Oil & Gas

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Tight LNG market keeps gas supplies crucial

Since the start of 2024, the gas price has been in an upward trend channel. The risk of supply disruptions and a tight LNG market are the main causes of this. In the short term, the price has rebounded slightly, reflecting a mild start to the heating season and the absence of further escalation in the Middle East. Well-stocked gas reserves - although at a lower level in the Netherlands than in many other European countries - also provide downward price pressure. In the long term, additional global LNG production capacity should provide relief. Through 2028, production capacity is growing rapidly, so supply is likely to start exceeding global gas demand.

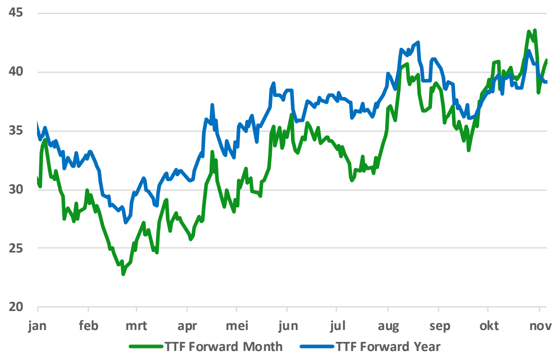
Israeli retaliatory action in Iran led to a drop in oil prices, showing that the market considers further escalation less likely. This lowered the risk premium, leaving low growth expectations (especially in China) and growth in non-OPEC+ production to determine pricing. In response to the downward trend channel, OPEC+ has decided to postpone phasing out production cuts by another month, until the end of December. In doing so, it has been forced to choose between two evils; an oil market in oversupply or a loss of market share. With the current decision to postpone the existing production cut, OPEC+ seems to be moving in the middle. Finally, in this Market Update, an analysis on the possible impact of the US elections on European energy security.

Weather forecast and geopolitics reverse upward trend line

The active monthly TTF gas price contract (December delivery) was trading at around EUR 44/MWh at the end of October, the highest level this year. The upward trend in October had a number of causes and is part of a broader upward trend in 2024. Here, the active monthly and annual contracts are pulling up fairly evenly. This is very different from the market movements in 2023, where the annual contract was consistently trading at relatively high levels for much of the year. This shows that the market has become more confident about the longer-term supply and demand situation. However, that more ample supply in the future is uncertain is evident from the analysis of future global LNG capacity later in this Market Update.

Active monthly contract TTF peaks

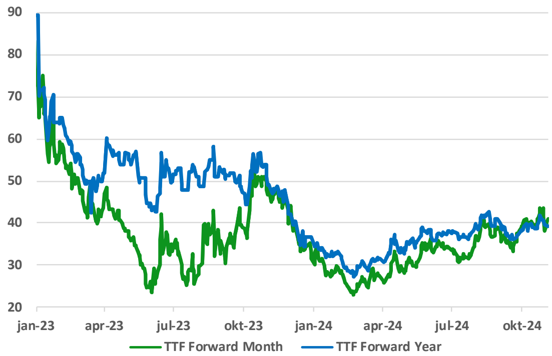
EUR/MWh



Source: LSEG Eikon

Gas price in 2024 more stable than in 2023

EUR/MWh



Source: LSEG Eikon

In the short term, a number of factors have driven up gas prices. For instance, tightness in the LNG market persists for now. Delays this year have meant that LNG supply in 2024 grew only 2% from a year earlier, the lowest growth since 2020. Also, Russia's Arctic LNG 2 stopped producing in October, further reducing global supply. Unscheduled maintenance at the Oseberg and Sleipner gas fields in Norway further contributed to market nervousness, although both were limited in absolute volumes. Taken together, these factors were enough to create solid upward price pressure in the gas market.

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