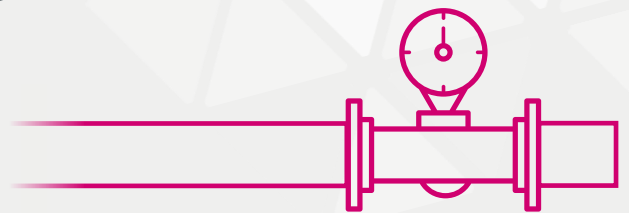


Global Energy Perspectives

Gas Supply Security Outlook

Three must-knows: #2

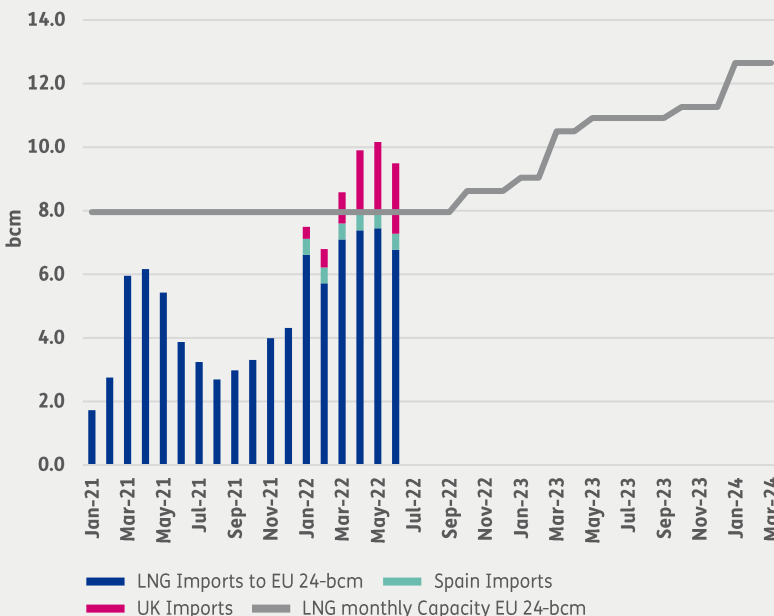
Infrastructure constraints have created foreign LNG terminal dependencies for some European countries and contributed to price divergence across markets. These are expected to improve when LNG terminal capacity increases sufficiently, but some may sustain as a result of pipeline constraints as a result of new supply flows (eg more LNG).



EU LNG Imports

The EU's LNG imports (excluding Iberia & islands – “EU 24”) are limited by insufficient regasification capacity. Supply is augmented by UK and Spanish imports via interconnectors.

Graph showing EU 24 LNG imports operating an near technical maximum, supplemented by Spanish and UK pipeline volumes from interconnectors. Graph shows planned increase in regasification capacity in the EU 24.



- ▲ LNG imports into the EU 24 (see methodology slide for definition) are limited by insufficient regasification capacity.
- ▲ The EU 24 is separated from spare LNG terminal capacity in both the Iberian peninsular and the UK by pipeline constraints.
- ▲ Pipeline volumes from these markets have supported the EU 24 compensate for these infrastructure limitations by utilising their spare LNG capacity and piping LNG flows into the EU 24.
- ▲ This exposes the EU 24 to supply disruption risks, especially from the UK who sits outside of the EU. Whilst relying on neighbors spare LNG capacity has worked in the summer, where LNG competition is lower, in winter greater competition may limit flows between markets.
- ▲ These risks are expected to continue until regasification capacity has increased sufficiently to remove any foreign dependency. This is not expected until the summer of 2023.

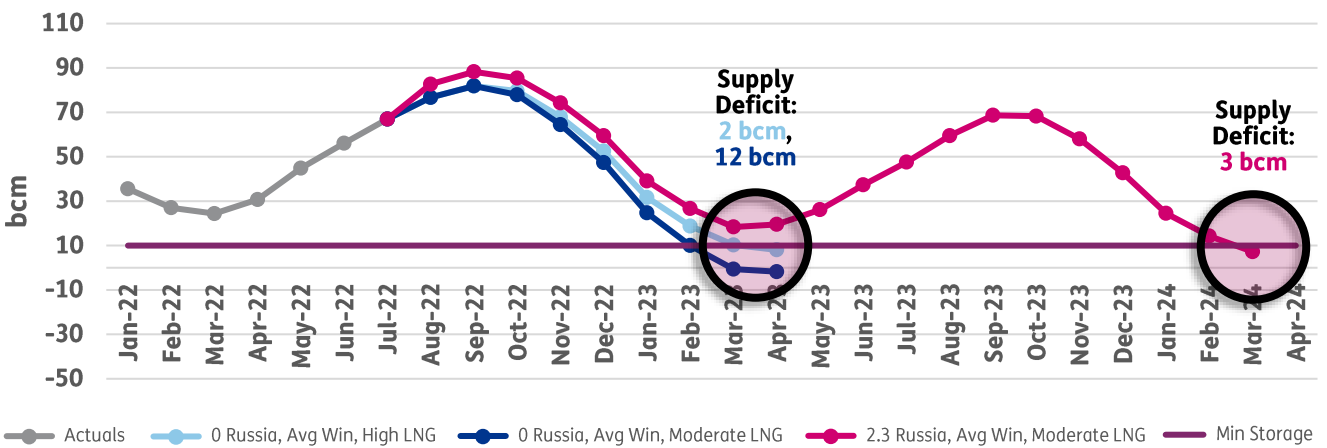
Source: ENTSO-G & UK Gov



EU-UK Dependencies

Any disruption to UK-EU flows would risk insufficient gas supply being available to non-Iberia EU (EU 24) in all major scenarios.

Graph showing EU Storage levels in scenarios where UK pipeline imports fall to zero. (Russian gas flow and LNG imports vary as stated)



Source: Baringa Modelling

Disruption to UK-EU imports, whether in the form of physical and operational constraints, or export restrictions would lead to significant vulnerability in the EU.

In our modelled scenarios where Russian flows fall to zero, a supply shortfall occurs this winter resulting in demand curtailment.

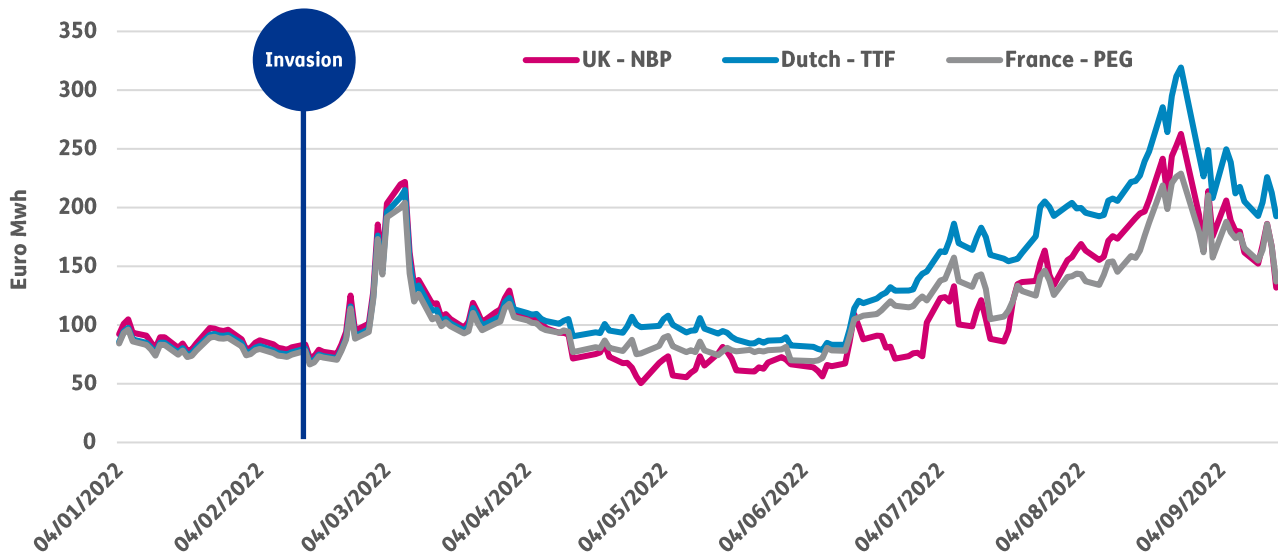
Even where Russian flows continue at current levels of 2.3 bcm a month, supply shortages would occur by next winter.

This highlights the current dependency of EU markets on continued EU-UK cooperation this winter.

Price Divergence

Countries with sufficient LNG regasification capacity have benefited from lower wholesale prices. This is likely to continue until regasification capacity is increased in continental Europe.

Graph showing price divergence between national hubs



Asymmetries in LNG import capacity have created greater supply risks in more isolated markets and contributed to price divergence in Europe.

Markets such as the UK, which benefits from spare regasification capacity, has seen lower wholesale gas prices than Germany, which has no LNG import capacity, since the Russian invasion.

This price divergence is expected to continue at least until regasification capacity in continental Europe expands to sufficient levels, expected in the summer 2023.

It may prove more long lasting owing to pipeline constraints limiting the transmission of gas across borders as new gas sources alter the direction of gas flows.

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



Ilesh Patel
Partner and Lead, Global Energy Perspectives Team

Ilesh.Patel@baringa.com



Caspian Conran
Political Economist, Global Energy Perspectives Team

Caspian.Conran@baringa.com

Find out more:

www.baringa.com

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