Insight, news and analysis from the European markets

ICIS
Independent Commodity Intelligence Services

GAS IN FOCUS

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Yamal capacity on sale as Gazprom deal ends

Russian producer Gazprom is likely to start its gas transit via Poland fully under EU rules after a long-term legacy contract expires on 16 May.

The state-owned company is thought to have booked 80% of entry and exit capacity on the Polish section of the Yamal pipeline for Q3 and is further expected to snap up monthly and daily capacities at the same border points to guarantee gas deliveries into Germany beyond the 16 May expiry date.

Polish traders interviewed by ICIS said Gazprom's decision to book capacity was surprising as they expected the company to suspend flows to the EU temporarily since prices on the Russian domestic market were more attractive than those in Europe.

Data by the Polish-based GSA platform show a total of 31,021,176KWh/h (69.6 million cubic metres (mcm)/day) have been booked at the Kondratki entry point on the border with Belarus and a similar capacity at the Mallnow exit point on the border with Germany. Total capacity at Kondratki stands at 38.9m KWh/h and 38.8m KWh/h at Mallnow, according to GSA data. GSA does not publish the name of the company which won the capacity, but multiple traders said the only company which could have snapped it up was Gazprom.

Traders said 67mcm/day were auctioned at the Mallnow border point, out of 84mcm/day, in parallel auctions held on the PRISMA platform, down from 78mcm/day in Q2.

So far an average of 60mcm/day has flowed into GASPOOL in Q2. Adding to that figure the backhaul nominations which some traders use to take advantage of Poland's price premium to GASPOOL. The total is around 68mcm/day between 1 April-4 May. Until now most of the volumes crossing Poland were transited under a long-term 30 billion cubic metres (bcm)/year contract. A four-year contract for smaller volumes expired at the end of 2015, which meant Gazprom had been booking limited capacity at the Kondratki and Mallnow IPs based on EU rules.

With the expiry of the larger contract next week, Gazprom is now expected to transit volumes booking entry and exit capacities based on the EU's network codes.

About 80% of Polish Yamal capacity for Q3 has been booked

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PRICE IMPACT

Although regional traders had been uncertain whether Gazprom would continue the full transit via the Polish section of Yamal, hub prices have not been factoring in any premium.

GASPOOL, the primary recipient of Yamal gas via its Mallnow interconnection point between Germany and Poland, has not displayed any price signals pointing to fears of flow reductions. All GASPOOL summer products have traded at a discount to its neighbouring NCG throughout much of the gas summer.

A source close to Gazprom said the company had been interested in extending a long-term transit contract on the Polish section on Yamal, although he conceded that Poland was interested in auctioning off capacities based on EU rules and according to a calendar set out by the European Network of Transmission System Operators for Gas (ENTSOG).

"Given the current fall in export volumes, it would be more attractive for Poland to have an old style long-term contract with the ship-or-pay clause. Otherwise, Gazprom would buy the minimal capacities needed at the shortest auctions, and the rest of the pipe would stay idle and bring no money," the source said.

Russia started to export gas via the Yamal pipeline in 2006, when the first volumes began transiting Belarus and Poland into eastern Germany. The Polish section of Yamal is owned by EuRoPol Gaz whose shareholders include Gazprom and Polish incumbent PGNiG.

Aura Sabadus & Jennifer Sanin

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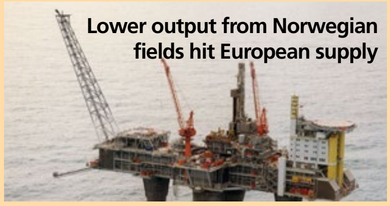

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SPOT MARKETS

PRICES & DATA

LNG SPOTLIGHT

US LNG export economics squeezed

Tight global gas spreads could result in further US cargo LNG cancellations if the bearish environment continues.

The British NBP and Dutch TTF, Europe's largest traded hubs, are trading below the US Henry hub for most of Q3.

The Dutch TTF is well below the cost of the Henry Hub plus 15% and fuel costs for a vessel, according to LNG Edge, for all remaining summer months. Cargoes have already been cancelled for June and the risk of more curtailments in the coming months is high.

The build-up of volumes not entering Europe could kick-start a small price recovery, especially with major producers such as Gazprom lowering exports for 2020.

EUROPE AND ASIA

Across Europe weak demand due to the coronavirus and strong LNG imports have pressured TTF and NBP summer delivery contracts.

For July deliveries, the NBP and TTF are trading more than $0.3/MMBtu and $0.2/MMBtu below the same Henry Hub contract.

Since the start of April the TTF month+2 premium over the Henry Hub has averaged just $0.2/MMBtu, whereas the spread was $2.3/MMBtu during the same period last year.

Looking further out an East-West arbitrage only opens again in October.

US spreads to Asian LNG markets have also been tighter with prices in the Pacific basin falling below Europe at times.

The ICIS East Asia month+1 LNG premium over the TTF has averaged $0.09/MMBtu since the start of summer and $0.35/MMBTu in the year to date, $1/MMBtu below the three-year average. Asian demand has been halted by the coronavirus with the recovery slow after some lockdowns have been lifted, most notably in China.

Extended restrictions in India, the fourth largest LNG importer, and lower demand in Europe have slammed East Asian prices.

LNG FIGURES

LNG sellers have swamped European terminals with volumes from the Atlantic as Asia's price premium disappeared.

European LNG imports excluding Turkey amounted to 29.85m tonnes in the year to 1 May, 23% higher year on year.

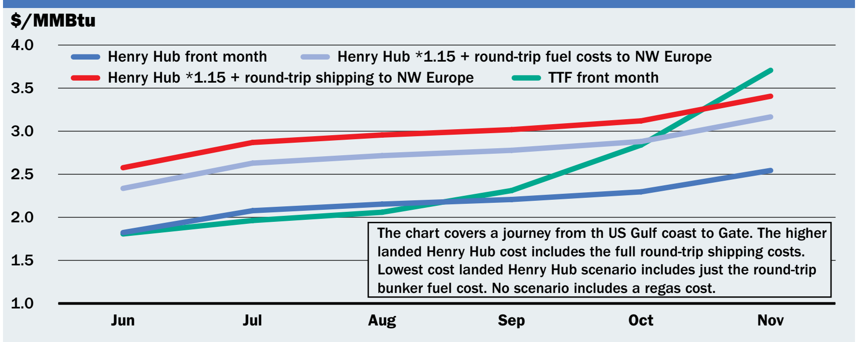
US and Qatar deliveries have dominated the picture, with 8.05mt imported from North America and 6.55mt from Qatar by end-April.

Qatar's share will likely increase over the summer as US cancellations come into effect.

In Asia, China overtook Japan as the largest importer after easing coronavirus restrictions.

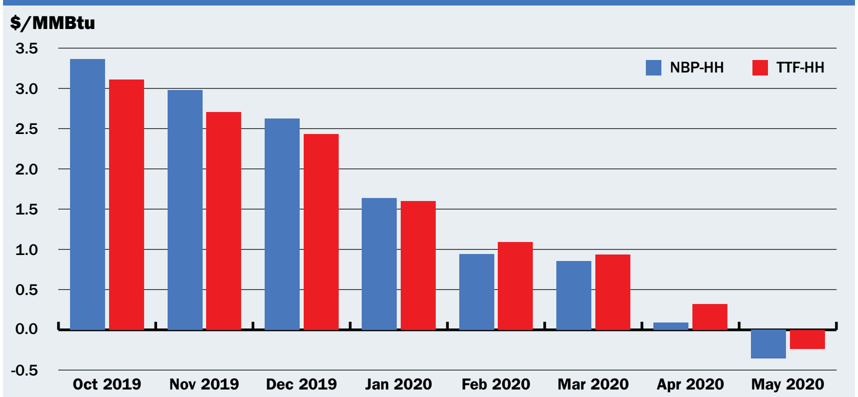
In the first four months of the year Japanese LNG off-take dropped by 3.5% compared to 2019, while South Korean imports jumped by 16.6%, according to LNG Edge. **Arun Toora**

US EXPORT MARGINS HAVE BEEN CRUSHED FOR SUMMER DELIVERY



SOURCE: LNG Edge, CME, ICIS

EUROPEAN GAS PREMIUM TO THE US HENRY HUB HAS BEEN ERODED



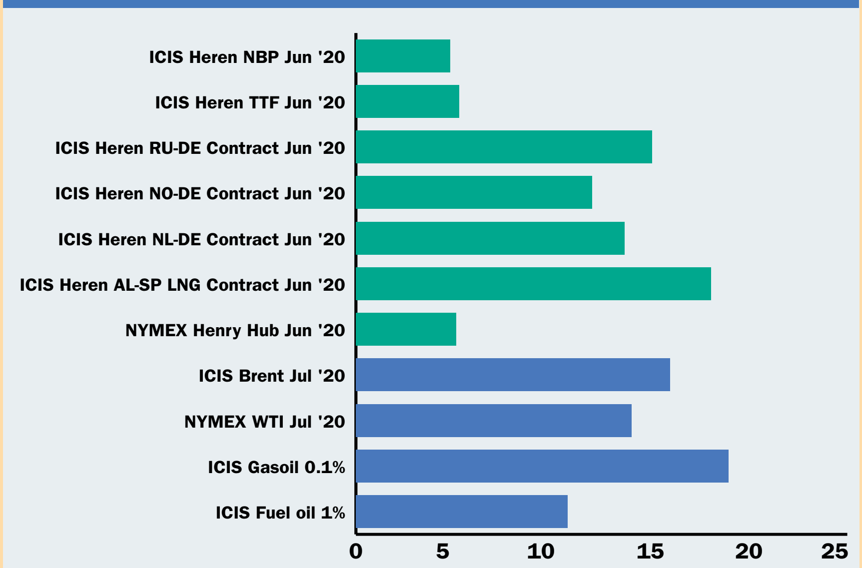
SOURCE: ICIS, LNG Edge

PRICE DATA

KEY OIL AND GAS PRICES 14 MAY 2020

Contract	€/MWh	$/MMBtu
ICIS Heren NBP Jun '20	4.803	1.522
ICIS Heren TTF Jun '20	5.250	1.663
ICIS Heren RU-DE Contract Jun '20	15.056	4.803
ICIS Heren NO-DE Contract Jun '20	12.023	3.835
ICIS Heren NL-DE Contract Jun '20	13.666	4.359
ICIS Heren AL-SP LNG Contract Jun '20	18.074	5.765
NYMEX Henry Hub Jun '20	5.101	1.616
ICIS Brent Jul '20	15.985	5.067
NYMEX WTI Jul '20	14.010	4.441
ICIS Gasoil 0.1%	18.956	6.005
ICIS Fuel oil 1%	10.781	3.415

KEY OIL AND GAS PRICES 14 MAY 2020 **€/MWh**



April prompt interest up on Gazprom ESP

Prompt interest on the Gazprom electronic sales platform (ESP) climbed in April, though total sales were down month on month by 448 million cubic metres (mcm).

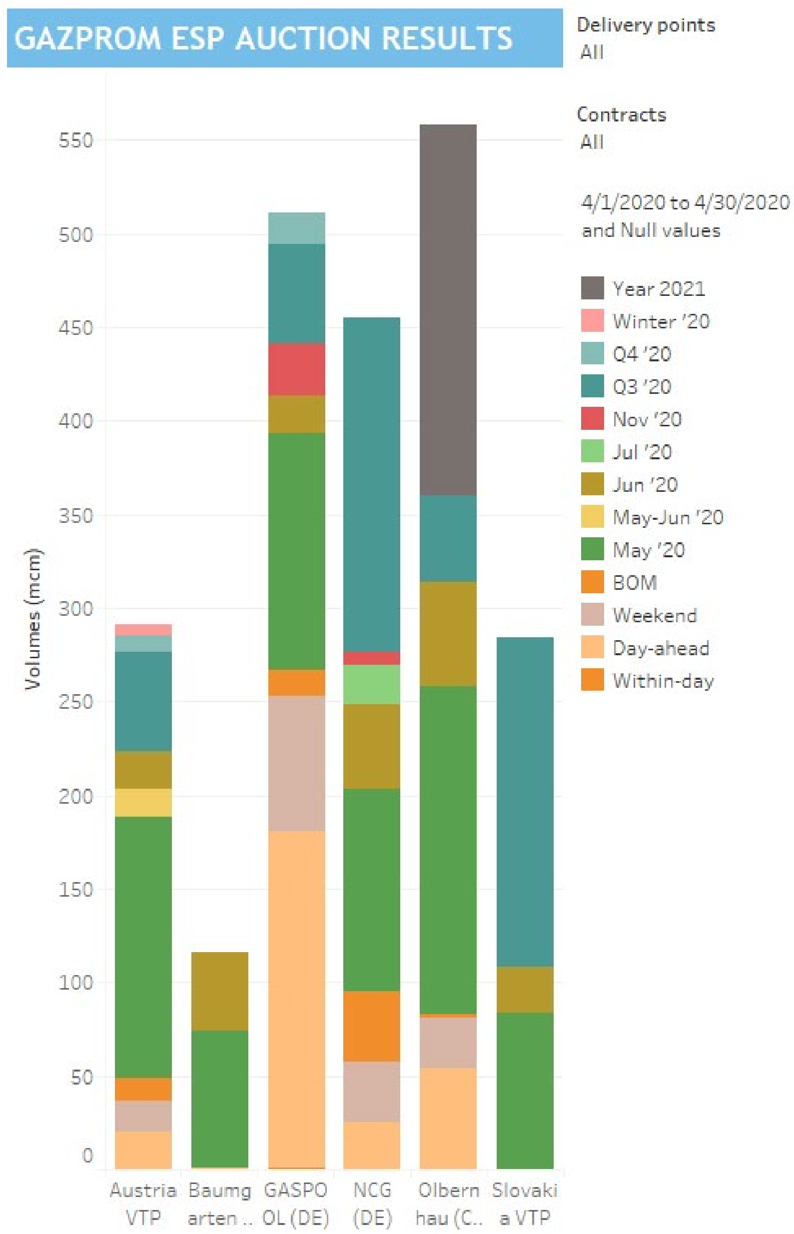
Shippers purchased upwards of 2.2 billion cubic metres (bcm) of gas on the ESP in April, 22% of which were prompt contracts.

A month ago, the prompt only represented 5% of sales, while in February the share of near-term contracts made up 35%.

A source close to the matter recently told ICIS the company decided how much prompt gas to offer based on the capacities remaining after fulfilling long-term contract (LTC) nominations.

The front month was still the most popular curve product with 707mcm sold.

All in all, Austria, Germany, the Czech Republic and Slovakia are set to receive nearly 1bcm of gas throughout the rest of the second quarter via Gazprom's online platform.



Source: Gazprom Export

For **an interactive version** of this chart, click here

NEW MONTH-AHEAD INTEREST

The Russian pipeline export monopolist expanded its offering to Q4 '20 and November '20 delivery.

The increased interest in November products was mirrored on north west European NCG and TTF hubs, both of which experienced multi-year high Month+7 trade in April.

A German gas trader has attributed this interest to storage optimisation.

Record-high European stock levels mean that some shippers have already filled their respective tank space and can already plan their withdrawals for the coming winter.

SAME SIX POINTS

Delivery points have remained unchanged for the past two months.

January was the last time buyers used the Austria-Italy Arnoldstein and Hungary-Ukraine Beregovo interconnection points (IPs), while the Dutch TTF has not appeared in sales results since February.

It is possible that hub prices were too attractive to spur any ESP sales to Europe's most liquid market.

By the end of April, the TTF Day-ahead had fallen to a fourteen-year low of €5.43/MWh.

GASPOOL, the next cheapest hub, settled at around €0.43/MWh premium over the TTF throughout April.

Deliveries to GASPOOL posted the largest ESP Day-ahead totals, at 179mcm out of a total 280mcm sold.

FRONT YEAR SALES

The German-to-Czech Olbernhau border point was the destination for all of April's 198mcm of Year 2021 deals.

It is possible that these purchases were related to heavy volatility in global oil prices. Some legacy supply contracts are still partially linked to oil futures.

This linkage usually operates on a nine-month lag, which could explain shippers' interest in a Year 2021 product. **Jennifer Sanin**

Upside limited for European gas plant profitability

European gas-fired power profitability in the third quarter is unlikely to increase significantly with bearishness set to remain in power markets while gas could face renewed bullish pressure.

Technical and fundamental signals also indicate that a carbon downtrend could weaken gas plant profitability relative to that of competing coal assets.

POWER UPSIDE LIMITED

Recent gains in clean spark spreads that measure gas-fired profitability given carbon prices, can largely be attributed to increased uncertainty over French nuclear availability

This comes after EDF announced production cuts for 2020 output due to the coronavirus outbreak. This follows a recovery in spark spreads earlier in April after steep declines at the end of March.

However the subsequent surge in French power curve prices, and those of neighbouring markets, may have been overdone which would open the door for fresh price pressure.

"The correction was expected. I think there is more risk premium to be erased on Q3 '20 contracts than those for the coming winter. The recovery will be slow and even if the nuclear availability is low, it should not be a concern for security of supply this summer," said one power trader. "The bearishness for European power curves comes from the entire energy complex and the pressure will remain until we see some improvement in the current economic situation," he added.

CARBON LACKS SUPPORT

A weak fundamental outlook for carbon could spark losses in EUA futures in May.

This would weaken power curves while easing the costs for gas plant operators. That said, weak carbon prices mean that competing coal operators stand to benefit to a greater extent than gas producers.

The possible weakness ahead for carbon comes from the pandemic which has curbed emissions-intensive industries like aviation with European economic recovery likely to be muted in 2020.

Technical indicators also suggest that current prices are unsustainable with only speculative buying offering support.

"The carbon price has been rising whilst volume has been falling so expect another sell off," said a second trader.

GAS REBOUND ON THE CARDS

Europe's two most liquid gas markets fell to new lows in April which strengthened clean spark spreads.

The NBP Q3 '20 bottomed at 17.025p/th on 24 April and the Dutch TTF May '20 closed at €5.775/MWh.

The weakness in gas markets bolstered profit margins for CCGT plants mostly for the second quarter, but bullish signals in gas have since emerged as a threat to further spark spread gains.

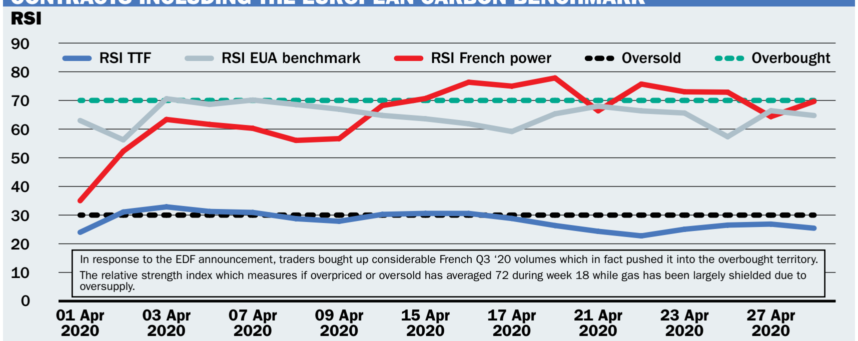
Due to eroding LNG sales margins, there has been a surge in the cancellation of US cargoes for June delivery. The ICIS supply forecast for June, July and August now reflects this and has removed 3.9 million tonnes from the North America 2020 LNG production forecast.

At such low prices there is a high chance that further LNG cancellations takes place for later in the summer season which may spark a stronger price response across European gas markets.

This would pressure gas plant profit margins, weakening them as the price of gas tracks reduced supply hitting the market.

Christopher Rene & Arun Toora

RELATIVE-STRENGTH-INDEX (RSI) FOR Q3 '20 DELIVERY POWER AND GAS CONTRACTS INCLUDING THE EUROPEAN CARBON BENCHMARK



SOURCE: ICIS

PERCENTAGE CHANGES IN Q3 '20 CLEAN SPARK SPREADS FOR 49.13% EFFICIENCY

Country	Q3 '20 clean spark spread on 29 April (£/MWh or €/MWh)	Vs start of April 20 (%)	Vs start of March 20 (%)	Vs Q3 '19 expiry (%)	Vs 2015-2019 average Q3 expiries (%)
UK	4.05	62	54	-15	-18
Germany	9.24	86	72	28	456
Italy	14.22	18	10	-1	50
Netherlands	6.39	61	43	-22	277
France	10.64	177	143	111	719

NOTE: UK clean spark spread includes carbon price support

UK expiry in £/MWh, all others in €/MWh

Source: ICIS

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Russia's hidden duopoly

The latest changes to Russia's LNG export law show its intention to make the most of its vast gas resources on the global market, but they fall short of liberalisation, leaving Gazprom and NOVATEK holding all the cards

The change in Russia's LNG export law that came into force on 24 April extends the resource base for potential sales of Russian LNG.

Companies already provided with exclusive LNG export rights and companies affiliated with export right holders will now be able to monetise gas from deposits they had been granted an exploration license for after 1 January 2013. Prior to that only gas from fields licensed for extraction before that date could be subject to LNG exports.

"The latest updates gives LNG-export rights to all companies having obtained an extraction license after 2013, but with an imperative: the extraction license should include the right for liquefaction of gas produced at the field. In addition, the right to export LNG will be given to companies where more than 50% belongs to persons that have a permission for gas export," a source in government circles told ICIS on 14 May.

In reality, only Russia's state-owned gas producer Gazprom and privately-owned NOVATEK currently hold an LNG export license, although other Russian companies also have licenses for gas extraction. These include state-owned oil giant Rosneft, which also has gas assets, and Russian oil and gas company Surgutneftegaz.

The modification of the law can potentially increase Russian LNG exports as it increases the number of fields from which gas can be liquefied and exported as LNG.

With 11.6 million metric tonnes (mt) exported so far in 2020, Russia is the world's fourth biggest LNG exporter behind Qatar, Australia and the USA, LNG Edge showed on 15 May.

However, the actual increase in Russian LNG exports will depend on the recovery of global gas demand and prices. Since the coronavirus started to spread in the EU in early March, demand for gas in the main EU gas markets fell by 8,4% on average in mid-March-April, and by an estimated 13% in the first two weeks of May, compared to the five-year average, data gathered by ICIS shows.

BIG WINNER

The changes to the Russian law are primarily targeting monetisation of a wider resource base, including Arctic resources of the Yamal and Gydan peninsulas.

> With 11.6million mt exported in 2020, Russia is the world's fourth biggest LNG exporter

Pavel Zavalny, the Chairman of the parliamentary Energy Committee, was quoted by Russian media saying that by legally expanding the resource base available for LNG exports, the Russian government will facilitate the implementation of the Arctic LNG 2 and Ob LNG projects as well as development of other gas fields in Russia's Arctic region.

"Not only will it boost production and export of LNG, it will also facilitate the construction of LNG transshipment terminals in Kamchatka and in the Murmansk Region as well as gasification of those regions and Arctic territories. That will also let develop bunkering of seagoing LNG carriers, crucial for a vulnerable environment in the area of the Northern Sea Route (NSR). LNG can account for up to 55% of NSR traffic growth to 80 million tonnes by 2024," he said as cited by the Russian media.

According to Igor Yushkov, an expert of the National Energy Security Fund and the Financial University under the Government of the Russian Federation, the legislative change means that NOVATEK could acquire the Pechora LNG project then independently export gas from it.

The Pechora LNG project is currently frozen as its developers cannot export LNG on their own. The Kumzhinskoye and Korovinskoye fields make up the resource base of the Pechora LNG project and their combined reserves amount to 186.8 billion cubic meters (bcm) of gas and 7.7 million tonnes of condensate.

Rosneft and Alltech formed a joint venture in 2014 to develop the 4 million tonne per annum (mtpa) Pechora LNG project, but the project has not moved on since.

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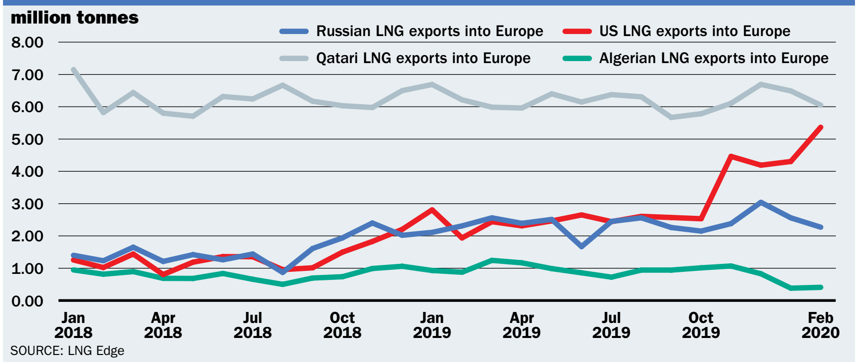
MAIN LNG SUPPLIERS INTO EUROPE



SOURCE: LNG Edge

RUSSIAN VOLUMES

Russian LNG production shot up considerably between 2017-2019 on the start-up of Yamal LNG trains 2 & 3

- 2017: 11.6bcm year
- 2018: 19.1bcm year
- 2019: 28.9bcm year

"Its realization will depend on the recovery of global LNG demand, and until the Covid-19 pandemic is over it is hard to give an exact date for its implementation," Alltech told ICIS on 6 May.

According to the new amendment, companies with E&P licenses for the fields feeding liquefaction terminals issued before 1 January 2013 see their export rights extended to projects with licenses issued after 1 January 2013 on the condition that their share in these new projects is over 50%, EastWest Institute fellow Danila Bochkarev said.

"This gives an additional green light for a number of new projects of NOVATEK. This is particularly relevant for NOVATEK's Ob[skoe] LNG. This amendment gives the green light to the long-awaited financial investment decision for Ob[skoe] LNG," Bochkarev said.

NOVATEK, however, had said on 30 April that it may push back a final investment decision on the Ob LNG export project due to unfavourable market conditions. This would mean production from the 2.5mtpa Train 1 would start up in 2024 rather than 2023.

NOVATEK said coronavirus would not impact the start of Arctic 2 export project in 2023.

Alex Froley, LNG analyst at ICIS said having more gas available should improve the prospects of Ob LNG reaching FID. Even an existing project like Artic LNG should benefit from the access to additional reserves by maintaining peak production over a longer period, he added.

NOVATEK's operational Yamal project continued to operate at above nameplate capacity in the first quarter, and produced 5m tonnes of LNG.

Of this, 72% was sold under long-term contract, up from 58% in the fourth quarter. The remaining 28%, or 19 cargoes were sold on a spot basis.

NOVATEK said that no more than 25% of Yamal volume would be sold as spot in 2020.

"We should see some curtailment of LNG over the next several quarters, especially the marginal projects, but we see the most profound impact of lower prices on final investment decisions that were planned for 2020," said Mark Gyetvay, Deputy Chairman of the management board.

Yamal Train 4 is due to be commissioned by the end of the year.

RUSSIAN LNG

Russian LNG deliveries into EU terminals totalled 14.3mt in 2019 compared to 4.9mt in 2018, data from LNG Edge showed.

The first four months of 2020 has seen EU LNG terminals offtake a combined 5.4mt of Russian LNG, roughly the same as in the same period of 2019.

Record breaking low gas prices across Europe have squeezed margins for US producers, so much so that there have been recent cancellations to offtake LNG.

Yamal's proximity makes Europe an obvious destination for much of the year given the closure of the northern route to Asia.

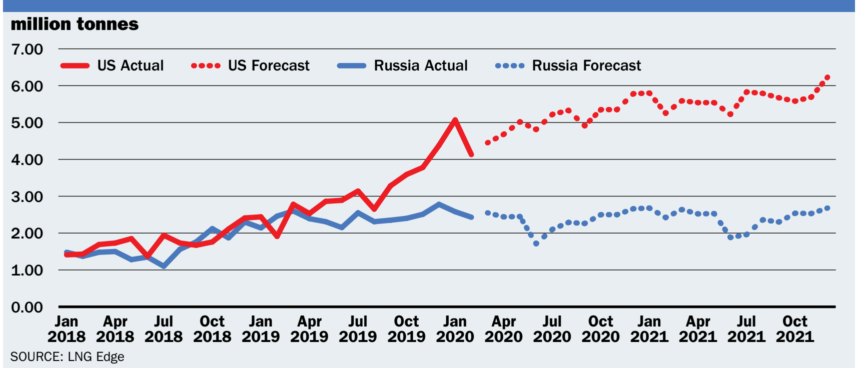
The absence of an Asian spot price premium to Europe means a majority of Yamal cargoes will likely remain in Europe as was the case last summer.

Over 61% of Russian LNG exports came from NOVATEK's Yamal LNG plant and the small scale Vysotsk plant in 2019, LNG Edge shows.

Novatek owns 50.1% in the three trains of the Yamal LNG plant, while China owns 29.9% via CNPC and the Silk Road Fund, and France's Total has the remaining 20% of the shares.

The remaining 38% of LNG exports came from Gazprom's Sakhalin 2 plant, which is half-owned by Gazprom, with Dutch-British Shell owning 27.5%, and Japan's Mitsui and Mitsubishi 22.5%. **Ed Cox**

FORECAST LNG PRODUCTION FROM THE US AND RUSSIA



SOURCE: LNG Edge

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New German gas capacity tariff model proposed

A new proposal in the ongoing debate over a new German gas capacity tariff-setting mechanism could, if implemented, reduce the cost of cross-border flows as well as storage access.

Market participants continued to debate the determination of a fair reference price for German gas entry and exit capacity in an online workshop held by energy regulator BNetzA on 5 May.

The regulation currently under consultation is called REGENT 2021.

The regulator's proposal remains the same as for REGENT 2020, involving a reference price for firm capacity (FZK) which would be the same across all transmission system operators (TSOs) and a 75% discount for access to and from storage sites.

THE CROSS-SUBSIDISATION DEBATE

In line with a similar presentation made in 2018 by Frontier Economics an independent risk management advisor called DNV-GL proposed to distinguish between internal and cross-border network points.

"In the heterogeneous German gas transport system, the REGENT postage stamps lead to cross-subsidisation effects across network users … [which] may lead to quantity risks caused by re-routing transport [as well as] negative effects on foreign gas markets," the association's presentation read.

Its example calculation involved a reference price method for all internal exit points to end users and industrial companies, and cut it in half for all "cross-system" use.

DNV-GL considered all grid entry points as cross-system, as exit to neighbouring grids, and both storage inflow and outflow.

The current 75% discount for storage capacity would remain in place.

"It would be good news if storage were to be treated like transit," a regulatory head from a large storage operator said. "But the idea is not followed by BNetzA at the moment."

Others disagree, saying that Germany's transit role in the European gas market is unavoidable.

A harmonised tariff structure would potentially benefit the future single market area by simplifying market access in an already highly complex grid system.

The merger of current hubs NCG and GASPOOL is scheduled for October 2021.

The Agency for the Cooperation of Energy Regulators (ACER) recommended that BNetzA conduct a comprehensive analysis of its system before making the final decision.

VTP ACCESS CONCERNS

Another issue, raised by TSO Fluxys, was the potential application of discounts to some purchases of conditionally firm capacities (DZK).

Due to the recent capacity harmonisation bill, BNetzA made all capacity types offer at least interruptible access to the virtual trading point (VTP).

Some companies who only use the German grid for transit have disputed this decision as it raised their costs considerably.

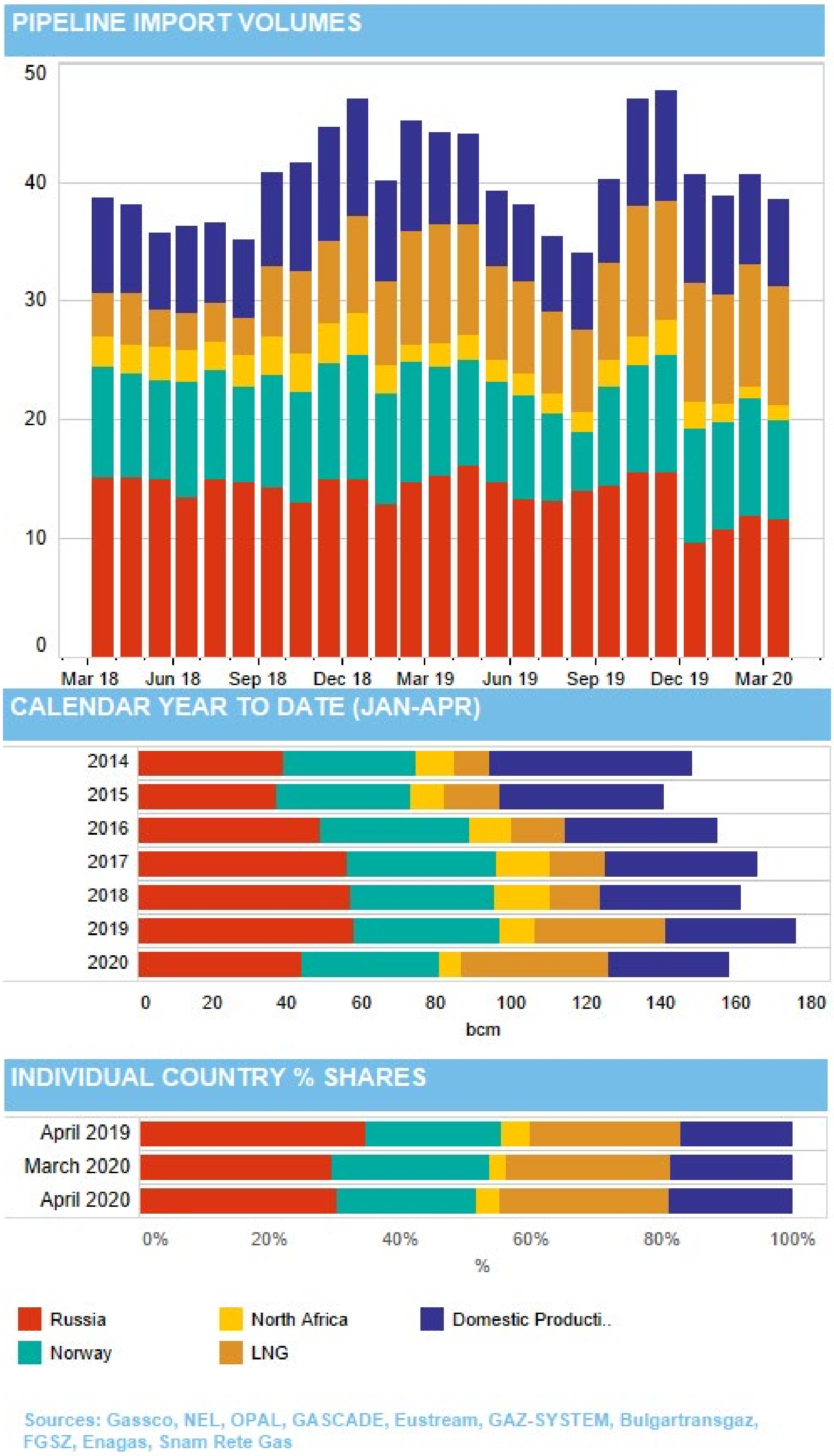
TSO bayernets said offering discounts to some users would further raise the country's overall firm capacity price.

"Further discounts of up to 40% on the firm tariff for DZK products would lead to a price increase of up to 9% on the nationwide FZK stamp," the TSO's presentation read.

A spokeswoman for the German task force of the European Federation of Energy Traders (EFET-D) told ICIS, "EFET-D will discuss the issue. However, from a trader perspective, the point-to-point flows do not contribute to the liquidity of European hubs."

The consultation is open until 18 May. In June the regulator will publish the comments received and a statement from ACER is due in July. **Jennifer Sanin**

European gas supply falls 400mcm in April



For **an interactive version** of this chart, click here

Natural gas supply to Europe may fall in the coming months as low prices threaten the profitability of production.

Europe experienced a relatively limited drop in deliveries at the beginning of the gas summer, despite the impact of the coronavirus and relatively full storage.

In April Europe imported and produced 6.4 billion cubic metres (bcm) of gas, down by around 400 million cubic metres (mcm) from March.

NORWEGIAN SLUMP

The loss came primarily from Norwegian volumes, which fell by 1.6bcm despite Norwegian offshore operator Gassco pushing more summer maintenance into the third quarter.

Norwegian deliveries were down by more than 10% year on year and accounted for 21% of overall European supply, the lowest proportion so far this year.

Some traders have indicated that the Norwegian marginal cost level is expected to be around €5/MWh.

Below that price and production may be turned down where possible.

During April the benchmark Dutch TTF Day-ahead closed at €6.468/MWh on average.

The contract tracked downwards during the month and fell to an average closing price of €5.655/MWh in week 18.

The Dutch May '20 followed a similar trajectory, closing at an average price of €6.574/MWh during April and €5.910/MWh in the final five trading sessions of the month.

LNG CANCELLATIONS

LNG deliveries to Europe have been a key driver of oversupply and bearish price momentum for more than a year now.

However, the low-price environment has begun to threaten future LNG supply.

A number of TTF monthly contracts have moved below the US Henry Hub prompting LNG cancellations.

Decreasing LNG and pipeline supply may prompt a small amount of price recovery, but given the bearish demand picture any upside is unlikely to be s ignificant. **Julie Fisher**

LIQUIDITY WATCH

April gas trade falls from record March high

Gas trade at Europe's two most liquid hubs in April tumbled when compared to March but trade at the Dutch TTF still climbed by almost 10% year on year.

This was following a record-breaking month in which the TTF shattered the monthly trade record for a European gas hub.

As coronavirus driven lockdowns ramped up March market participants hurried to adjust medium to long-term hedge positions while financial players moved to exit positions to reduce being caught out.

Combined over-the-counter (OTC) and exchange deals at Europe's largest gas market totalled 3,630TWh for April, 310TWh higher year on year but almost 1750TWh lower than on March.

In fact, this was the largest month-on-month change on record with the previous being in January when total trade climbed by 1728TWh compared to December.

DUTCH TTF

Brokered volumes in April dropped by 2.3% year on year at the Dutch TTF while trade completed on exchange platforms rising by 32% which dragged overall liquidity higher.

Out of the 1484TWh across the exchange, trade on the ICE platform accounted for almost 90%.

Unlike the British NBP most trade at the Dutch TTF still takes place OTC but the share has been decreasing.

For **an interactive version** of this chart, click here

During Gas Year 2018 brokered volumes represented on average 72% of all trade. This has dropped to 62% in Gas Year 2019 so far.

On the OTC market it was a bleak picture across the prompt with all contracts apart from the Working-Days-Next-Week recording lower volumes year on year.

This was driven by the reduction in gas demand across northwest Europe due to the coronavirus.

Day-ahead and front-month brokered volumes dropped by 47% and 38% respectively.

Trade on the far curve supported overall liquidity with all products delivering beyond Q3 '20 recording gains.

Seasonal trade rose by 30% year on year in April while the front-year shot up by 73%.

BRITISH NBP

Combined OTC and exchange trade at the NBP faltered once again in April, totalling 825TWh, the lowest since December 2019 and 25% down year on year.

Brokered volumes amounted to 337TWh, 23% down on April 2019 and exchange deals fell by 27% year on year.

Despite a greater drop in exchange liquidity, deals completed on the platform dominated overall trade.

Exchange volumes accounted for almost 60% of trade with almost all coming from ICE deals.

Greater volatility across European gas markets driven by increased LNG supply and renewable capacity could push more trade onto exchange platforms, as participants protect against counterparty risk.

On exchange platforms such as ICE, the clearing house itself acts as the counterparty to both sides of the contracts and therefore holds little risk when compared with the OTC market. Participants are able to clear OTC deals through exchanges like ICE and EEX.

On the brokered market all prompt contracts including the front-month dropped sharply year on year with the Day-ahead falling 33.5%.

Far curve activity was similarly weak with only the Winter '20 recording any substantial gain year on year, at 11%.

SMALLER HUBS DROP FROM MARCH

Trade at other hubs dropped considerably in April when compared with March following the trends at the TTF.

However, liquidity at some hubs still rose year on year with some of the largest increases coming from the French PEG and Belgian ZTP markets.

The Italian PSV, Belgian Zeebrugge and

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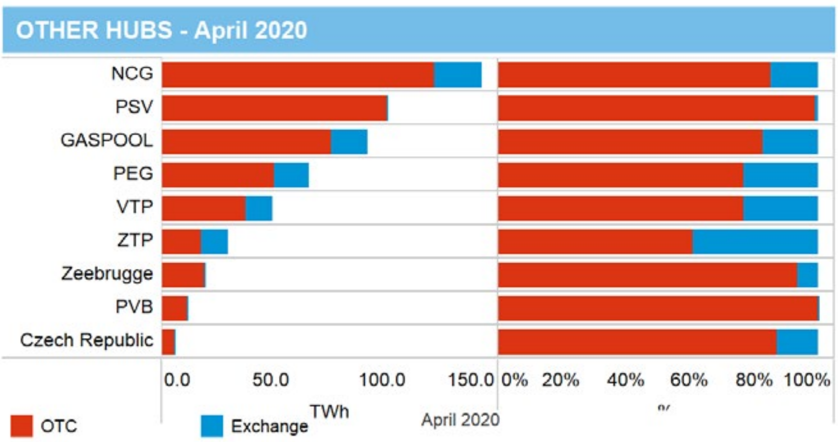
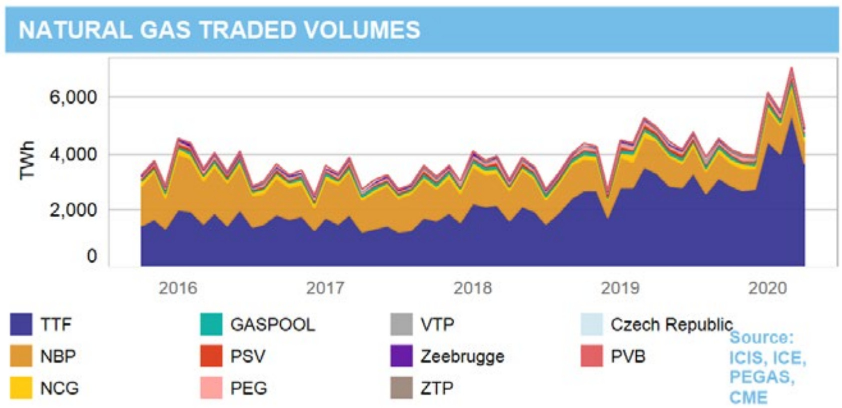




German regulator BNetzA rejects Nord Stream 2 derogation request

Germany's regulator BNetzA on 15 May rejected a derogation request that would allow Russian Gazprom full access to Nord Stream 2 pipeline.

The offshore pipeline currently under construction would double Russia's direct pipeline capacity to Germany, as the first entry point to the EU, to 110 billion cubic meters (bcm) per year.

The BNetzA said that Nord Stream 2 did not meet the condition for being eligible for exemption as it was not completed before May 23, 2019.

"Since the Nord Stream 2 pipeline had not been fully laid by 23 May 2019, the Bundesnetzagentur has rejected the application for derogation made by Nord Stream 2 AG. When it is put into operation, therefore, Nord Stream 2 will be subject to German regulatory requirements and European rules on unbundling, network access and cost regulation," the regulator said in a press release.

BNetzA had informed involved parties of its intention to reject the request a few days prior to the decision.

"We are aware of the information shared by the German authority, BNetzA, with the participants in the procedure. We do not agree with this conclusion. We will wait for the formal decision of the authority and of course evaluate it and further actions to preserve our rights," the developers of Nord Stream 2 told ICIS on 11 May.

NEW EU RULES

A derogation would exempt the project from EU rules were extended in late February to pipelines connecting the bloc with non-member states, known as third countries. The rules ensure third party access to capacity, separation of pipeline owner and supplier, and tariff transparency.

Only the section of pipe in EU member state territory has to comply with these rules. Nord Stream 2 is a 1,230km subsea pipeline, 22km of which sit the German waters, that will connect Russia's Yamal reserves of 26.5 trillion cubic meters to the European market.

Pipelines completed before 23 May 2019 can apply for a derogation - granted by the regulator of the first member state the pipeline meets.

Future pipelines for which investment would only be secured if an exemption was granted can also apply.

In the case of Nord Stream 2, its construction was underway and final investment decision made before the directive was changed. Russia's state-owned producer Gazprom owns both the pipeline and the gas that will flow through it.

REMAINING WORKS

There remains around 160 km of Nord Stream 2 pipes to lay in the Danish exclusive economic zone. The Russian pipelaying ships Akademik Chersky and Fortuna could complete this work. Although project developers have yet to provide plans to the Danish Energy Agency (DEA), the agency told ICIS on 11 May.

The Akademik Chersky left the Russian Far East in February and arrived in the Baltic Sea at the start of May. It moved to the German port of Mukran, where Fortuna has been stationed since October, over the weekend.

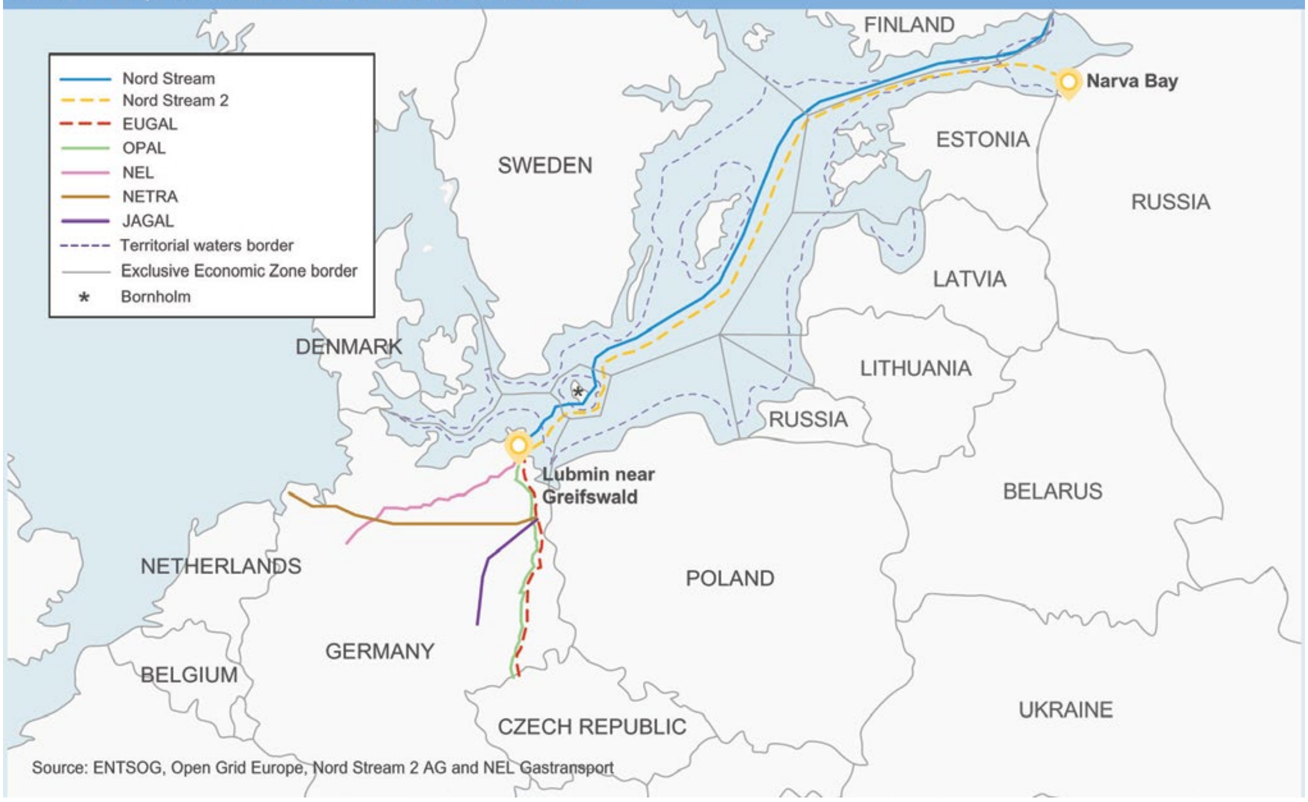
"We are actively looking for solutions and will inform about it in due time," project developers said on 4 May. Other works were progressing as planned, they added.

LEGAL DISPUTES

In April 2019, developers of Nord Stream 2 asked the European Commission to consider the pipeline completed and eligible for a derogation.

After no consideration came, in late July they asked the EU general court to cancel changes to EU gas rules which they considered discriminatory. In late September, the developers launched a second legal dispute on the basis of the Energy Charter Treaty (ECT). They argued the amendments to the EU gas rules are in breach of the ECT's investment protection provisions. **Diane Pallardy**

NORD STREAM, NORD STREAM 2 AND ONSHORE CONNECTIONS



Source: ENTSOG, Open Grid Europe, Nord Stream 2 AG and NEL Gastransport

EMERGING MARKETS

Exports to Ukraine support Slovak hub liquidity

Slovakian volumes traded over-the-counter (OTC) more than doubled year on year in April and May 2020, as new regulation and profitable prices encouraged shippers to boost exports to Ukraine to inject them into storage sites.

Volumes are likely to remain high for the rest of the second quarter, as European shippers take advantage of Ukraine's large storage capacity to reduce potential oversupply due to coronavirus-related restrictions limiting demand and high exports to the region.

ICIS liquidity data shows that 989,568MWh, equivalent to around 100 million cubic metres (mcm), were traded on Slovakia's OTC market between 1 April-12 May 2020, with a total of 49 Slovak trades submitted to ICIS over the period.

This is nearly double the total volume traded year on year, and more than twice the number of Slovak transactions recorded between 1 April-31 May 2019.

Exports to Ukraine through Slovakia have also increased after the introduction of short-haul capacity at the Velke Kapusany border point on 1 March 2020. The short-haul services effectively allow non-Ukrainian companies to ship gas between Slovakia and Ukraine or to inject it in Ukrainian storages for one season before getting it back.

Slovakian exports to Ukraine totalled 452mcm in April 2020, with an average flow rate of 15mcm/day, up by 172mcm on April 2019 levels. While in 2019 flows steadily increased through April from 5.6mcm/day at the start of the month to 11mcm/day by the end of the month, in April 2020 the daily flow rate remained relatively steady through the whole month.

Between 1-12 May flows from Slovakia to Ukraine have totalled 170mcm, with a flow rate of 14mcm/day on all days except 1 May, when it was 15mcm/day.

The increase in daily exports from Ukraine month on month indicates that there is consistent appetite to make use of eastbound transport capacity to ship volumes from European hubs to Ukraine.

This is likely to continue in the rest of the summer, particularly once storage sites in the CEE region will approach fullness.
Edward Martin

April gas trade falls from record March high

CONTINUED FROM PAGE 9

Spanish PVB also climbed year on year.

French combined brokered and exchange deals amounted to 66.8TWh in April, almost 50% higher year on year.

A sharp uptick in volumes dealt on the OTC market contributed to the increase.

OTC volumes rocketed 60% year on year to 51.3TWh while deals on the exchange rose 21%.

In Belgium, total trade at the euro-denominated ZTP hub shot up 87% year on year to 30TWh which saw it become the most liquid hub in Belgium for the second consecutive month.

FRANCE

At the French PEG hub, it was OTC liquidity on quarterly contracts which increased by the greatest amount in April.

Brokered trade on the front-quarter contract rose by 5.43TWh year on year to 5.64TWh while quarterly contracts delivering beyond Q3 '20 climbed by 9.62TWh to 10.32TWh.

May '20 trade volumes surged by 38.6% year on year to 14.94TWh, with the front month being the most liquid contract on the PEG curve in April.

In April, French operator EDF announced expectations that nuclear output would fall to 300TWh in 2020 due to the impact of coronavirus on extending outages at the company's reactors.

ICIS analysis indicated an additional 20TWh of domestic gas demand would be pulled into the power mix to make up some of the shortfall and an additional 8TWh of gas offtake in 2021. This drove an increase in liquidity as participants re-adjusted hedge positions to account for the increase in consumption.

BELGIUM

Both Belgian gas hubs recorded greater volumes of trade in April year on year, attributed to the marked increase in gas transit to and from surrounding regions.

OTC trade was higher at the pound-denominated Zeebrugge market, while deals completed on PEGAS were higher on ZTP.

Brokered trade accounted for almost 95% of activity at Zeebrugge while at ZTP this is more closer to 61%.

On the ZTP brokered market, the largest gains came from monthly and seasonal contracts with volumes on May '20 hitting 6TWh, a record for a front month at the hub.

At Zeebrugge, a surge in volumes exported from Britain to Belgium along the Interconnector UK (IUK) pipeline supported liquidity, while further capacity booking for the months ahead bolstered trade on those contracts.

Front-month volumes rose by 83% to 8.12TWh, a 21-month record as shippers snapped up additional monthly capacity for Britain-to-Belgium exports.

SPAIN

Spanish PVB trade totalled 11.30TWh in April, an increase of 6.84TWh year on year and the highest monthly total since ICIS records began.

Spain's virtual LNG tank project, or TVB (Tanque Virtual de Balance) launched at the start of April.

The TVB merges Spain's six LNG terminals into one virtual tank and will allow access to the country's full capacity as if in one single zone.

Sources close to the matter indicated that participants could trade the Day-ahead LNG product on 31 March for delivery at the virtual tank, instead of delivery to one of the country's six LNG terminals, on the MIBGAS exchange.

Day-ahead OTC volumes were up 157% year on year in April. **Arun Toora**

Balkans

Transport - Bulgarian energy minister Temenujka Petkova announced the Balkan Stream natural gas pipeline is expected to be operational by the end of 2020, delayed from the original plan of 1 June. The 15.75 billion cubic metre (bcm)/year capacity pipeline will run from the Turkish-Bulgarian border to Serbia.

It is part of TurkStream project linking Russia to Turkey via the Black Sea.

The coronavirus has caused delays in terms of personnel and equipment, pushing back the expected date of operations.

Serbia completed the construction of a pipeline that will link to Balkan Stream in December 2019.

LNG - MET Croatia has booked 1.3 billion cubic metres (bcm) of binding regasification capacity at the planned Croatian LNG terminal at the island of Krk.

The floating LNG terminal (FSRU) with a capacity of 2.6bcm/year is scheduled to begin operation in early 2021.

The company, a subsidiary of Switzerland-based energy firm MET Group, said it booked 0.22bcm of capacity in gas year 2020 and 0.54bcm in gas year 2021 and 2022.

MET Group, through its supply and trading division MET International, set up its LNG desk in 2016 and since then it has mainly focused on delivering cargoes to the Spanish and Italian markets.

MET Croatia is the first company to book capacity at the Krk LNG terminal since 2018, when Croatian incumbent HEP and national oil and gas producer INA booked a total of 520 million cubic metres (mcm)/year binding capacity, while two other companies booked 300mcm/year of conditional, non-binding capacity.

The project had been struggling to attract market interest due to high costs, which has forced the terminal operator, LNG Croatia, to scale back on initial plans of a 6bcm/year onshore terminal and opt for a smaller floating storage and regasification unit.

Following the termination of the Romania-Hungary (ROHU) infrastructure project in April, Hungary is expected to turn its attention toward the Croatian LNG terminal to diversify its supply portfolio. The Croatian LNG project could serve as a bargaining tool for Hungary in future negotiations with Russia's Gazprom.

Baltics

Trade - Lithuanian gas exchange volumes could receive a boost depending on the outcome of a capacity allocation auction at the Klaipeda LNG terminal.

The terminal has been a key factor in increasing traded volumes in Lithuania as several new companies signed up to use the facility.

Three new users joined the terminal in 2019 - Lithuanian Imlitex in June, and Estonian Eesti Energia and Elenger in August and November respectively. They joined the two pre-existing users, Lithuanian state-owned Ignitis and Lithuanian fertiliser producer Achema.

Companies have until 25 May to apply for terminal capacity for the 2020 gas year, which begins on 1 October.

Additional users contribute to liquidity in Lithuania both by importing volumes and by increasing competition in the region.

In April, 215GWh was bought and 204GWh sold on Lithuanian exchange products, equating to year-on-year increases of 13% and 9%.

At the start of 2020 the Finnish gas market was liberalised and a bidirectional pipeline with Estonia opened. Traded volumes on the new products quickly surpassed the smaller Latvian-Estonian market. In April 144GWh was bought and 75GWh sold on Finnish products, down from 263GWh and 172GWh in March.

Europe

Regulation - The European Network of Transmission System Operators for Gas (ENTSOG) published on 12 May [a list of projects] which may be eligible for EU funding, with emphasis on projects based in eastern Europe.

The list is meant to help projects of common interest (PCIs) - set every two years to improve interconnection between member states.

The European Commission adopted the fourth PCI list in October 2019, which now needs to be adopted by member states.

ENTSOG's new list is composed of projects whose promoters intend to apply to be included in the fifth PCI list expected in 2021.

Several projects in ENTSOG's new list are already included in the fourth PCI list. Each new PCI list replaces the previous one.

Out of the 68 projects listed by ENTSOG, over half are in eastern Europe, most of them being interconnections or enabling bidirectional flows between countries.

Egypt

LNG - The restart of the Egyptian Damietta LNG plant is in jeopardy after Spanish utility Naturgy's agreement with Italy's Eni and the government of Egypt on the dispute over Union Fenosa Gas (UFG) was terminated.

Naturgy in a statement said the agreement "was subject to the completion of certain conditions and milestones that have not been met".

The Spanish company signed a deal with Eni and Egypt in February on the restructuring of UFG, in which Naturgy and Eni hold a 50% stake. According to the agreement, Naturgy was to receive a $600m cash payment and the majority of UFG's assets outside Egypt, leaving liquefaction rights worth around 2.7mtpa on a free-on-board (FOB) basis from the 4.8mtpa Damietta plant to Eni.

At the time, Eni said the agreement would open the way for the Damietta LNG export project to restart production. But Naturgy is now set to return to the courts in an attempt to recover the awarded payment from Egypt.

The Damietta plant has been idle since 2012, when Egypt's domestic gas market was in chronic short supply.

France

Storage - The European Federation of Energy Traders (EFET) has urged the European Commission to narrow the focus of its state-aid investigation into the French gas storage system to the value of the country's storage assets.

EFET said [EFET said] in the inquiry - examining the legal and regulatory framework that applies to gas storage - that France's new auction-based system had already improved storage efficiency since it took effect in 2018. This had allowed France to move away from fully regulated storage obligations toward a more market-based mechanism.

The Commission [launched its investigation] on 28 February, expressing doubts that the value of the aid was the minimum needed to guarantee security of supply, because France had not conducted an independent economic evaluation of the market value of storage operators' assets and whether this was sufficient to cover operators' costs. EFET said it trusted the methodology French regulator CRE used to value storage operators' assets, as EFET could not currently evaluate this independently.

The Commission is also looking into whether the French regulations might suppress use of LNG terminals and interconnectors, leading suppliers to store gas in France rather than in neighbouring member states. EFET said it was not aware of any evidence of discrimination or negative effects on non-domestic suppliers, and that the reforms had positively affected liquidity and market efficiency.

Germany

Transport - Several German transmission system operators (TSOs) released the total amount of firm entry capacity they will flow into the future single market area in spite of technical constraints.

Due to forecast constraints between the two market areas, NCG and GASPOOL, after the merger scheduled for October 2021, TSOs had to reduce their firm annual entry offerings by 78% at the 2019 auction for gas year 2021 and beyond.

The regulator agreed to a test phase between October 2021-2024 wherein TSOs would apply decongestion measures which would allow them to overbook capacity, but only one gas year at a time.

The tables released by TSOs compare the post-merger "base capacity" - the technical capacity forecast as approved by BNetzA on a yearly basis - with the total volumes operators are willing to flow through each point throughout the first year of the merger.

Some of the "total" figures have already been booked, a spokeswoman for Gasunie Deutschland explained. The figure represents » the total amount of firm entry capacity the TSOs can guarantee to the market.

The 30 April was the deadline for TSOs to submit to the energy regulator the additional volumes they plan to offer for Gas Year 2021, which runs from October 2021.

Demand - Wind and solar plants generated 45% of Germany's electricity in April with the total share of renewable power production at almost two-thirds of the overall consumption.

This was due predominantly to a sustained period of unseasonably low demand relating to state-enforced containment measures to mute the impact of the coronavirus.

With a full demand recovery unlikely for several months at the least, German renewables should generate a much higher proportion of power relative to previous years.

Data released from transmission system operators showed wind and solar technology dominating the April mix, eating into the share of thermal generators.

Weather conditions enabled wind and solar to generate an amount of power as is normal for the season. But with demand averaging out at around one-tenth of the five-year average for the month, the cheaper renewable generation pushed thermal generators out of the power mix, depressing average spot deliveries to the lowest on record.

Coal and lignite power plants lost out in April. The share of coal-fired generation fell from 9% in April 2019 to 4% in April 2020, while lignite fell from 21% last April to 12% in 2020 with the share if gas output more stable year on year.

Recent weak gas markets and strong carbon futures boosted clean spark spreads for summer delivery, a measure of gas-fired power profitability.

Trade - Quarterly gas trading activity on the German NCG could receive further support through the rest of 2020 after the operator launched another tender for market-making services.

The NCG market operator announced interested companies could apply to be market makers on its platform from July-December 2020. Market makers boost liquidity by placing regular bids and offers on trading platforms, increasing the likelihood that another company wanting to trade will be able to find a counterparty.

Contractual terms are available here. The tender will take place between 18-29 May.

Successful bidders will receive a financial incentive in the form of a one-off payment of €50,000. As in previous rounds, the selected liquidity providers agree to carry out a certain amount of Month+2 and Quarter+2 transactions over the contracted six-month period.

These transactions can occur on either the exchange and over-the-counter (OTC) platforms. OTC Month+2 trade has stagnated in the eighteen months since market makers became active on the hub, Quarter+2 liquidity has significantly increased – though it has stalled somewhat from 2019.

Hungary

Transport - On 5 May Hungarian and Slovakian transmission system operators (TSOs) Eustream and FGSZ announced an incremental capacity auction on the countries' border will take place on 6 July.

The capacity offered will be firm for 15 gas years, starting 1 October 2024.

Should the auction process be successful, capacity at the Velke Zlievce-Balassagyarmat point towards Slovakia will be increased to 5.2 billion cubic metres per year (bcm) as part of the HUSK II project. This link is currently able to deliver 1.75bcm/year from Hungary to Slovakia and 4.5bcm/year in the other direction.

The announcement followed a coordinated decision from Slovakian regulator URSO and Hungary's MEKH, also on May 5, approving the HUSK II project proposal to increase capacity at the border. The HUSK II proposal supports increasing capacity in both directions, although the announcement only covers flows into Slovakia. Results will be published within 10 working days of the closure of auctions and a final investment decision on the HUSK II project is targeted for the third quarter of 2020.

Norway

Supply - The amount of Norwegian natural gas production and export capacity taken offline during April was less than forecast from offshore operator Gassco, with several sets of work cancelled.

During the month just 178 million cubic metres (mcm) of capacity was taken offline, compared to 217mcm indicated by the operator schedule a month earlier. There were a couple of sets of planned work cancelled, with expectations for the remainder of the summer months revised.

The latest schedule from Gassco showed around 1.93 billion cubic metres (bcm) is expected to be taken offline during May due to planned work, down from 2.14bcm originally. This will be the second-largest reduction in a month over the summer.

Due to the coronavirus, getting employees to sites has become more difficult.

The largest change in the schedule was for August, with just 191mcm of Norwegian capacity now set to be offline, down from close to 1bcm before. September still has the largest amount of capacity set to be cut with restrictions of 3.75bcm are planned, 394mcm higher than Gassco indicated at the end of the first quarter.

Portugal

Demand - Portugal achieved a new record of 58 days without coal-fired electricity, following the Pego plant's suspension on 14 March.

Coal is likely to remain outside the country's electricity generation mix due to a coronavirus-related fall in demand.

In April renewables accounted for 69% of Portugal's generation mix, data from grid operator REN showed. Non-renewable production came only from natural gas-fired plants and represented about 16%. The remaining was covered by imports. REN observed coal-fired power production fell to zero in April, a first since the Sines and Pego plants started 1985. REN's data points to coal production remaining outside the electricity generation mix since 11 May. Sines halted operations 48 days earlier on 26 January.

Portugal's coal-free period has been largely supported by the coronavirus lockdown measures which have pressured demand.

Portugal's National Energy and Climate Plan targets the phase-out of electricity production from coal through closure of the two coal plants. Pego will close at the end of 2021 and Sines in 2023.

Romania

Demand - The output of Romanian gas-fired power plants in the next three months is likely to increase due to a tighter power supply and below-average hydro stock levels.

Combined-cycle gas turbine (CCGT) output in Romania reached a three-year high for April last month according to data from Transelectrica. Coal output reached a 40-month low.

A local power trader said the combination of low hydro levels, cheap gas prices since the start of the year and expensive carbon emissions brought more CCGT in operation.

"Romania needs to install new power generation capacity as quickly as possible to replace the lignite production," the source added. "Coal plants are not cost-effective and need a lot of state aid."

Current plans consist of new CCGT projects at both the Oltenia and the Hunedoara Energy Complexes. Romgaz, another state-owned company, is making progress with the construction of a 430MW CCGT facility, due in 2020. Rompetrol is working on a smaller scale 73MW co-generation gas unit, Energy Policy Group said in its May 2020 report.

UK

Transport - Interconnector UK (IUK), operator of the natural gas pipeline linking Britain and Belgium, announced it will cancel maintenance between 11-21 November due to the coronavirus.

IUK said equipment and other resources will not be available to carry out the work, although the company will shut the link from 4 to 6 November. It plans to announce additional maintenance aligned with work on the UK continental shelf during the 2021 summer. The full shutdown would have been the first on the pipeline since April 2019, after IUK determined it was unnecessary to take the all capacity offline during the current gas year. The closure typically pressure Britain's NBP relative to the Belgian Zeebrugge market. **ICIS Staff**

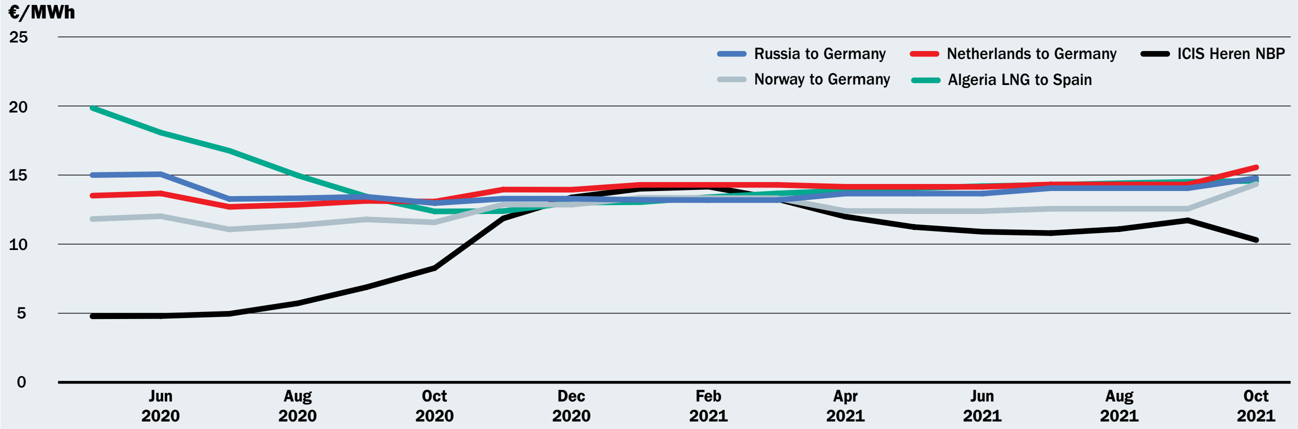
ICIS HEREN FORWARDS ASSESSED LONG TERM CONTRACT VALUES EFFECTIVE 1 MAY 2020 €/MWH

	German import contracts from			Spanish LNG import contract from
	Russia	Norway	Netherlands	Algeria
May '20	15.00	11.82	13.51	19.86
Jun '20	15.06	12.02	13.67	18.07
Jul '20	13.27	11.07	12.70	16.76
Aug '20	13.32	11.36	12.85	14.97
Sep '20	13.43	11.79	13.13	13.45
Oct '20	12.97	11.58	13.08	12.37
Nov '20	13.29	12.87	13.95	12.39
Dec '20	13.29	12.86	13.94	13.01
Jan '21	13.20	13.35	14.29	13.04
Feb '21	13.19	13.34	14.29	13.40
Mar '21	13.19	13.33	14.29	13.67
Apr '21	13.66	12.40	14.15	13.88
May '21	13.66	12.39	14.15	14.05
Jun '21	13.66	12.39	14.15	14.20
Jul '21	14.05	12.56	14.32	14.29
Aug '21	14.05	12.56	14.32	14.41
Sep '21	14.05	12.56	14.32	14.51
Oct '21	14.78	14.35	15.56	14.58

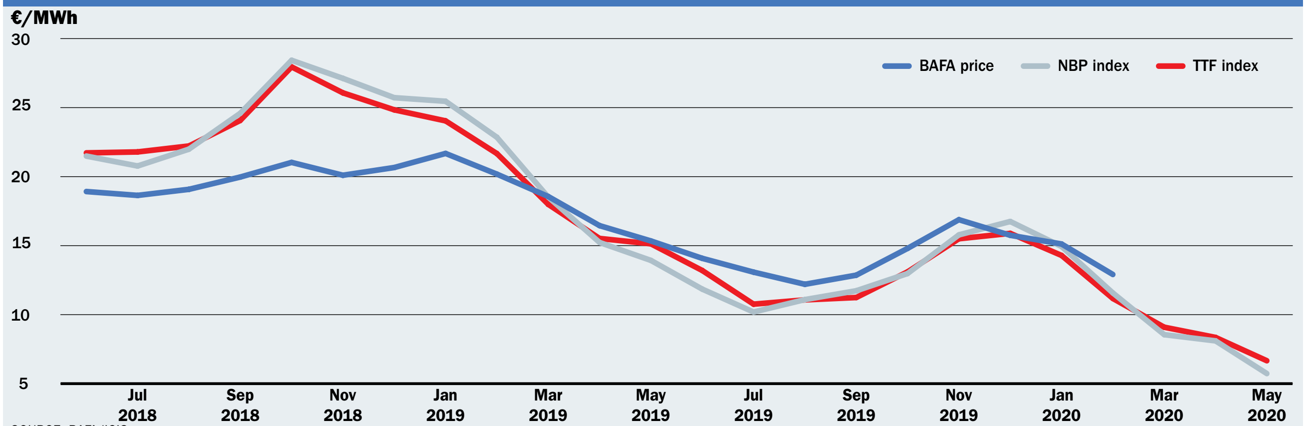
ICIS HEREN FORWARDS ASSESSED LONG TERM CONTRACT VALUES EFFECTIVE 1 MAY 2020 $/MMBTu

	German import contracts from			Spanish LNG import contract from
	Russia	Norway	Netherlands	Algeria
May '20	4.78	3.77	4.31	6.33
Jun '20	4.80	3.84	4.36	5.77
Jul '20	4.24	3.53	4.06	5.35
Aug '20	4.26	3.63	4.11	4.78
Sep '20	4.29	3.77	4.20	4.30
Oct '20	4.15	3.71	4.19	3.96
Nov '20	4.26	4.12	4.47	3.97
Dec '20	4.26	4.12	4.47	4.17
Jan '21	4.23	4.28	4.59	4.18
Feb '21	4.24	4.28	4.59	4.30
Mar '21	4.24	4.28	4.59	4.39
Apr '21	4.39	3.99	4.55	4.46
May '21	4.40	3.99	4.55	4.52
Jun '21	4.40	3.99	4.55	4.57
Jul '21	4.53	4.05	4.62	4.61
Aug '21	4.53	4.05	4.62	4.65
Sep '21	4.53	4.05	4.62	4.68
Oct '21	4.78	4.64	5.03	4.71

FORWARD CURVE: BORDER PRICES VS NBP



HISTORICAL BAFA OUT-TURN AGAINST NBP AND TTF OUT-TURN (MONTHLY INDICES)



SOURCE: BAFA/ICIS

MARKET HIGHLIGHT

Weak fundamentals limits French nuclear upside

PEG curve prices moved up on 16 April, after EDF revised down projections for nuclear output in 2020 to 300TWh, from an original projection of between 375-390TWh.

This means an additional 14 billion cubic metres (bcm) of gas will be needed across Europe for power generation, according to ICIS analyst forecasts.

This includes 3.75bcm in France, 2.79bcm in Spain and more than 1.5bcm in Italy, Germany and Britain. On 29 April storage across Europe was already 60% full, holding just under 59bcm of gas.

In percentage terms, stores are fuller at this point in the gas summer than at any time since 2004, and eight percentage points above the same day in 2019.

LNG supply also continues to flood Europe and imports reached 7.8m tonnes in April, the third-highest total recorded on LNG Edge.

There has been 29.9m tonnes of LNG delivered to Europe since the start of 2020, 4.5m tonnes more than in same period in 2019.

This reduces the need for pipeline supply due to the nuclear outages, "which is why so far no strong impact on gas prices [has been] shown," a trader told ICIS.

The trader added that in different circumstances the EDF news would have "sent the market nuts", but now it was "just a bit bullish in a sea of bearishness". **Gretchen Ransow**

BRITAIN

Drop in sendout, cooler weather steadies Day-ahead

The British NBP Day-ahead stabilised across the trading sessions between 29 April-14 May as cooler weather bolstered the prompt early in May.

Low temperatures and average wind in week 20 presented upside to the NBP Day-ahead, with the contract rising over 14p/th for the first time since 16 April. Following April 16, the Day-ahead subsequently spiralled into single digits for the first time since 2006.

Further upside to the Day-ahead came as sendout from LNG terminals has slowly eased going into May, averaging just 60mcm/day this month, whereas in April sendout averaged 72mcm/day. The fall can be attributed to recent drops in US cargoes as European prices have continued to plummet amid low storage space. EU-wide storage is currently 65% full, 15 percentage points above the same time last year.

April ended with a total of 20 vessels berthing in Britain, matching last year's arrivals. The majority of vessels arriving to Britain were from Qatar, berthing at South Hook terminal. Of the 11 cargoes lifted in Britain between 29 April-14 May, seven were from Qatar.

The consistency in Day-ahead price flipped the NBP's discount to the Zeeburgge hub, with the British contract switching to a premium on 1 May.

The premium remained within the 1.65p/th required for shippers with booked capacity on the IUK pipeline to send volumes to Belgium so long as short haul fees were utilised. Data from Entsog showed that around 38mcm/day had been booked on the IUK pipeline during May. So far shippers have sent on average 31mcm/day to Belgium this month, up from almost 18mcm/day in April. The June '20 contract fell to the lowest front-month price since 2002 during week 20 as Norwegian imports via the Langeled pipeline spiked to 41mcm/day on 11-12 May, up from the April average of 17.7mcm/day. Flows returned to the April average on 14 May, lifting the contract as pressure on storage sites was eased.

Shippers have been switching between injections and withdrawals during the first two weeks of May as the Day-ahead flipped from a discount to a premium over the front-month. Stocks were 55% full 14 May, down three percentage points on 29 April. **Jake Stones**

HEREN® MONTHLY CUMULATIVE INDICES JUNE 20

NBP, p/th	13.343
Zeebrugge, p/th	13.539
TTF, €/MWh	5.585
NCG, €/MWh	5.867
GASPOOL, €/MWh	5.672
PEG, €/MWh	5.459
VTP, €/MWh	6.869
PSV, €/MWh	7.369

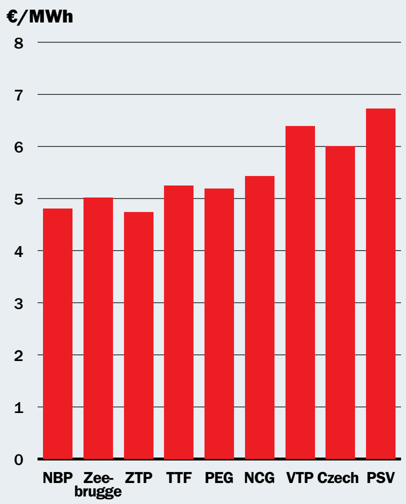
Values represent the weighted average of all month-ahead trades gathered and verified by ICIS Heren for its European Spot Gas Markets (ESGM) publication, from the first working day of the month up to the displayed date.

EUROPEAN SPOT GAS PRICE ASSESSMENT 14 MAY 2020

Period	p/th	€/MWh	Data used	%chg*
Day-ahead				
NBP	12.625	4.864	B	-2.21
Zeebrugge	12.000	4.623	B	-12.55
ZTP	12.297	4.738	B	-12.47
TTF	12.719	4.900	B	-13.08
NCG	14.082	5.425	B	-13.20
GASPOOL	14.276	5.500	B	-10.75
PEG	13.465	5.188	B	-7.16
VTP	16.580	6.388	B	-17.18
PSV	17.456	6.725	B	-16.72
Czech	15.574	6.000	B	-11.11
Slovak	16.613	6.400	S	-18.60
AOC	14.147	5.450	B	-13.49
Turkish Gas	47.944	18.470	I	6.38
MGP	18.008	6.938	I	-16.04
June '20				
NBP	12.475	4.803	B	-11.44
Zeebrugge	13.025	5.015	B	-13.89
ZTP	13.018	5.013	B	n/a
TTF	13.635	5.250	B	-16.00
NCG	14.641	5.638	B	-14.91
GASPOOL	14.122	5.438	B	-14.37
PEG	13.180	5.075	B	-17.48
VTP	16.200	6.238	B	-17.25
PSV	17.433	6.713	B	-18.39
Czech	15.128	5.825	B	-13.86
Slovak	16.622	6.400	S	n/a
AOC	14.934	5.750	I	-14.18
Winter 20				
NBP	32.563	12.492	B	1.34
Zeebrugge	30.913	11.859	I	1.49
ZTP	30.335	11.638	S	1.09
TTF	30.237	11.600	B	0.76
NCG	31.280	12.000	B	0.00
GASPOOL	30.759	11.800	B	0.96
PEG	30.140	11.563	I	1.31
VTP	31.606	12.125	B	0.52
PSV	34.213	13.125	B	0.29
Czech	31.541	12.100	S	0.94
Gas Year 20				
NBP	31.050	11.890	I	1.93
Zeebrugge	30.550	11.698	I	1.82
TTF	30.228	11.575	I	1.65
PSV	34.733	13.300	I	1.14

*In comparison to prices published in previous issue of EGM. Change on €/MWh figure. All values represent the midpoint of the ICIS Heren bid-offer assessment published in European Spot Gas Markets (ESGM) on the displayed date.

MONTH+1 PRICE ASSESSMENTS 14 MAY 2020



NETHERLANDS

TTF front month dives in absence of bullish drives

The Dutch gas June '20 product dived to fresh lows during week 20 following a period of relative stability in weeks 19 and 18 as a stream of scheduled LNG arrivals to Europe, warm weather expectations and weak demand environment kept the TTF under heavy pressure.

After trading around €5.700/MWh between 29 April and 11 May, the June '20 gas contract then dived below €5.300/MWh on 12 May and was assessed even lower on 13 and 14 May. Several contracts that form part of the TTF prompt were assessed by ICIS at their lowest price on record for much week 20 due to the persistent oversupply.

Five vessels arrived at the Gate terminal between 29 April and 14 May, according to ICIS LNG Edge information. Sendout over the past two weeks has remained close to the maximum level around a rate of 40mcm/day. With five cargoes expected between 15 and 30 May, the high level of LNG flows in the Dutch grid will remain a bearish influence.

The high LNG supply into European markets has crippled prompt and near curve prices in a TTF market already-grappling with weak demand due to coronavirus-related measures. While restrictions on economic activity are set to be lifted in June in the Netherlands and other European countries, boosting demand for gas, consumption will remain substantially below seasonal norms.

The high supply and relatively low demand outlook sent the TTF close to its perceived floor and will restrict substantial upside.

Roy Manuell

GERMANY

Prompt drops to record lows, curve resists

The German gas hubs succumbed to further bearish pressure within the last fortnight with persistently weak fundamentals helping improve profit margins for gas-plant operators.

Robust supply margins enabled the NCG Day-ahead to fall its lowest ever ICIS assessment on 13 May. The GASPOOL Day-ahead recorded its lowest ICIS value since 3 October 2006.

Traders polled by ICIS estimated minimum production profit margins at around €5.00/MWh, though some said producers might let short-term prices go negative if it costs more to temporarily shut down their fields.

The coronavirus outbreak remained a key bearish driver. It capped German gas consumption and minimised the impact of Norwegian maintenance early in week 20.

Though total German gas consumption did rise on 12 May to 247mcm, its highest point since 15 April, the extra demand failed to rally prompt prices.

Storage sites were 82% full on 12 May, having climbed 3 percentage points since 29 April and remain at a record high for the time of year.

Bearish sentiment trickled through to the curve, though it encountered some resistance amid interest from gas-fired power plant operators as they snapped up the cheap fuel.

The NCG Year 2021 only lost €0.05/MWh from 29 April-13 May while its Day-ahead lost €0.66/MWh.

Jennifer Sanin

ITALY/AUSTRIA

PSV-VTP Q3 '20 spread squeezed

Italian natural gas demand failed to significantly recover in the first part of May despite the government's decision to ease coronavirus-related restrictions from 4 May.

A slight recovery came from the power sector, from which gas consumption also increased due to lower renewable generation compared with the previous fortnight. Restrictions continued to severely limited gas demand from the industrial sector. With no clear timeline on how the limits will be completely lifted and demand remaining below the previous five years' average, traders continued to take out risk premium from products with delivery in summer, which reduced their premium to the Austrian VTP. The two markets are key reference points for the PSV as flows coming from Austria are Italy's main and increasingly the country's marginal source of supply.

The PSV front quarter premium over the VTP dropped from an average of €1.05/MWh in the second part of April to an average of €0.87/MWh in the first part of May. The Italian Q3 '20 contract was also pressured by expectations that long-term supply contracts with Algeria, which are partly oil-indexed, will make Algerian exports to Italy more profitable in the third quarter.

On Austria's VTP market, the day-ahead contract tracked a downward course over the period, losing €1.325/MWh in value.

The product's premium over the benchmark Dutch TTF equivalent has also narrowed by €0.587/MWh, moving from €2.075/MWh on 29 April to €1.488/MWh on 14 May.

Domestic demand in Austria was 15mcm, down by 5mcm - or 25% - on the same period in 2019, which has acted as a bearish driver on the prompt, while the country's storage tanks also remain at record levels for the time of year, limiting injection demand.

Alice Casagni & Ed Martin

BELGIUM

IUK imports surge as shippers use capacity

Imports from Britain via the Interconnector link surged from the start of May, as shippers moved to utilised booked monthly capacity.

Operator data showed that flows averaged 32mcm/day between 1-14 May, double the 16mcm/day exported in the final two days of April. Flows to Belgium surged despite the British NBP Day-ahead regaining a premium over its equivalent at the sterling-denominated Zeebrugge hub.

The basis, which was positive at the end of April, flipped in May to average -0.55p/th from 1-14 May.

However, flows to Belgium remain profitable if the basis is greater than -1.65p/th.

LNG sendout from Zeebrugge terminal averaged 43mcm/day in the first fortnight of May, up by 20% from the average in April, after four Qatari shipments, including three Q-Max vessels berthed in early April.

Gretchen Ransow

CENTRAL AND EASTERN EUROPE

Trading activity slows as bearish drivers press prices

Bearish drivers such as oversupply and limited demand from anti-coronavirus measures continued to pressure trading and prices in the CEE region.

The number of trades on the Czech Republic's OTC market was up by 83 on the preceding period, but volumes traded fell by 2,621GWh to 1,330GWh, with most trades Day-ahead.

The picture was similar on Slovakia's less-liquid OTC market, which had 33 trades in the period, nearly double the number in the preceding fortnight, but the volume of gas traded was much lower at 142,296MWh, down from 779,400 in the previous period.

Most of these trades were Day-ahead, with some Front-month and a handful of Weekend trades. At the Slovak-Ukrainian border point, 227mcm of gas was sent east, an increase of 16mcm on volumes that transited from Slovakia to Ukraine in the previous period.

Trading activity on the Ukrainian VTP has been slowing down this month amid markedly bearish prices.

Even so, imports were being ramped up as many foreign companies were looking to inject gas into storage. Most of the volumes were, however, stored in customs warehouse regime, which means they have not been traded on the local market. According to data by storage operator Ukrtransgaz, there were some 2 billion cubic metres of gas in customs warehouse at the beginning of May, 1bcm of which are being held by non-resident companies. Market participants expect the rising import trend to continue over the summer as Ukraine can offer spare storage capacity. **Ed Martin & Aura Sabadus**

UAVTP GAS PRICE ASSESSMENT 14 MAY 2020

Period	p/th	€/MWh	Data used	%change*
June '20	19.526	7.518	B	n/a

UA-BORDER GAS PRICE ASSESSMENT 14 MAY 2020

Period	p/th	€/MWh	Data used	%change*
June '20	20.106	7.742	I	n/a

SPAIN

Strong renewables, low demand send bearish signals

The Spanish natural gas Day-ahead contract dropped by €0.85/MWh to €5.45/MWh in the period covering 29 April-14 May, ICIS assessment shows.

This was in line with strong renewables generation which provided 57% of the country's electricity on 1-13 May and as much as 70% on 29-30 April, grid operator REE showed.

Hydro and wind power are Spain's second and third largest source of electricity in terms of installed capacity (26GW for hydro and 24GW for wind). Gas is the first largest source with 30GW of installed capacity.

These two sources accounted for over 44% of the electricity produced on 29 April-13 May. This limited demand for CCGT, which provided less than 9% of the country's electricity.

Additional pressure came from continued low electricity demand. The average daily consumption dropped to 538GWh during the past fortnight, compared to 622GWh/day during the same fortnight in 2019.

The very gradual exit lockdown strategy means demand is likely to remain below 2019 levels throughout the summer.

In line with these expectations, June '20 kept losing value, dropping by €0.95/MWh to €5.75/MWh on 14 May. The front quarter also remained bearish, falling by €1.03/MWh to €7.20/MWh. **Diane Pallardy**

FRANCE

New record low for BOM and Month+1

The French natural gas BOM and front-month contracts have reached their lowest value ever on 13 May.

High gas storages and less demand pressured the BOM contract to reach a new low record of €4.9625/MWh while the front-month contract reached its lowest value of €5.0125/MWh.

French gas demand averaged 76mcm/day from 30 April to 14 May, compared to 67mcm/day from the 15 to 29 April, according to TSO GRTgaz on 15 May.

This is an increase of 9mcm/day on national gas demand as the country started to lift some lockdown measures on 11 May.

The French government has decided to reopen shops and primary schools for now.

The amount of gas held in storage went over 57% of capacity on 14 May, compared to about 46% during the same period in 2019.

Meanwhile, France received 15 LNG cargoes since 30 April, one more compared to the period from 15-29 April.

As of 15 May, around 13 LNG cargoes are anticipated to arrive until the end of May, LNG Edge showed.

Abundant LNG supply has pressured prompt prices as there has been less industrial demand.

Strong wind and hydro power production have also limited gas demand in the past two weeks.

Temperatures are anticipated to be above seasonal norms until mid-June, according to meteorologist MetDesk.

Nuclear availability is set to be at a daily average of 4.9GW below the 2015-2019 average for the rest of May, according to grid operator RTE.

Sendout has averaged 84mcm/day from 30 April to 14 May, which is the same amount compared to the previous fortnight. For the same period last year, sendout was 10mcm/day lower.

LNG stock level since 30 April was an average of 437mcm, 88mcm lower this year compared to the same days in 2019.

The PEG Q3' 20 contract spread to TTF increased to an average of a €0.175/MWh discount on 15 May, compared to a discount of €0.15/MWh on 30 April.

The Fos Tonkin LNG terminal regasification reduction of 35% started on 11 May and will end on 23 June.
Laura Mendes

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TRADED RANGES FOR KEY GAS CONTRACT FOR THE PERIOD: 30 APR 2020 TO 14 MAY 2020								€/MWh
Markets	Day-ahead		June '20		Winter 20		Summer 21	
	Low	High	Low	High	Low	High	Low	High
NBP	4.839	5.779	4.606	7.148	12.052	12.756	10.778	11.413
Zeebrugge	4.546	5.491	4.865	5.557	n/a	n/a	11.148	11.148
ZTP	4.900	5.500	5.525	5.575	11.520	11.520	n/a	n/a
TTF	4.875	6.325	5.075	6.400	11.275	12.000	11.075	11.750
GASPOOL	5.450	6.400	5.315	6.285	11.585	12.150	11.535	11.870
NCG	5.425	6.450	5.550	6.600	11.765	12.400	11.665	12.170
PEG	5.000	5.850	5.000	6.200	11.510	11.885	n/a	n/a
VTP	6.275	7.525	6.200	7.425	11.930	12.450	12.150	12.550
PSV	6.600	8.000	6.700	8.250	12.950	13.525	13.150	13.500

STORAGE COMMENT

Injections to continue through end of June

Contango on the forward natural gas curve suggests shippers will continue to inject volumes into storage sites through to the end of June.

As spot and front-month prices at the European gas hubs have continued to slide during the first half of May, injections outstripped their rate from a year earlier.

ICIS price assessements showed the Day-ahead contract at the Dutch TTF closed €0.24/MWh above the front month between 29 April-13 May.

This situation would generally discourage injection with a short turnaround.

But the Q3 '20 contract has changed hands at €1.23/MWh above the spot price during that period, while the Winter '20 contract has reached a premium of €6.49/MWh above the Day-ahead on 7 May, making injections economic in the longer term.

A year earlier, Day-ahead contracts held an average premium of €0.165/MWh over the front month, whereas the front quarter traded just €0.38/MWh above the spot price.

Aggregated data from storage operators showed that sites across Europe were 64.5% full on 13 May, holding 63.4 billion cubic metres (bcm) of gas.

Sites were 15 percentage points fuller than on the same day in 2019 and the highest on record.

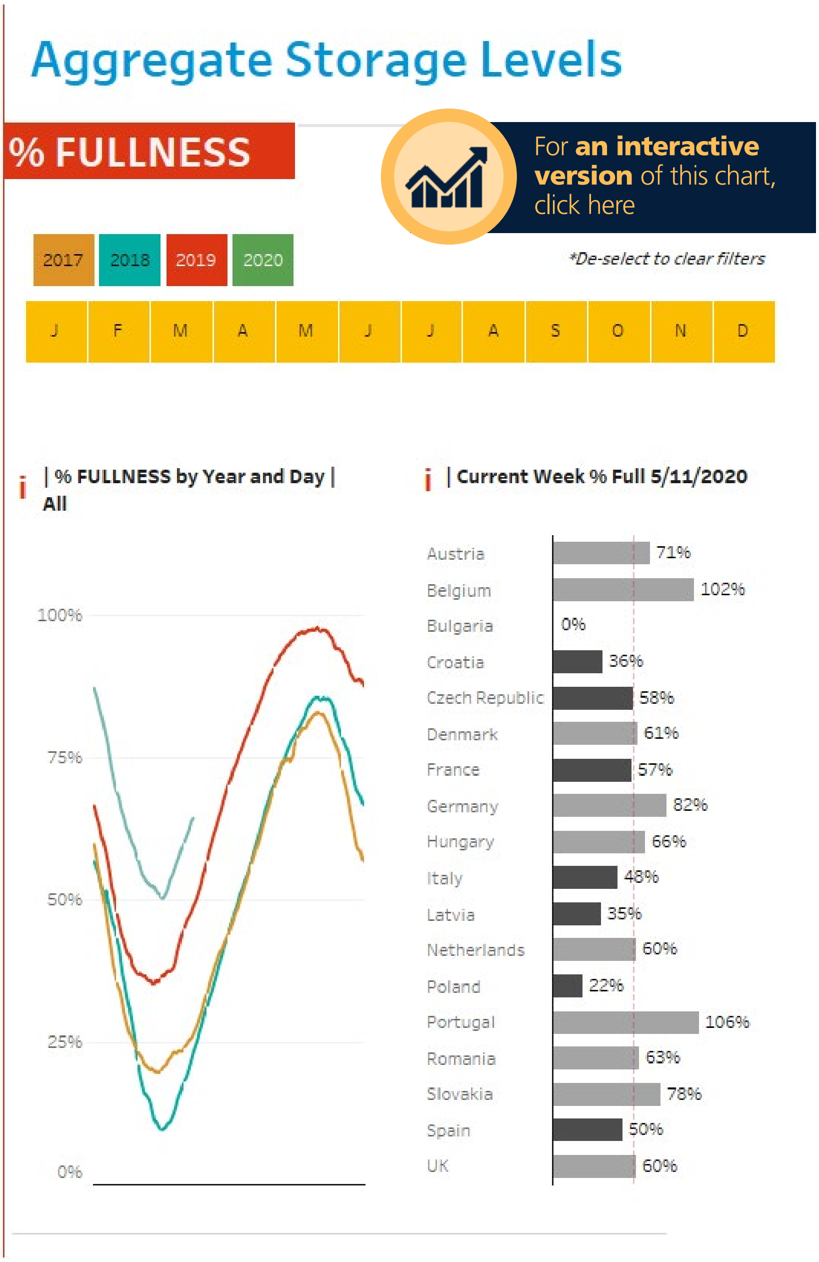
The contango has encouraged shippers to inject at a rate of 348 million cubic metres (mcm)/day, 30mcm/day higher than the same dates a year earlier.

The current volume leaves 34.9bcm available to fill before stores hit capacity.

Injections are also likely to fill earlier as traders have indicated €5/MWh as a potential price floor.

This means that prices falling below this level may make Norwegian production unprofitable, prompting a reduction in supply.

LNG influx could also taper off in the coming months, after TTF prices fell below the US Henry Hub, which led to the cancellation of LNG cargoes. **Gretchen Ransow**



The influx of LNG to Europe is likely to slow down further into the summer with Asian deliveries picking up pace as demand grows

A measured increase in LNG demand and some seller optimisation mean trade flows over the coming weeks will return to a more normal pattern, with Asia receiving more LNG relative to Europe.

The market remains highly challenging for sellers, however, with lower production and extended vessel journeys being two ways of managing the oversupply.

Those LNG producers who can switch between Asia and Europe, notably the US, Qatar and Nigeria, focused on shipping LNG to Europe in April and in May to date, with lesser comparative sales into Asia.

But analysis of future destinations shows that LNG sales to Asia will rise in the coming weeks, according to LNG Edge.

Europe has been the largest consumer of US LNG by a distance in 2020 but this looks likely to change in May amid rising US exports into Asia.

The switch comes despite prompt Asian spot LNG prices remaining at close to record lows.

> Europe will remain a vital market for US LNG sellers in the coming months

It is in part driven by the return of China buying US LNG, which may prove to be short lived, at least on a spot basis.

But Indian imports of US LNG will reach a 2020 high in May which will offer sellers some hope heading into the summer.

South Korea's SK Group lifted a first contractual cargo from the US Freeport project on 11 May, destined for South Korea. Thailand has also stepped up imports of US LNG on both a spot and term basis, with strong demand expected to continue.

Oil-indexed sales of Henry Hub-priced US LNG are still lucrative but margins will erode later in the year as lower current oil prices filter through to LNG contracts.

Prompt spot sales are not attractive from a US seller's perspective, whether into Asia or Europe. But with the first half of August recently rising to $2.90/MMBtu in East Asia, there may be some hope for sellers of further price increases.

Europe will remain a vital market for US LNG sellers in the coming months, especially with questions over the level of demand to come from Americas' buyers.

The swing in Nigerian LNG sales is particularly strong.

Future Nigerian deliveries are almost evenly split between Europe and Asia over the coming weeks. The portfolio sellers with a share in Nigeria LNG – Shell, Total and Eni – all have positions in Europe where they can place cargoes in the absence of Asian demand or spot price weakness. A number of Nigerian LNG cargoes diverted away from Asia and instead delivered to Europe but this trend has now slowed. Some vessels continue to move at very slow speeds, however.

Asia is the key consumer of Qatari LNG, typically receiving substantially more than Europe, although the difference reduces over the summer.

So far in May, Asia only leads Europe narrowly – and the UK was the largest importer of Qatari LNG globally in April. But more Qatari cargoes are heading to Asia in the coming weeks, despite no substantial rise in sales to India, according to LNG Edge. Further into the summer, Qatari cargoes could switch destinations within Europe as was the case last year. This may be driven by hub pricing or underlying storage availability.

Russian Yamal LNG exports will overwhelmingly continue to flow to Europe, and remain there, in the absence of price signals to then ship into Asia. **Ed Cox**

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