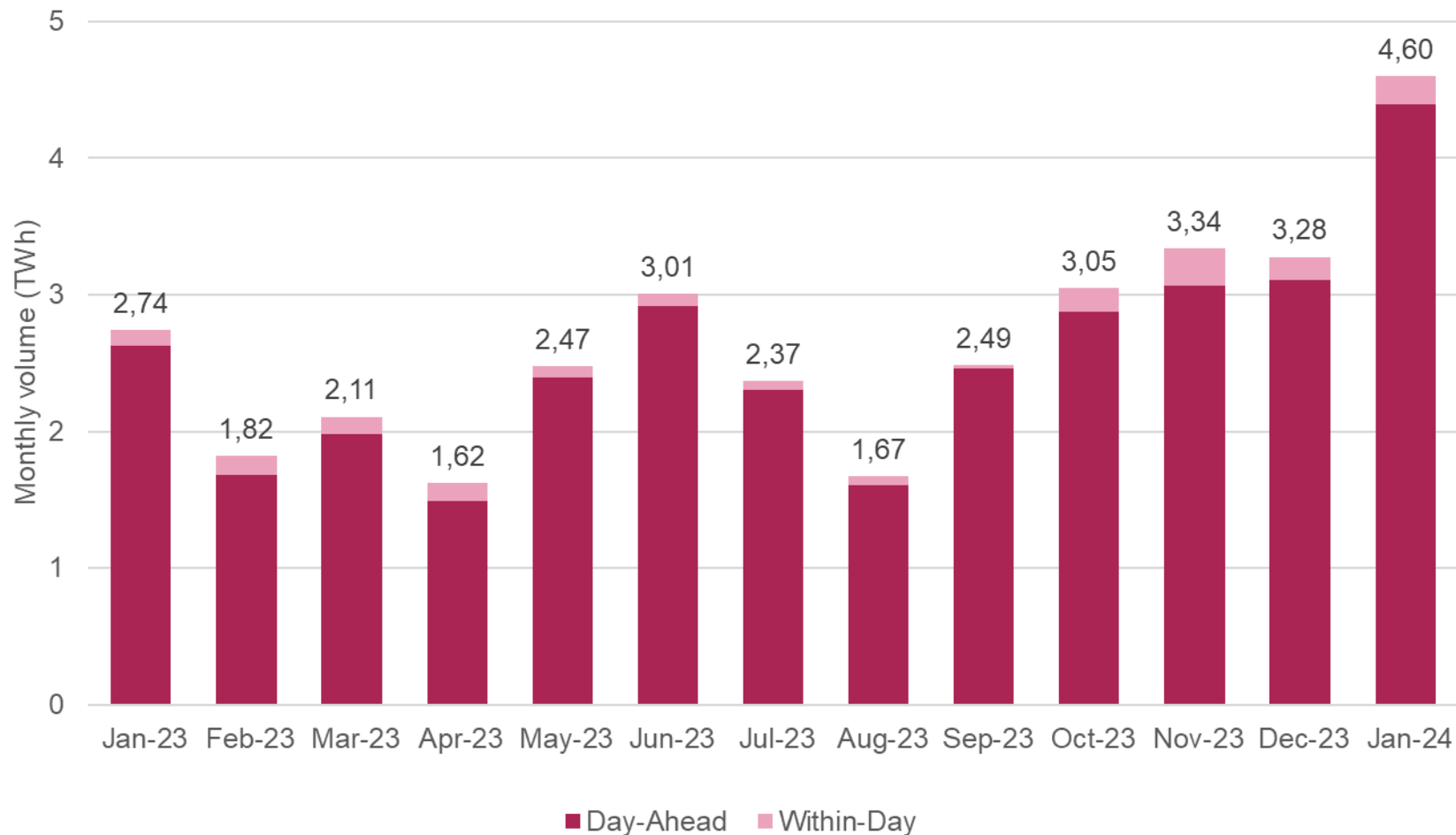


- » Hungary has secured a political agreement **with Qatar for the long-term purchase of LNG after 2026.**
- » The **fourth well** at Hungary's Nyékpusztza hydrocarbon site has been put into operation.
- » The Serbian government has begun the procedure for establishing a **new south-north gas pipeline linking Bulgaria and North Macedonia with Hungary**, which is expected to be completed in 2028.

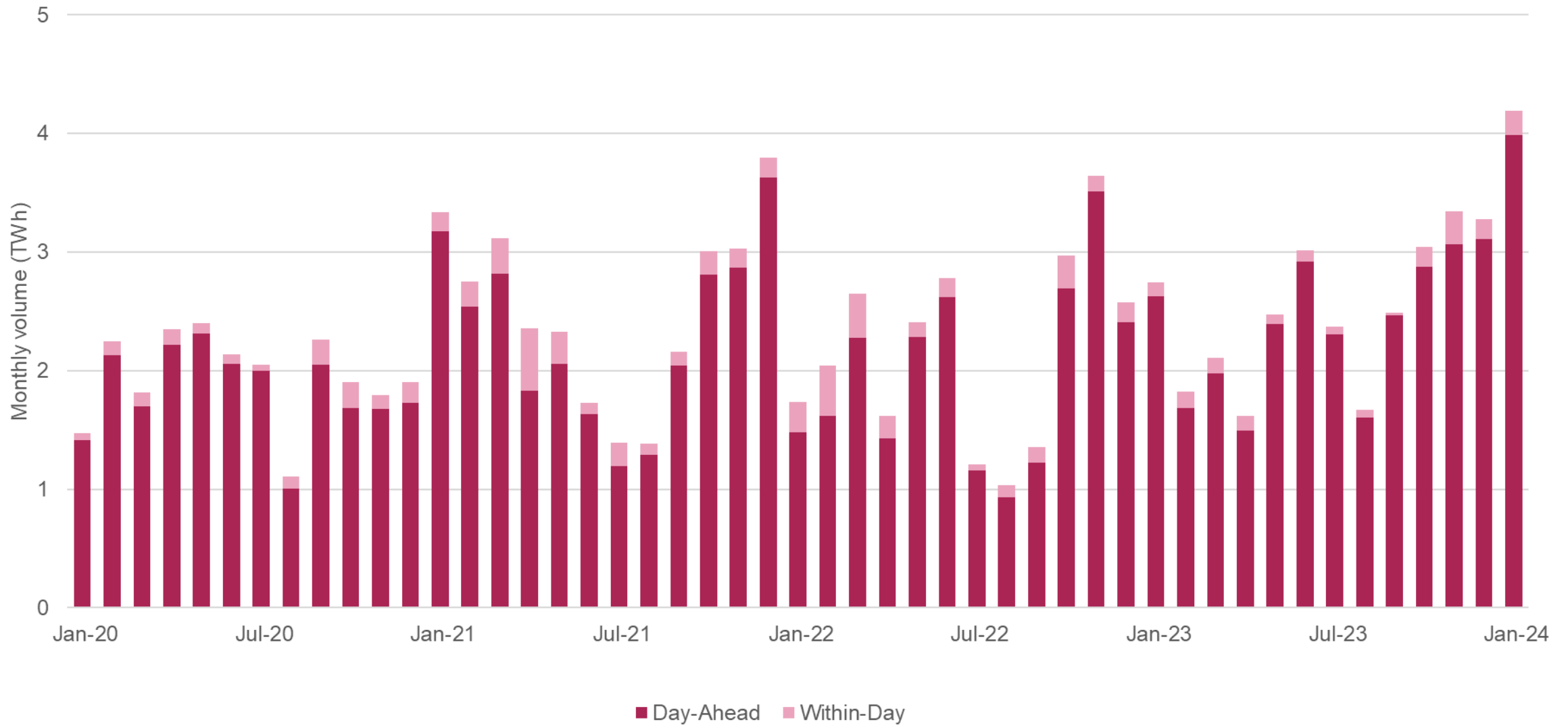
TRADED VOLUMES

EXPERT OPINION:

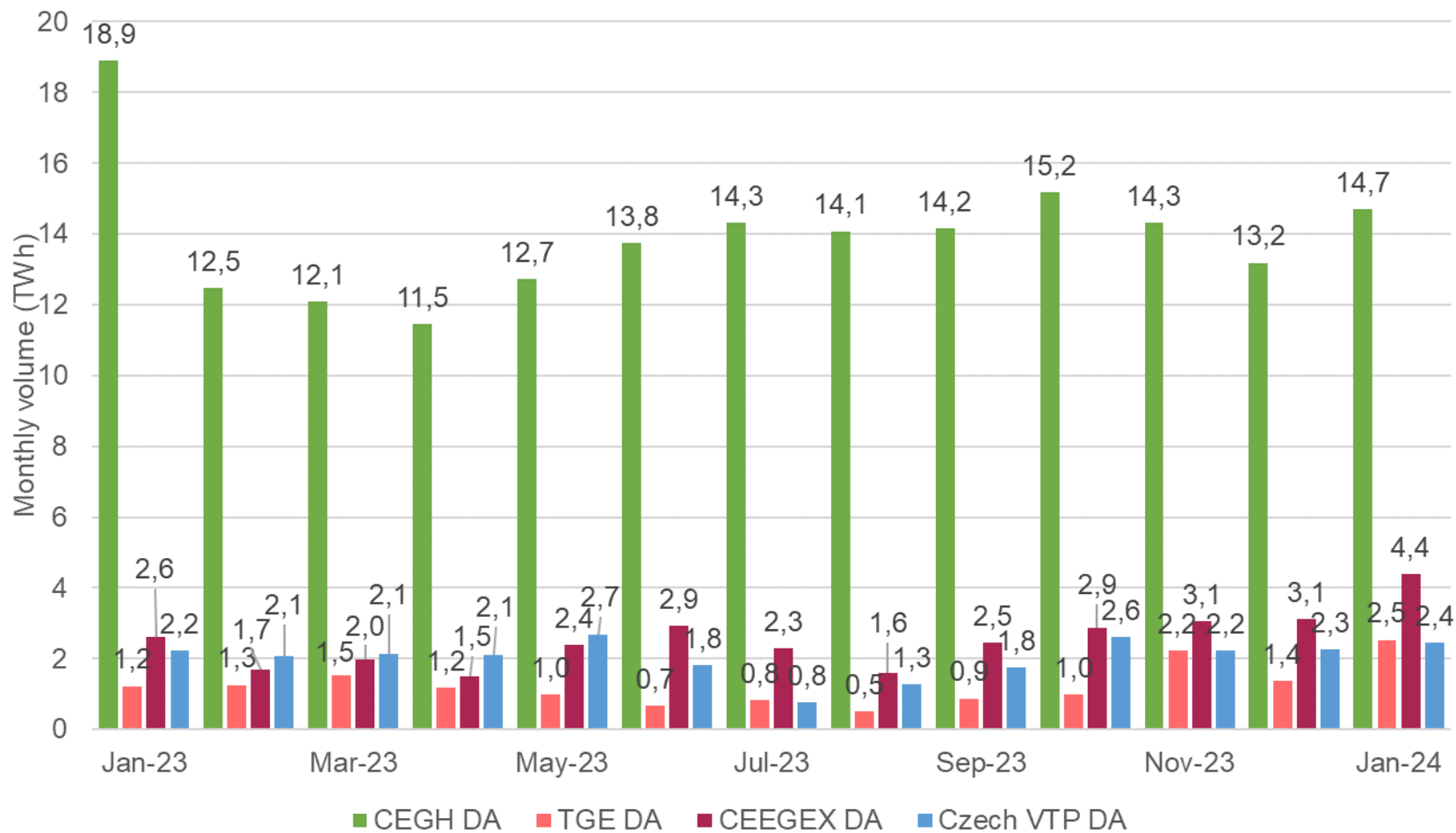
- » CEEGEX traded volumes this January reached their **three-year highest levels**
- » January volumes **greatly exceeded the volumes YoY and MoM**. Trading was **~68% higher** than a year ago
- » Both **WD and DA products** show a **growth**
- » **January had been typically a strong month** since 2021 (see next slide).
- » The reason could be the **colder weather**. This January was colder than January 2023 and December 2023
- » Furthermore, market participants might had purchased the gas **cheaper on the spot market** instead of using the gas stored previously on higher prices



STRONG START TO THE YEAR



REGIONAL SCOPE DA MARKETS



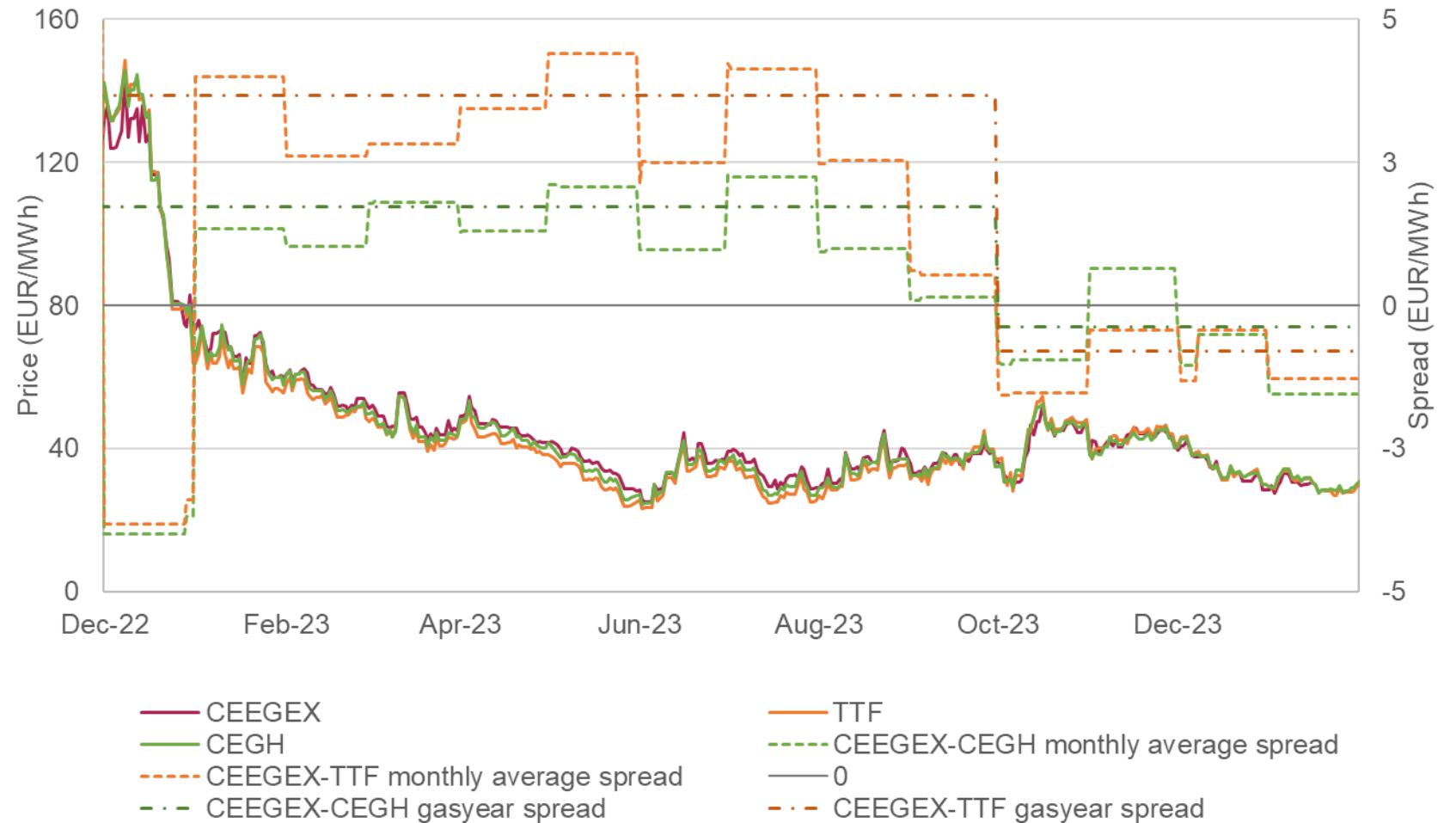
EXPERT OPINION:

- » The traded volume on **CEEGEX** increased significantly also compared to regional exchanges
- » Both on a yearly and a monthly level, the traded volume increased more than on the Austrian and Czech exchanges
- » The traded volume of **CEGH DA** is well below the YoY January data, and to a small extent the January 2022 data as well.
- » In addition to CEEGEX, the traded volume of the DA product also increased YoY on TGE and Czech VTP

REGIONAL PRICES AND SPREADS

EXPERT OPINION:

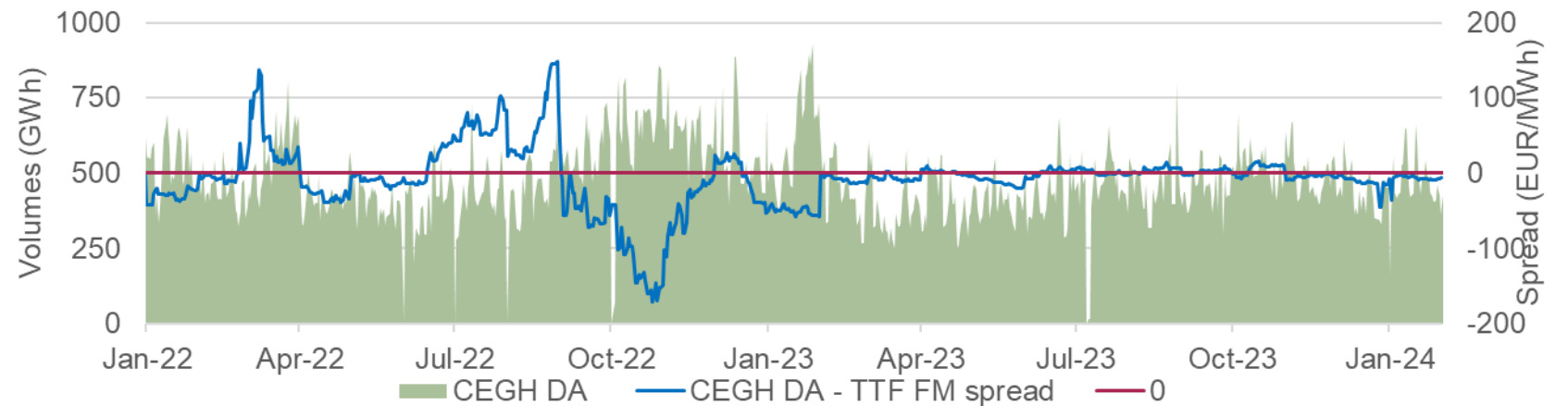
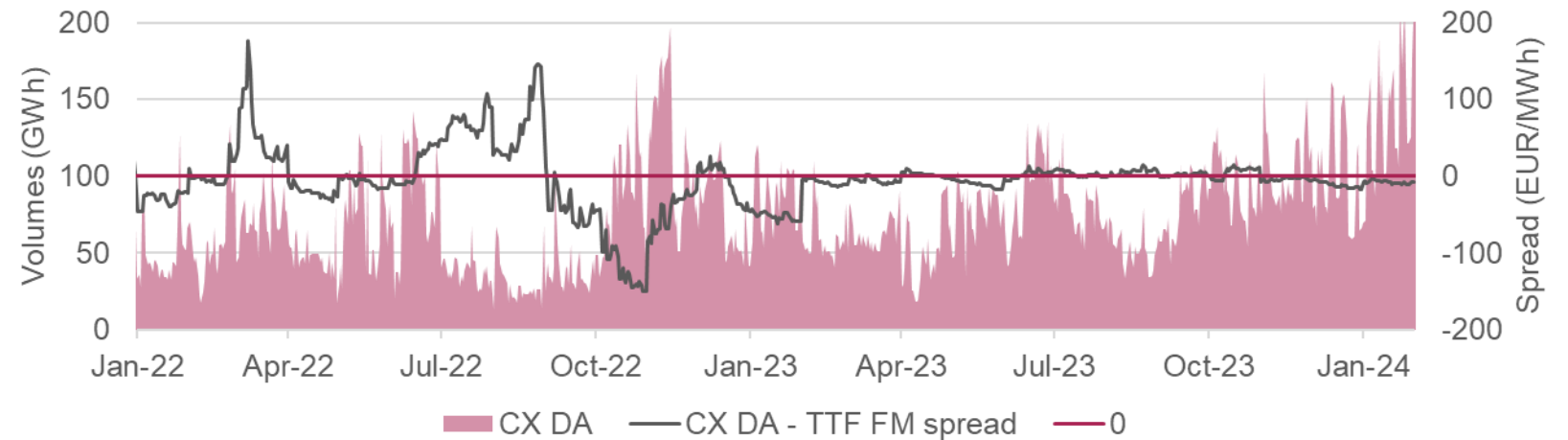
- » The correlation with CEGH and TTF continued to be strong.
- » In **October 2023** the spreads **flipped to the negative territory** and this trend continued in the first month of 2024, as well.
- » Prices remained stable and bearish despite winter season and supply disruptions.



TTF FM-SPOT SPREADS

EXPERT OPINION:

- » CEEGEX and CEGH spot and TTF FM prices were more correlated in 2023 compared to 2022, the market became more stable, this trend continues in 2024
- » Similarly to 2023, in **January 2024, the spreads remained around 0**
- » YoY spreads were lower, but it had not materialised in higher trading at that time. In 2022 the positive FM-spot spread was associated with lower trading as it was more profitable to use additional volumes of long-term contracts instead of trading on spot markets.
- » **Currently, lower spot prices seem to encourage trading activity**, while during the last injection period the favourable W-S spread was the main motivator of higher trading activity.



JAPANESE CANDLES LAST 3 MONTHS

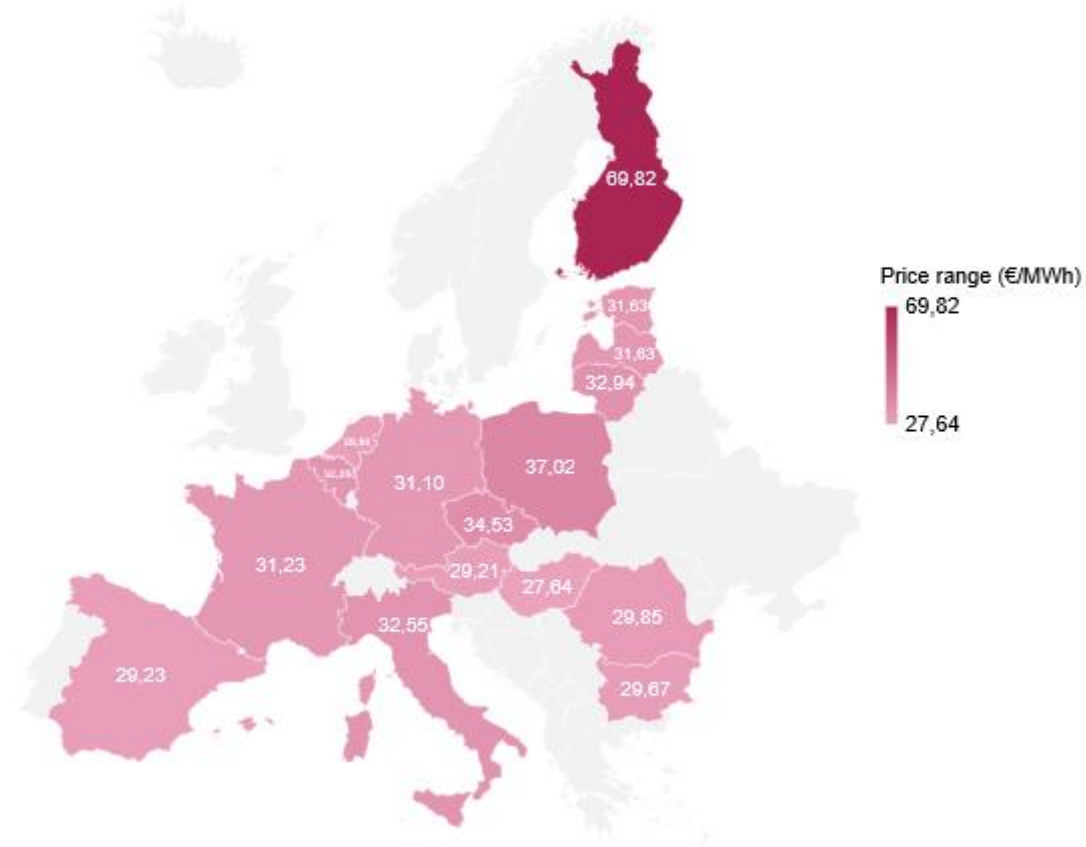


EXPERT OPINION:

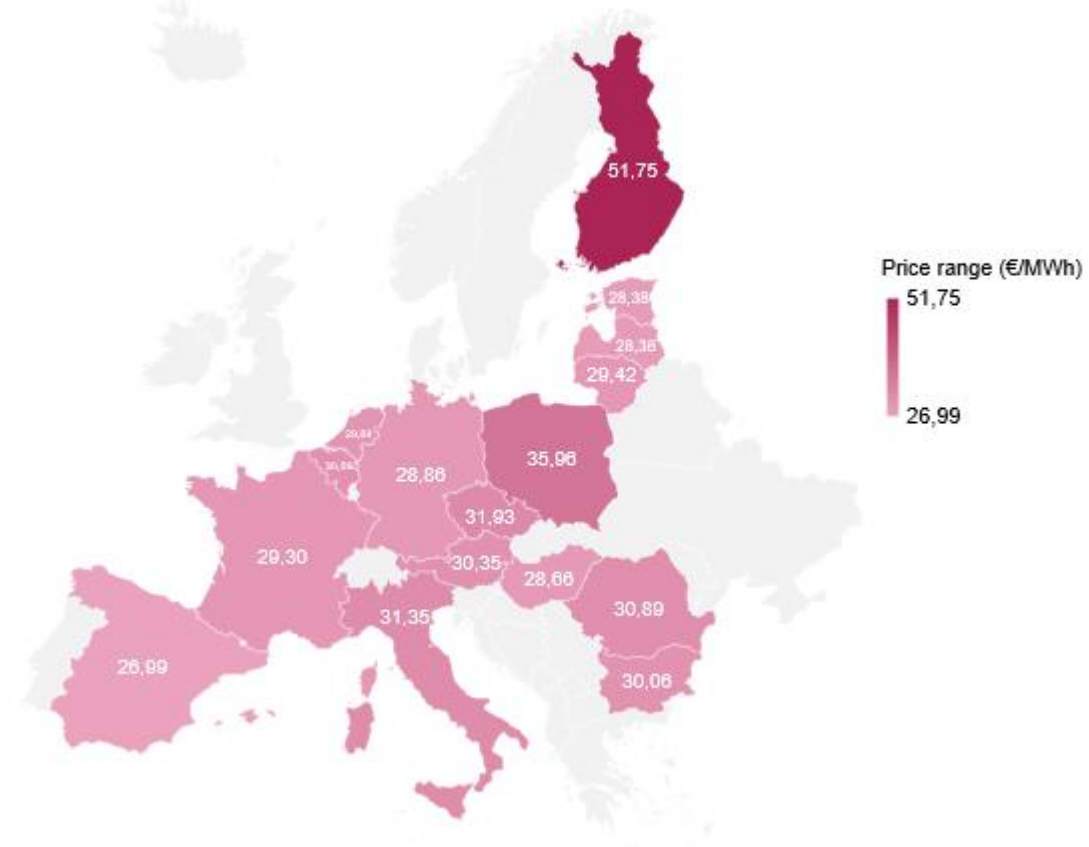
- » In January a further, slight decrease was observable in prices
- » In 2024, **price volatility continued to be low**, which was associated with higher traded volumes

NATURAL GAS PRICES SNAPSHOT

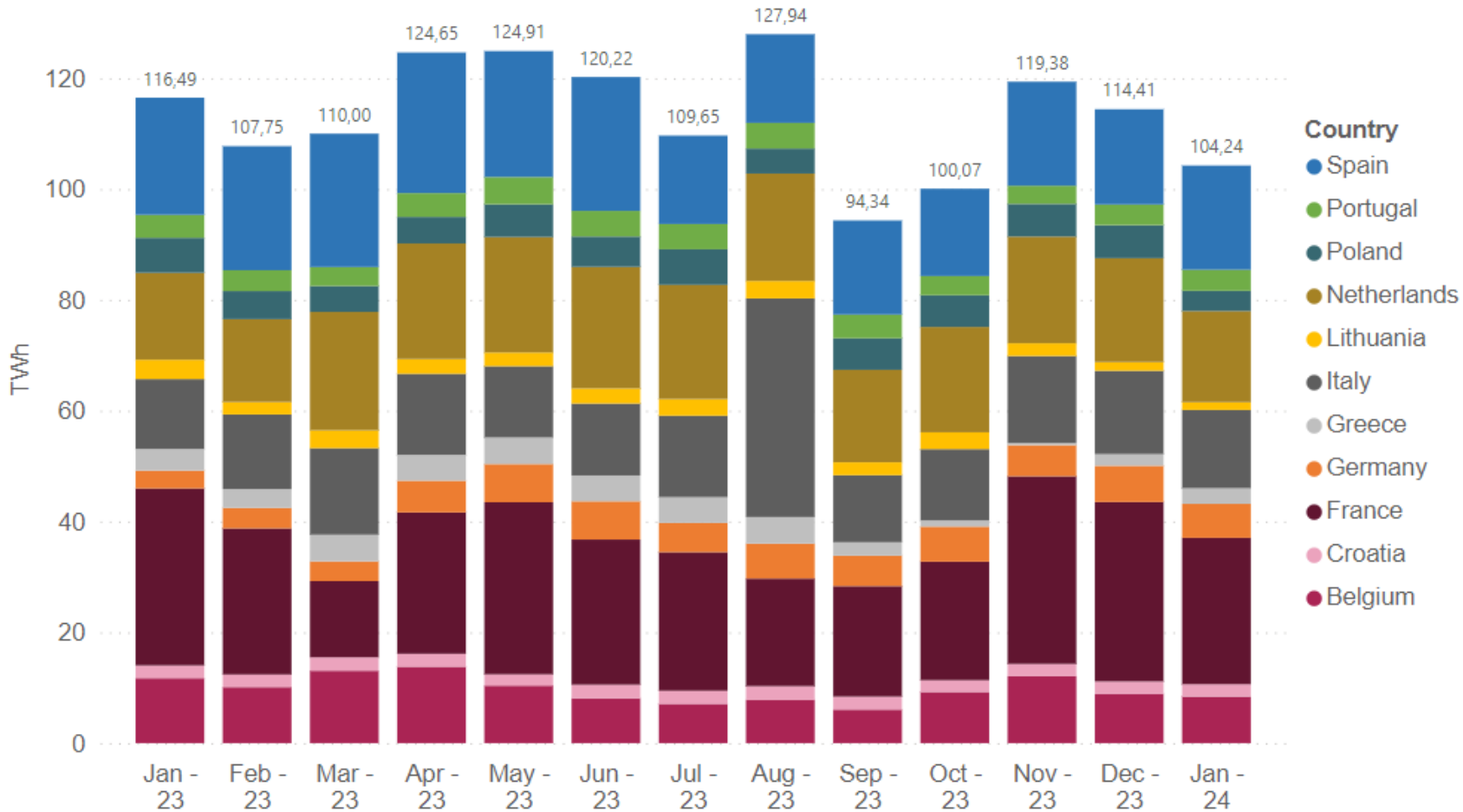
01/01/2023



31/01/2024



LNG SEND-OUTS BY EUROPEAN COUNTRIES*

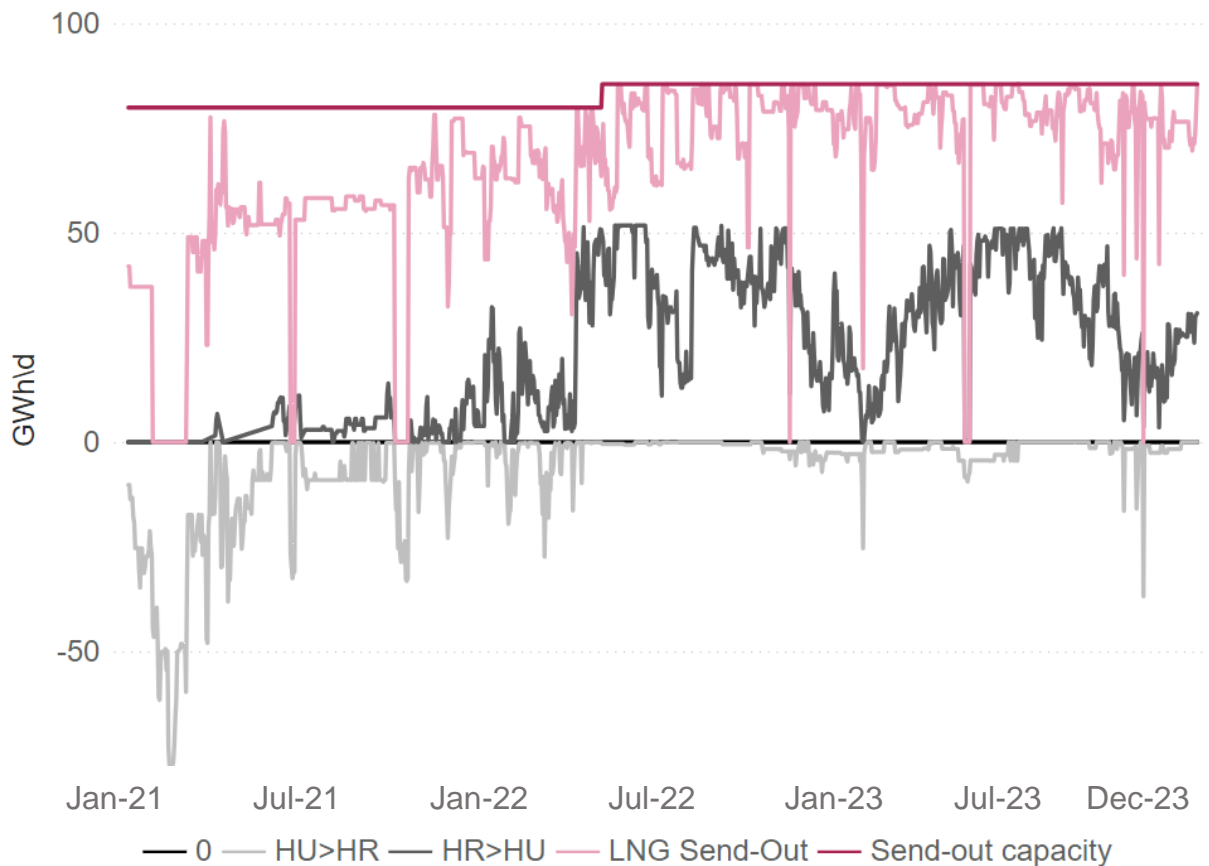


EXPERT OPINION:

- » LNG send-outs were ~10% lower MoM and YoY.
- » In January Spain, France, Italy and the Netherlands continued to send out the highest volumes of LNG
- » The drop in LNG supply might be related to **lower European demand and supply disruptions** on global LNG transport routes.

• Excluding UK, Finland (data not available)

FISRT 3 YEARS OF THE KRK LNG TERMINAL

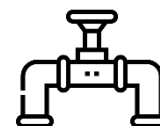
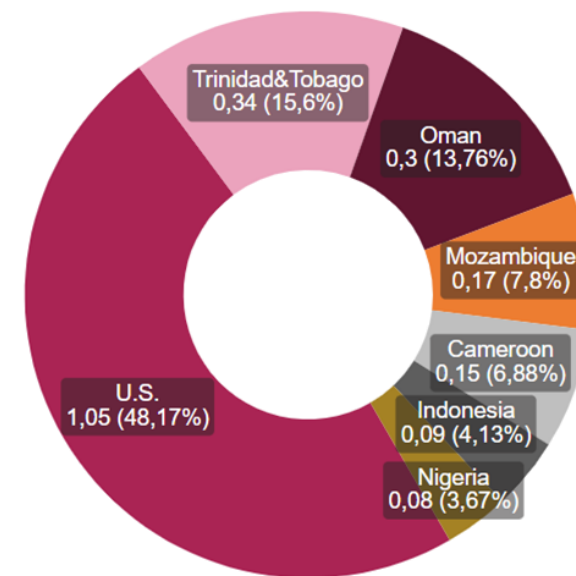


Capacity:

- » (2021-2026): 2.6 bcm/y
- » (2026-): 5.2 bcm/y



Import Source (bcm) Jan-Sept 2023:



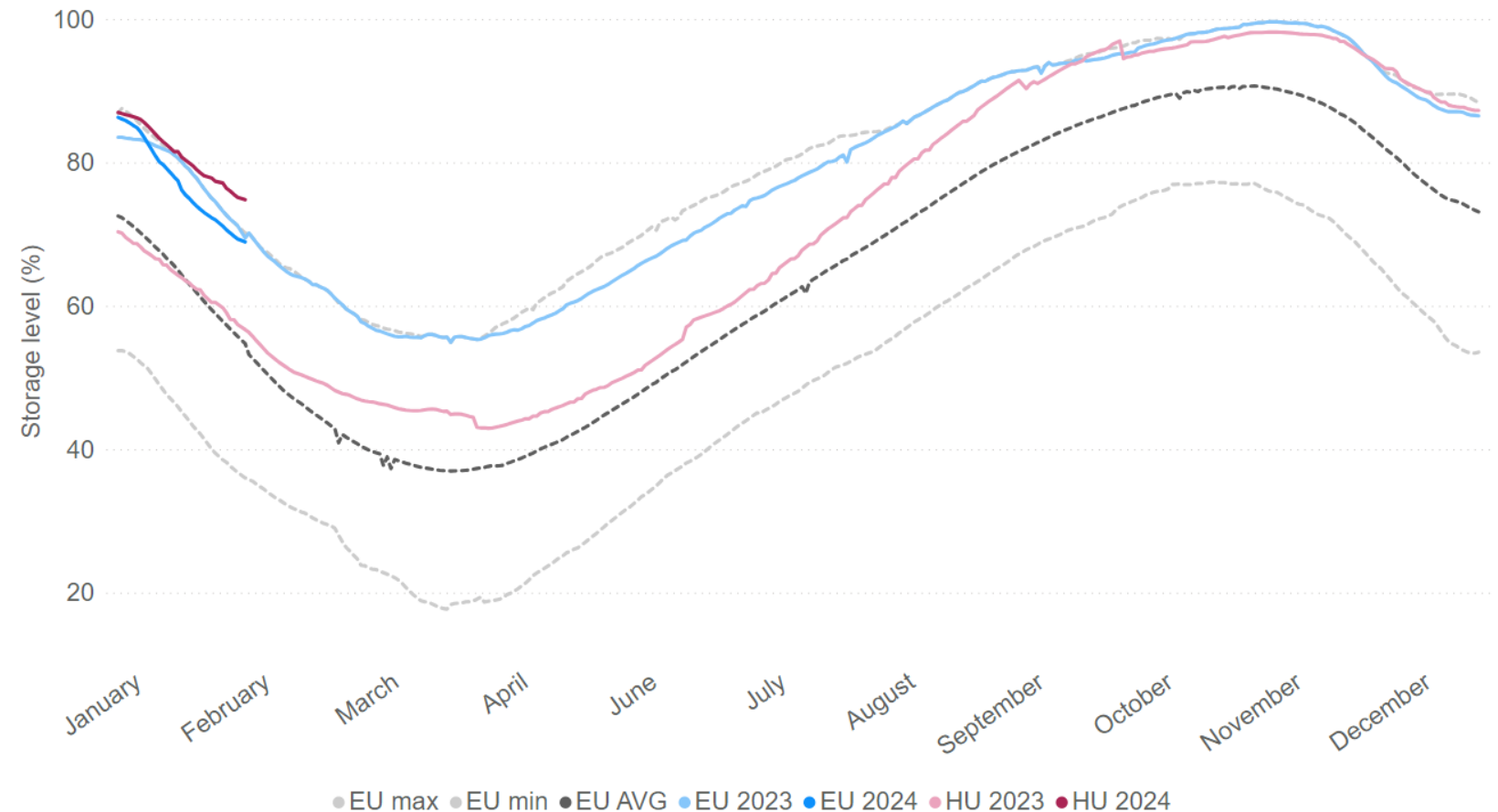
Significant impact on HRHU interconnection:

- » Hungarian companies booked in total 1,5bcm/y across seven gas years
- » High HR>HU inflows since 2021

GAS STORAGE LEVEL IN EU AND HU

EXPERT OPINION:

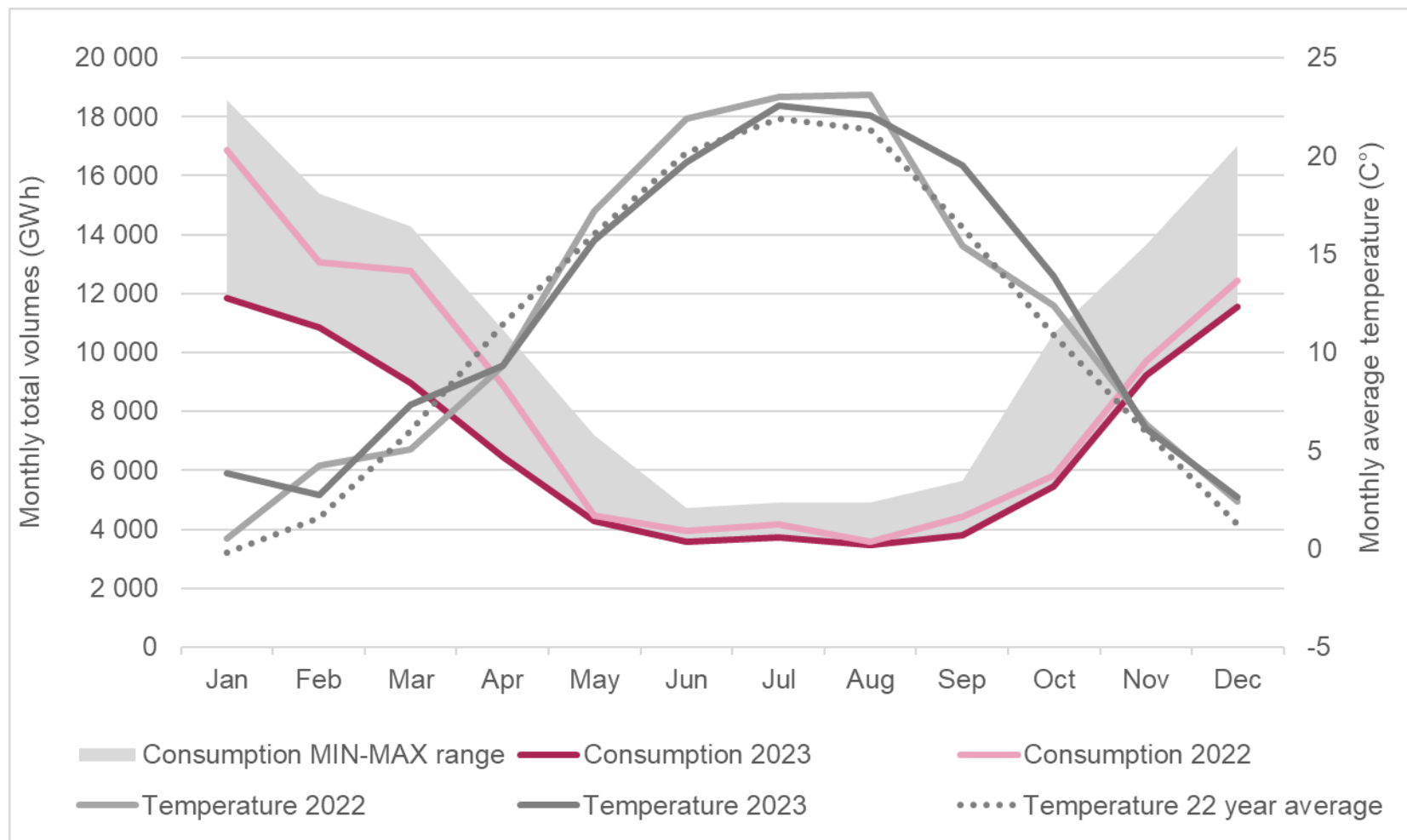
- » Hungarian and aggregated EU storage levels were **above 80% at the start of 2024**.
- » By the end of January, EU total stocks were similar YoY, while **Hungarian stocks remained well above 2024 values**.
- » **The pace of withdrawals was faster overall in the EU countries than in Hungary.**
- » Slower Hungarian withdrawals might have been motivated with lower spot prices as demand increased in January due to lower temperatures.
- » Parallel to withdrawals, export volumes to Serbia increased with the start of the heating season (see separate story).



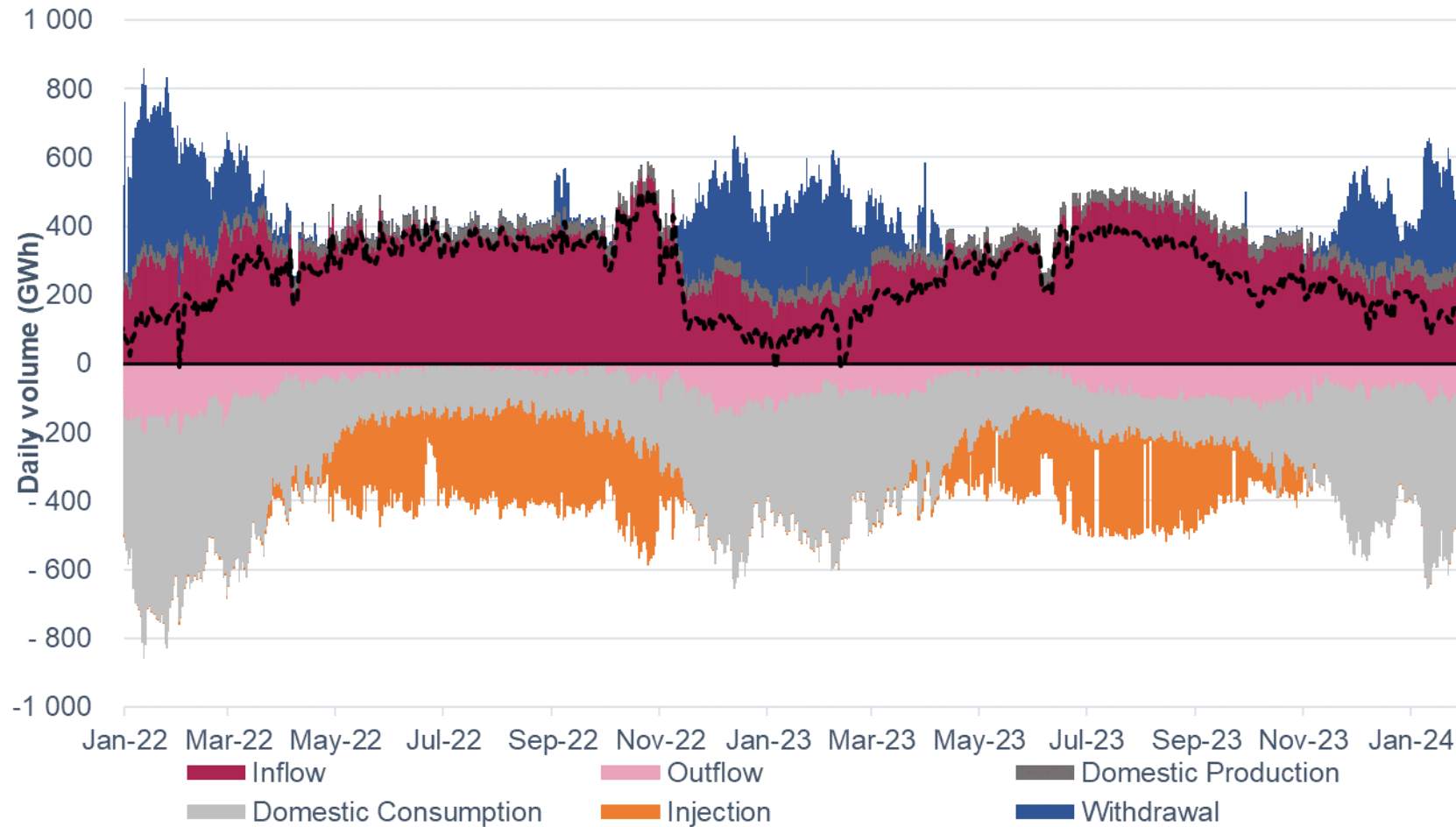
HUNGARIAN DOMESTIC GAS CONSUMPTION

EXPERT OPINION:

- » In the first half of the heating season of '22 and '23 winter average monthly temperatures were almost identical
- » **Despite that the consumption was below last year level in all 2023**
- » Residential energy prices were unchanged, but market prices in the heating season of '23 were 54% lower than '22 heating season
- » The effects of energy efficiency investments, electrification efforts and gas saving measures introduced in 2022 remained permanent in 2023
- » European economic activity remained below pre-crisis levels
- » **The cold spell started only in '24 January**



HUNGARIAN GAS MARKET BALANCE



EXPERT OPINION:

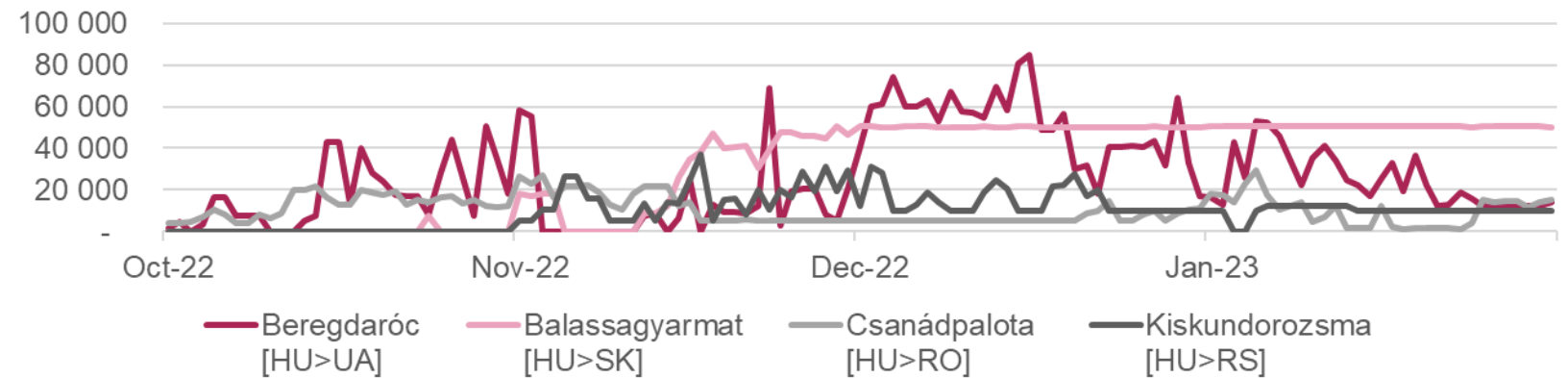
- » Withdrawals and domestic consumption peaked only in January due to mild December weather, but remained lower YoY.
- » Despite high biogas potential and newly discovered gas fields, domestic production remained unchanged, the decreasing trend had stopped at least.
- » **In January import volumes grew by 25% YoY despite the significant drop in Austrian imports.** Higher imports from the direction of Serbia might be in relation with the changing flows in the CEE region and the growing importance of the Southern route.
- » Export volumes decreased by 11% YoY, but grew 28% MoM. **Export towards Ukraine dropped, while transport to Slovakia and Serbia ramped up** (see separate story).

OUTGOING GAS VOLUMES

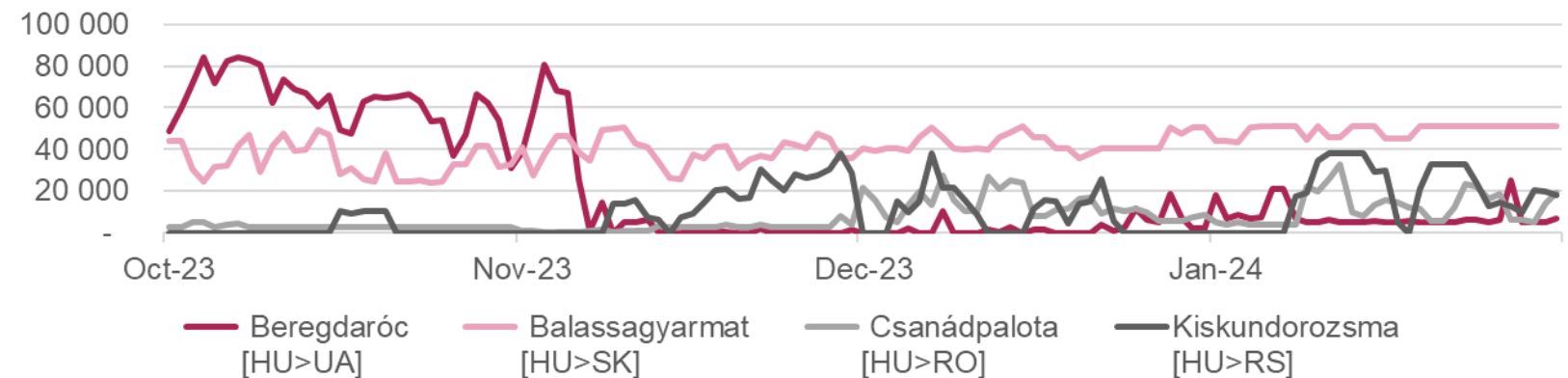
EXPERT OPINION:

- » **Outgoing volumes to Ukraine have fallen sharply** from November 2023, most likely due to the end of injections into Ukrainian storage sites. During the same period in 2022 Ukrainian exports ramped up - it is possible Ukraine was trying to find new supply routes.
- » Similarly to the 2022 winter period **exports to Slovakia remained high this winter, close to maximum capacity.** Recent higher outgoing volumes to Slovakia might be motivated by **lower MGP prices compared Slovakian and Austrian spot gas prices.** From 20 February capacity offered from Hungary to Slovakia is increased by 50% as part of the Vertical Corridor.
- » Just like in 2022, during summer Serbia had stored ~300 mcm gas into Hungarian storage sites and started to **import back these volumes to Serbia during the withdrawal season.**
- » Higher volumes to Romania since 2023 December might be motivated by **negative BRM-CEEGEX spread.**

Outgoing volumes 2022.10-2023.01



Outgoing volumes 2023.10-2024.01



GLOBAL LNG OUTLOOK FOR 2024

IEA & OIES opinion:

- » „Natural gas markets moved to rebalancing in 2023 and are expected to return to growth in 2024.” (2.5% growth due to Asia Pacific, Africa, Middle East)
- » „Panama Canal congestion to slow US–Asia LNG trade, while LNG ships face security risks in the Middle East.”
- » „Asian spot LNG prices are expected to retain their premium over TTF in 2024.”
- » „The Biden administration’s pause in non-FTA approvals for LNG exports is an overtly political decision, seemingly taken hastily, in an election year to curry favour with the left of the Democratic party and environmental lobbyists.”

Bullish factors:

- » Short-term:
 - Freeport outage
 - Red Sea attacks -> Qatar shipments around Africa -> longer routes & transport cost increase
 - return to average winter weather conditions, after an exceptionally mild 2023
- » Long-term:
 - US decision to pause approvals for new LNG export projects -> lower US output



Bearish factors:

- » Demand reductions, slowly recovering European industrial demand
- » High storage levels in EU & improving supply outlook



geopolitical tensions, rising shipping constraints, LNG project delays and adverse weather conditions could renew market tensions

