

## **LNG WORLDWIDE Weekly Analysis**

### **Russian Natural Gas, Europe and the rouble trouble:**

Russian invasion of Ukraine changed all the dynamics of global LNG industry. European Union which was facing acute shortage of natural gas during last almost a year, exposed to the risk of being left at the mercy of Russia. It's no secret that the Russian gas accounts for a significant portion of Europe's overall energy portfolio.

In 2021, the European Union imported 155 billion cubic meters of natural gas from Russia which accounted for around 45% of EU's gas imports and around 40% of its total gas consumption in 2021. With fast depleting its natural gas storage levels and also to reduce its dependence on Russian gas, European Union member states had increased its LNG import- mainly from its ally the United States.

In March, the gas storage facilities in EU member states remained around 26% of its capacity which was far lower than its usual levels. At its usual 80% to 90% of storage capacity these underground storage facilities in Europe, meets the 25% of winter requirement of EU member states during the winter months.

According to EU official data, the total EU underground storage capacity is of 1100 TWh (close to equivalent of 100 bcm) spread over 160 storage facilities in 18 member states. From the total, 73% EU capacity is concentrated in five member states- Germany, Italy, France, the Netherlands and Austria.

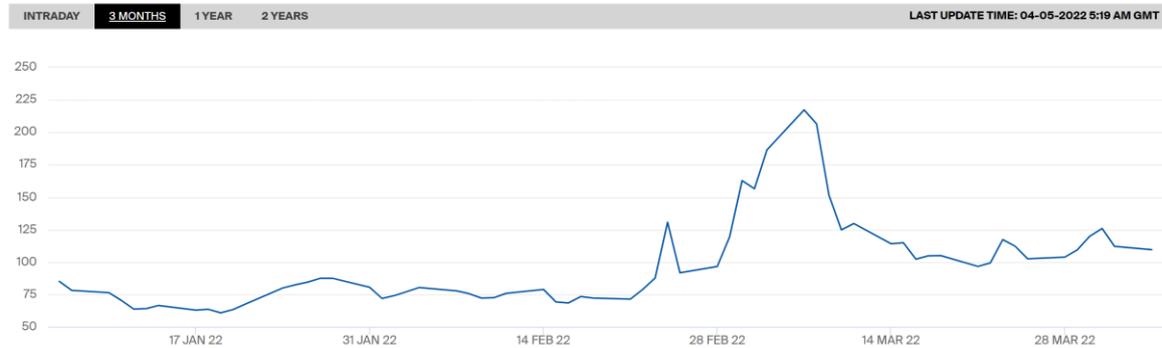
As fallout of Russia-Ukraine war, the European Union increased its LNG import from the US along with other suppliers. Many EU member states recognised the importance of having LNG receiving terminals and reduced dependence on Russia for its energy requirement.

Germany fast tracked its two LNG receiving terminals to be set up with total installed capacity of 20 bcm/year divided between the two terminals. Germany received up to 60% of its total gas imports in 2021 from Russia. Germany receives gas majorly from Russia through 55bcm/year capacity Nord Stream-1 gas pipeline and also through two other pipelines passing through Belarus, Poland and Ukraine.

Germany had only around 29% of its 23bcm natural gas storage capacity filled by the end of February 2022 when war started between Ukraine and Russia. As part of series of sanctions imposed by the US, the UK and its European allies, Russia's much ambitious Nord Stream-2 pipeline was shelved. The \$11bill Nord Stream 2 pipeline with 55bcm capacity- same as Nord Stream 1, was designed to double the gas supply to the European countries.

# Dutch TTF Gas Futures

CONTRACT	LAST	TIME(GMT)	% CHANGE	VOLUME
 MAY22	109.400	4/4/2022 3:59 PM	-2.452	25435



Source- ICE

## Natural Gas prices:

Widely used European natural gas benchmark Trade Transfer facility or Dutch TTF experienced major volatility from Feb 24 when Russia invaded Ukraine. Dutch TTF prices moved up from €87.76/MWh to €130 the next day and further to its highest level so far on Mar 7 at €217 when Russia-Ukraine war intensified but settled down at around €110 since early April.

Trouble for the European natural gas importers did not end there. In latest round of troubles between Russia and the European Union, Russia has demanded payment for gas supply in Russian roubles. Russian gas supplies have continued uninterrupted so far but Russia has continued to insist on payment in roubles albeit Russian authority seems to be going soft on EU importers. Russia has clarified that the payments in rouble would be due in later part of April or early part of May for the gas supplied from April 1. The long-term gas supply contracts between Russia and the buyers in Europe requires to be reopened and undergo lengthy negotiations to make any amendments in terms of changes in mode of payment from Euro to Russian rouble.

The EU member states- especially EU's industrial power house Germany has fast paced its emergency plans to face any kind of supply disruption from Russia. Other European countries gearing up for an ambitious goal set by the European Union to cut down its dependence on Russian gas by two third by the end of 2022.

[editor@Ingworldwide.com](mailto:editor@Ingworldwide.com)