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WINTER NATURAL GAS MARKETS OUTLOOK

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ICIS – A global energy and petrochemicals news and price publisher

Corporate structure



ICIS is the energy and chemicals information division and the fastest growing business within Reed Business Information. It is the benchmark price reporting agency for European gas markets

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Discussion points

1. Commodities – a brief review
2. LNG supply to Europe
3. Winter weather outlook for Europe
4. CEE gas supply outlook
5. Factors to watch out

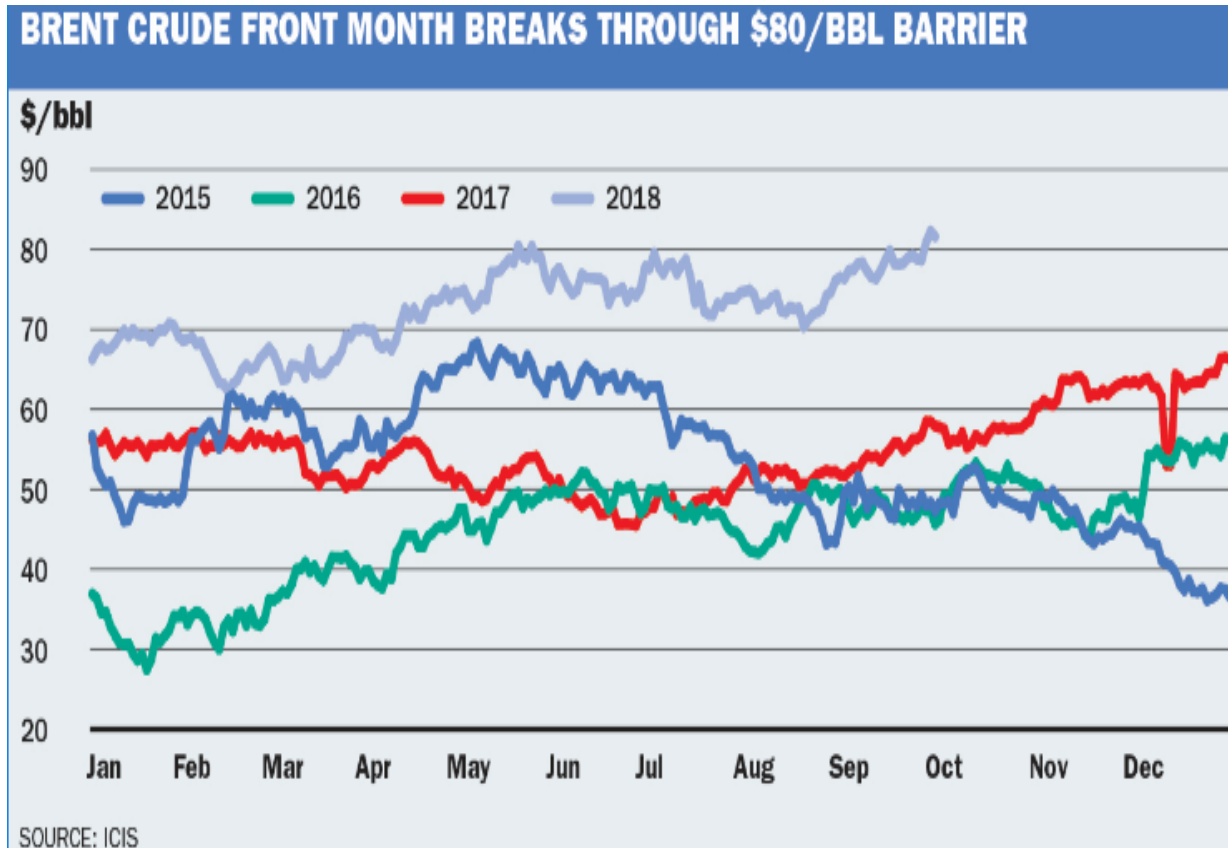
1. Commodities: European winter gas price and supply outlook

Comparison of TTF Winter 18 and Winter 17 (€/MWh)



- Bullish outlook for the European benchmark TTF winter prices
- Prices driven up by carbon, coal, electricity prices, low (but improving) storage levels, falling production at Dutch Groningen gas field
- There may be flexibility on Russian supplies which could be ramped up to cover spiking demand
- Norwegian production set to be range-bound year on year at 33bcm in Q4 '18.
- More LNG could reach European markets if hub spreads to East Asia narrow
- Traders significantly more cautious following the surge in demand at the end of Winter '17.
- Much will depend on weather

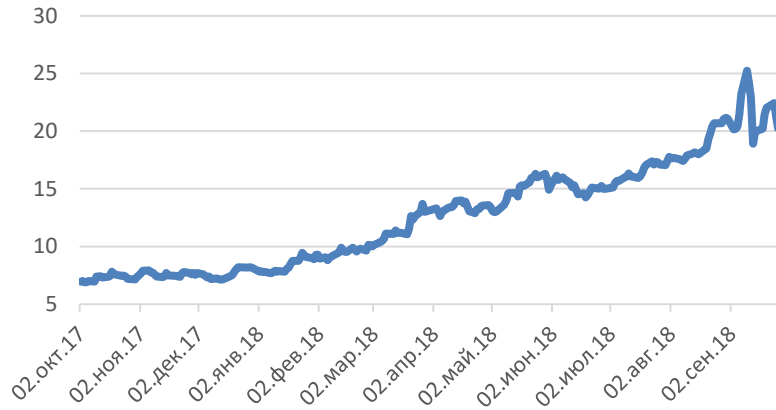
Commodities – Brent crude prices



- Recent upside may be ephemeral as US producers could start to ramp up production
- Concerns persist regarding Venezuelan supplies and pending sanctions against Iran

Commodities: Coal and carbon prices

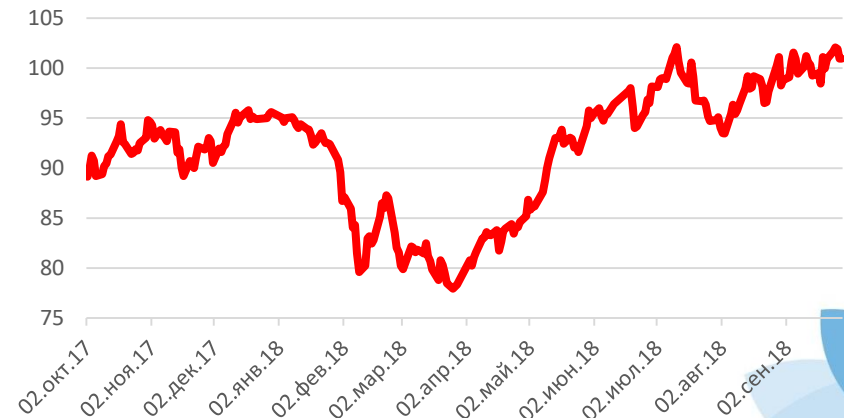
ICE EUAs Front Year Closing Value
(€/tCO₂e)



Benchmark December '18 carbon prices expected by ICIS to reach €21.65/tCO₂e. ICIS expects Q1 '19 carbon prices around €23.70/tCO₂e

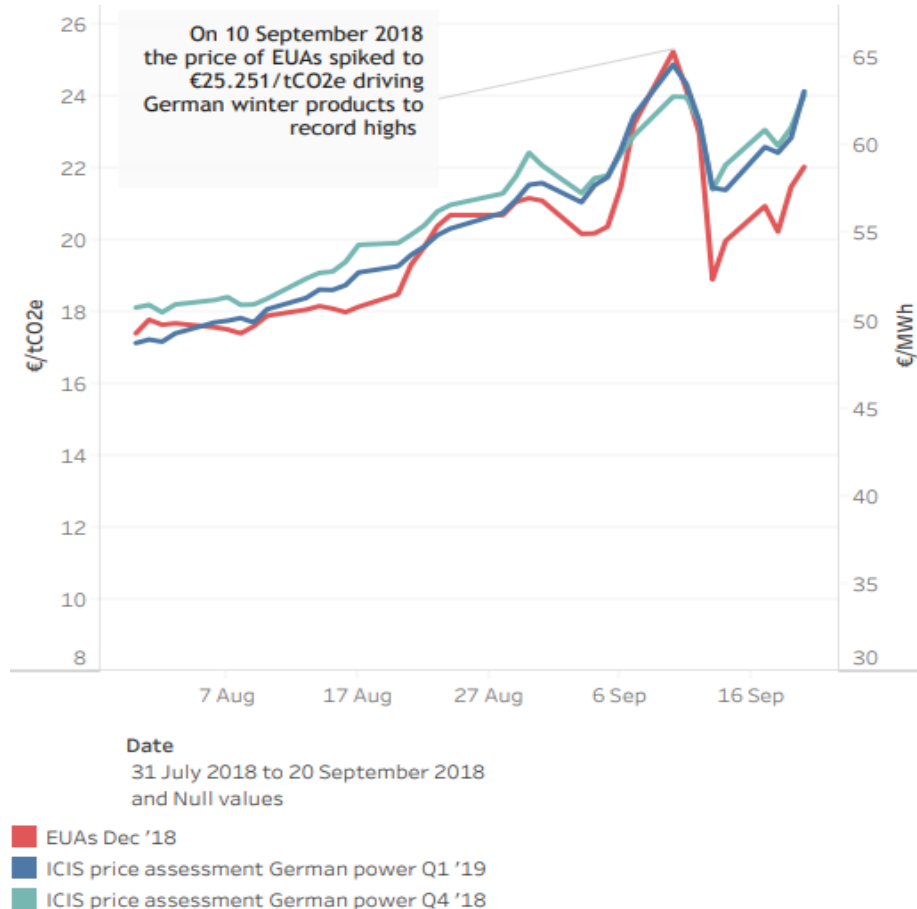
Rotterdam coal futures forecast at around \$100/tonne throughout the remaining part of 2018

ICE Rotterdam Coal Futures Month +1 Closing Value (\$/tonne)



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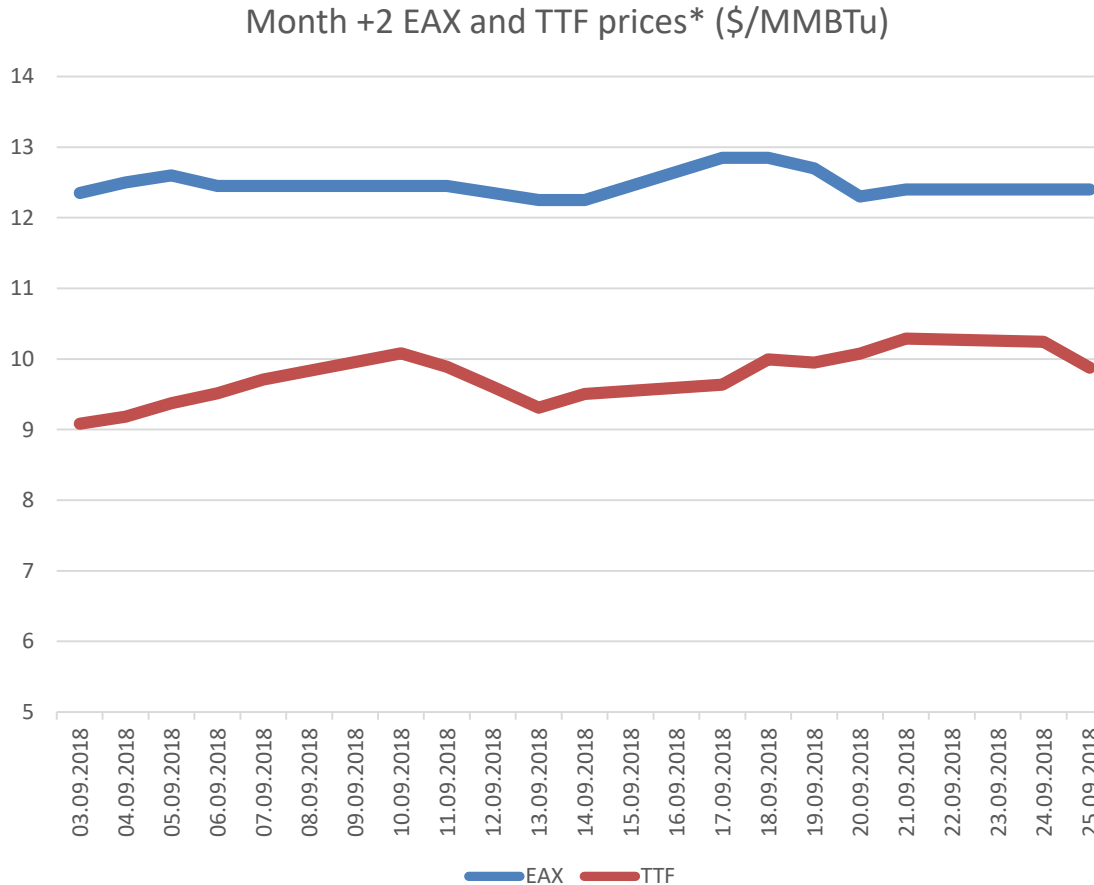
Commodities: European electricity outlook



- Electricity prices across Europe expected to be bullish on the combined effect of strong carbon/coal prices
- Further upside could come from Belgian nuclear outages – only one out of seven Belgian NPPs to be online until end of 2018. Further Belgian outages expected in Q1 '19
- French nuclear availability around 83%, the highest in the last four years.
- Downside will hinge on weather and wind availability

Source: ICIS, ICE

2. LNG winter supplies to Europe



- Bearish potential for East Asia on mild winter forecasts for Japan and new supplies to be brought online at Australia's Prelude and Ichthys projects in upcoming months
- New production plants scheduled for Q4 '18 at US Sabine Pass Train 5 and Corpus Christi Train 1 as well as Russia's Yamal Train 3
- New supplies to reach Gate (NL) from Peru on 15 October
- Supplies into Europe expected from US, Yamal as hub prices tighten spread against EAX.
- Fewer reloads/re-exports from Europe to Asia
- Some upside expected from India
- Uncertainty over US LNG supplies to China amid tariff wars.

TTF prices include M+2 and M+3 to align with the mid-month changes in EAX prices.
Source: ICIS

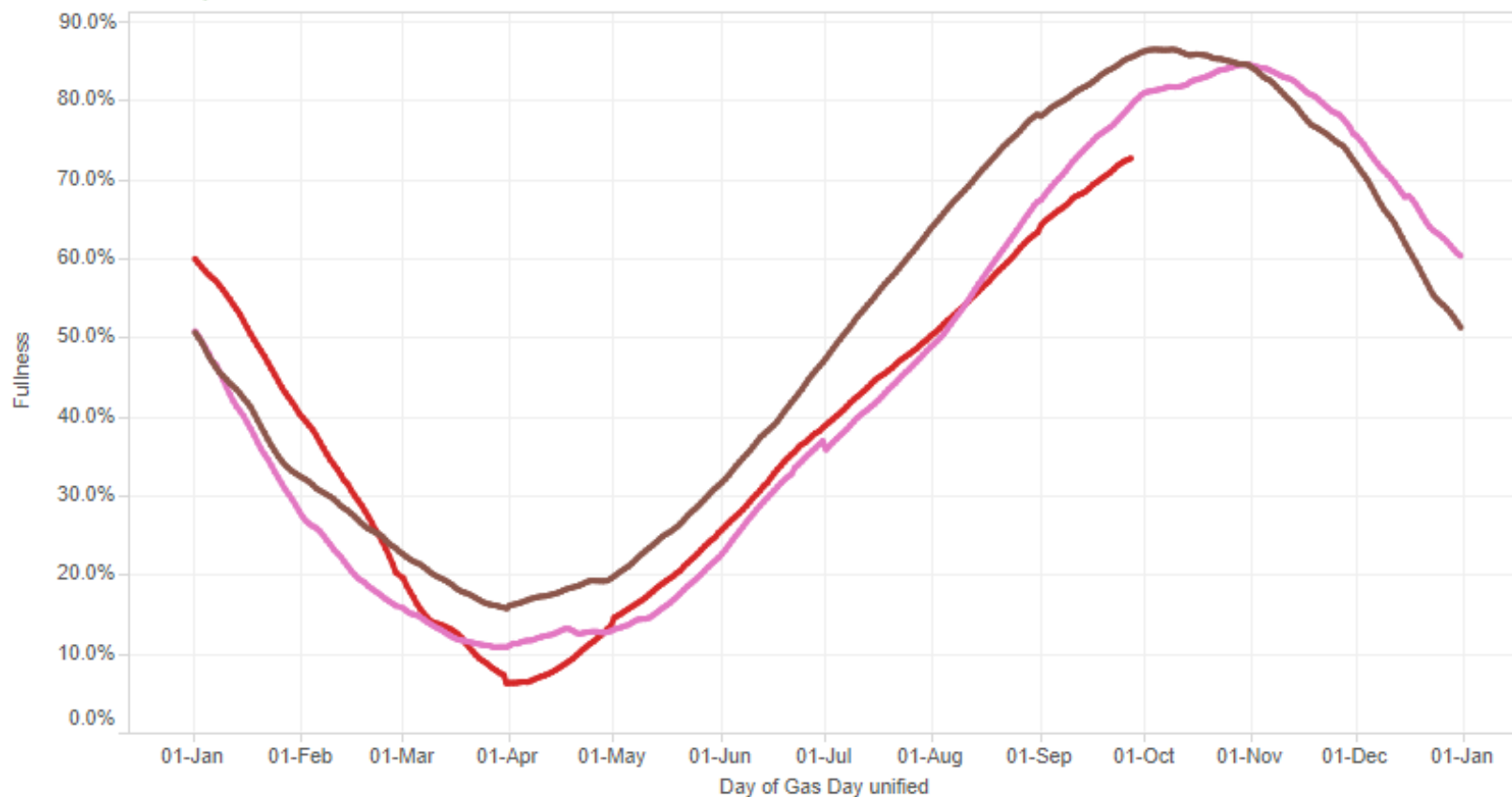
3. Winter weather outlook for Europe

The Weather Company forecast (02.10.2018)

- *Central Europe will be in the "battle zone" between the high pressure to the northwest and low pressure to the southeast.*
- *That should mean enhanced intra-seasonal volatility, with some weeks quite cold when the high pressure "wins out" and other weeks warm and wet when the low pressure expands northward a bit.*
- *In aggregate, it should result in near-normal temperatures and precipitation for the winter as a whole.*

4. CEE gas supply outlook - storage

Fullness - Last updated on 28/09/2018 15:58:34



Aggregated Austria, Czech Republic, Hungary, Poland, Slovakia storage levels in % of total. Source: Data collated by ICIS from respective storage operators

CEE – country-specific factors

Germany, NCG



- Storage – 69% full, 7% down yoy
- Could export to NL if TTF prices at premium
- 30% of German households reliant on Groningen L-gas supplies

Austria, VTP



- Storage - 67% full, 7% down yoy
- Could start exporting natural gas to German, spread switches to Austrian discount
- Austria typically imports gas from Germany

Slovakia



- Storage - 64% full, 17% down yoy
- German demand likely to impact Slovak and Czech supplies/prices
- Could be impacted by high demand in Ukraine

Hungary, MGP



- Storage – 62% full, unchanged yoy
- Has 1.2bcm of strategic reserves
- Exports more expensive because of winter transmission tariff

6. Factors to monitor

- EAX/TTF hub spread could determine the level of LNG imports this winter
- Groningen winter production (Dutch government decisions expected in October/November)
- Winter weather
- Wind production



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Thank you!

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