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Inventories push gas prices lower

Due to mild winter weather and the continued dip in industrial production, gas prices are under pressure. As a result, gas stocks are well-filled providing a rosy starting situation for the start of the filling season. This is leading to calmness in the gas market, as evidenced by the minimal impact on the price due to the scaling down of Norwegian gas production. It is also noteworthy that the number of open speculative positions in the TTF market has increased sharply, with the net position close to zero. This Market Update also discusses the low gas price in the US, and why its impact in Europe is limited.

The oil price currently lacks a clear price trend. On the one hand, the conflicts in Ukraine, Gaza, and the Red Sea are creating supply risks, creating a war premium on the Brent benchmark in particular and pushing the price slightly higher. At the same time, sentiment is depressed by disappointing macroeconomic data from the world's two largest oil consumers, the US and China. For the US (and Europe), inflation is more persistent than expected, ruling out a rate cut in the short term. This depresses economic activity, and hence oil demand.

Declining trend in gas price continues

The current price of the TTF monthly contract stands at around EUR 23/MWh, after previously coming from EUR 22.32/MWh, which was the lowest level in 34 months. Demand for natural gas in Europe is relatively low, mainly due to warm winter weather and low industrial activity. As the economic outlook is gloomy, demand is expected to remain low for the time being. Although gas prices are falling, industrial production is hardly recovering, if at all. The fact that temperatures in large parts of Europe remain above average in the coming weeks also adds to the pressure on the gas price. Structurally, the advance of renewable electricity generation is also contributing to the decline in natural gas demand, especially when it comes to use for electricity generation.

TTF gas price to lowest level in eight months



Source: Refinitiv Eikon

Weather models are showing even warmer-than-average temperatures for now. As the end of winter approaches, this suggests that Europe is likely to end the winter with relatively high gas stocks. Currently, gas stocks are at 64% in Europe and 57% in the Netherlands. High gas stocks at the end of the heating season means that it is likely that filling gas stocks in spring and summer should pose few problems. This reduces the risk of gas shortages for the winter of 2024/2025.

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