



# Recent gas market trends in the European Union

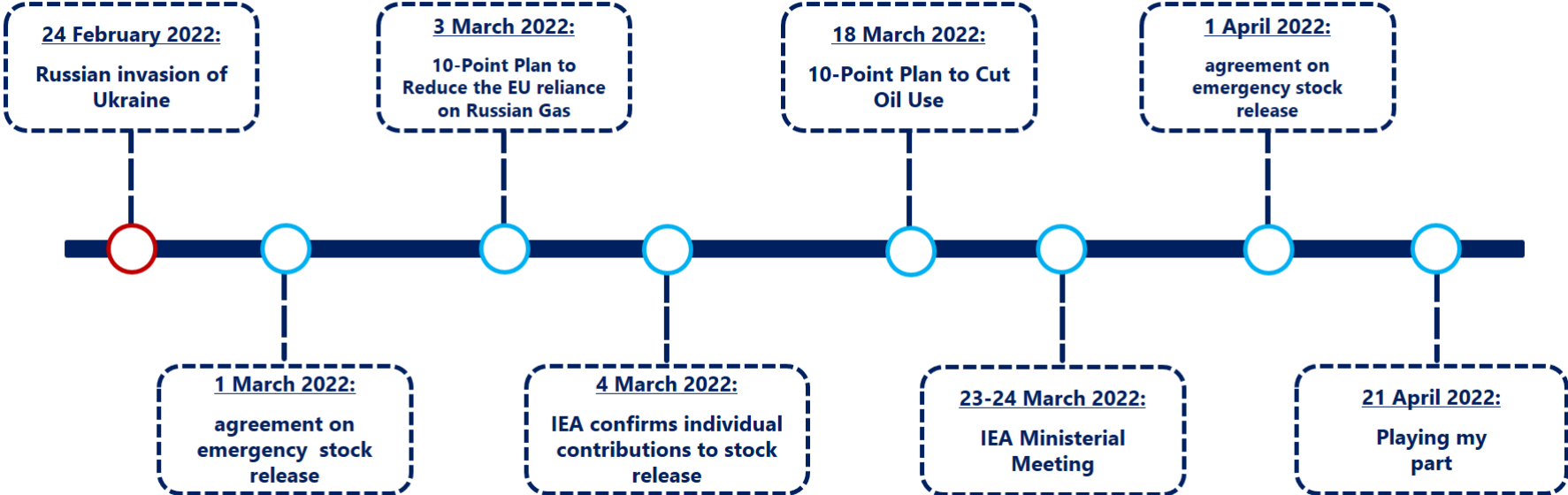
Gergely MOLNAR, Gas Analyst

LNGnet International Workshop

23 June 2022

# Energy security remains a key priority

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# REPowerEU Plan: ending the EU's dependence on Russian fossil fuels

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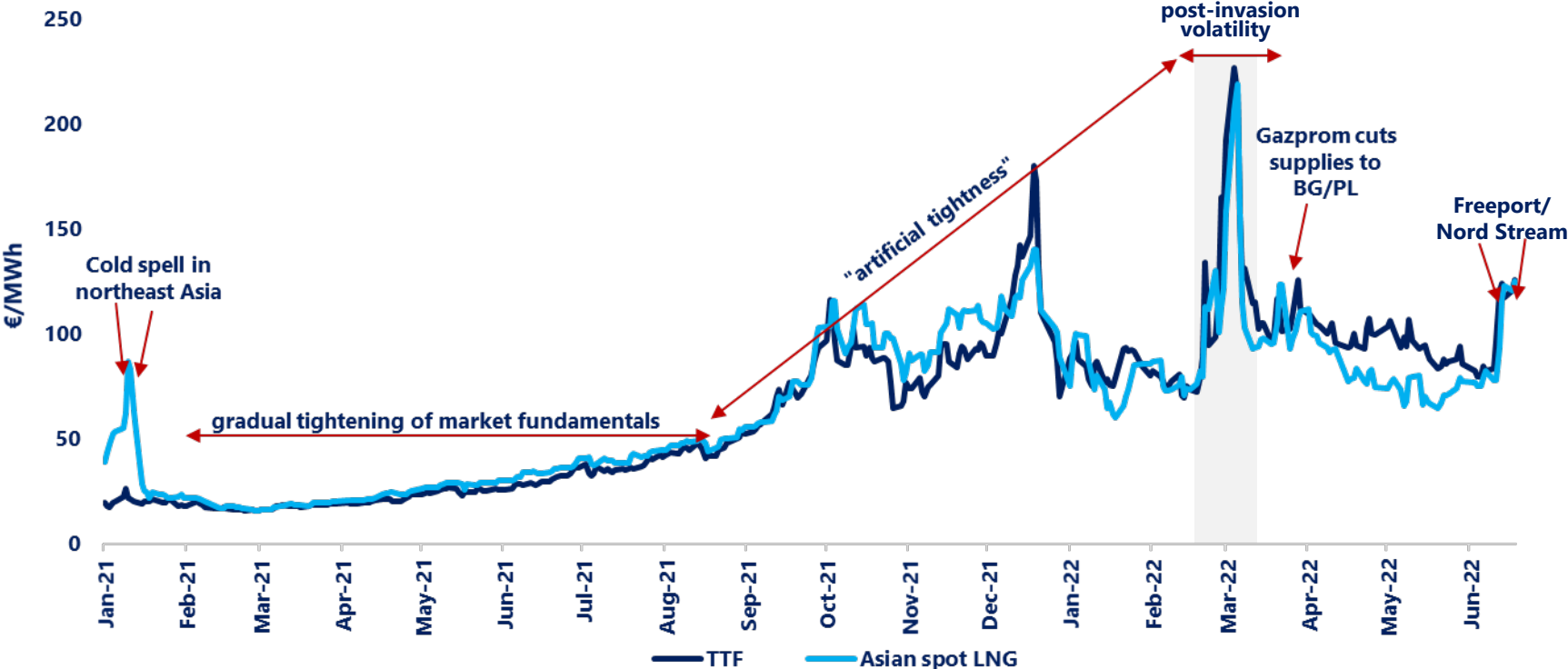
**Fatih Birol**  @fbirol · 11h ...

Congratulations to [@vonderleyen](#) & [@KadriSimson](#) for the [@EU\\_Commission](#)'s REPowerEU Plan to cut reliance on Russian fossil fuels & speed up the clean energy transition

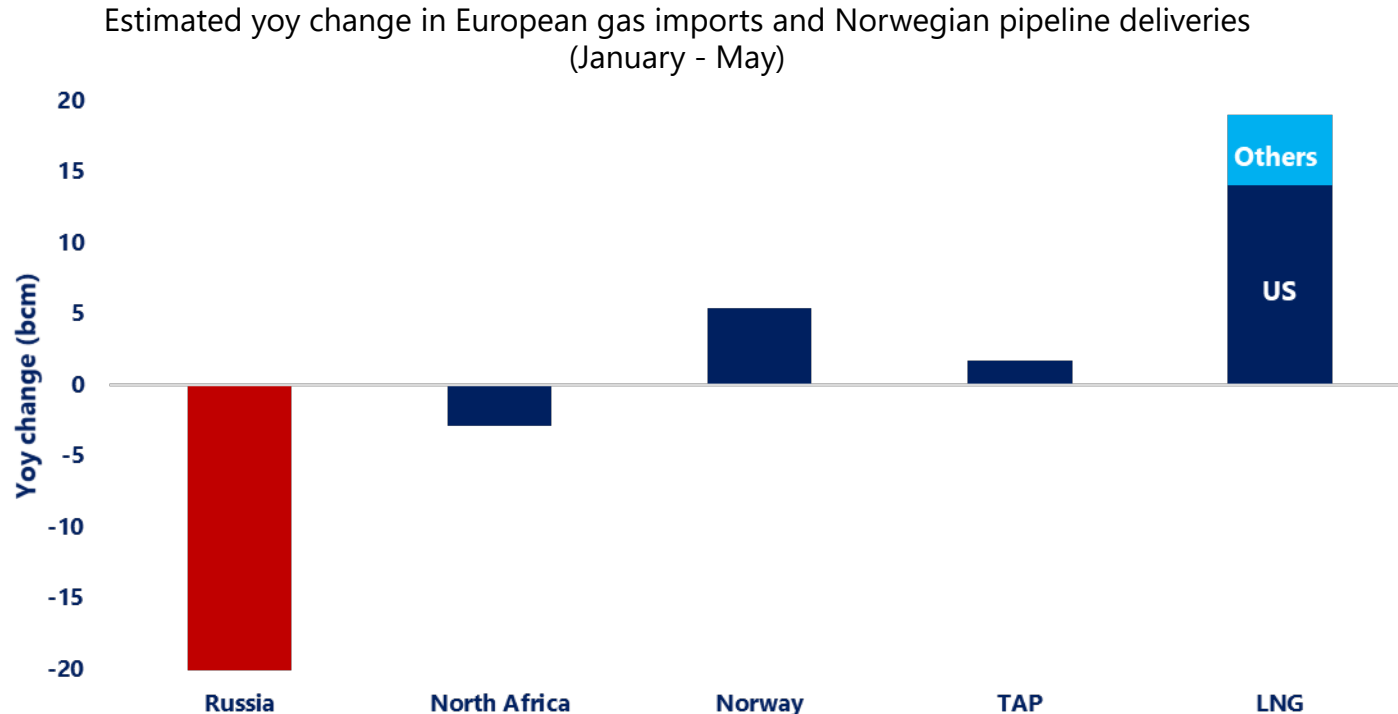
The Plan aligns with [@IEA](#)'s recent 10-Point Plans & IEA-EC joint work on energy savings: [iea.li/3wqaglr](https://www.iea.li/3wqaglr)

# European and Asian gas prices hit record highs in Q1 2022

TTF and Asian spot LNG prices (2021-2022)

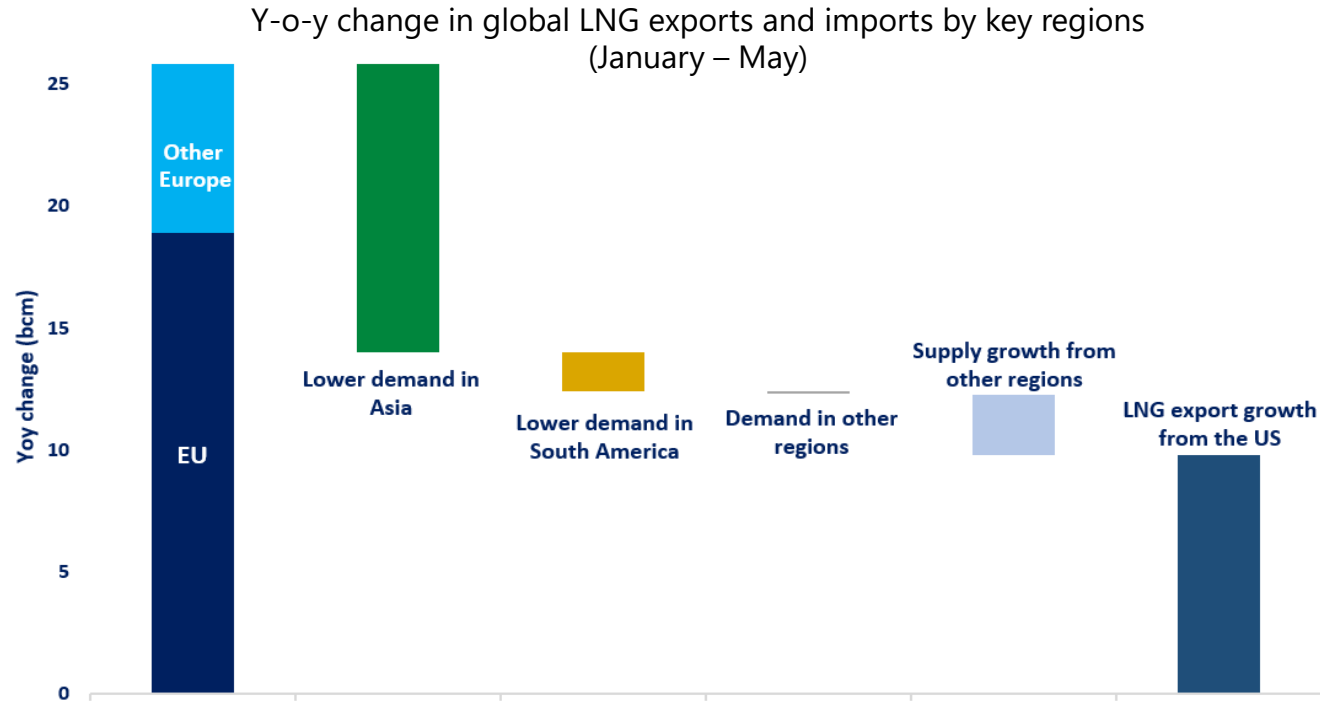


# Lower Russian flows were compensated by record LNG inflow



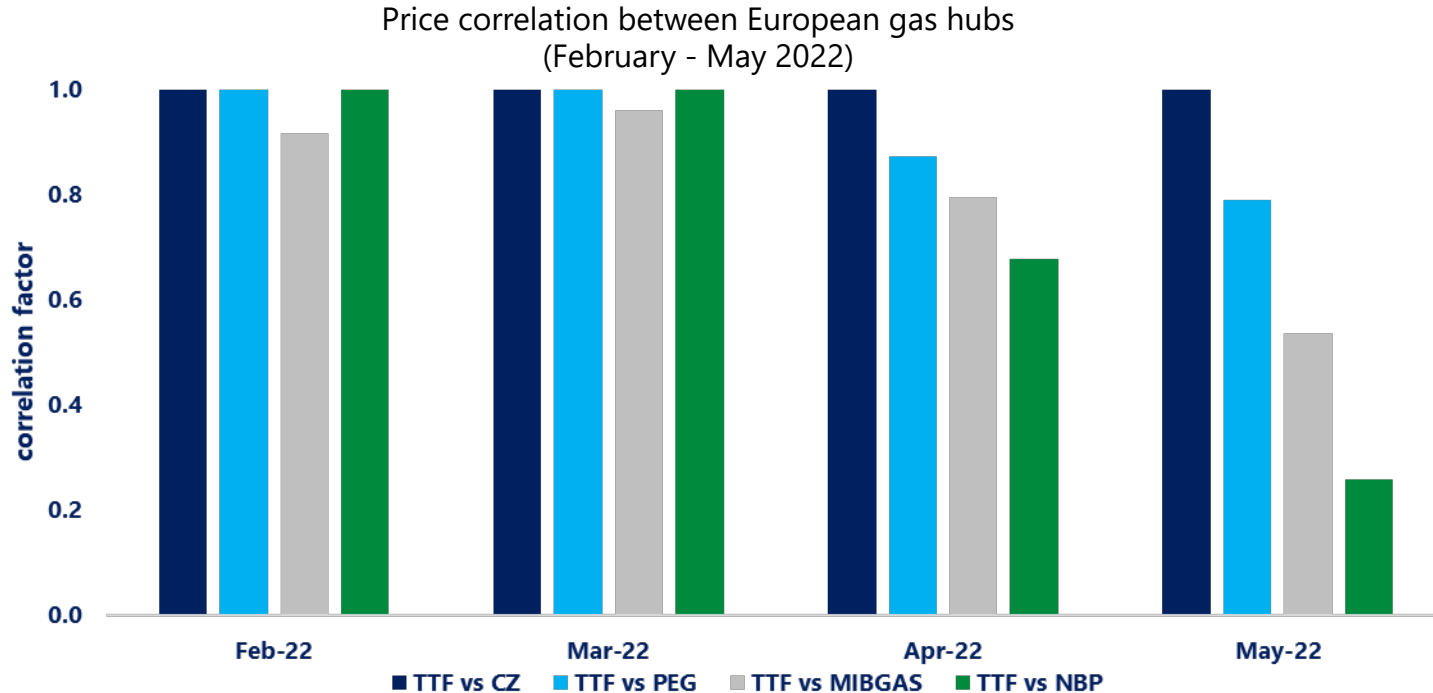
Russia reduced its piped gas supplies to the European Union by 33% yoy in the first five months of the year, which have been compensated by the record high LNG inflow –primarily from the United States.

# The European pull on LNG led to a reconfiguration of global flows



The strong increase in the EU's LNG imports pulled away flexible LNG volumes from other importing regions, primarily from the Asia Pacific.

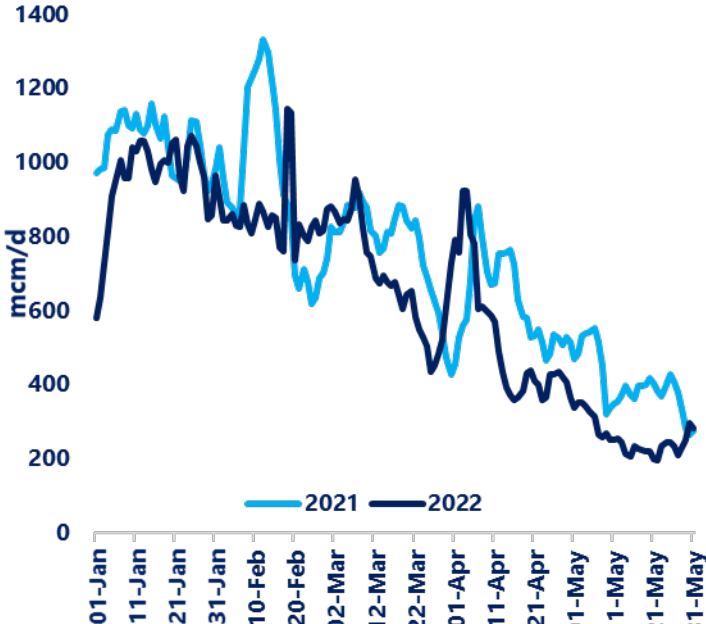
# Strong LNG inflow breaks down European price correlations



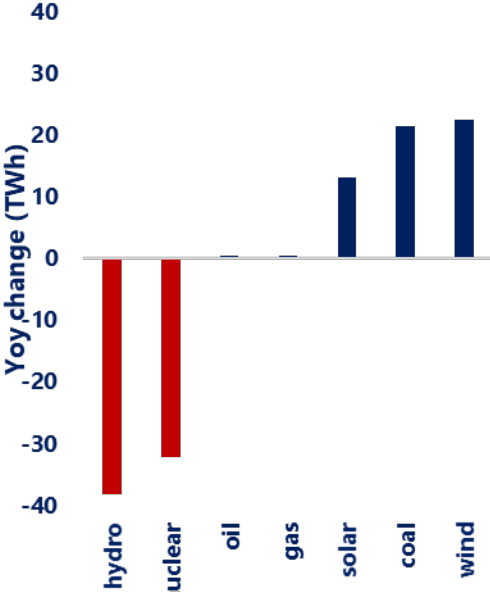
Uneven access to LNG supply and emerging pipeline bottlenecks reduced price correlation amongst Europe gas hubs.

# EU gas demand dropped by close to 10% in 5M 2022

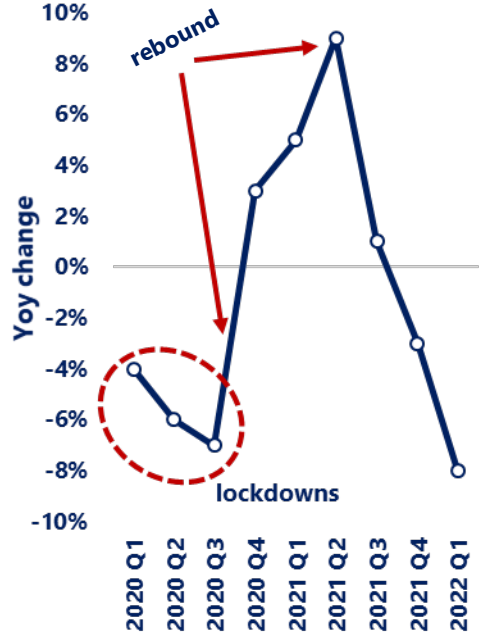
Estimated distribution-network related demand



Estimated power generation



Estimated industrial gas demand



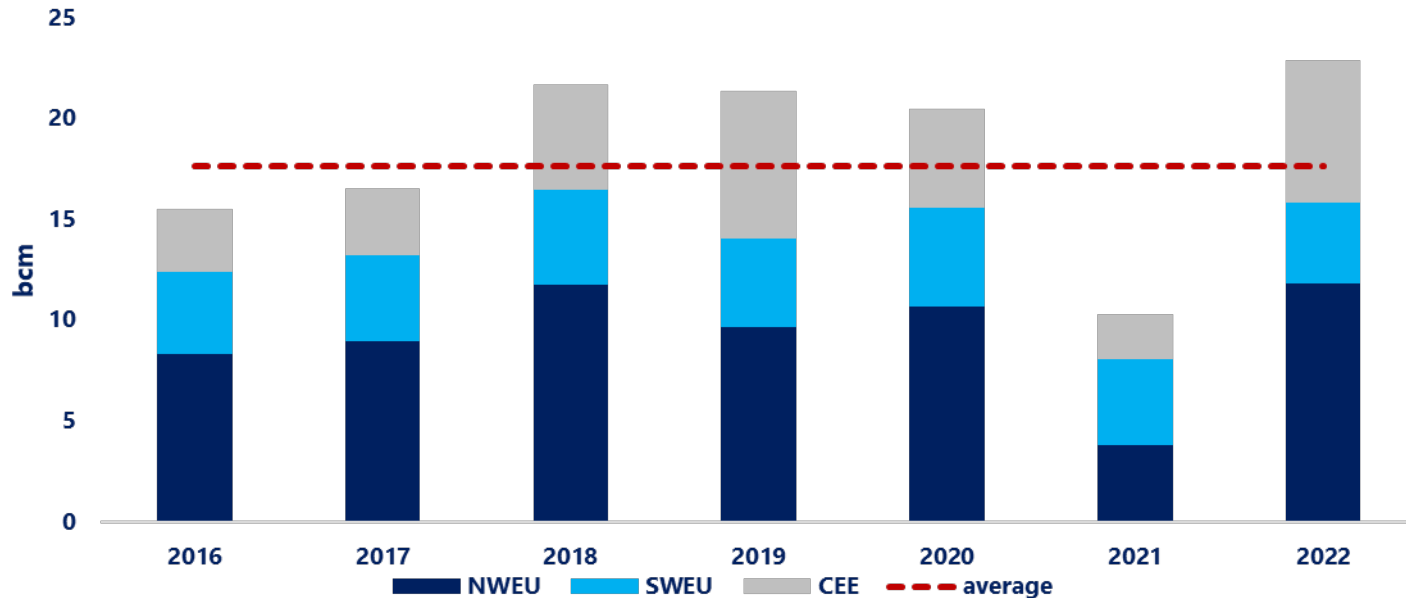
Milder temperatures weighed on distribution-network related gas demand, whilst gas burn in the power sector remained resilient. Industry displayed strong demand response in Q1 2022.





# Fast and furious: storage injections climb to record levels in Q2 2022

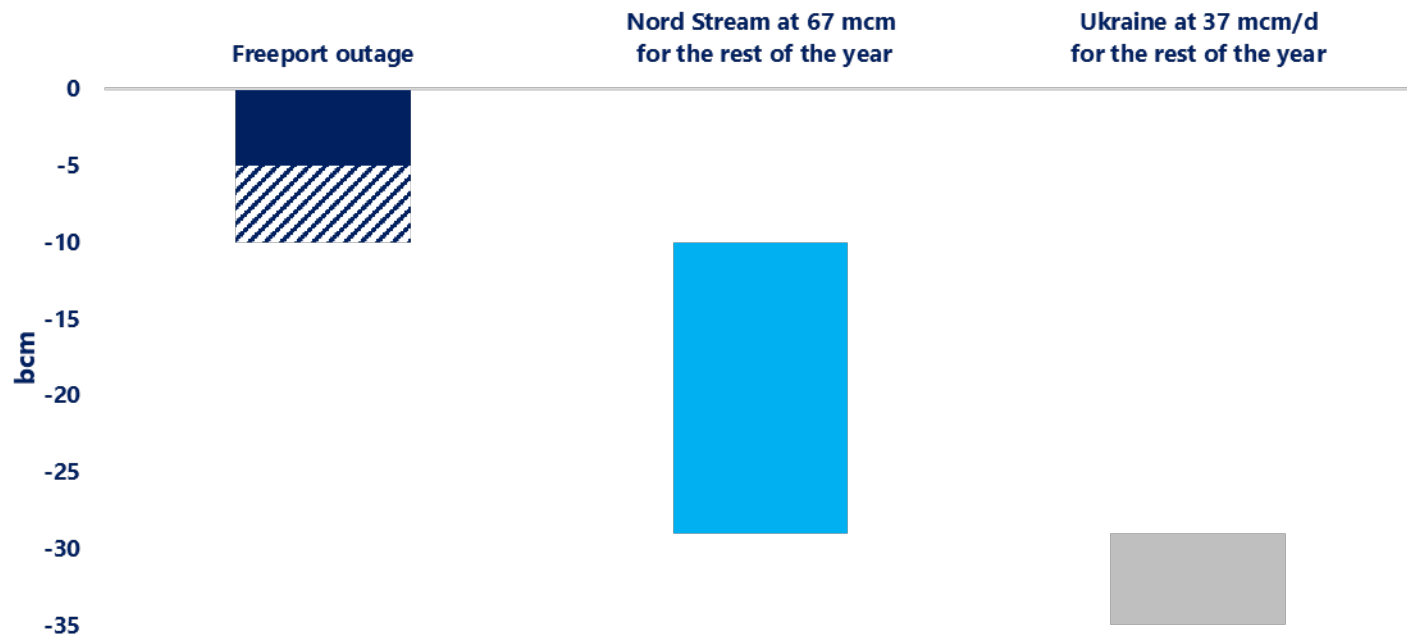
Gas storage injections in the European Union (April-YTD)



Fill levels in line with the historic averages of 2016-20 period are necessary to provide an adequate buffer for the European gas market through the heating season.

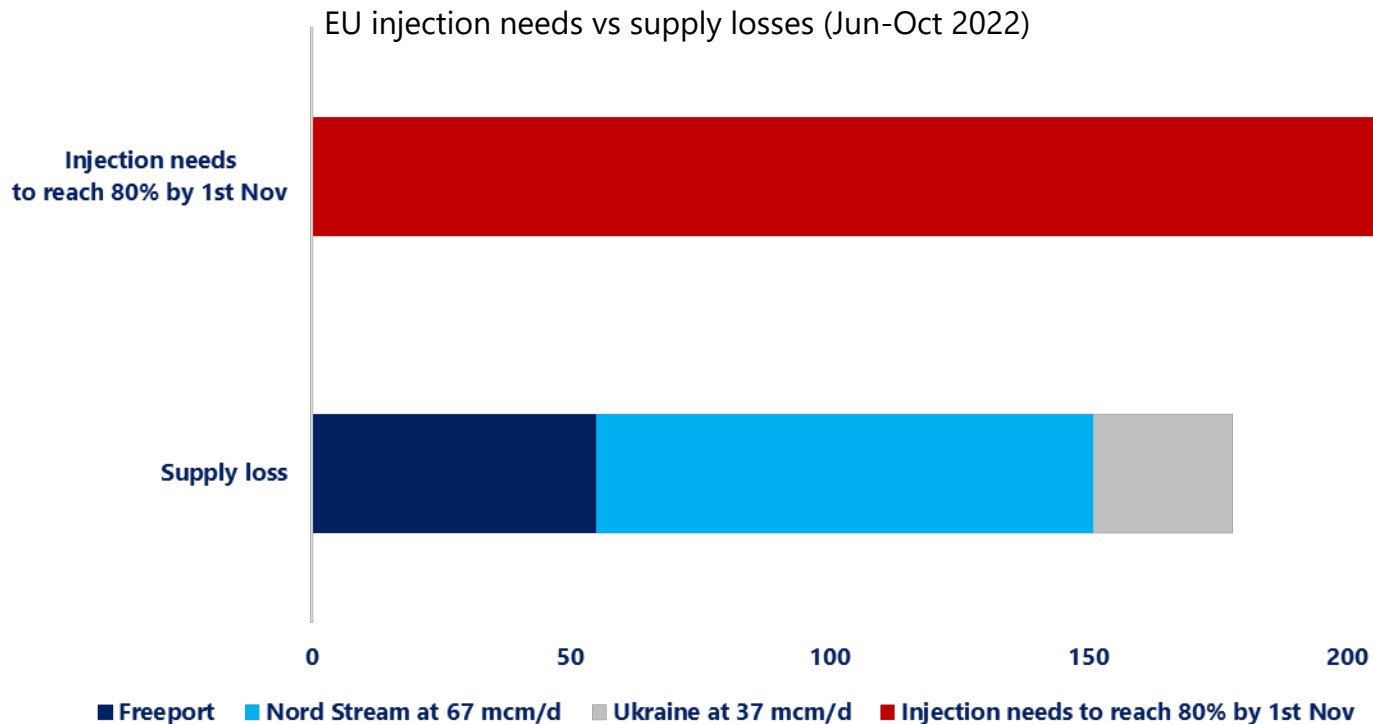
# Gas supply losses put at risks Europe's storage ambitions

Potentially lost gas supply volumes (Jun-Dec 2022)



Global and European gas supply could decline by 35 bcm as result of the Freeport outage and lower Russian inflows. This would put at risk storage injections, if no demand-side measures are introduced.

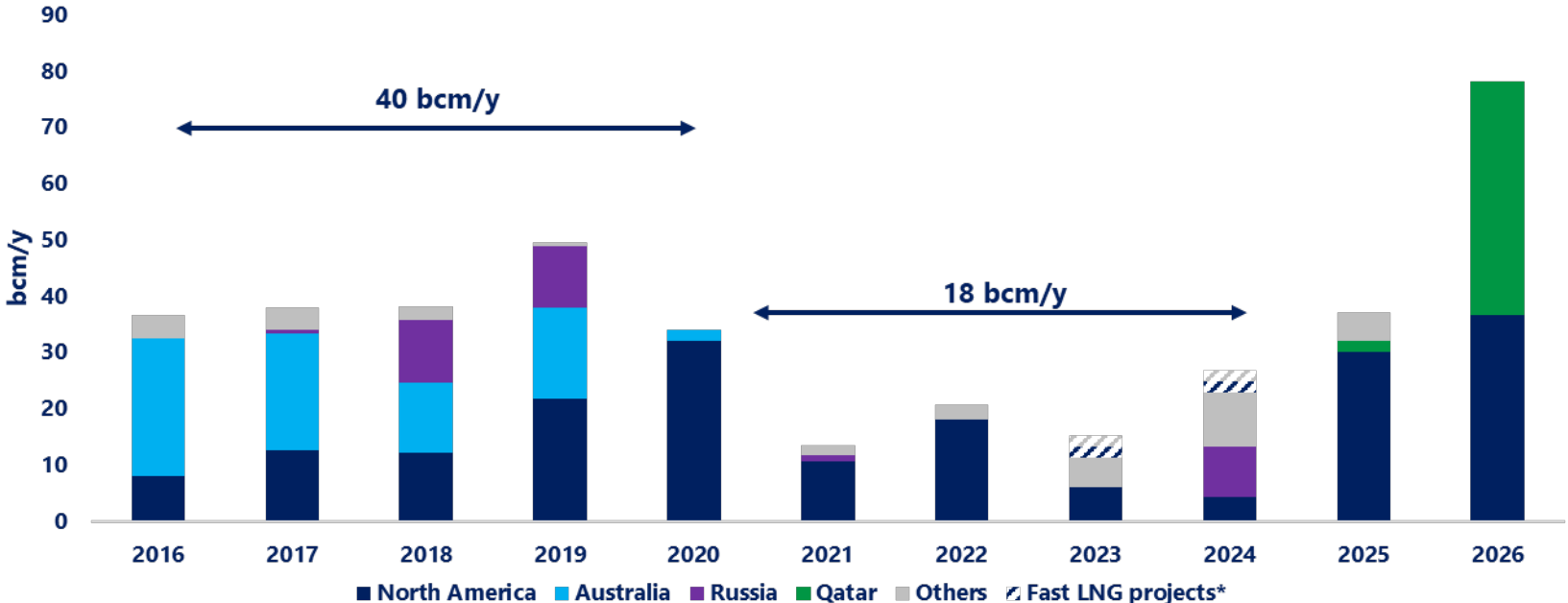
# Combined gas supply losses equate ~85% injection needs



Tightening supply is set to weigh on the EU's summer injections.

# Dry years ahead: LNG capacity additions are set to slow down

LNG liquefaction capacity additions by regions (2016-2026)

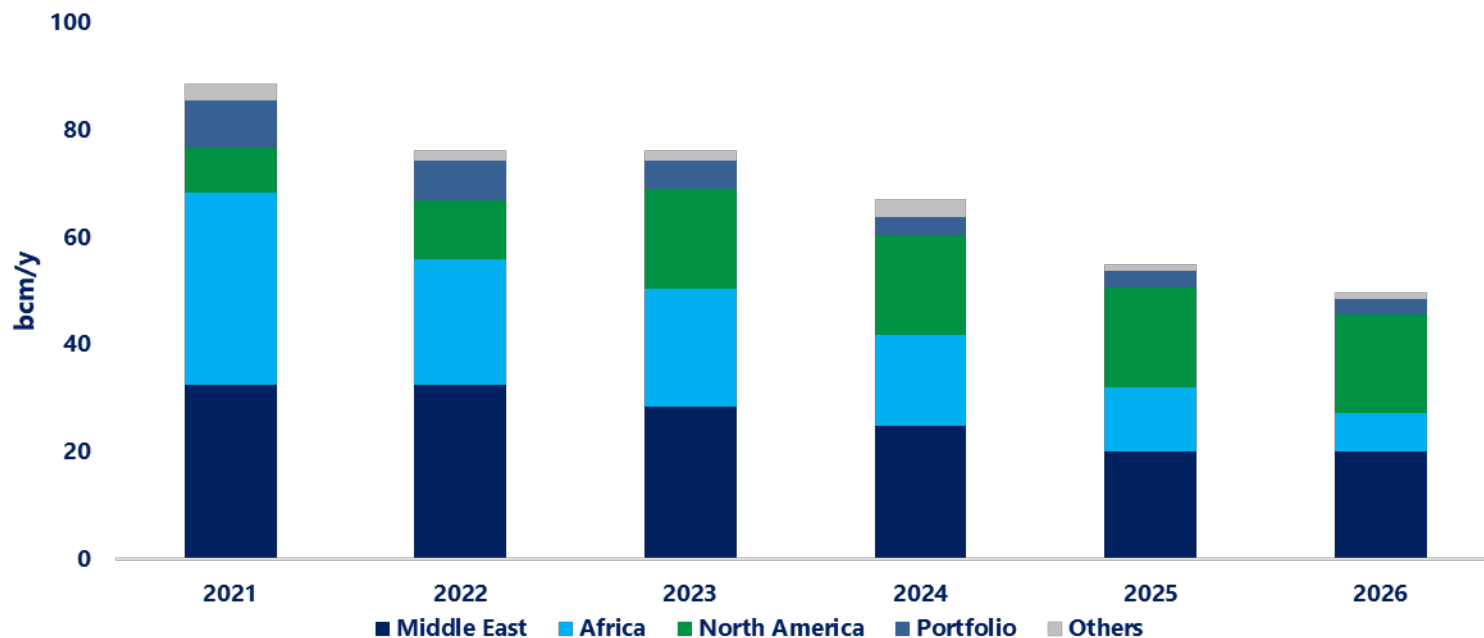


Limited liquefaction capacity additions, and strong LNG demand from Europe, indicates that the current tight market conditions are expected to linger into the medium-term.

\*Congo and Louisiana FLNG could be fast-tracked to start operations in 2023 according to project developers. No FID has been taken yet.

# Europe's contracted LNG volumes could drop by over 40% by 2026

Europe's LNG import contracts (2021 – 2026)



As a result of the expiry of legacy contracts, Europe's contracted LNG volumes could fall by over 40% by 2026 compared to their 2021 levels, leaving the region at a greater exposure to spot market dynamics.

**iea**