



Gas Market Report – Q1 2022

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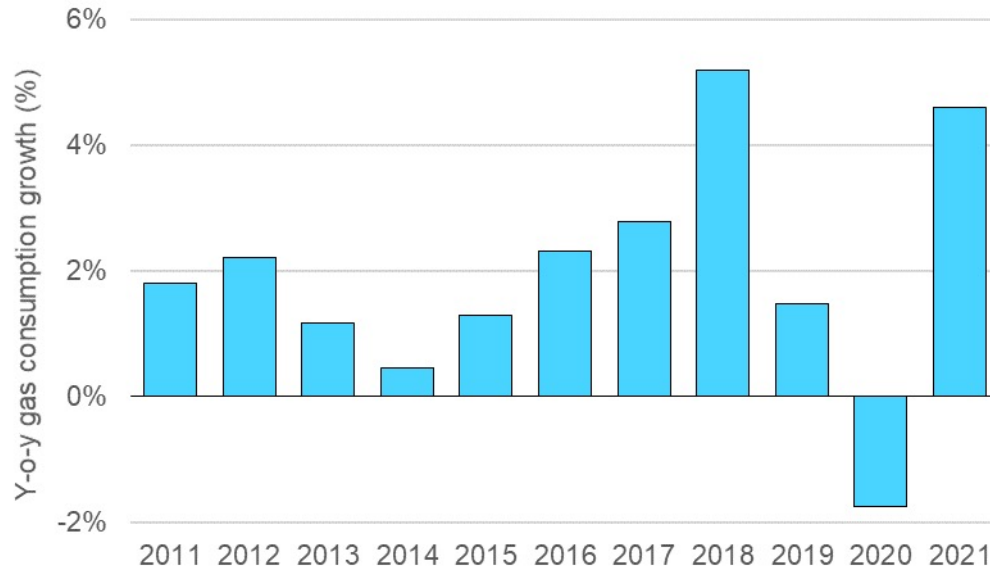
Istituto Affari Internazionali – Clingendael International Energy Programme, 01.02.2022

Some takeaways

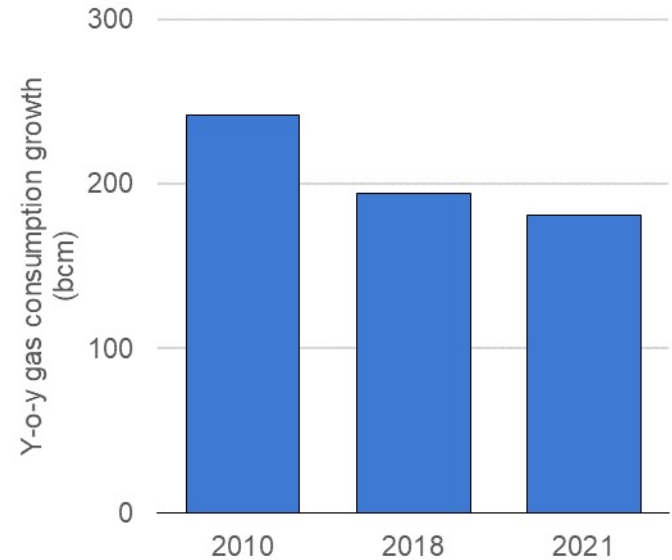
- 2021 ended on all-time record prices in Europe and Asia on tight supply fundamentals
- Global gas demand grew strongly on the combination of economic recovery and weather-related events, but rising prices led to a slowdown in the second half of the year.
- LNG market remained very dynamic with continuous growth of China which surpasses Japan as largest importer, tight summer supply in South America and then in Europe.
- The European market remained under strong pressure in Q4 as a drop in Russian pipeline deliveries and lower than average storage inventory led to a tight supply situation.
- Consumption growth is expected to cool in 2022 on higher gas prices, slower economic growth and an assumption of normal weather conditions.

Natural gas demand experienced strong growth in 2021

Change in global gas consumption in % (2011-2021)



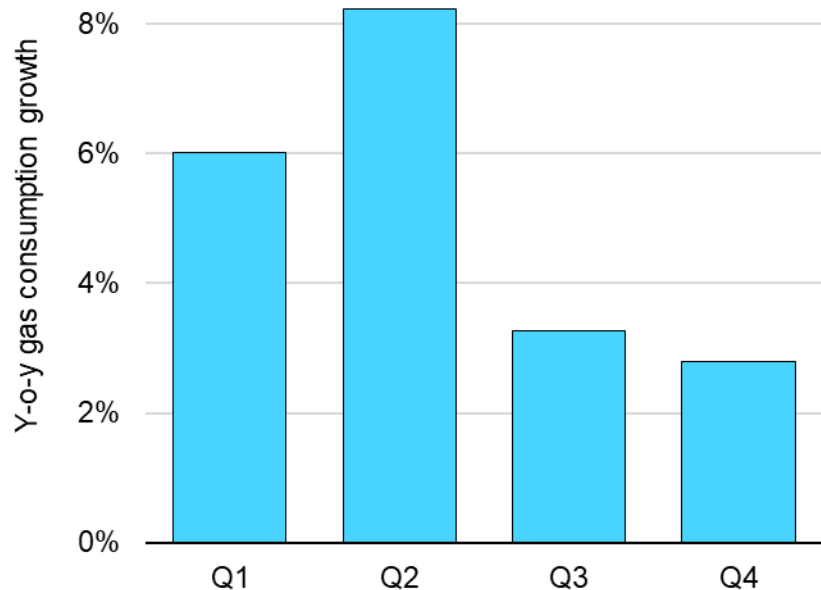
Largest annual changes in volume in global gas consumption



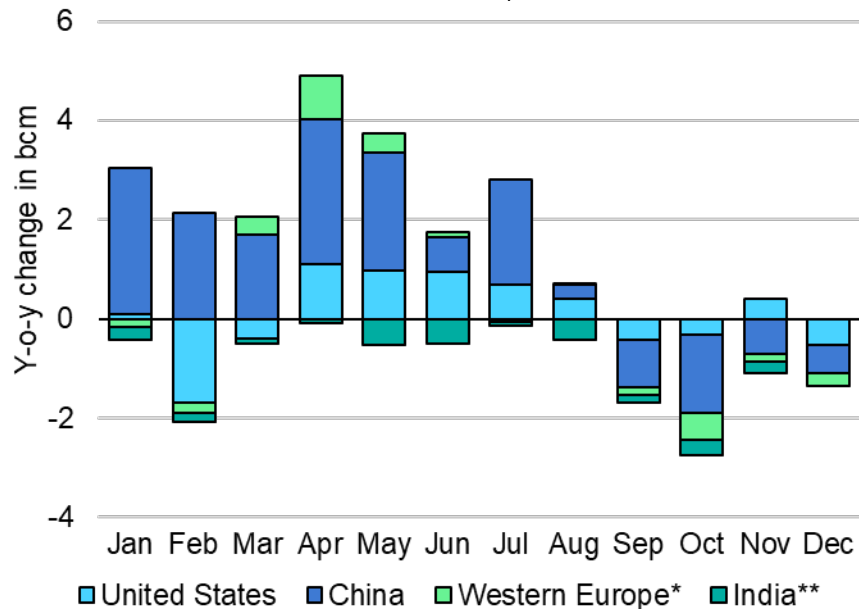
Global gas consumption grew by an estimated 4.6% in 2021 on a combination of economic recovery after lockdowns during 2020 and a succession of extreme weather events.

Gas growth suffered from high prices after a strong recovery in H1

Change in quarterly global gas consumption (2020-2021)



Monthly natural gas consumption by industrial customers in selected markets, 2021

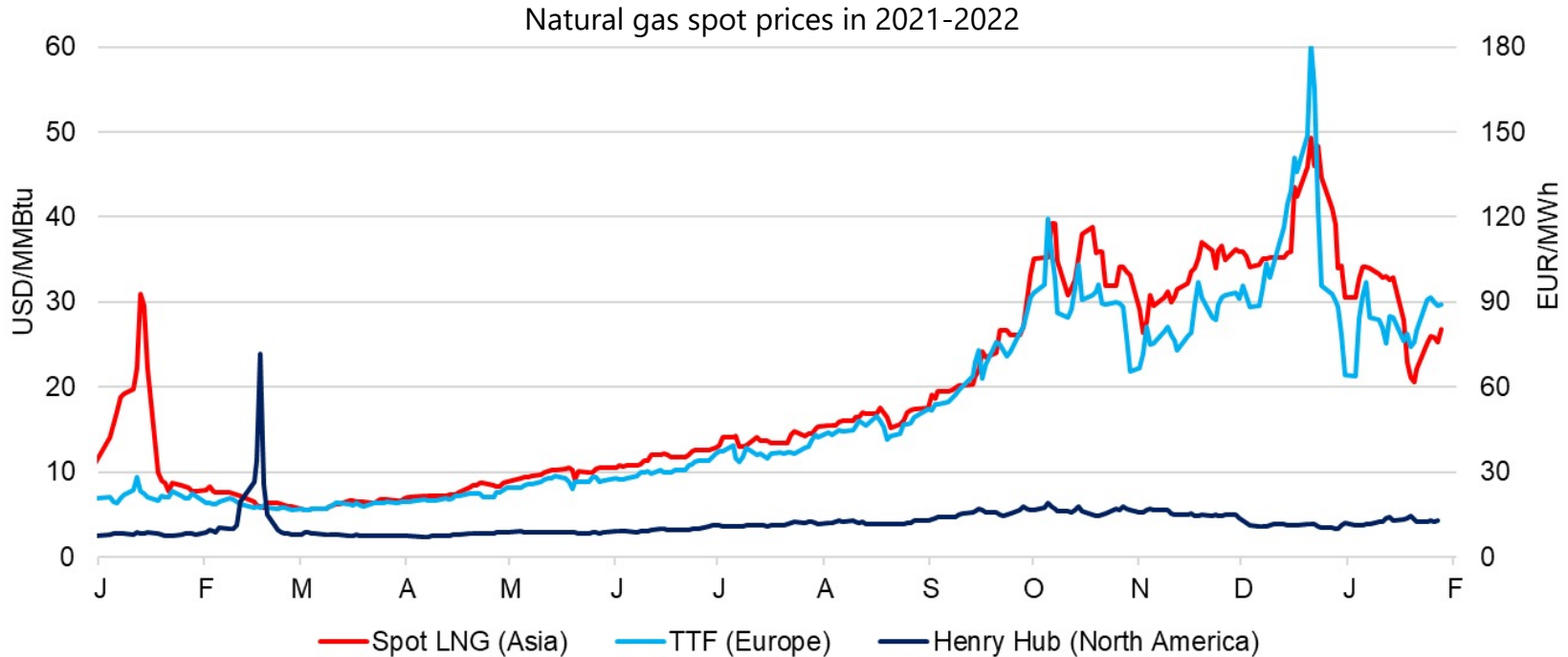


The progressive tightening of supply demand fundamentals and resulting increase in natural gas prices in H2 led to a slowdown in consumption growth, fuel switching and in some cases demand destruction.

* Belgium, France, Italy, Spain and the United Kingdom.

** December data not available at the time of writing. Refining and petrochemicals only. Fertilisers are not included as urea producers are subsidised and are thus partially shielded from rising feedstock costs.

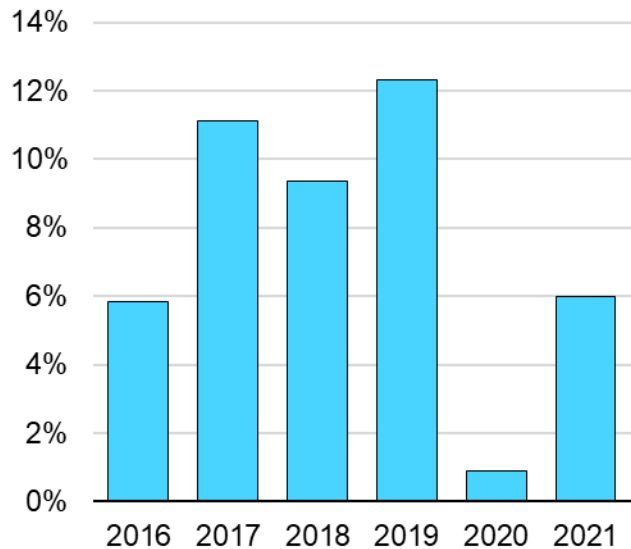
Gas prices in Europe & Asia reached all-time records in late 2021



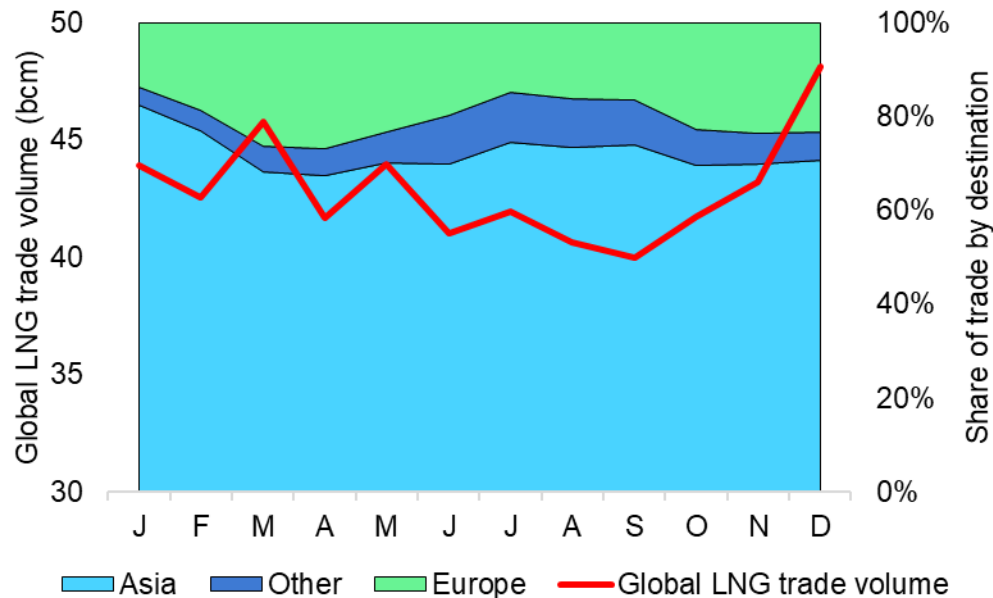
Spot gas prices in Europe and Asia have remained exceptionally high and volatile since the beginning of winter 21/22 on tight seasonal fundamentals.

LNG trade returns to higher growth with a 6% annual increase

Change in LNG trade (2016-2021)



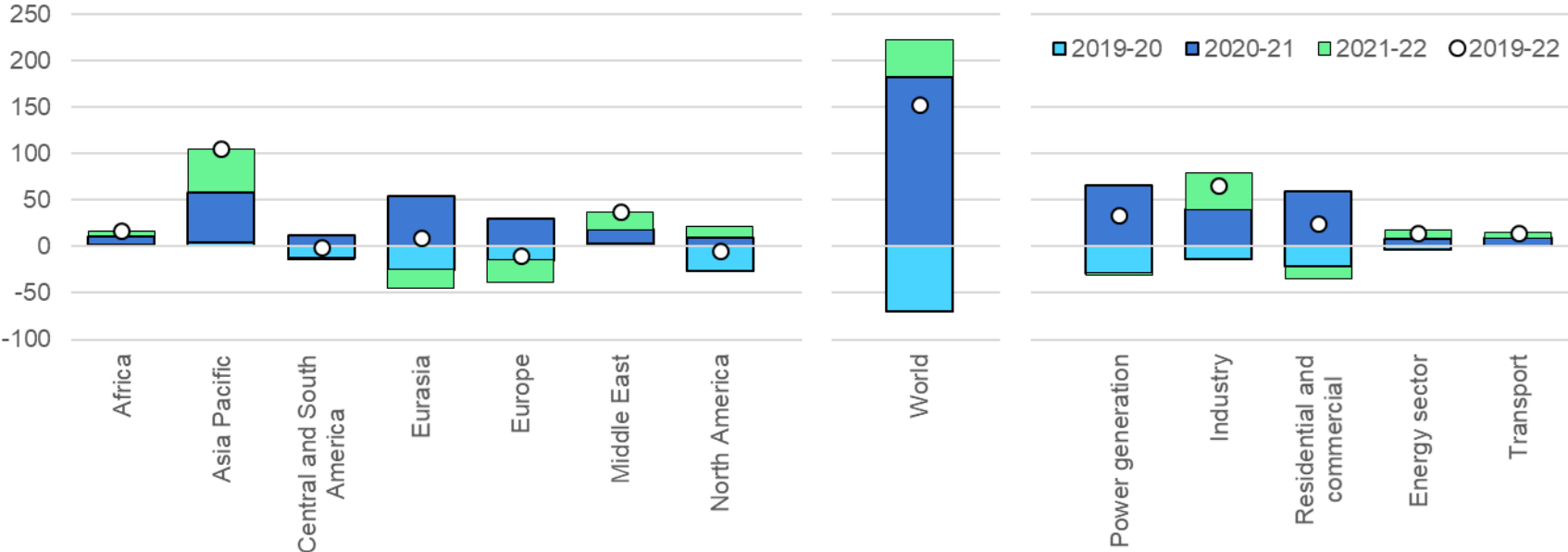
Monthly global LNG trade and share by main destination (2021)



US LNG was the main contributor to supply increase, while demand was driven by China's continuous growth (overtaking Japan as largest importer) and tight fundamentals in South America then in Europe.

Demand growth is expected to cool in 2022

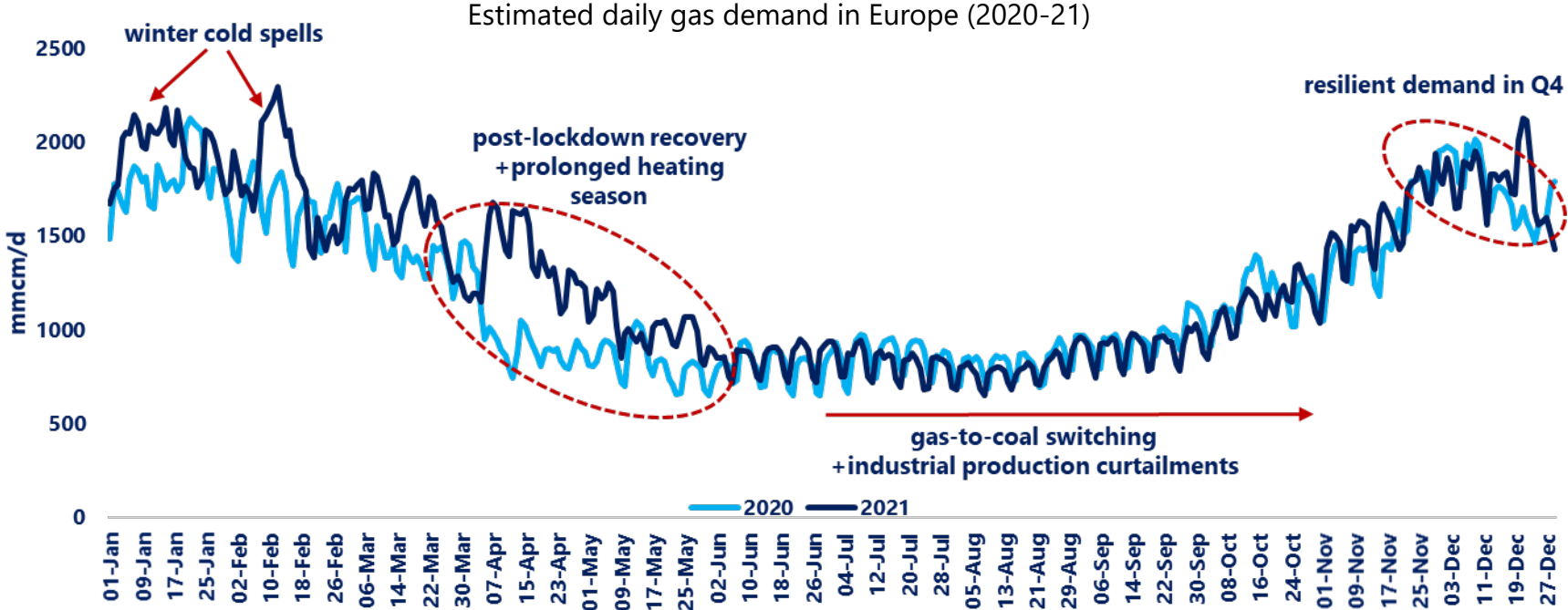
Gas demand evolution, 2019 to 2022, global, regional and sectoral (bcm)



Asia Pacific and industry are expected to keep driving demand growth in 2022, while 2021 gains from mature markets and heating needs are almost offset by declines.

Focus on Europe

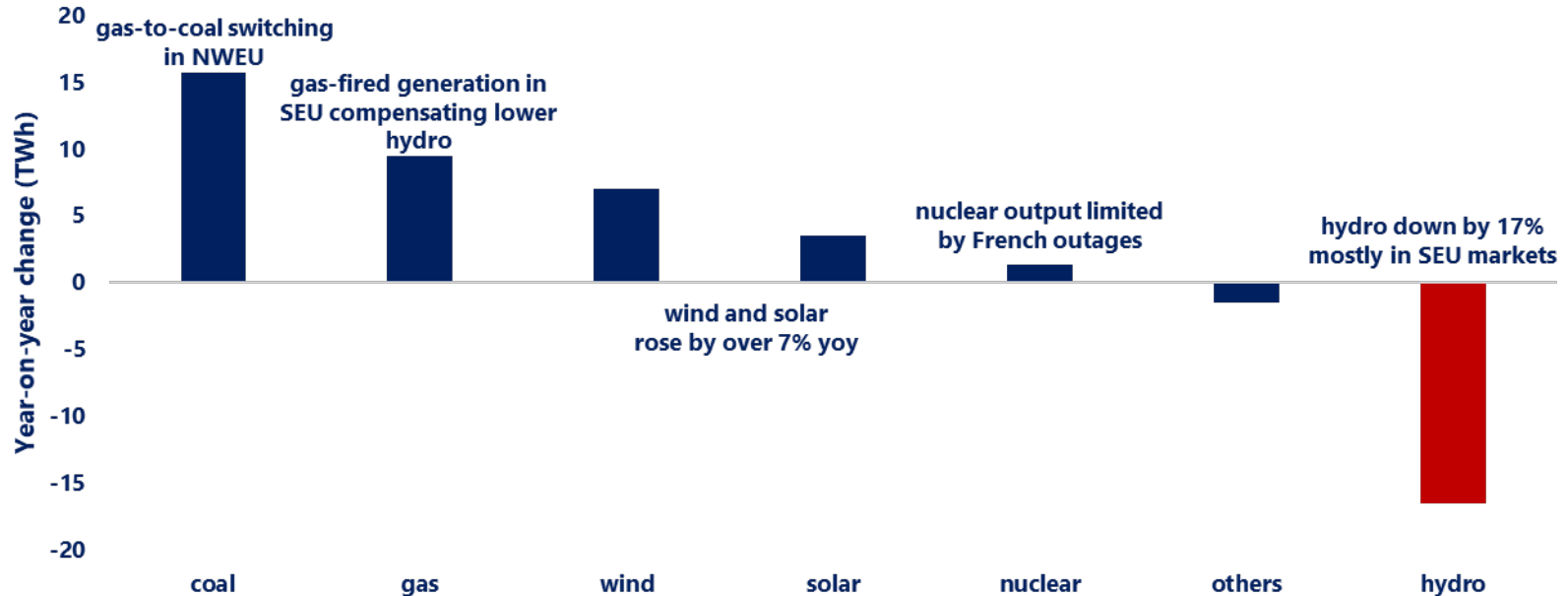
European gas demand grew by 5.5% in 2021



European gas demand growth was largely concentrated in the first half of 2021. Despite record high gas prices, demand remained resilient in Q4 2021.

The hydro factor: European hydro generation fell by 17% yoy in Q4

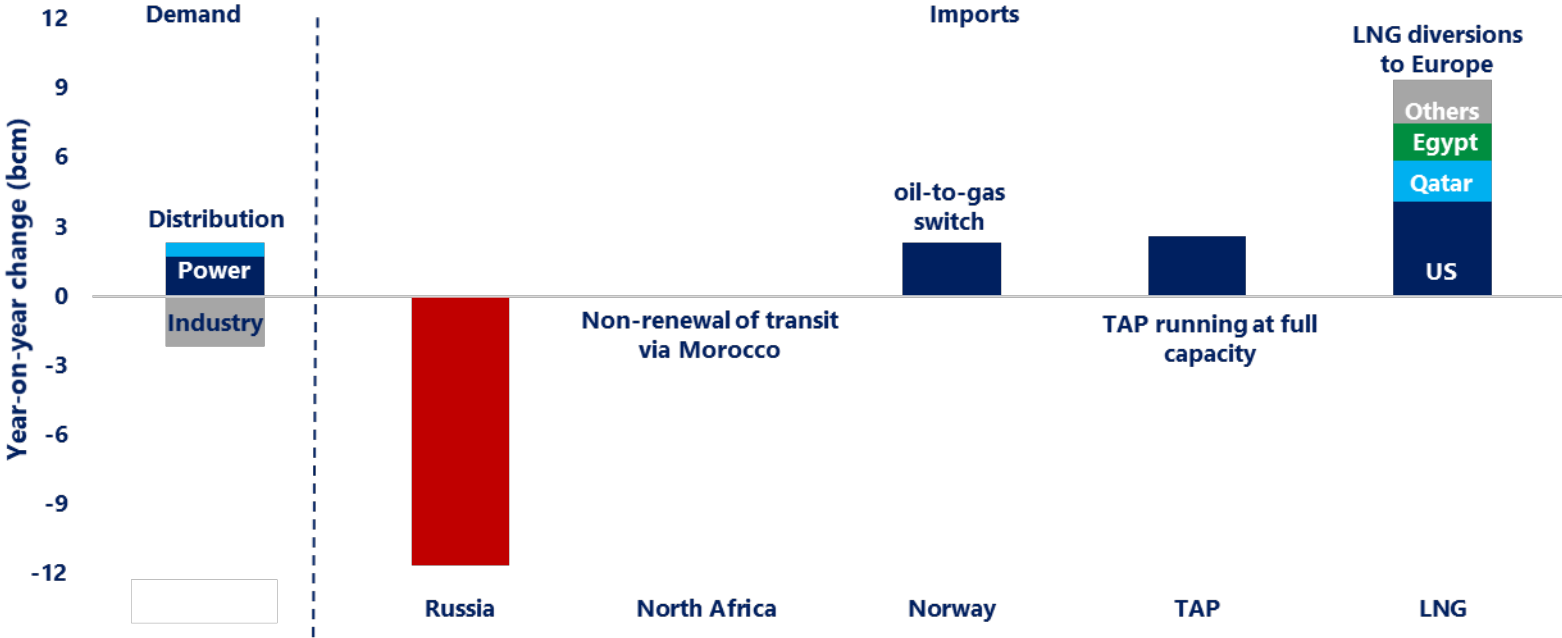
Estimated yoy change in European power generation in Q4 2021



European hydro generation fell by ~17% yoy in Q4, whilst nuclear remained muted due to outages in France. Additional market space was mostly captured by coal (in NWEU and CEU) and gas (in SEU).

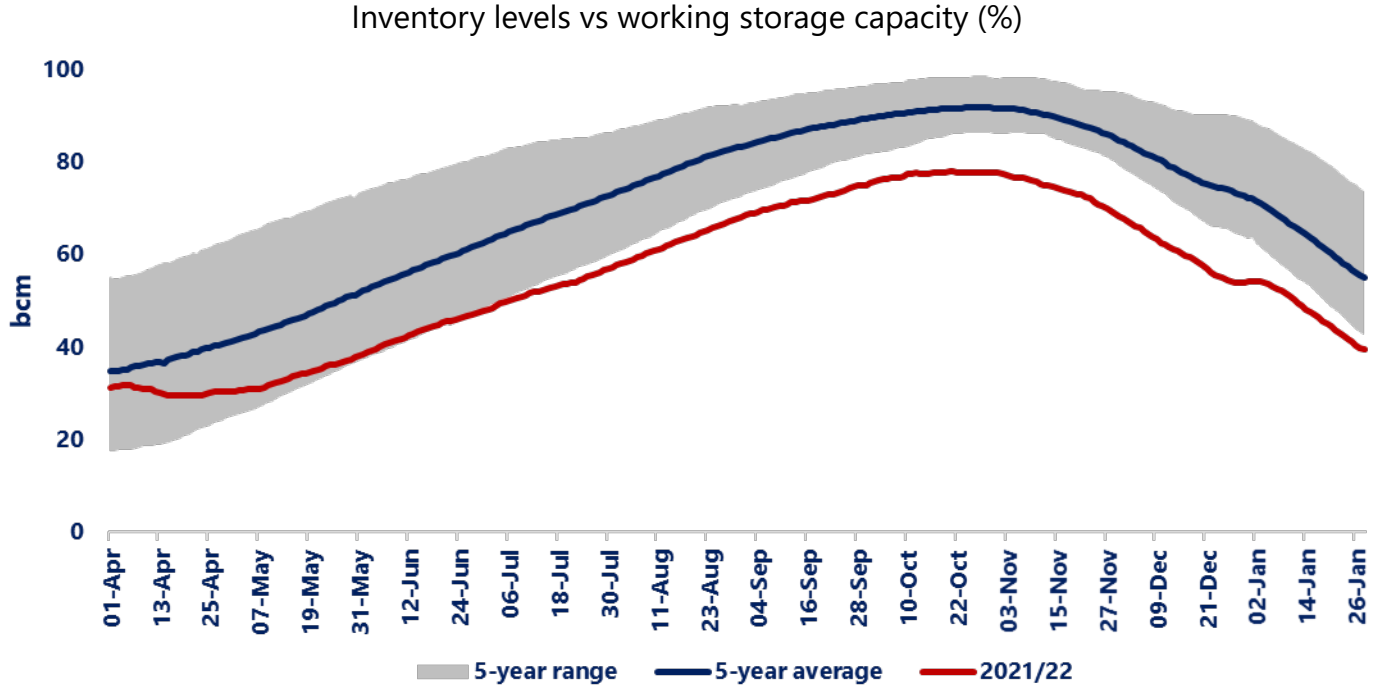
Pipeline deliveries from Russia to the EU fell by 23% yoy in Q4

European gas demand and imports by source in Q4 (2021 vs 2020)



Despite record high gas prices, Russian pipeline deliveries fell by 23% yoy in Q4. Lower Russian flows were partly compensated by higher LNG inflow, Norwegian supplies and the TAP pipeline.

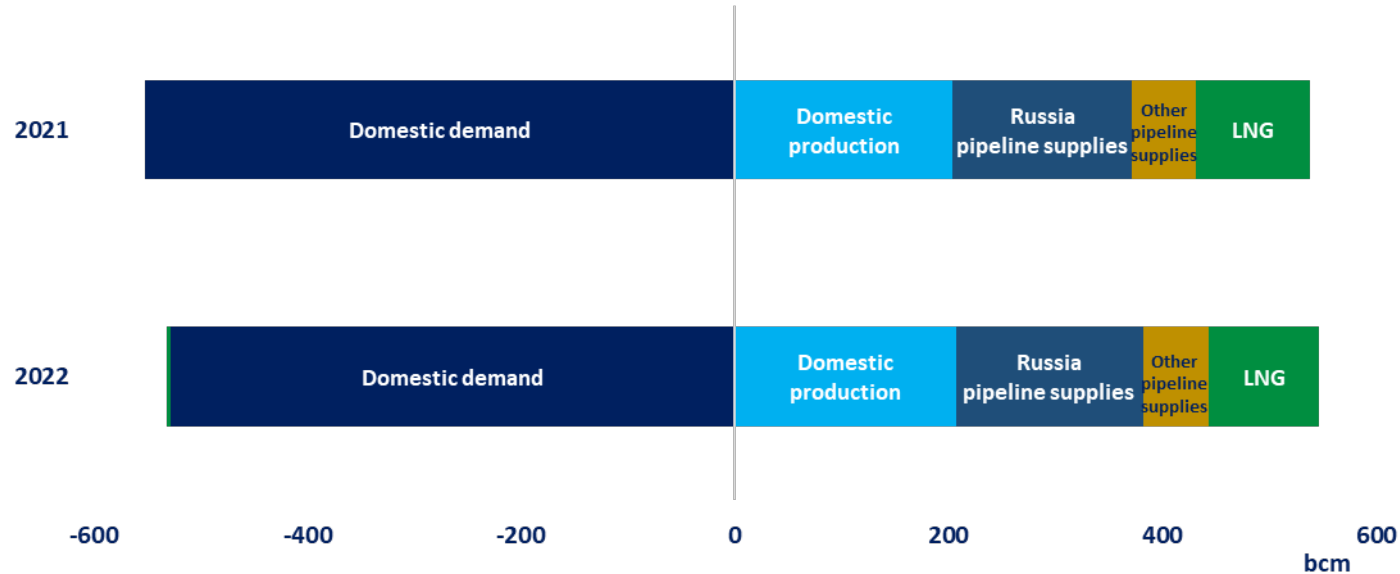
European gas storages are running low



European gas inventory levels fell to 38% of their working storage capacity by end of January 2022 and standing almost 30% below their 5-year average.

2022: an uncertain supply outlook for the European gas market

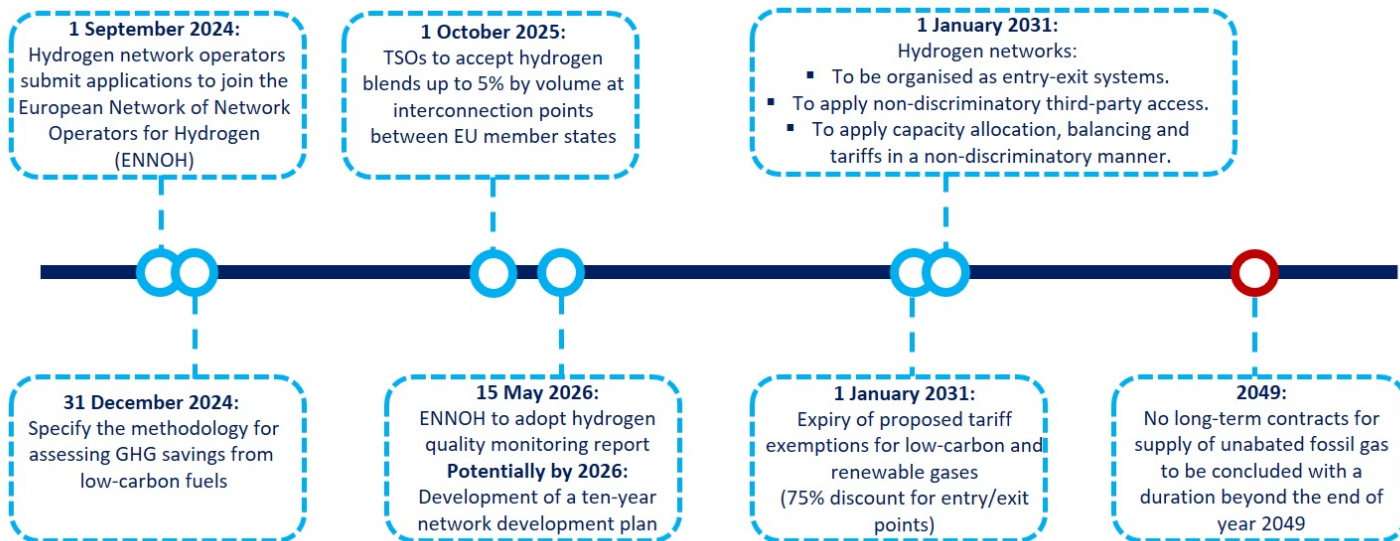
Europe's natural gas balance (2021-2022)



European gas demand is expected to drop by over 4% in 2022. High storage injection needs are set to tighten the summer market, amidst an increasingly uncertain supply outlook.

Scaling-up low-carbon gases will improve the resilience of the European gas market

Key milestones of the European Commission's Hydrogen and Decarbonised Gas Markets Package



The European Commission published its Hydrogen and Decarbonised Gas Markets Package in Dec2021, setting out the key principles along which low-carbon gases will be integrated.

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