

Global Energy Perspectives

Gas Supply Security Outlook

Three must-knows: #1

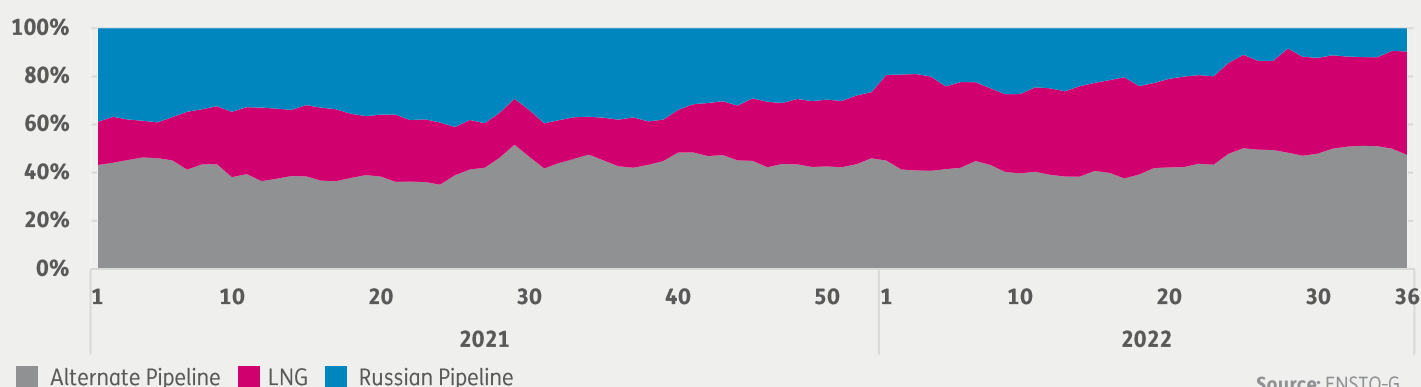
Russian gas is no longer the key variable to gas security this winter. With Russian volumes already so low, the ability to source LNG is now the main supply sensitivity for European security this winter.



EU Gas Supply Sources (Imports)

Russian gas has become much less significant, falling to just 9% of imports whilst LNG has increased to 43%

Graph showing EU supply sources from gas imports. Alternate Pipeline (Non-Russian pipeline), LNG and Russian Pipeline.



Russian gas volumes have declined by -45% YTD relative to last year, falling to 9% of EU gas imports.

Alternative pipeline sources have remained generally flat with small increases from Norway and Azerbaijan.

LNG has increased markedly however, with volumes up 60% YTD relative to last year. LNG in September 22 represents 43% of all EU gas imports.

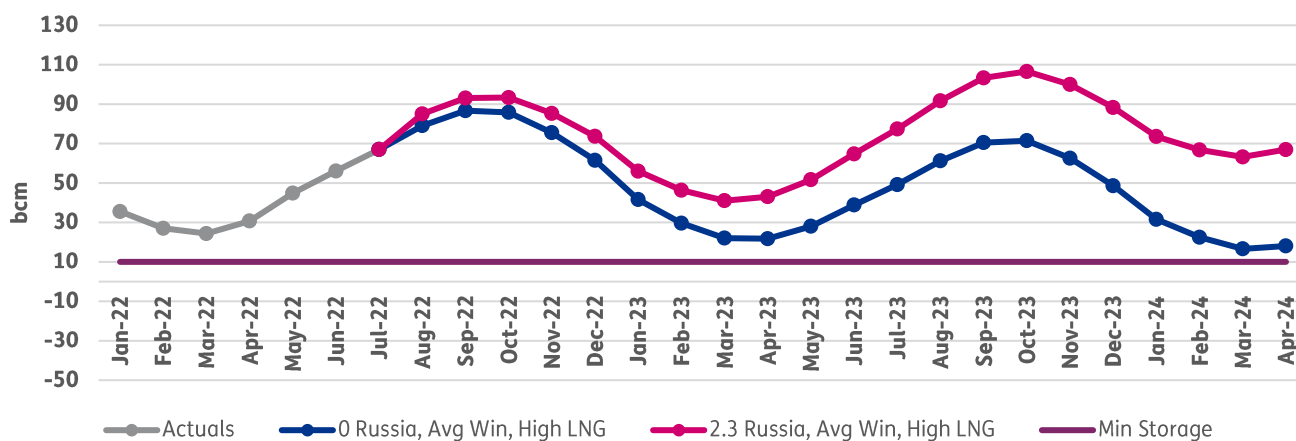
Greater than expected LNG volumes have helped accelerate injections into EU long duration gas storage, meeting policy directed storage minimums. Storage levels now stand at a healthy c.80%. This will help the supply security outlook this winter.



LNG has emerged as the main supply variable this winter

High utilization of LNG infrastructure gives the best chance of adequate supply being available regardless of Russian import volumes

Graph showing EU storage levels in an average winter with LNG flows at 80-90% utilisation with Russian flows at zero and 2.3 bcm a month respectively.



Source: Baringa Modelling

In our modelled winter scenarios, LNG emerges as the main supply sensitivity owing to the reduced role of Russian gas YTD.

Even if Russian gas flows fell to zero this winter, continued high utilization of existing LNG terminal capacity (c.90%) would be sufficient to keep storage above minimum levels given existing storage volumes. (Blue)

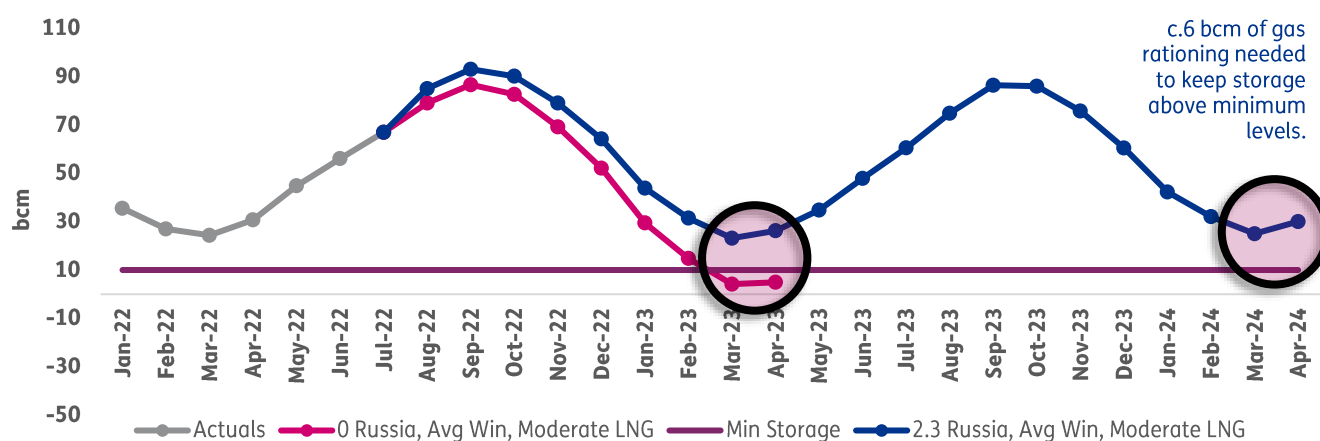
This assumes a 10% demand reduction (in line with YTD projections) as a result of the high price environment contributing to some demand destruction and increased efficiency usage.

Whilst EU storage levels are above minimum levels (10% of storage) in aggregate, there may continue to be supply challenges related to the distribution of supply across and between national networks in these scenarios.

The role of LNG is now crucial for supply security

If LNG imports weaken to 70% terminal utilization, storage levels would be precarious even if Russian volumes remain at current levels.

Graph showing EU storage levels in an average winter with LNG flows at 60-80% utilization with Russian flows at zero and 2.3 bcm a month respectively.



Source: Baringa Modelling

To demonstrate this, sensitivity utilization of LNG terminals is lowered in our “moderate LNG scenario” to 70% on an annual average.

If Russian gas flows fell from their current rate of 2.3 bcm a month to zero, EU storage levels would be on course to fall below minimum levels this winter and require likely economically damaging interventions to assure demand reduction of at least c.6 bcm to keep EU storage above minimum levels.

This represents a significant downside risk for gas security and emphasizes the dependency Europe now has on global LNG markets to supply sufficient volumes and dock those volumes without disruption. This would necessitate Europe paying the highest prices to attract LNG cargos.

If you are interested in hearing more, please get in touch with our experts.



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