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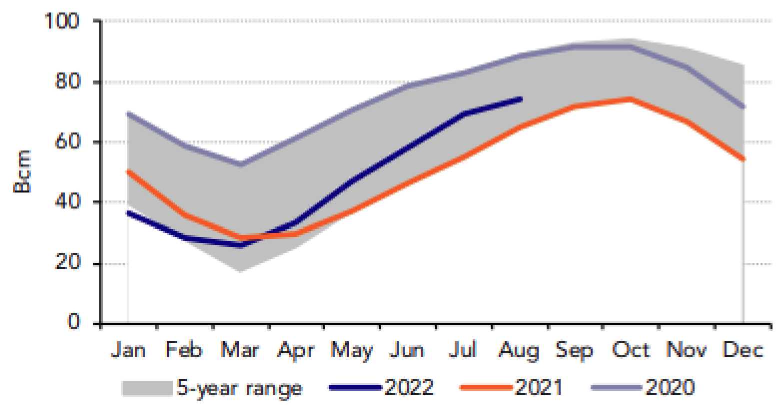
LNG Market Outlook

More LNG needed in Europe despite storage growth

Europe is on track to meet targets set by the EU to have inventories 80% full before the upcoming winter. In mid-August, inventory levels were near 75% full at around 74 Bcm with LNG imports playing the critical role in the build-up of inventories. Europe imported roughly 107 Bcm in 2022 through July, while pipeline imports were 12% lower.

While countries with smaller storage capacities like Spain, Belgium and the UK are at the 80% mark or better, countries with larger storage capacities like Germany, Italy and the Netherlands are falling short and must increase injections. Among those with larger capacity, only France has met the target.

European Storage Levels



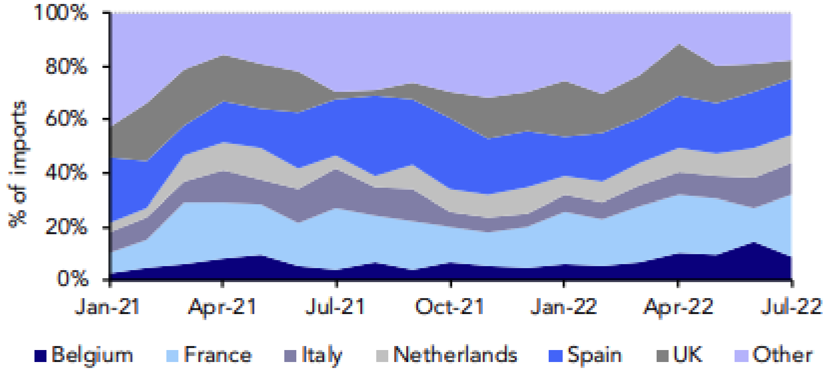
Source: Reuters

As a percentage of total capacity, inventory levels in the Netherlands are the lowest among European LNG importers at 68% full. Production and pipeline imports in the Netherlands have declined and the storage build has been slow. However, the Netherlands is on pace to import their highest volume of LNG for 2022 in August, and September is forecast to be another strong month.

High storage builds in France, Spain and the UK have been strongly supported by a rapid increase in LNG imports. Roughly 50% of total European monthly imports for 2022 have gone to those three countries. Italy and Belgium will need to import more gas within the next two months to meet storage requirements before winter.

Both Italy and Belgium have been able secure more pipeline gas in 2022. Each country has increased LNG imports and imported an average of 1 MMt/m of LNG since March.

European Imports by Country as a % of Total

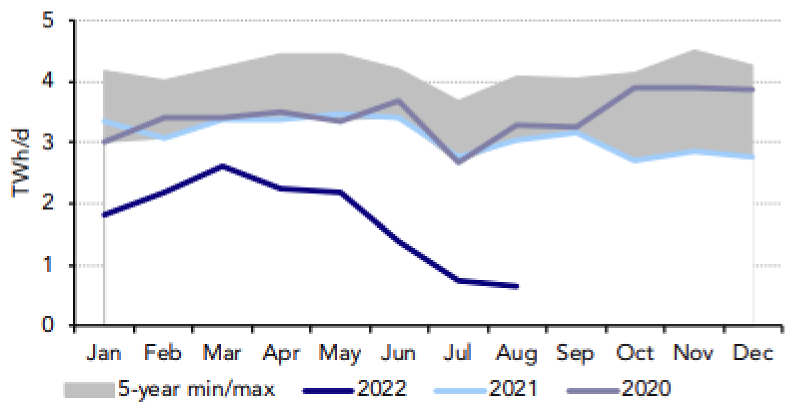


Source: Reuters

The complete cutoff of Russian pipeline gas, a prolonged disruption in Norwegian piped gas, and the return of demand in Asia are among the largest risks to European storage goals. LNG imports for Europe are forecast to stay robust through at least September before winter demand in Asia kicks in.

Flows from Russia to Europe dropped by roughly 70% from May to June. Maintenance has been cited as the cause. Flows are set to decline further with Gazprom announcing more maintenance on Nordstream 1 for three days near the end of August.

Russian Pipeline Flows into Europe (3 main lines)



Source: Reuters