

Gas market update

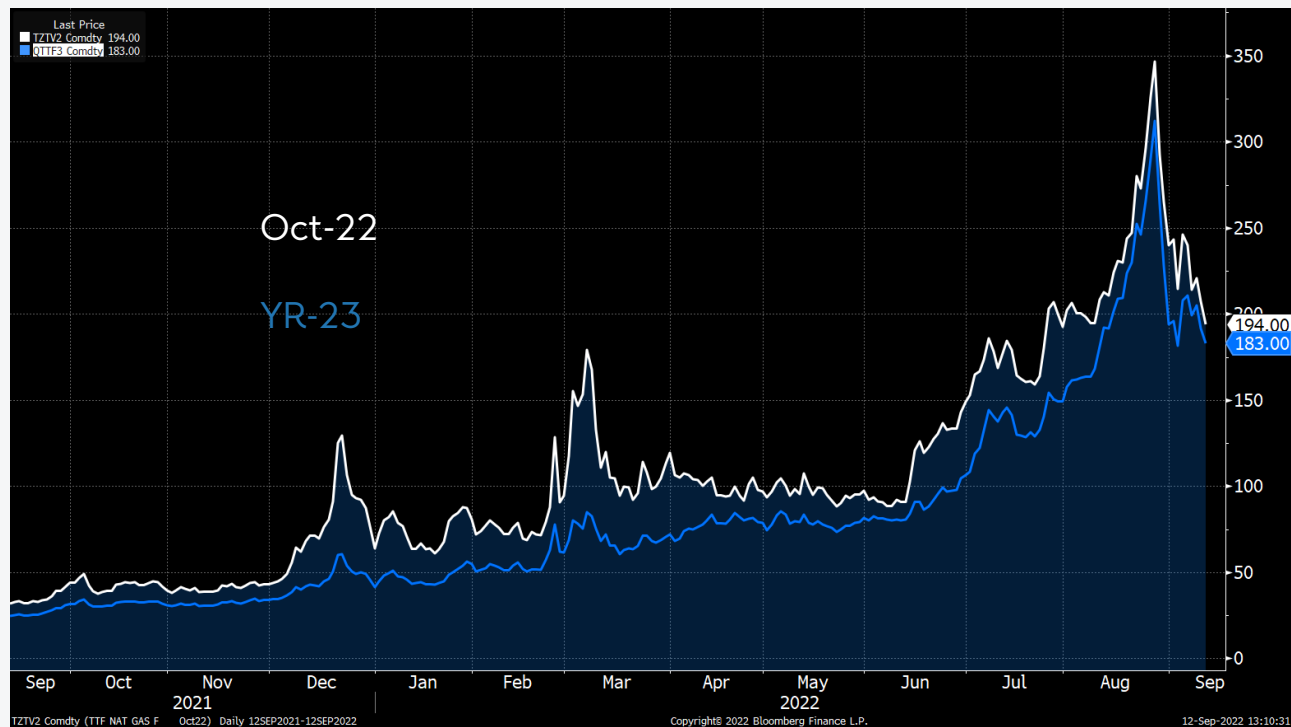
A low-angle, light blue-tinted photograph of two men playing basketball. One man in a blue t-shirt is jumping high on the right, reaching for a basketball. Another man in a blue and white plaid shirt is jumping on the left, also reaching for the ball. A basketball hoop and backboard are visible in the center. The background is a clear blue sky.

Orsted A/S
External Portfolio Management

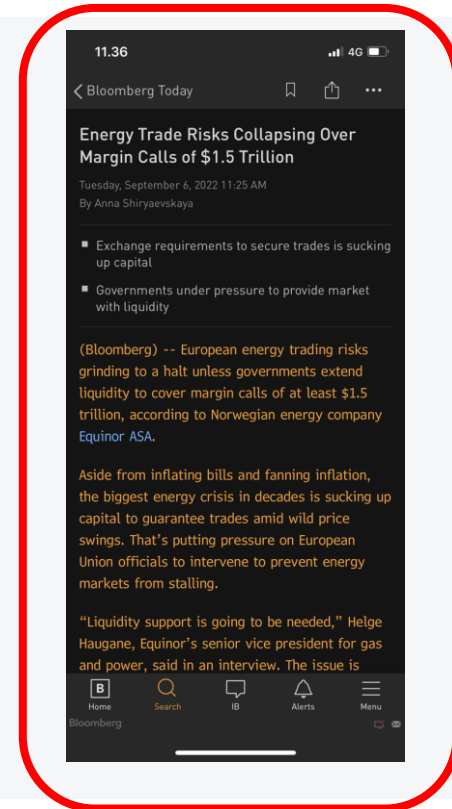
Henrik Gaarn Christensen



TTF Gas prices



2 main events last couple of weeks



Credit crunch

Probably mainly a power ting, but could also have had spill-over effects on the gas market

Denmark Sets \$13.5 Billion State Guarantee for Power Companies

By Christian Wienberg

(Bloomberg) -- Denmark will provide a loan guarantee of 100 billion kroner (\$13.5 billion) for the country's power companies to help prevent the energy sector from getting wrong-footed by rapidly rising prices.

"Ultimately, some power companies could risk going under" if energy prices keep rising, Business Minister Simon Kollerup said on Thursday at a Copenhagen press meeting. If energy companies should collapse, it could lead to even higher prices, he said.

The move follows similar guarantees announced in Finland and Sweden over the weekend.

QuickTake

Why Europe
the Way P

Read Quick

Axpo secures EUR 4bn credit line from Swiss government

(Montel) The Swiss government has granted utility Axpo an unsecured credit line of up to CHF 4bn (EUR 4.1bn), the company said on Tuesday.

With the support, the firm aimed to ensure it could cover collateral requirements of long-term power supply contracts, it added in a statement.

The company's board applied for the credit last Friday, with officials approving the request on Monday.

"Paradoxically, while in the short term we are confronted with the challenges of an historic energy crisis, Axpo's long-term outlook remains positive. We have therefore made the responsible, proactive decision to apply for this additional financing," said Axpo CEO Christoph Brand.

"Extreme prices"

The company cited "the extreme price increases of recent months... that had led to a massive rise in liquidity requirements across the European energy sector" as behind its application for support.

"By taking this action, we want to ensure that the company can continue to make its vital contribution to Switzerland's security of energy supply, even if the highly uncertain market situation intensifies further as we approach the winter," Brand said.

Utilities have been struggling across Europe amid an energy supply crisis due to Russia's war in Ukraine, which has seen prices surge to unprecedented levels, with the likes of Germany's Uniper given government support amounting to billions of euros.



Germany's energy bill spirals as Uniper seeks more cash

about 11 hours ago

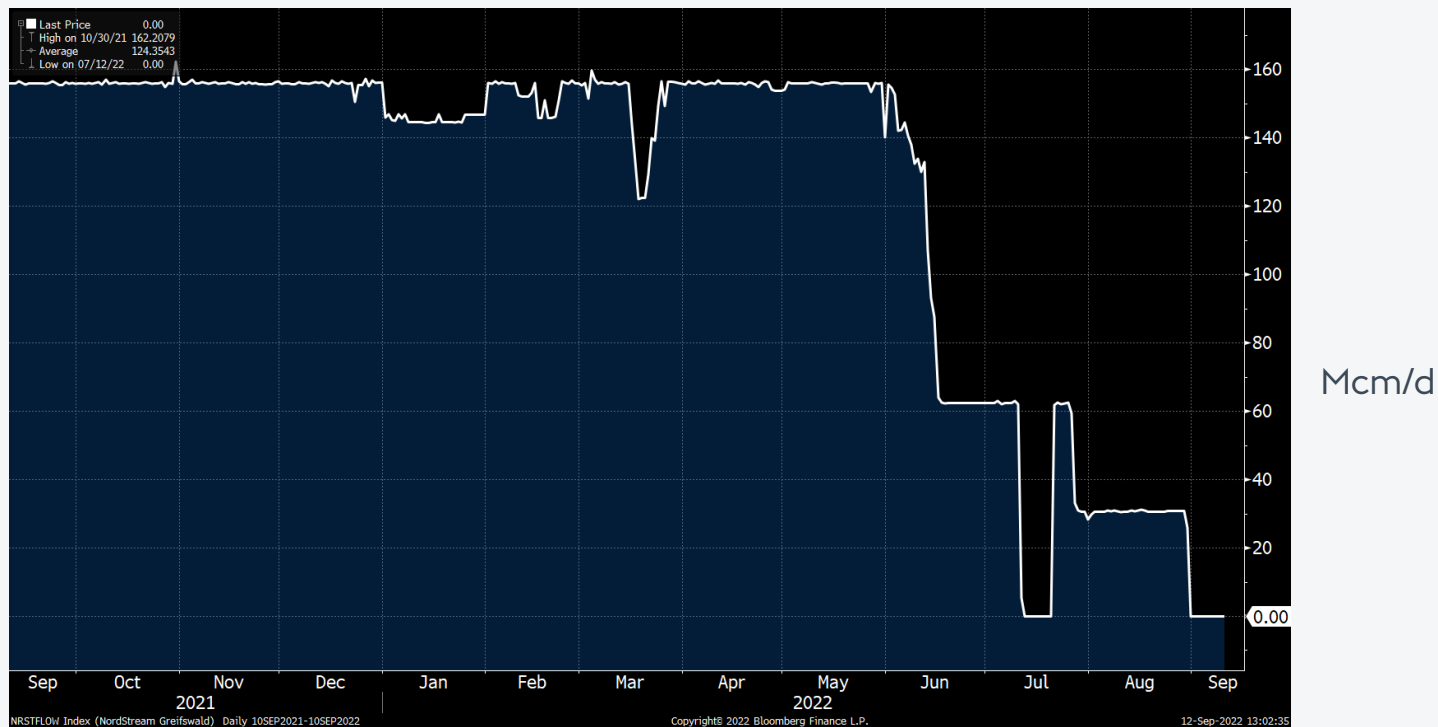
FRANKFURT/DUESSELDORF, Aug 29 (Reuters) - Uniper requested more financial help from the German government on Monday, raising the bill for bailing out the utility group to an eye-watering 19 billion euros (\$19 billion), as soaring gas and power prices burn up its cash reserves.

- Gas prices to fall soon as Germany hits storage targets, says minister
- Germany secures link to planned Baltic Sea renewable energy island
- Germany's Scholz: we'll get through winter better than some thought

2 main events last couple of weeks



NorthStream 1 flows



TTF Front month



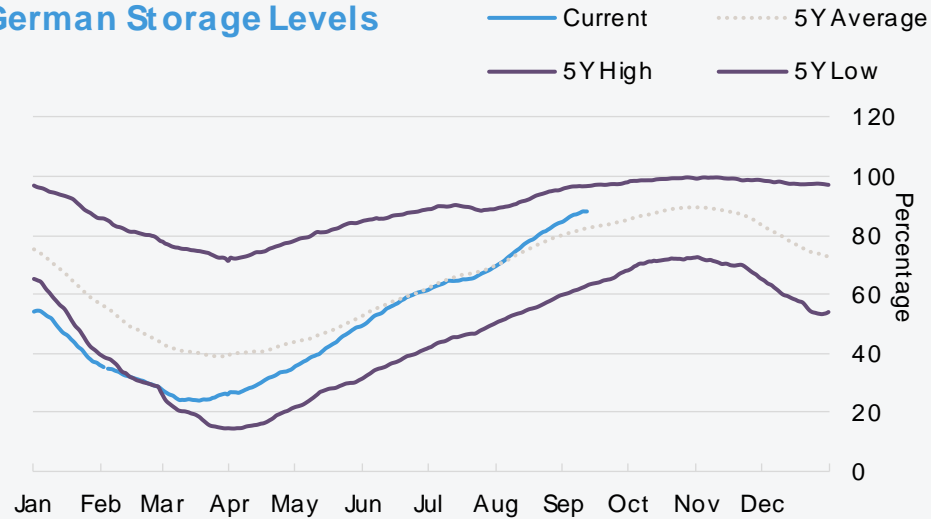
TTF Front month



EUR/MWh

German gas storage situation

German Storage Levels



Political intervention? EU energy ministers meeting

Gas prices are already easing, at least in part because of the bloc's plans. The commission proposes:

- Two targets on power demand reduction: an objective to cut overall consumption and a mandatory goal on lowering demand during selected peak hours. The mandatory goal for peak hours would involve selecting 3-4 hours per weekday. It could also include hours where electricity generation from renewables is expected to be low.
- An “exceptional and temporary” levy on companies in oil, gas, coal and refinery industries based on their extra profits. It will set a minimum level with member states allowed to apply a higher rate. Based on the pre-tax profits of the fiscal year starting in 2022 that are higher -- by a yet-to-be determined percentage -- than average pre-tax profits for the three years starting 2019.
- Capping excessive revenue of companies producing power from sources other than gas through a limit on the price of electricity generated from technologies such as renewables, lignite or nuclear. Cap will be set at a level to avoid “jeopardizing the availability and profitability of existing plants” and investment. It will apply to realized market revenues only and avoid targeting producers who had to hedge their revenues at a price below the cap level.

Actual
implementation is
crucial

Germany cal 23 power



Important topics going forward

Demand destruction

Europe Industries Cut Gas Use as Continent Saves Fuel for Winter

- Drop of 49% in the UK's usage is 'staggering': Citigroup
- Germany preparing to trigger second stage of emergency plan

Lithuanian fertiliser group to halt output on energy crisis

(Montel) Lithuanian nitrogen fertiliser producer Achema will halt production from next week due to record high gas prices, it said on Wednesday, the Baltic News Service reported.

"In the current market situation, most Western fertiliser manufacturers are forced to stop their factories and Achema is no exception," the firm's CEO Ramunas Miliauskas said in a statement, according to the BNS.

The group had been operating at a third of capacity since last autumn due to high gas prices.

Only the production of resins and technical gases would continue for now, the company said.

"Production unviable"

"Record natural gas prices directly affect the cost of production, making the prices of our fertilisers uncompetitive compared to those of US and Russian producers," said Miliauskas.

The company is Lithuania's single largest gas consumer and has previously said it used 1.2bcm annually.

Gas consumption in the country fell by 35% in the first half of the year to 9.6 TWh, compared to the same period last year, utility Ignitis said in its latest H1 report.

Spot gas prices on the Lithuanian gas exchange Get Baltic were last seen trading at EUR 258/MWh, a staggering seven-fold increase from a year ago.

The crisis situation was mirrored across Europe, with gas prices having skyrocketed on a cut to Russian flows amid tensions with the West over the Ukraine war, with the region typically reliant on Russia for 40% of its needs.

On Tuesday, Polish industrials warned of a cut to production due to the unprecedented cost of fuels, while firms in the UK and Germany had made similar statements.

Reporting by:
Olav Vilnes
olav@montelnews.com
11:29, Wednesday, 24 August 2022

Dansk gassforbruk ned nesten 30 prosent i år

(Montel) Forbruket av naturgass i Danmark falt med 29,3 prosent i første halvår av 2022 sammenliknet med samme periode i fjor, kommer det fram av en fersk statistikk fra Energistyrelsen.

Det faktiske energiforbruket steg derimot med 1,7 prosent, blant annet fordi bruken av olje og kull steg med henholdsvis 19,4 og 1,1 prosent.

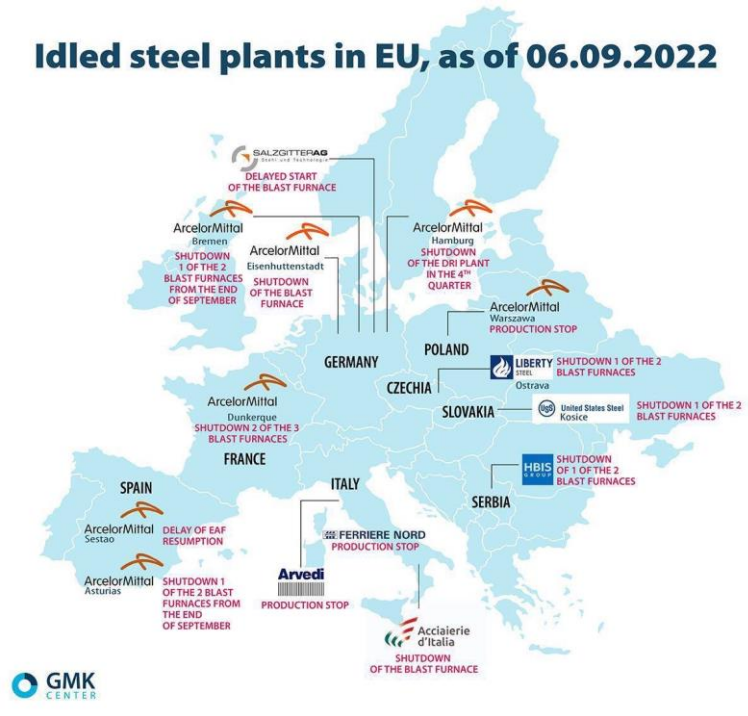
På produksjonssiden hadde vindkraft hadde en økning på 28,5 prosent som følge av bedre vindforhold enn samme periode i fjor. Dette medfører at vindkraften sto for 52 prosent av den innenlandske kraftforsyningen i første halvår, hvilket er en økning på 11 prosentpoeng, opp fra 41 prosent året før.

Kraftproduksjonen fra solceller økte med 63,4 prosent, både fordi man så en økning på 17 prosent i antall soltimer, men også fordi flere solcelleanlegg har blitt tatt i bruk, ifølge Energistyrelsen.

Den samlede energiproduksjonen steg med 4,6 prosent i forhold til samme periode i fjor, hvorav produksjonen av fornybar energi steg med 7,8 prosent, og råolje med 4,0.

Demand destruction

Idled steel plants in EU, as of 06.09.2022



Eurometaux

METALS: AT THE HEART OF EUROPE

To: President of the European Commission Ursula Von der Leyen, President of the European Parliament Roberta Metsola, President of the European Council Charles Michel

Cc: Executive Vice Presidents Frans Timmermans, Margrethe Vestager, Valdis Dombrovskis; Commissioners Thierry Breton, Paolo Gentiloni, Ms. Kadri Simson, European Commissioner for Energy

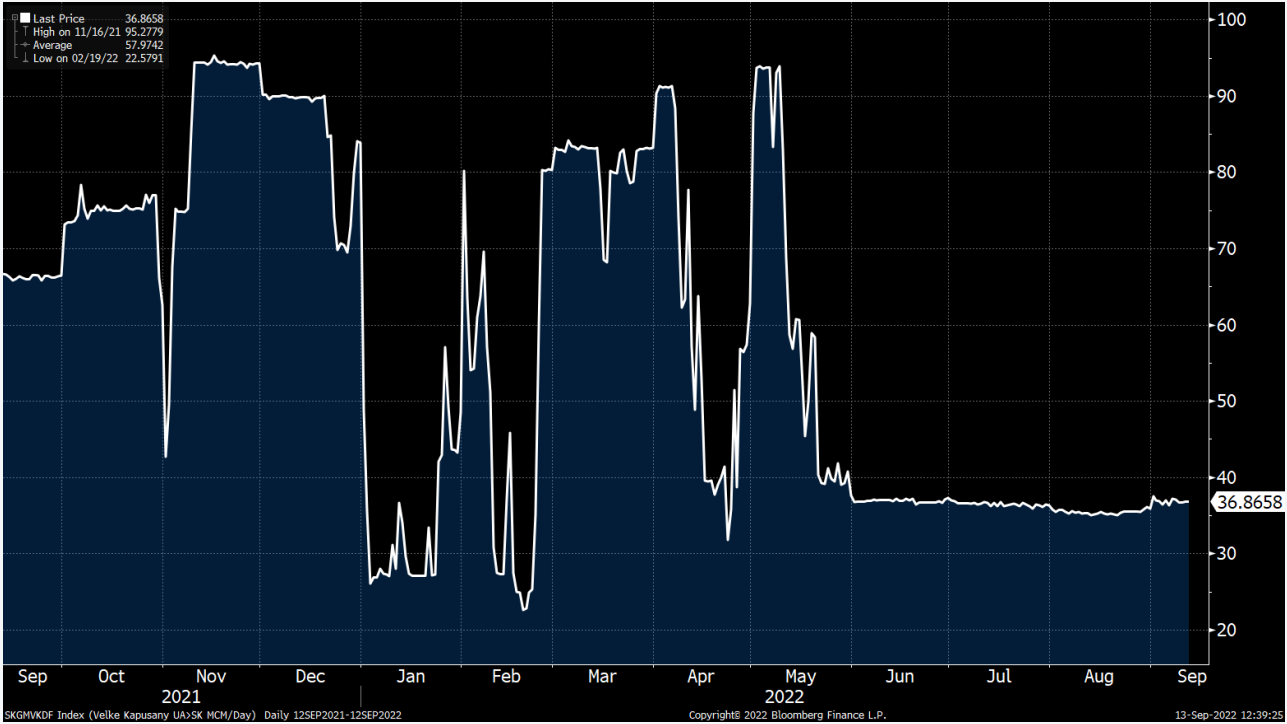
September 2022

RE: Europe's non-ferrous metals producers call for emergency EU action to prevent permanent deindustrialisation from spiralling electricity and gas prices

Dear Ms President Von der Leyen, dear Ms President Metsola, dear Mr President Michel,

Ahead of Friday's emergency summit, the business leaders of Europe's non-ferrous metals industry are writing together to raise the alarm about Europe's worsening energy crisis and its existential threat to our future. Our sector has already been forced to make unprecedented curtailments in the last 12 months. We are deeply concerned that the winter ahead could deliver a decisive blow to many of our operations, and we call on EU and Member State leaders to take emergency action to preserve their strategic electricity-intensive industries and prevent permanent job losses.

Gas flow through Ukraine

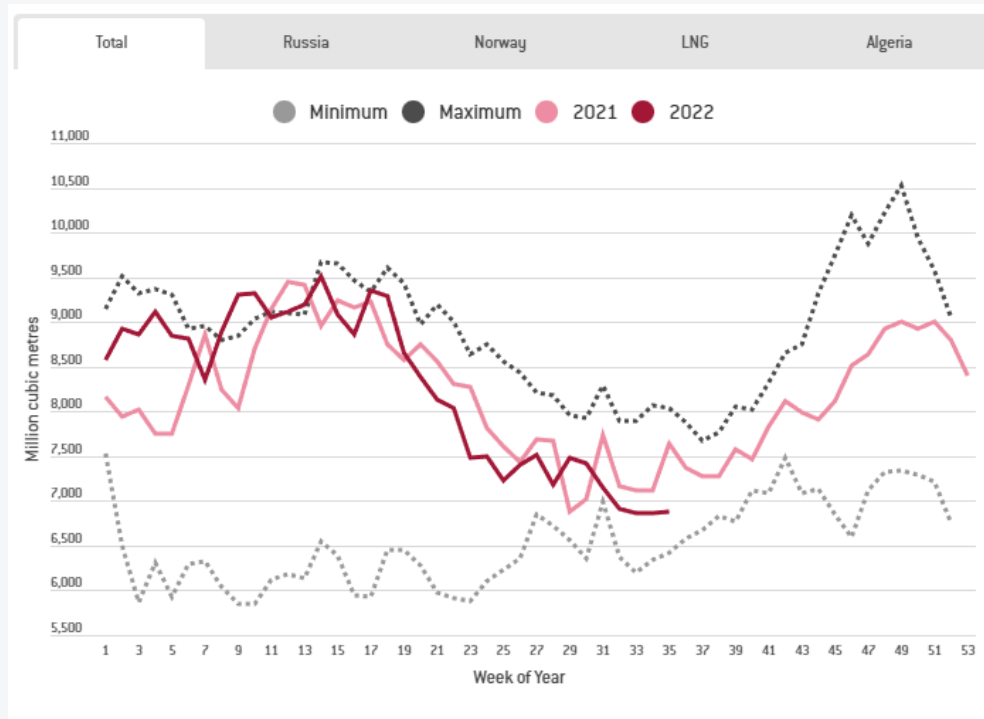


How will the winter play out?



General insights

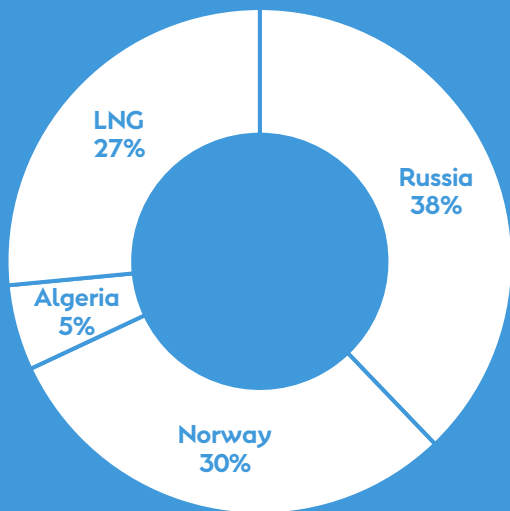
Total import



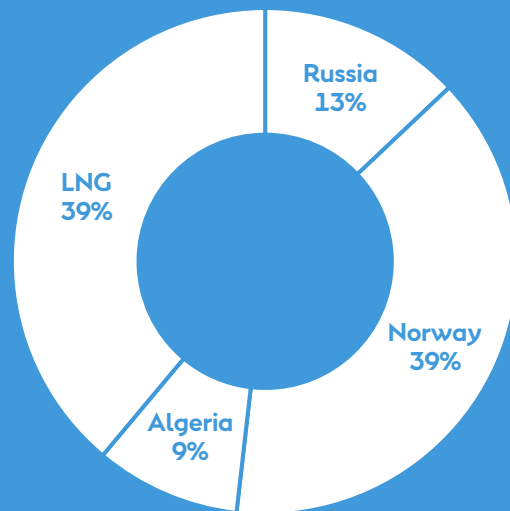
EU imports more than 80% of its gas

EU gas imports

2020



LATEST 5 WEEKS





Global Gas Pricing (UK, NL, USA, Japan/Korea)



LNG expansion plans

Qatar to construct world's largest LNG project

- Project, one of largest energy investments over past years, will raise LNG production by 43% annually to 110 million tons

home -> Natural Gas, Energy Security, Energy Projects, Middle East-Africa 10.02.2021 11:30 Büğüranur Beğcecanlı



Qatar Petroleum announced Monday its decision to build the first phase of the North Field East (NFE) project, in what the company said was the world's largest liquefied natural gas (LNG) project ever in terms of capacity.

Qatar, the world's largest LNG supplier, aims to expand its LNG production from the North Field, which is the world's single largest non-associated offshore natural gas field.

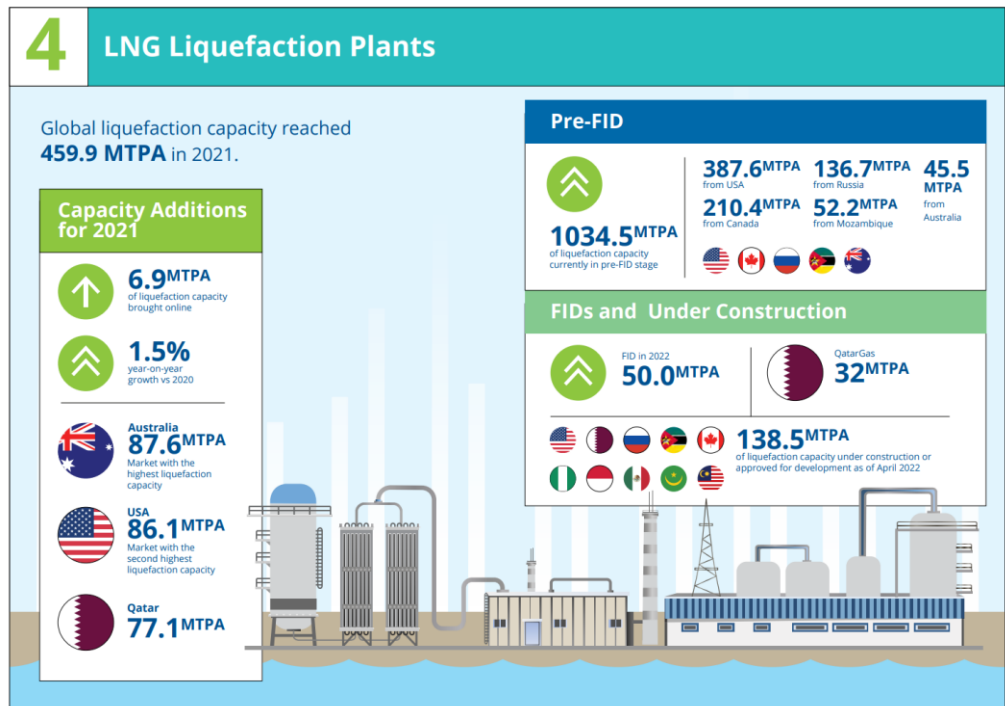
The project will also raise the country's LNG production capacity from 77 million tons annually to 110 million tons.

In addition to LNG, the project will produce condensate, LPG, ethane, sulfur and helium.

The contract covers the construction of four giant LNG production lines with a capacity of 8 million tons per year each, in addition to gas processing facilities, natural gas liquids recovery, and helium extraction and refining facilities in Ras Laffan Industrial City, Qatar's main site for LNG and gas-to-liquid production.

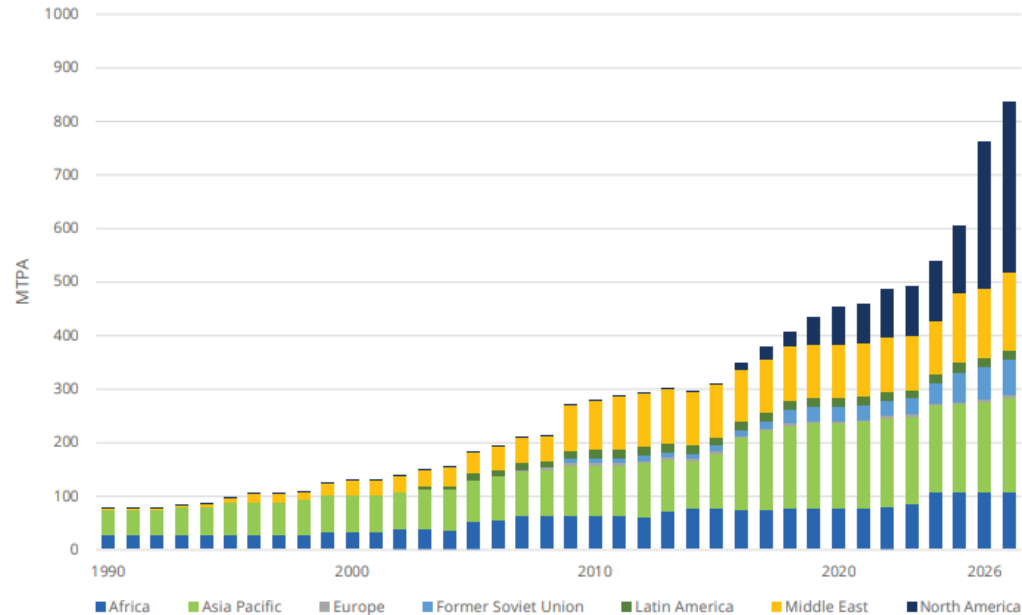
It is expected to start production in the fourth quarter of 2025 and its total production plans to reach about 1.4 million barrels of oil equivalent per day.

Global LNG production



Global LNG supply forecast

Figure 4.1: Global liquefaction capacity growth by region, 1990 – 2027



Source: Rystad Energy

1MTPA=1,3 bcm gas

EU usage ~ 500 bcm/y

Forward curves for gas

Gas forward curves

