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End of an era

Gas production from the Groningen gas field will close by October 2024. This is the end of an era. With the closure of the production field, questions arise about security of supply, TTF's continued existence as a benchmark and what all this means for (TTF) gas prices. In this Market Update, we interpret the implications of this decision and outline the potential impact on security of supply and gas prices.

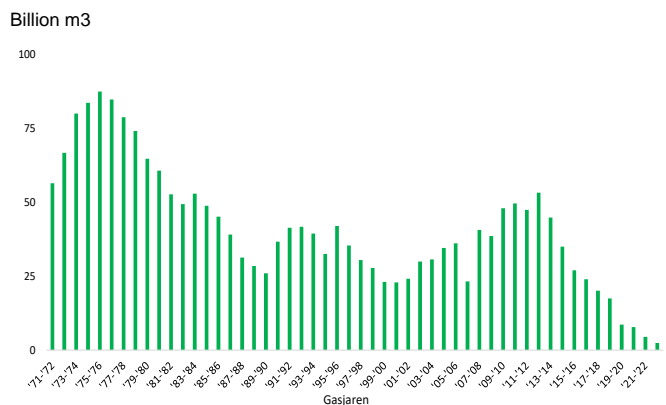
Russia has banned diesel exports since this week. This is affecting the already tight market, and the high price of diesel. The oil price has taken a breather after a weeks-long rise. In this update, we look at expectations for the fourth quarter.

Groningen gas field closes for good

On 22 September, the outgoing cabinet announced through State Secretary Hans Vijlbrief that, as expected, the Groningen gas field will permanently close as of 1 October 2024. Although there is still years of gas production in the ground, the government has decided to close the field to remove all uncertainty among the Groningen people. A situation that, as a result of the compensation and profit-seeking policy pursued by the government in recent years, appeared inevitable.

As of 1 October this year, production already stops, but could - in theory - still be restarted during a period of extreme cold. This is to prevent physical shortages from occurring and gas prices from rising unnecessarily. As already reported in a previous Market Update, we have our doubts whether this will actually happen due to the short time span between the expectation of very cold weather versus the time it takes to restart production. As a result, we rather expect that the field will therefore actually close permanently by 1 October 2023.

Gas production Groningen field comes to an end



Source: central government

What does stopping gas production in Groningen mean for the TTF gas price?

The Netherlands was already a net importer of gas since 2019. With the rapid decline in gas production from the Groningen gas field and the steady decline in gas production from the small fields accommodation, the production of natural gas in the Netherlands had declined to the extent that own production was no longer sufficient to meet national demand. Partly as a result, the TTF gas price has for some time been much more sensitive to external influences, such as (geo)politics, market speculation and the uncertainty regarding sufficient supplies of *Liquefied Natural Gas* (LNG) towards Europe.

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