Monitoring the European LNG market developments

2024 Market Monitoring Report

ACER webinar

30 April 2024

Indicative time	Webinar items
10:00 - 10:05	**Introductory remarks** Christian ZINGLERSEN, ACER
10:05 - 10:20	**Presentation of the report: analysis of the European LNG market developments** Joaquin GARCIA JIMENEZ, ACER Pedro CESPEDES RUIZ, ACER
10:20 – 10:30	**Update on recent LNG market events** Alex FROLEY, ICIS
10:30 - 10:45	**Panel discussion: navigating challenges in the European LNG market** **Moderator:** Csilla BARTOK, ACER • Alex FROLEY, ICIS • Simone ANTONELLI, SHELL • Feodora PETIT, European Commission
10:45 - 10:55	**Q&A**
10:55 - 11:00	**Closing remarks** Csilla BARTOK, ACER

ACER — European Union Agency for the Cooperation of Energy Regulators

Please pose your questions using the Slido tool within Microsoft Teams

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This meeting is being recorded

Questions from other participants can be 'liked' to increase their visibility

Slides and recording of this webinar will be uploaded to ACER website

Keep your microphone muted unless the chair gives you the floor

Substance-related questions will be addressed during the relevant Q&A session; although they can be posed at any point

Introductory remarks

Christian Zinglersen, ACER Director

Introduction to the report on LNG

The first ACER 2024 Market Monitoring Report (MMR) on the analysis of the European LNG market developments offers a comprehensive overview of the role of LNG in the European natural gas market.

It describes the most recent dynamics in the global LNG market, provides insights into the latest trade developments and LNG contractual arrangements, and addresses some select regulatory considerations.
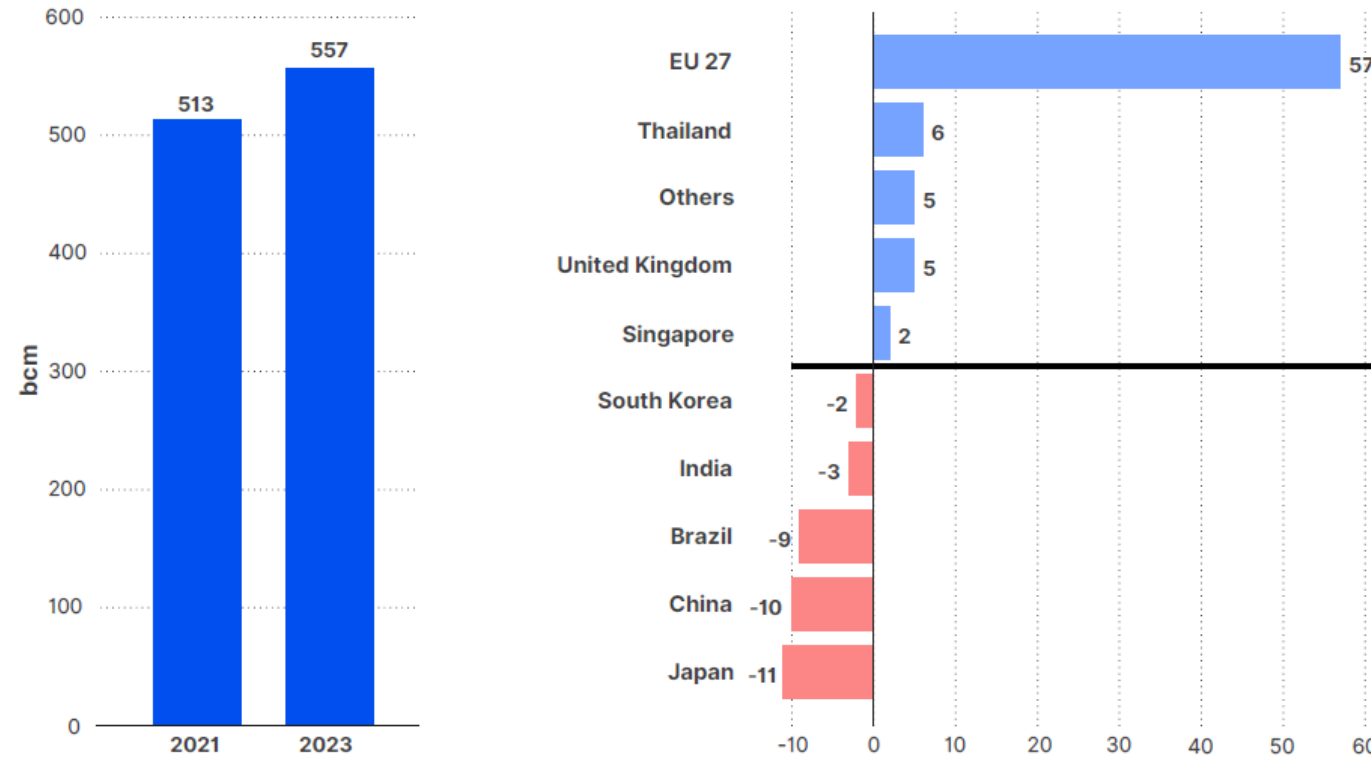
Three chapters:

1. **Global LNG market dynamics**
2. **LNG Trade**
3. **Functioning of the European LNG market**

Global market dynamics & LNG trade

The global LNG market was still tight in 2023

Global LNG production (left) and relative changes in LNG imports (right), 2023 vs 2021 (bcm)


The EU has pivoted away from Russian pipeline supply and towards becoming one of the largest global importers of LNG in 2023 (though the year-on-year growth of LNG imports was modest). The increase in European LNG demand since 2021 has exceeded growth in global liquefaction production, resulting in periods of intense price competition for LNG cargoes in 2022 and 2023. European willingness to outbid competitors, a favourable netback for American cargoes heading to Europe, and muted Asian demand have all contributed to significant LNG volumes reaching the EU.

Global LNG importance grows as trade dynamics evolve

Main changes in global LNG trade over the last decade

Top 5 global largest LNG <u>producers</u>, 2014-2023 (bcm)
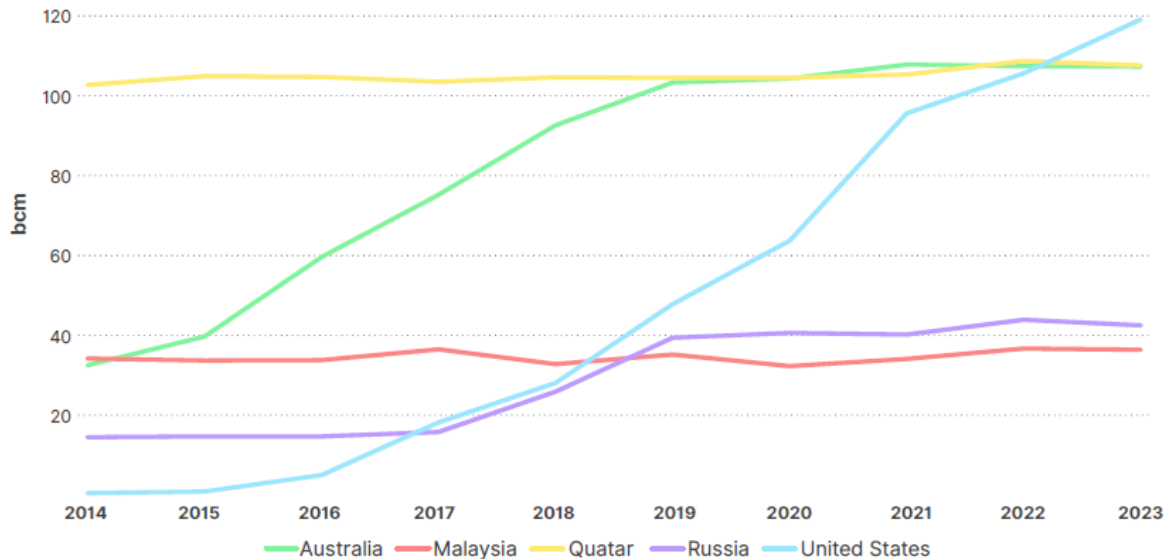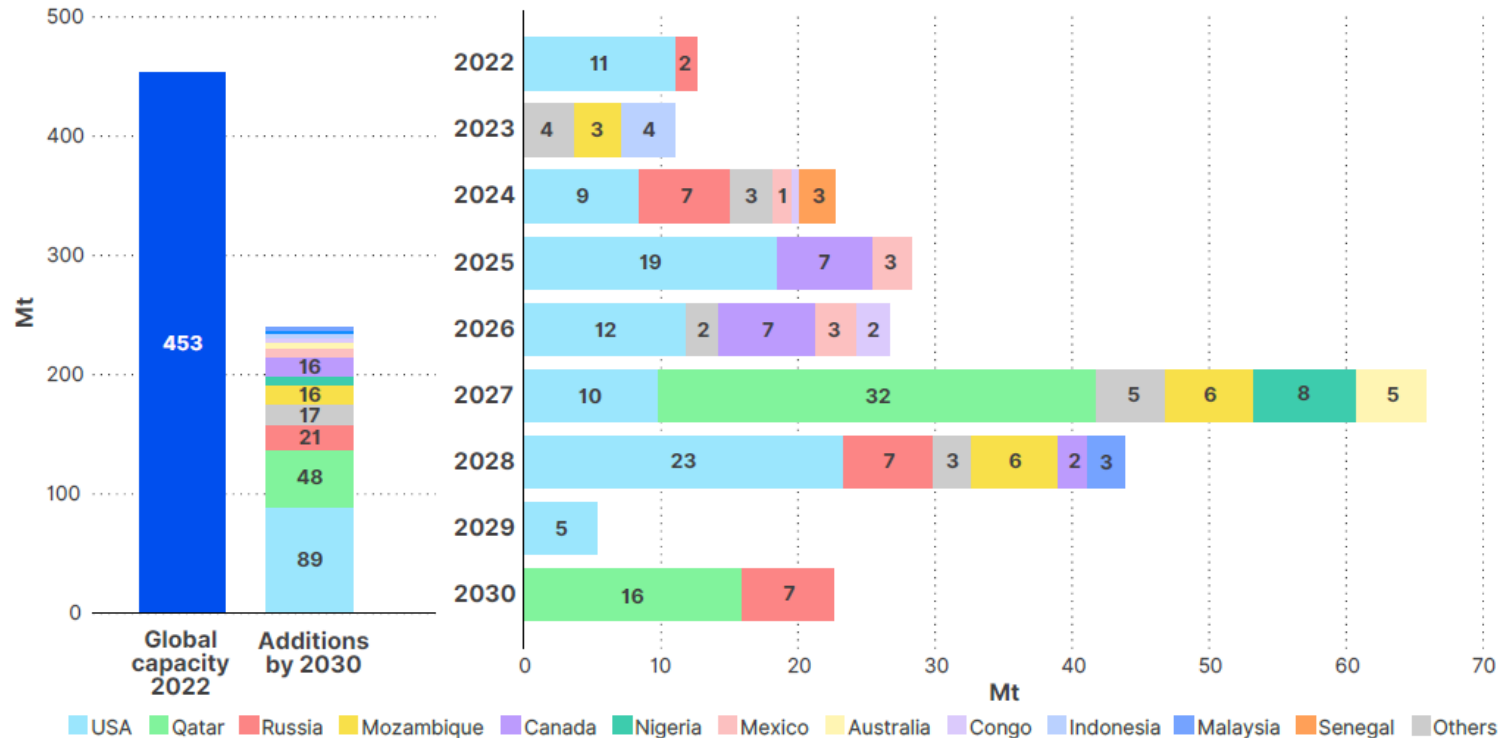
Top 5 largest global LNG <u>importers</u>, 2014-2023 (bcm)
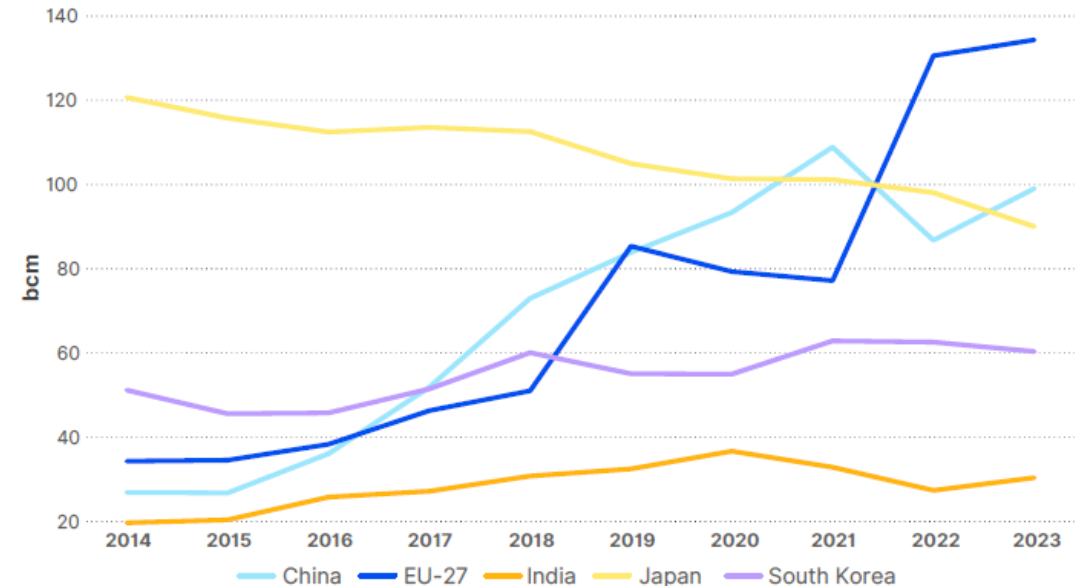
The European Union has outpaced China as the largest global LNG importer,
while the United States have surpassed Qatar and Australia as the largest LNG producer.

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

As of March 2024, 19 global liquefaction projects are under construction and set to boost LNG production by circa 200 million tonnes by 2030 (despite the recent US pause on granting new LNG export licenses). This production capacity increase equals roughly 50% of current global LNG trade and stands to reduce LNG market tightness and stabilise prices.

# Outlook for EU gas demand and LNG supply needs

EU gas supply outlook and assessed LNG supply needs relative to FitFor 55 and RePowerEU demand scenarios, by 2030, (bcm)
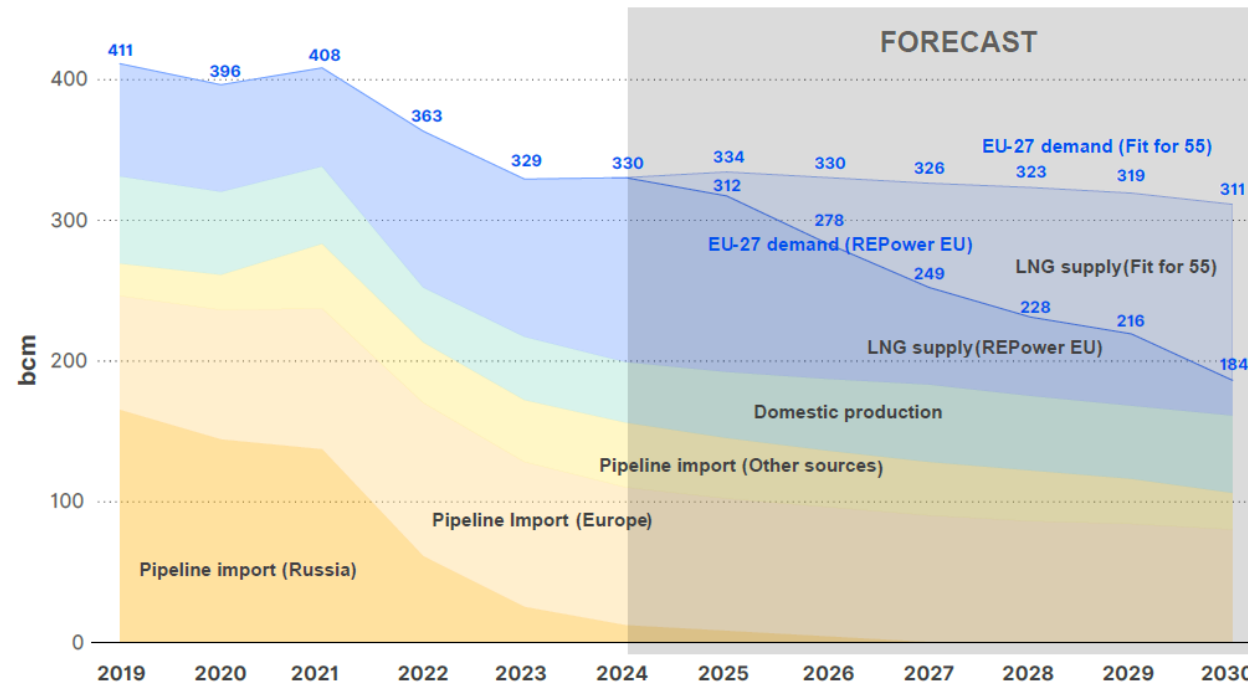

EU LNG imports might be nearing its peak due to structural gas demand reductions driven by the EU's decarbonisation goals. Pipeline remains generally stable (with Russian pipeline imports ending in 2027). Domestic EU production is expected to slightly increase (thanks to decarbonised gases increase).

EU LNG reliance on the spot market

Uncontracted/over-contracted LNG volumes under Fit for 55 EU scenario (bcm)
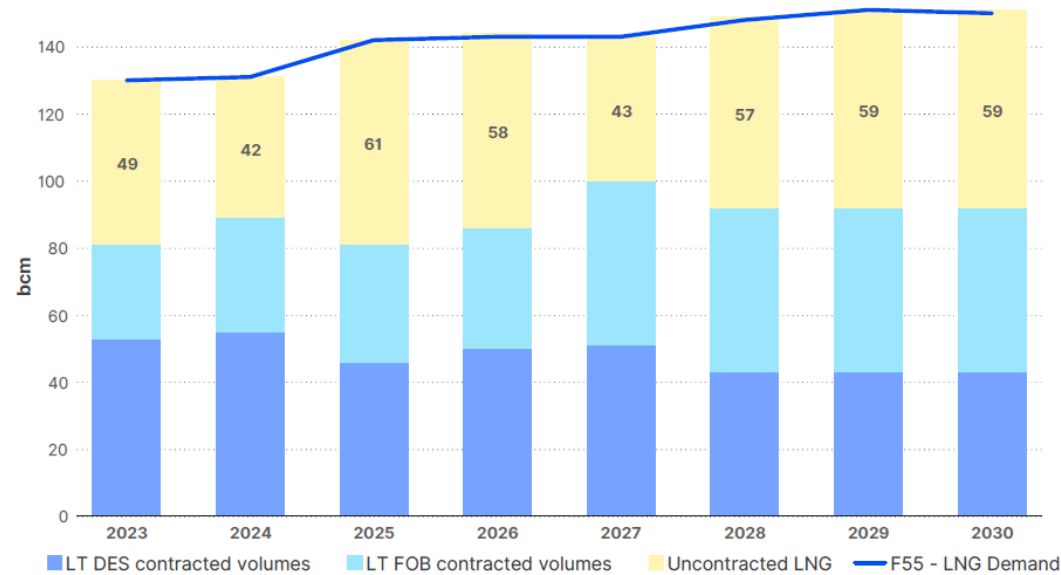
Uncontracted/over-contracted LNG volumes under REPowerEU scenario (bcm)
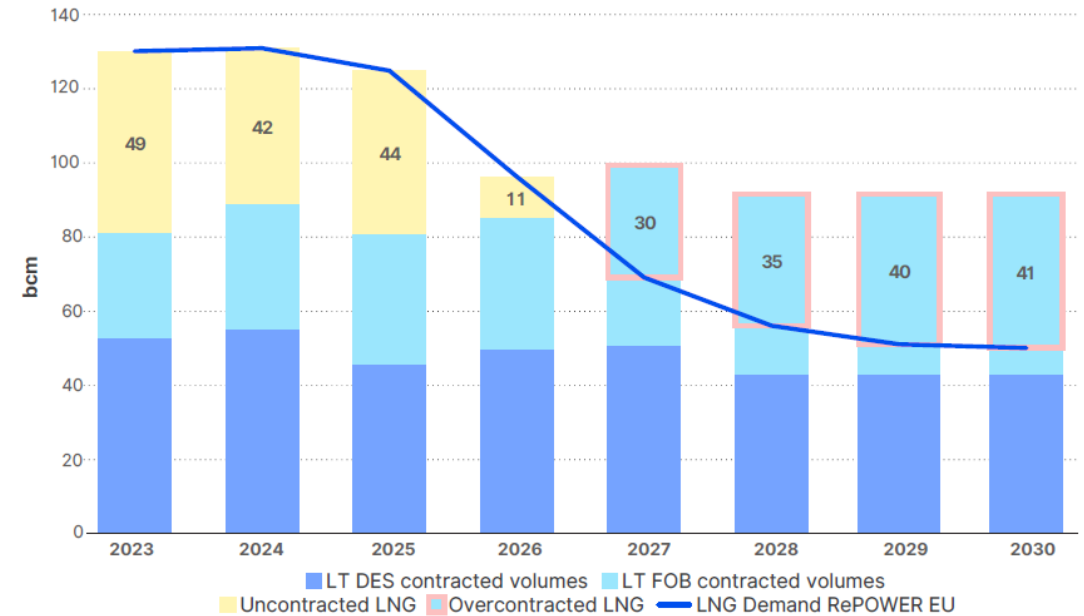
Fit for 55 mandates a 30% gas demand reduction by 2030 (compared to 2019) while REPowerEU promotes additional demand reductions, targeting over 200 bcm gas demand reduction if all REPower EU measures are fully implemented by 2030. Reliance on the spot market would be reduced from 49 bcm in 2023 to just 11 bcm in 2026 under REPower EU scenario while reliance on the sport market would reach around 60 bcm under FitFor 55 scenario.

TTF primary indexation term for spot LNG in the EU

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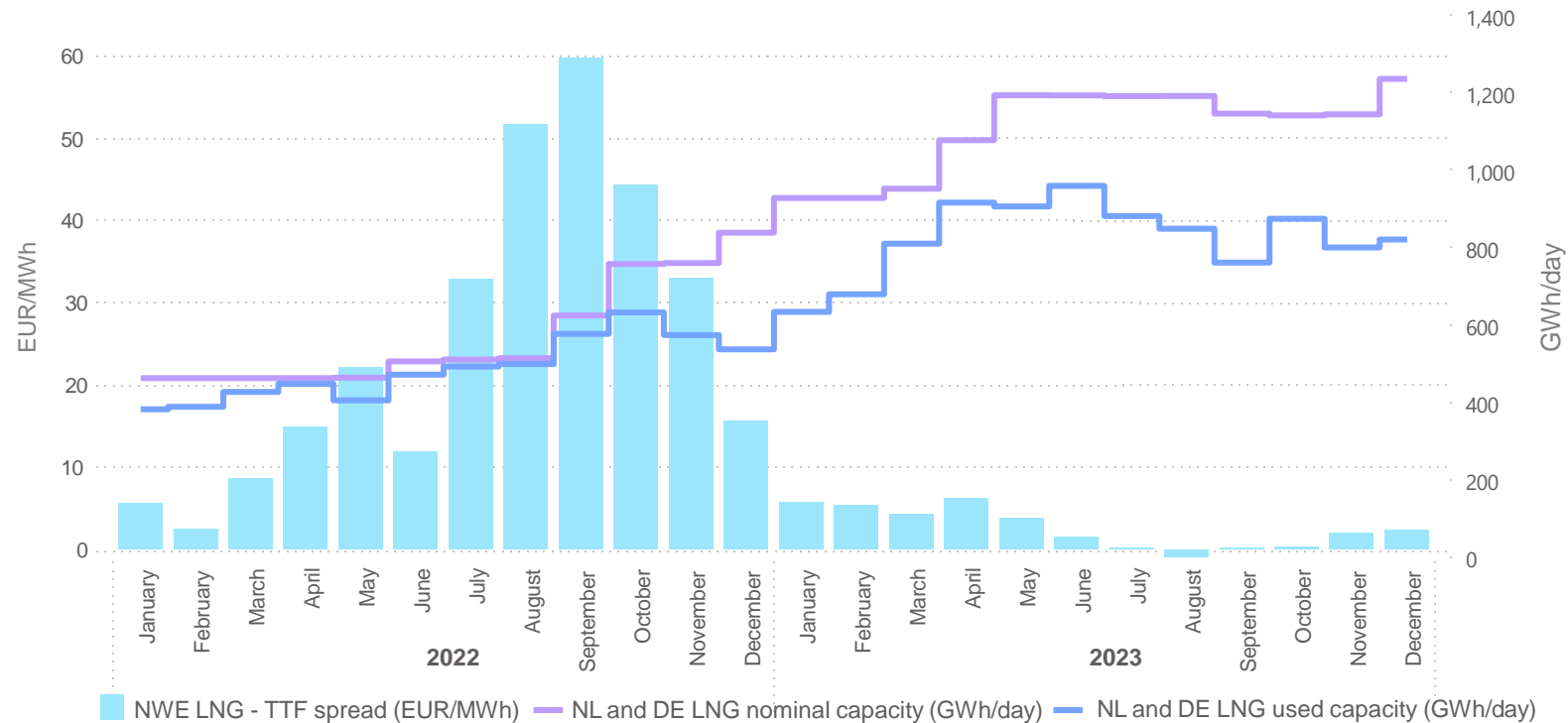

Spot trade volume: 47 BCM
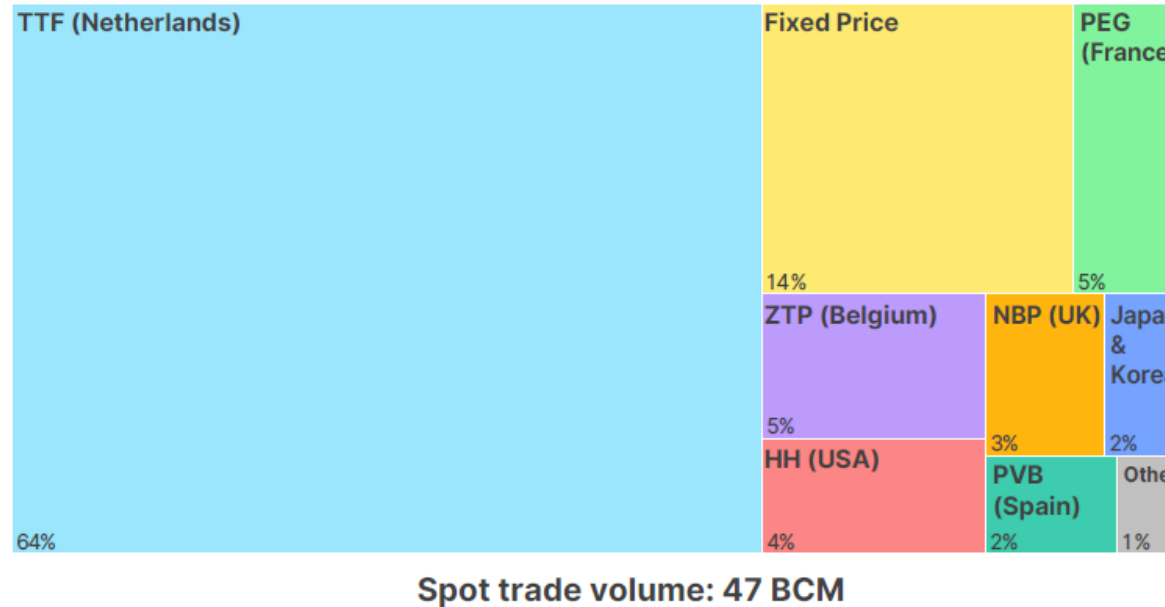
TTF was the dominant indexation term for EU spot and short-term trades (64%), whereas Henry-hub and Brent prevailed in long-term ones. European spot and short-term LNG trades amounted to 47 bcm. The largest eight buyers and nine sellers controlled over 50% of their respective markets, with the top three holding a +20% market share.

EU LNG market functioning and regulatory aspects

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

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

Legend: NWE LNG - TTF spread (EUR/MWh) — NL and DE LNG nominal capacity (GWh/day) — NL and DE LNG used capacity (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 boosted LNG imports and eased congestion at gas networks and LNG terminals.
This contributed to lower wholesale gas prices and improved price convergence at gas hubs.

As the EU heightens its reliance on LNG, safeguarding competitiveness is crucial

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.
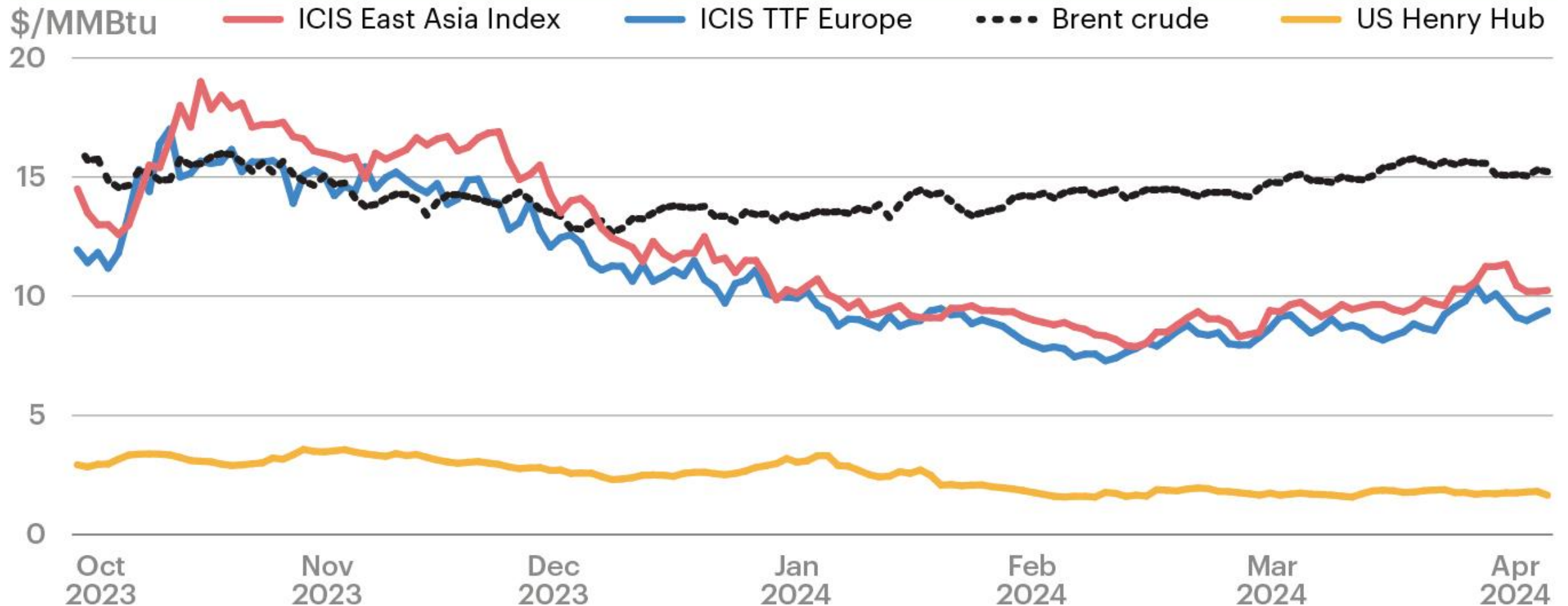
Update on recent LNG market events

Alex Froley, ICIS

Gas prices soften over Q1 2024, before slight bounce
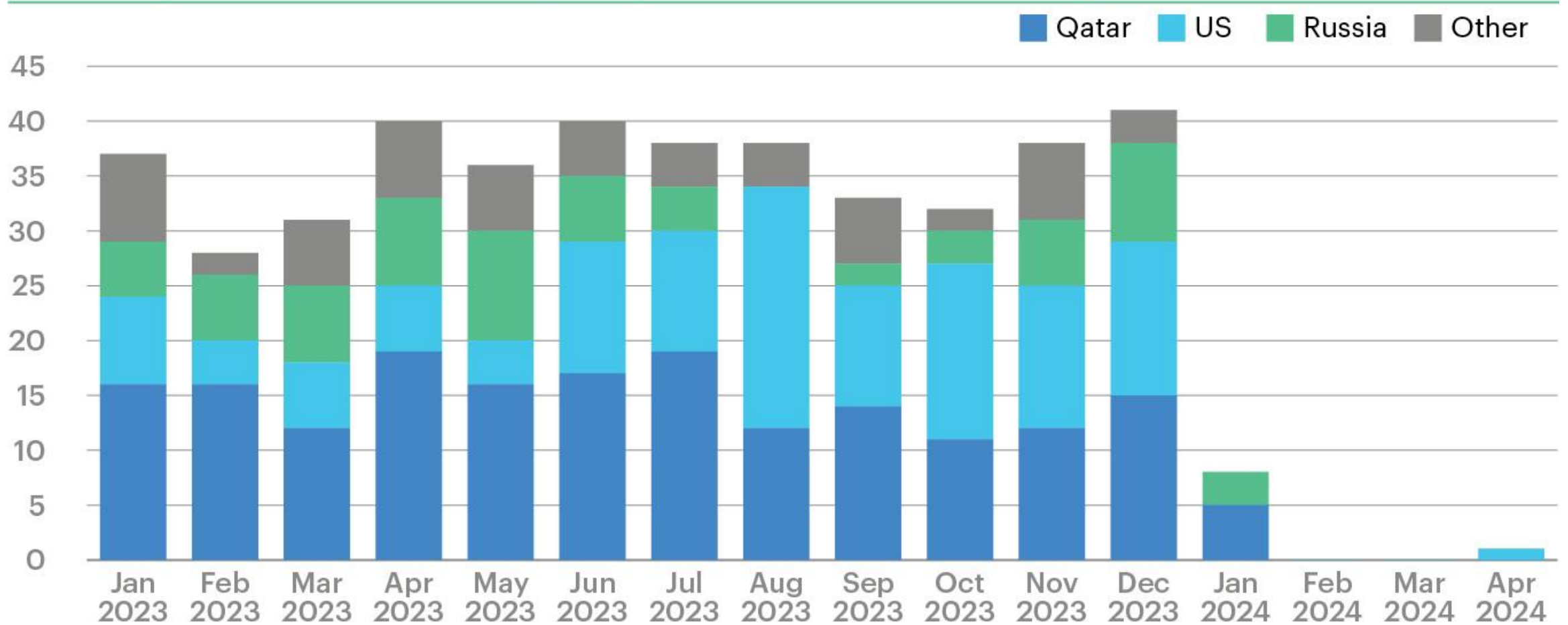

Global gas prices, $/MMBtu, Source: ICIS

$/MMBtu — ICIS East Asia Index — ICIS TTF Europe ···· Brent crude — US Henry Hub

Source: ICIS

Qatar, US, Russia key Suez Canal users

LNG cargoes via Suez Canal by origin, Source: ICIS LNG Edge

Q1 2024 sees a slight shift from Europe to Asia
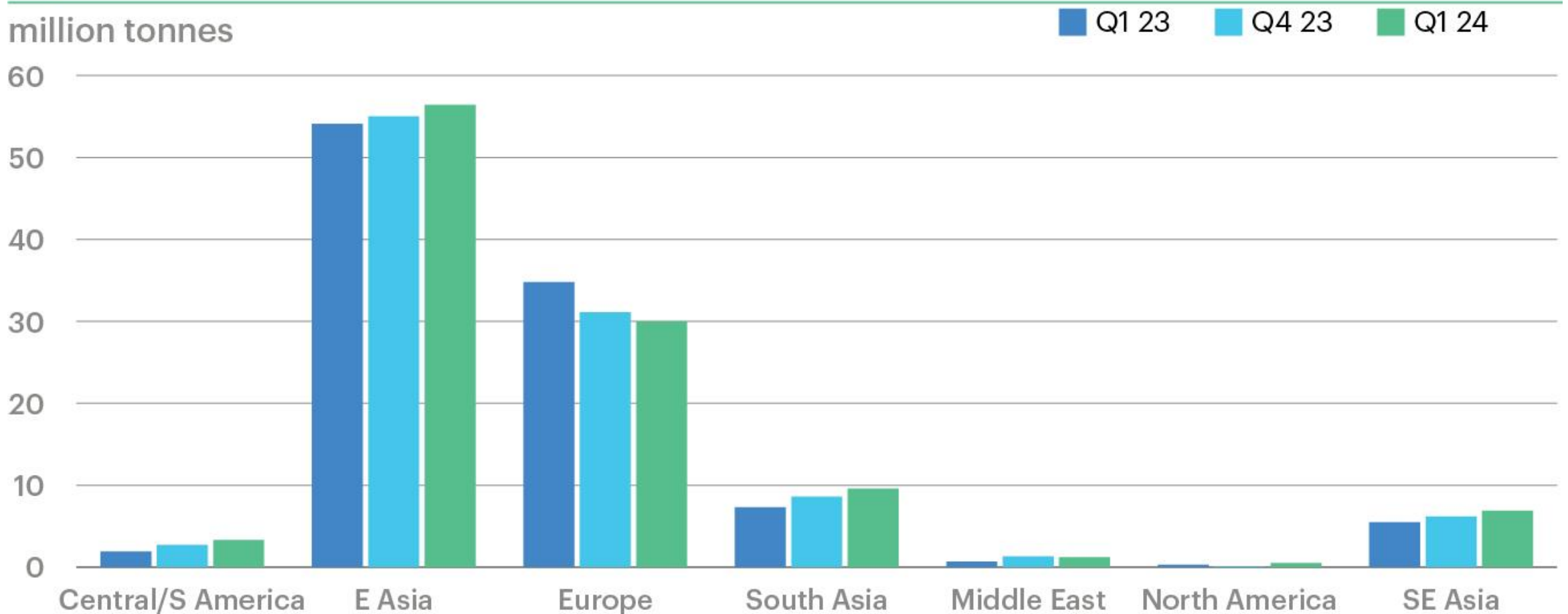
Imports

million tonnes

Legend: Q1 23 (dark blue), Q4 23 (light blue), Q1 24 (green)

	Q1 23	Q4 23	Q1 24
Central/S America	~2	~2.5	~3
E Asia	~54	~55	~56.5
Europe	~35	~31	~30
South Asia	~7	~8.5	~9.5
Middle East	~0.7	~1.3	~1.2
North America	~0.2	~0	~0.5
SE Asia	~5.5	~6	~7

Source: ICIS LNG Edge

Panel discussion: navigating challenges in the European LNG market

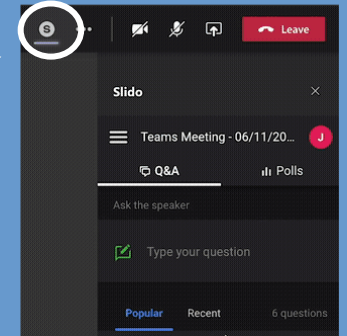**Moderator:** Csilla Bartok, ACER

Panellists:

- Alex Froley, ICIS

- Simone ANTONELLI, SHELL

- Feodora PETIT, European Commission

Q&A session

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Closing remarks

Csilla Bartok, ACER

Thank you.

The contents of this document do not necessarily reflect the position or opinion of the Agency.

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