



European Union Agency for the Cooperation
of Energy Regulators



Analysis of the European LNG market developments

2024 Market Monitoring Report

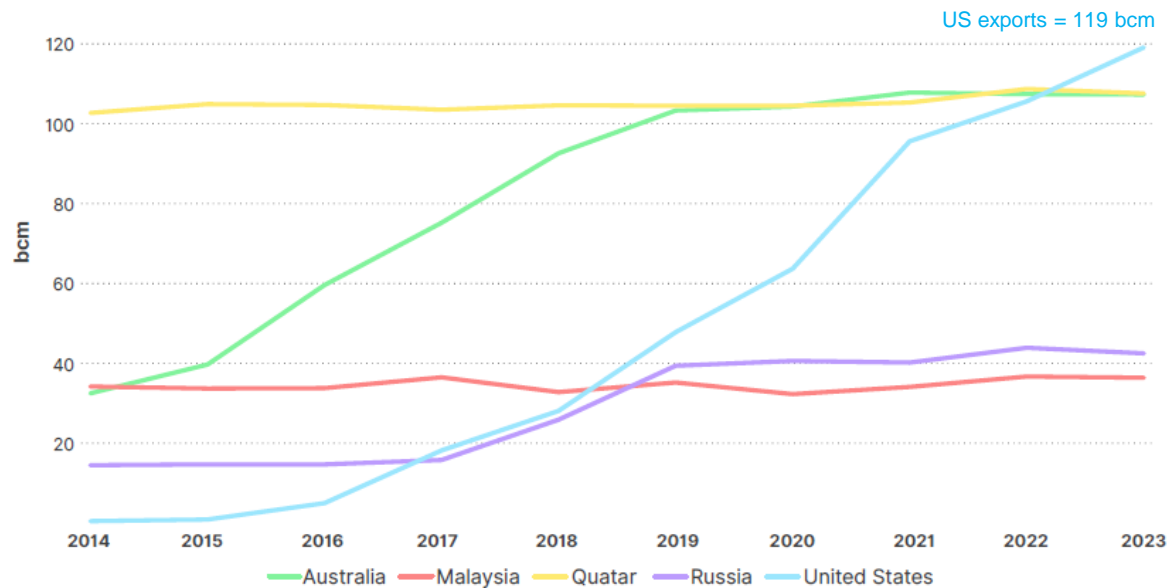
Highlights

19 April 2024

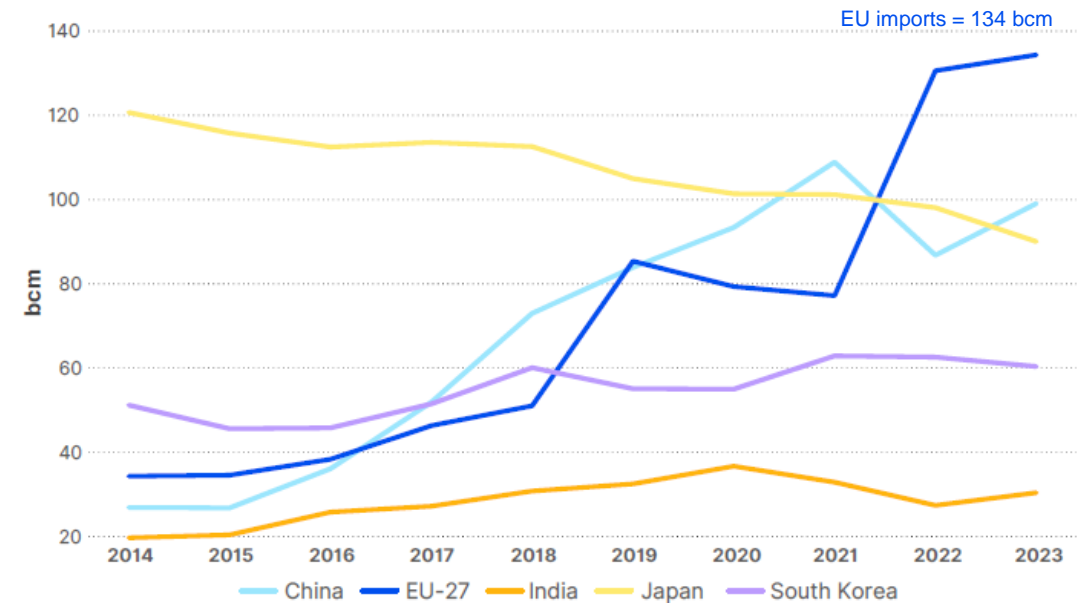
- The EU is the biggest LNG importer (134 bcm in 2023), surpassing China.
- EU LNG demand is likely to reach its peak in 2024. This is due to structural gas demand reductions driven by the EU's ambitious decarbonisation goals.
- The EU remains more dependent on long-term than on spot LNG contracts (2/3 vs 1/3). TTF serves as the predominant indexation term for EU spot contracts (64%), but not for long-term, where Henry-hub and Brent indexations are dominant.
- EU continues to import some Russian LNG due to long-term contractual commitments. Part of the Russian LNG is re-exported to non-EU markets.

Main changes in global LNG trade since the Russian invasion of Ukraine

Top 5 global largest LNG producers, 2014-2023 (bcm)



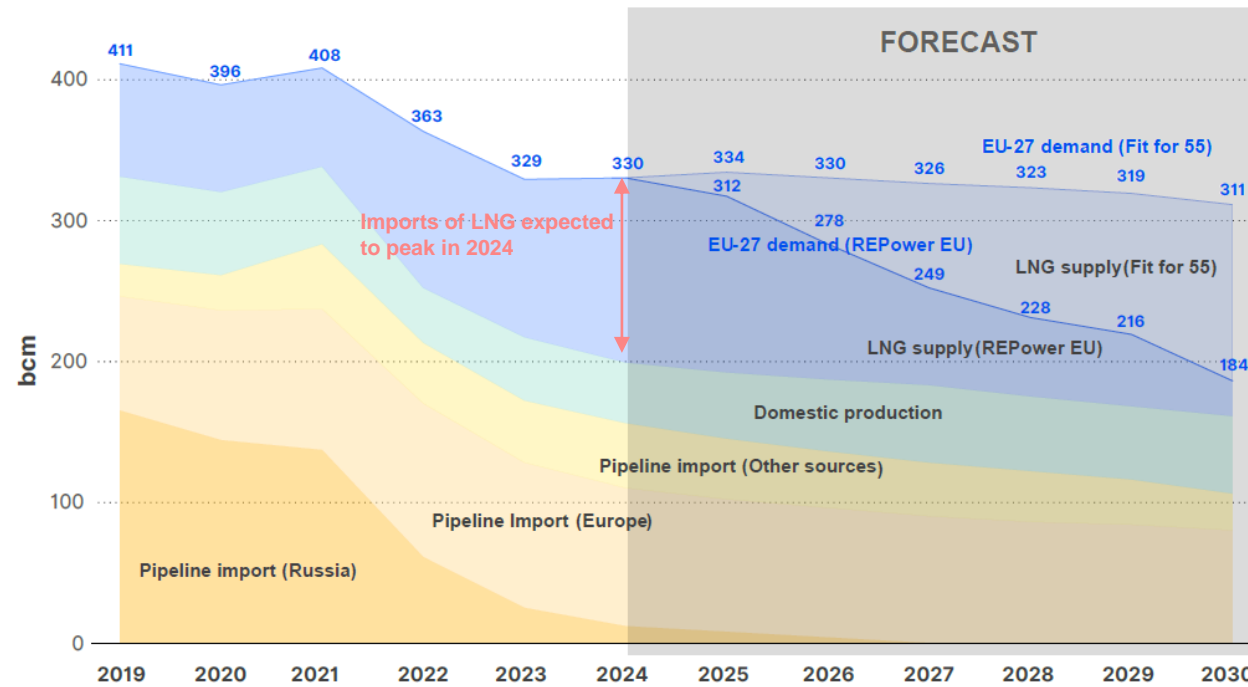
Top 5 largest global LNG importers, 2014-2023 (bcm)



The EU has outpaced China as the largest global LNG importer, while the United States have surpassed Qatar and Australia as the largest LNG producer.

LNG demand in the EU is likely to reach its peak in 2024

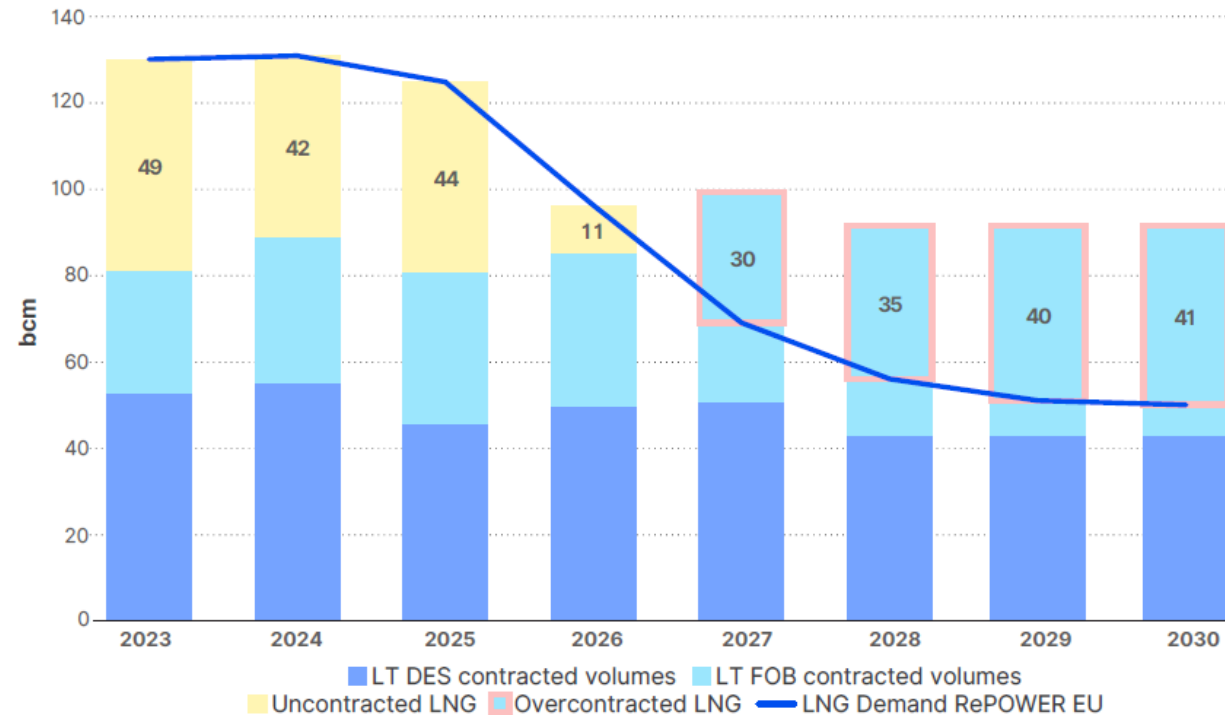
EU gas supply and demand outlook relative to 'FitFor 55' and 'RePowerEU' demand scenarios, 2030 (bcm)



Under 'REPowerEU' demand scenarios, EU LNG supply will peak in 2024. Pipeline supply remains generally stable (with Russian pipeline imports ending in 2027). Domestic EU production is expected to slightly increase (with increases in decarbonised gases).

The EU remains more dependent on long-term LNG contracts than on spot contracts

Uncontracted/over-contracted LNG volumes under REPower EU scenario (bcm)

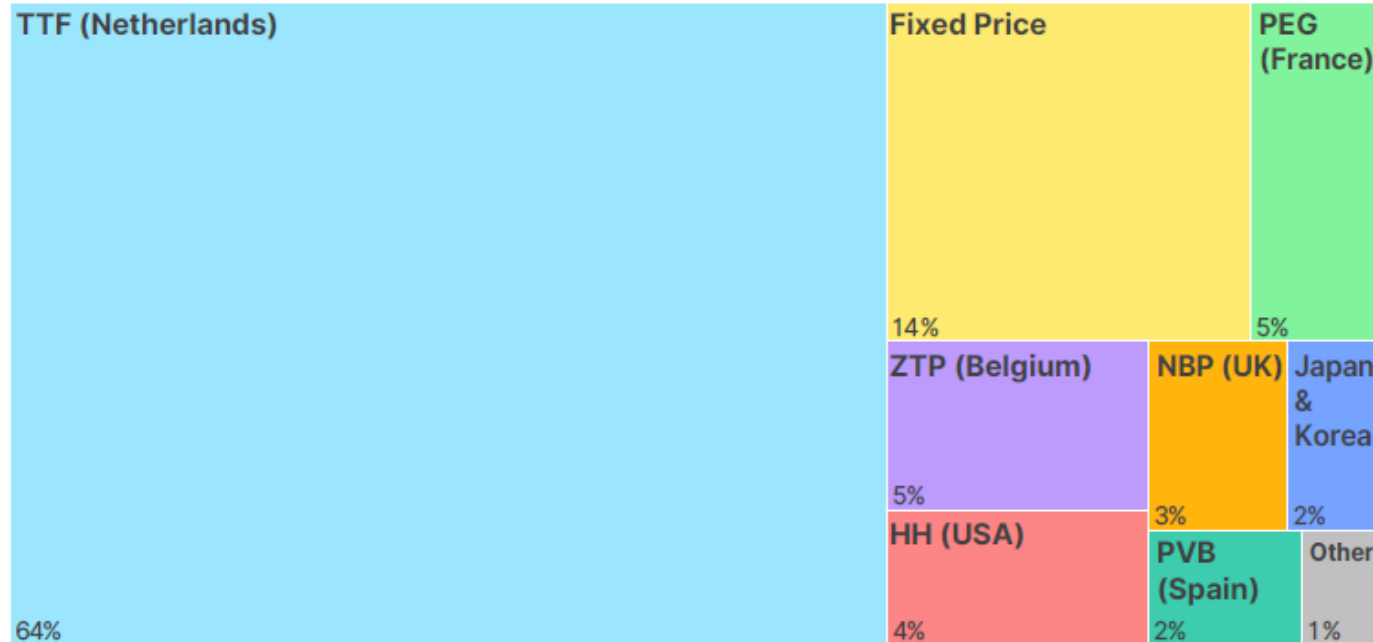


DES = delivered ex-ship.
FOB = free-on-board

By 2030, over 200 bcm of gas demand reduction is expected under REPowerEU scenario relative to 2019 gas demand. This will result in a contractual LNG surplus in Europe from 2027 due to long-term contracts in place. Yet, such contractual surplus can be more easily managed due to the flexibility of free-on-board (FOB) contracts enjoying free destination, which would allow LNG cargoes to be diverted non-EU countries.

TTF is the dominant indexation term for EU spot LNG contracts

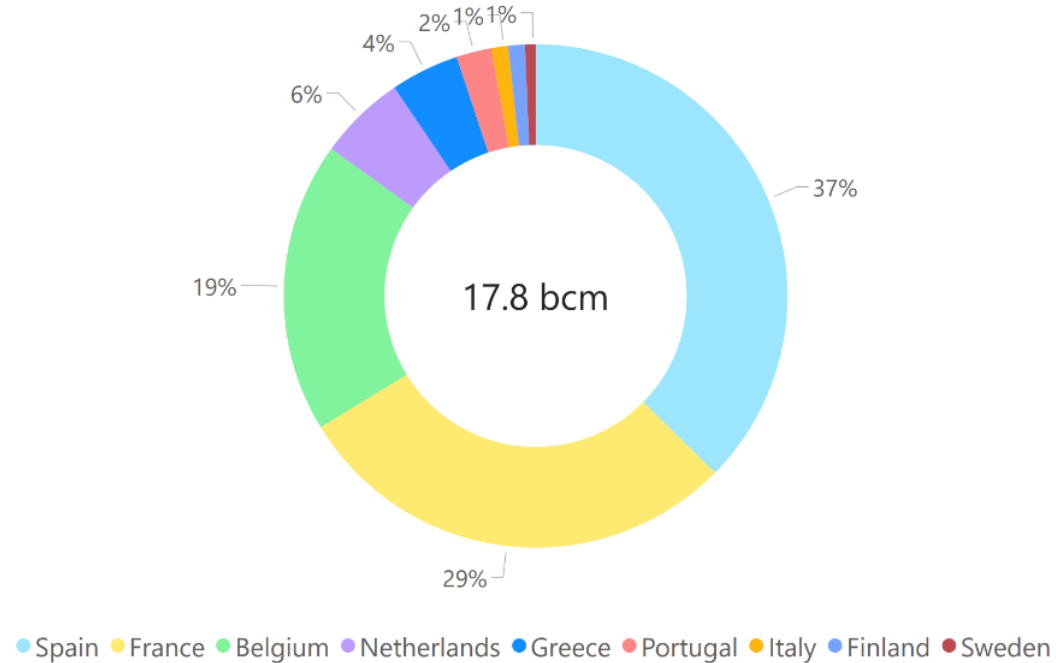
Breakdown of price references/indexation for spot & short-term trade in Europe 2023



Spot trade volume: 47 BCM

EU continues to import some Russian LNG due to long-term contractual commitments

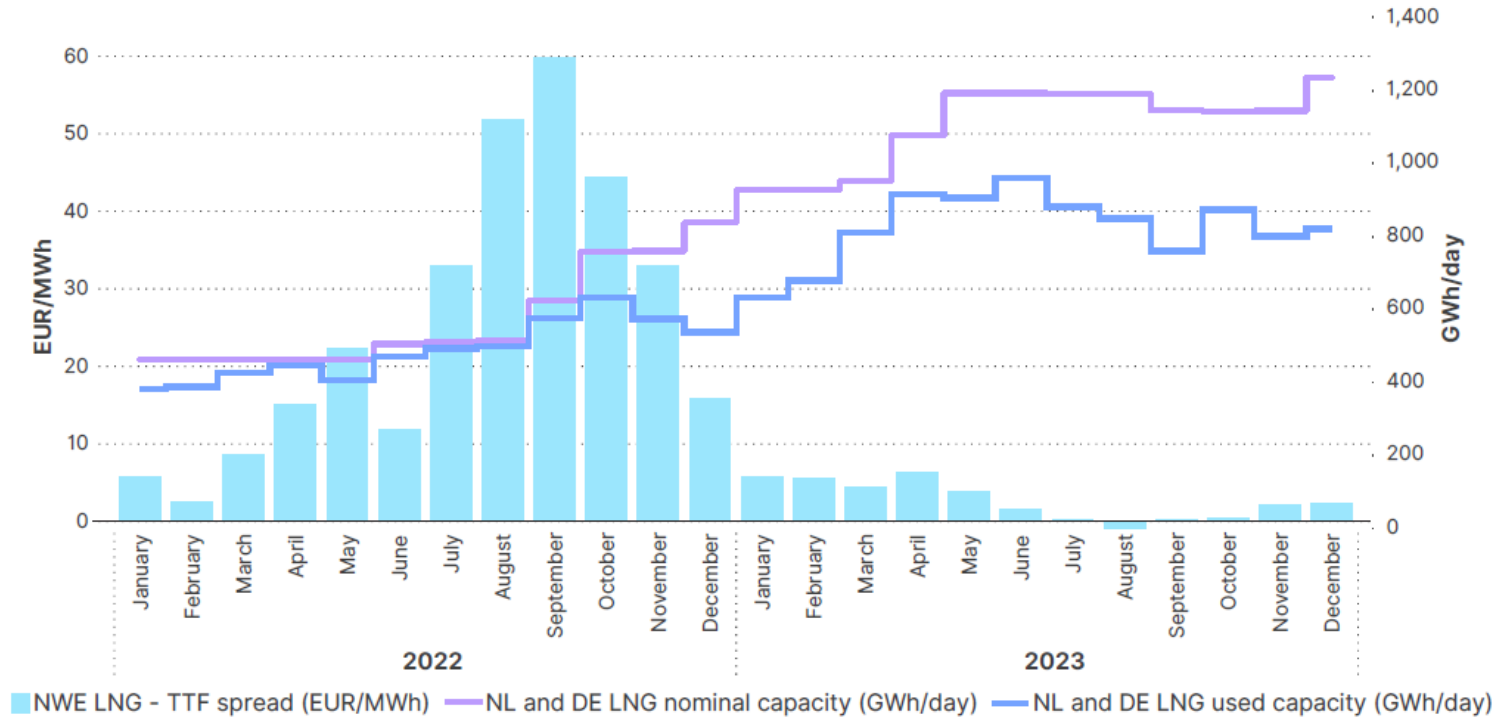
Total LNG deliveries to European countries from Russian liquefaction plants, 2023 (bcm)



In 2023, Europe imported 18 bcm of Russian LNG, mostly from long-term contracts signed before 2022. At least 1 bcm (but possibly more) of this Russian LNG was re-exported to non-EU markets (China, Taiwan, India, Turkey) through LNG reloads.

New LNG regasification capacity eased congestion, aligning LNG spot and EU hub prices

Spread between North-West EU LNG and TTF month-ahead prices (left axis), the Netherlands and Germany nominal and used LNG regasification capacities (right axis), 2022-2023 (EUR/MWh and GWh/day)

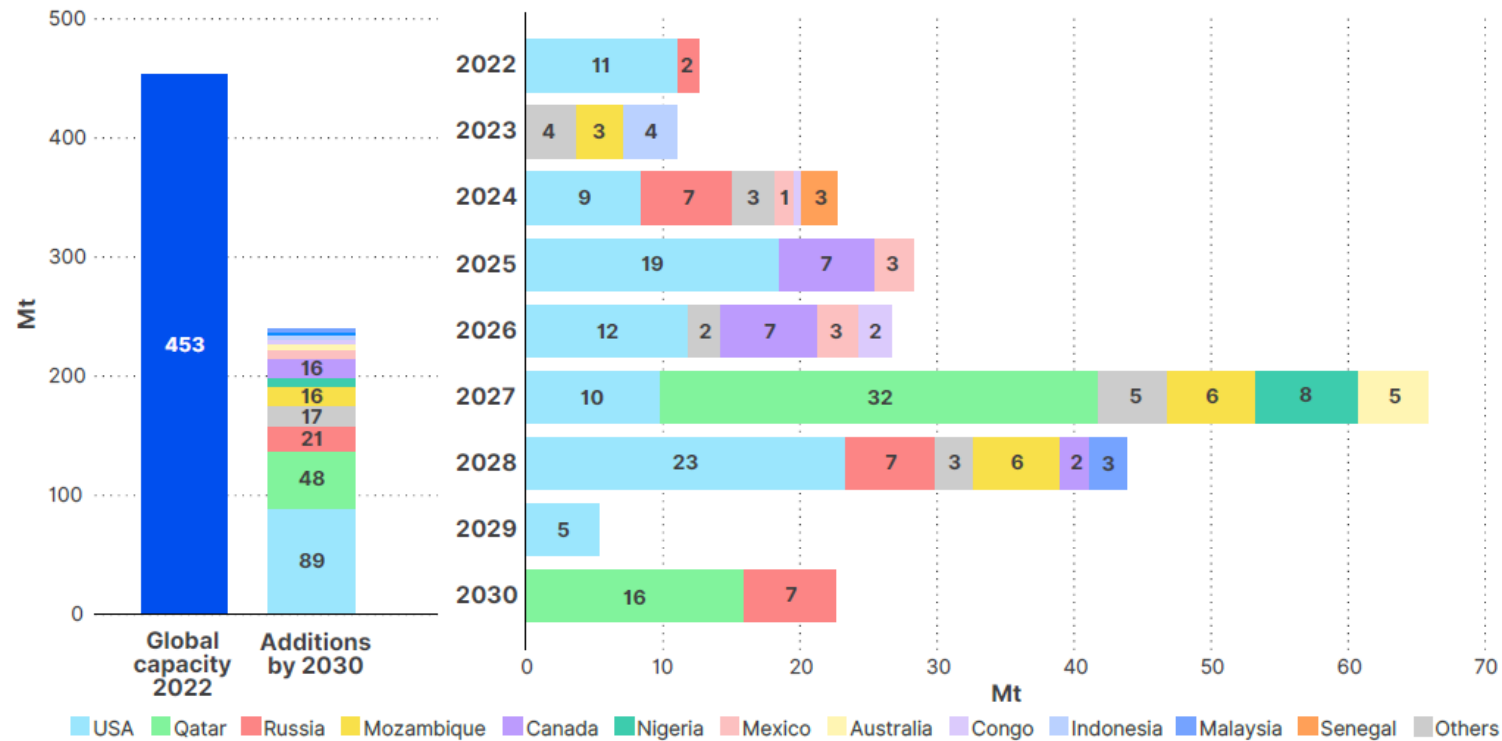


Since mid-2022, LNG regasification capacity in the EU has expanded by 50 bcm/year, primarily in North-West Europe. This expansion has played a crucial role in facilitating an increase of LNG imports and helped to reduce gas network and LNG terminal congestion. As a result, it helped decrease European gas wholesale prices and improve gas hub price convergence.

Source: ACER based on ICIS.

Note: LNG stands for liquified natural gas. TTF stands for Title Transfer Facility, the virtual gas trading point in the Netherlands used as benchmark for EU natural gas prices.

New capacity developments in global LNG liquefaction, 2022-2030 (million tonnes/year)



As of February 2024, 19 liquefaction projects globally are under construction, set to boost LNG production by circa 200 million tonnes by 2030 (irrespective of the recent pause by authorities in the United States on granting new export licenses to liquification facilities). Such an increase in production capacity represents roughly half of current global traded LNG volumes and stands to reduce LNG market tightness and stabilise prices.

Certain mechanisms can help safeguard fair access conditions and foster competition.

ACER recommends enhancing:

1. Transparency

System operators must implement **transparent and consistent** reporting of operational data, supported by secondary capacity allocation platforms.

2. Competition:

Competition can be facilitated by:



- **Not allocating the total access capacity** in the first round to reserve some for short-term needs
 - Limiting the amount of primary capacity dominant users can receive in first rounds +
- Implementing **market-based allocation** methods like auctions, especially when demand exceeds offered capacity.

3. Flexibility:

Encourage market entry by offering **unbundled products** and flexible send-out options to optimise supply. Virtual trading systems, like those in Spain, show positive outcomes.



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