



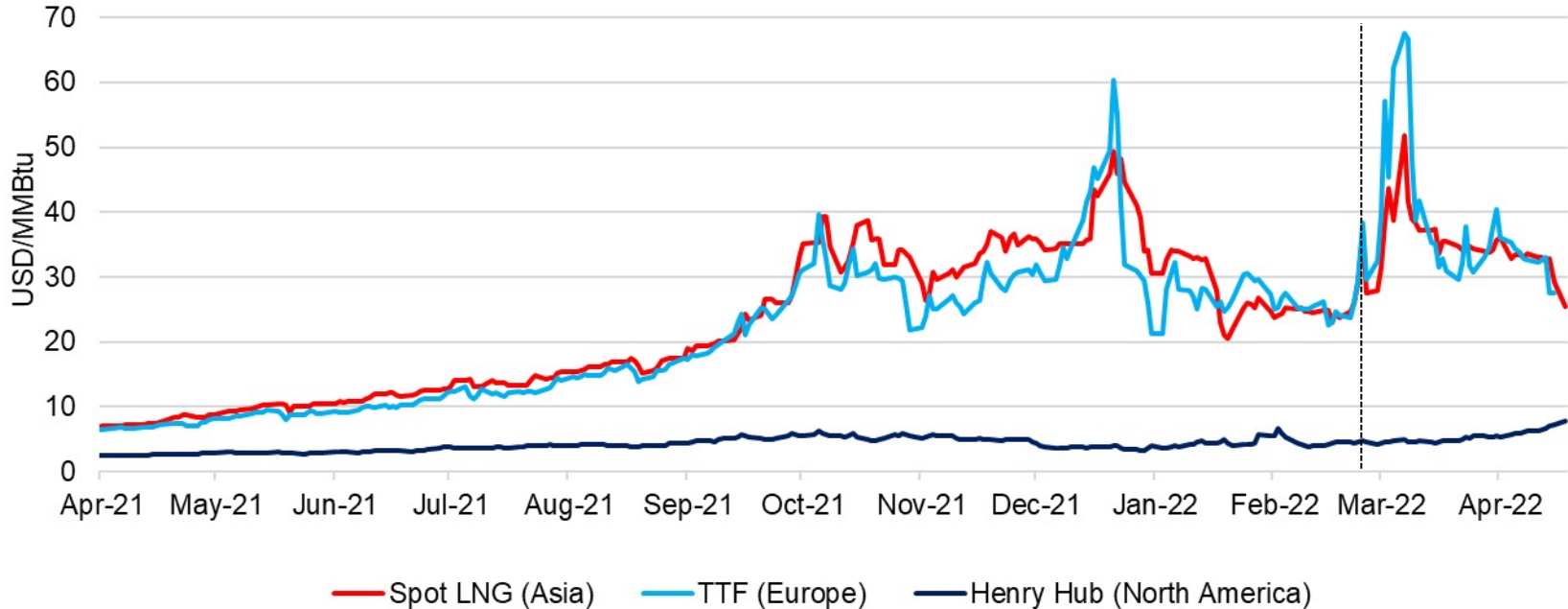
Gas Market Report Q2-2022

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CIEP IAI webinar, 20 April 2022

The invasion of Ukraine drove European gas prices to record highs

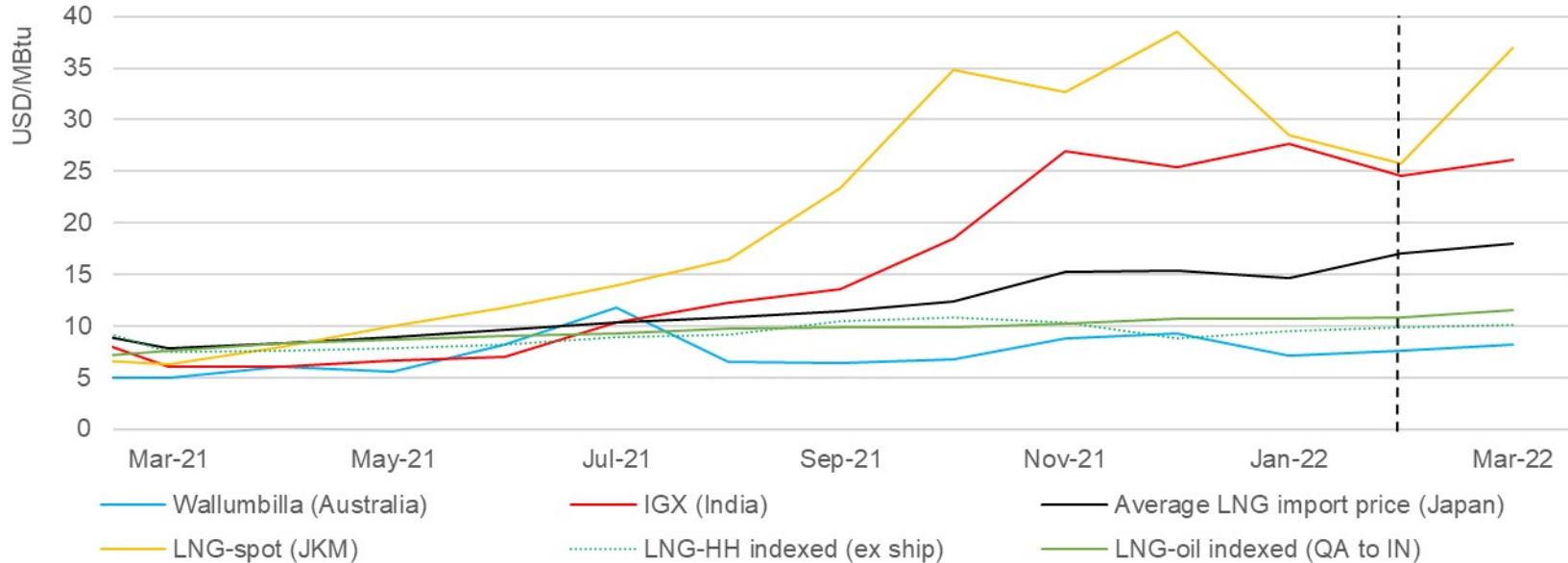
Key regional natural gas prices (2021-2022)



Russia's invasion of Ukraine created a moment of unprecedented uncertainty and volatility both for European and Asian spot gas prices.

Focus on Asia Pacific gas prices

Key Asia Pacific natural gas prices (2021-2022)



Natural gas prices experienced substantial increases in all Asia Pacific main markets.

Focus on US prices

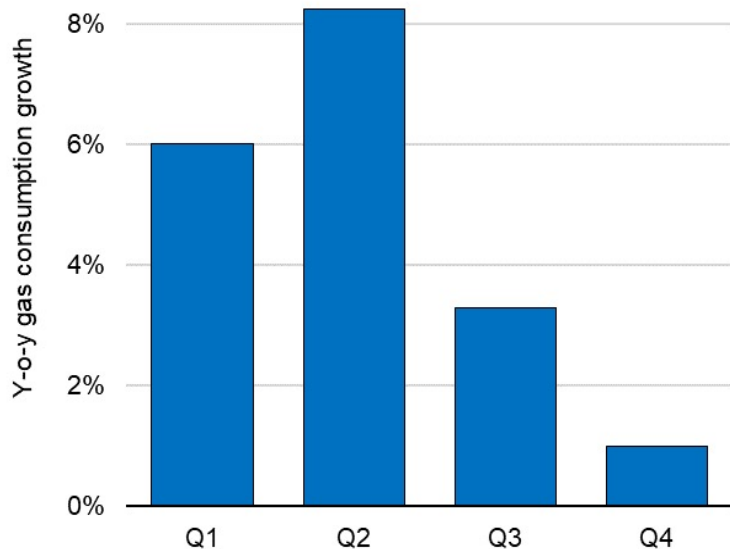
US Henry Hub spot gas price (2021-2022)



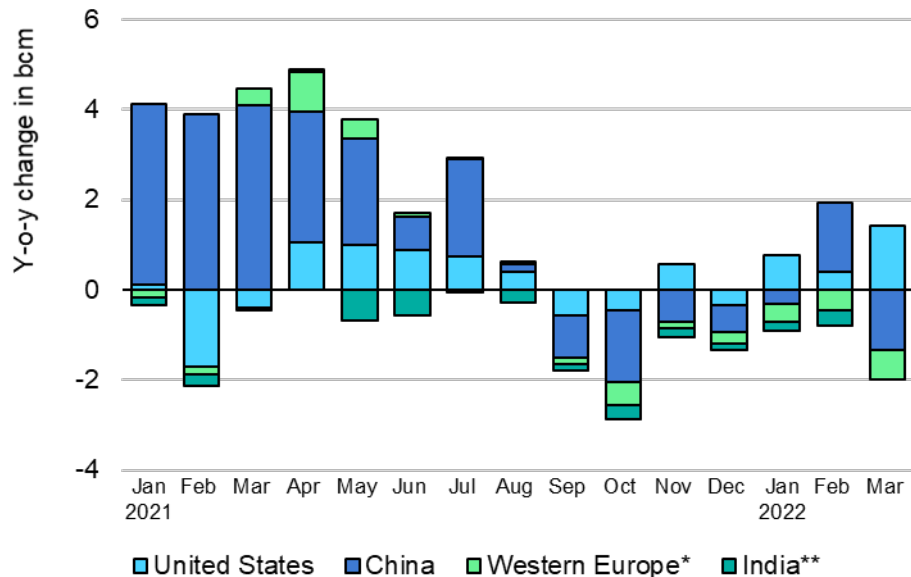
US gas price almost doubled since mid-February on strong LNG exports and lower than average inventory levels.

Gas growth was strong in 2021, but suffered from high prices in H2

Change in quarterly global gas consumption (2020-2021)



Monthly natural gas consumption by industrial customers in selected markets, 2021-2022

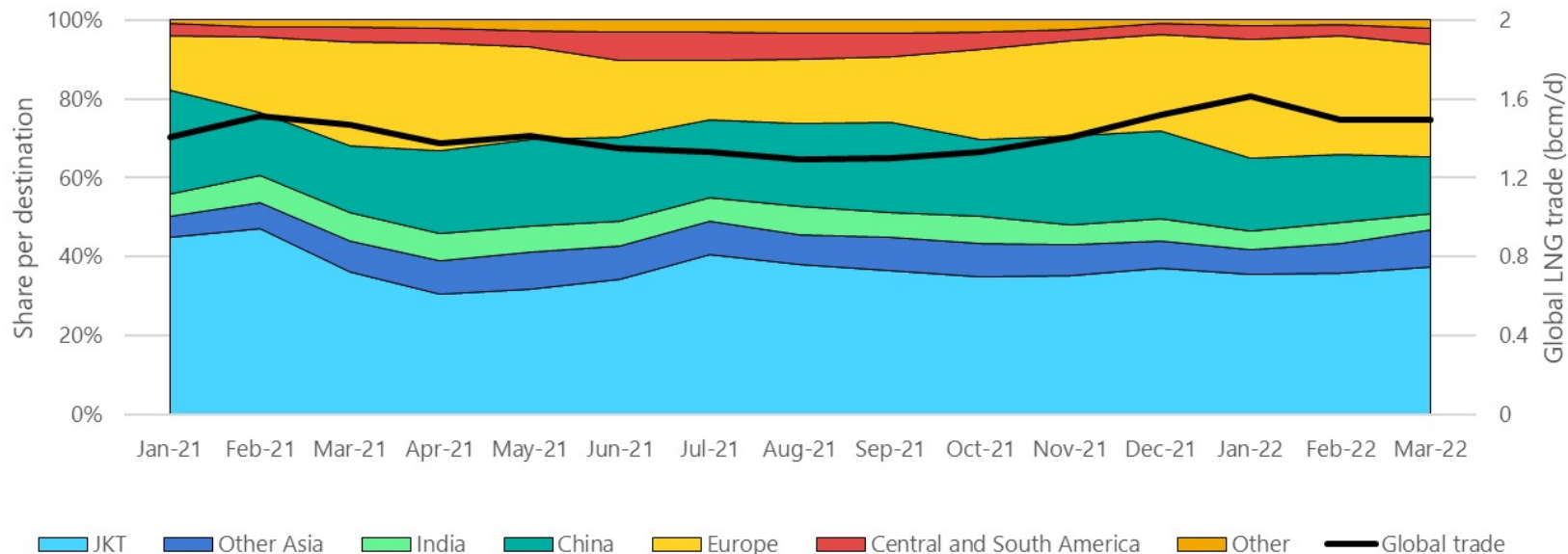


The progressive tightening of supply demand fundamentals and resulting increase in natural gas prices in H2 led to a slowdown in consumption growth, fuel switching and in some cases demand destruction.

* Belgium, France, Italy, Spain and the United Kingdom. ** Fertilisers, refining and petrochemicals. ***March 2022 data not available for China and India at the time of writing.

LNG trade grew 7% y-o-y in Q1 2022

Monthly global LNG trade and share by main destination (2021-2022)

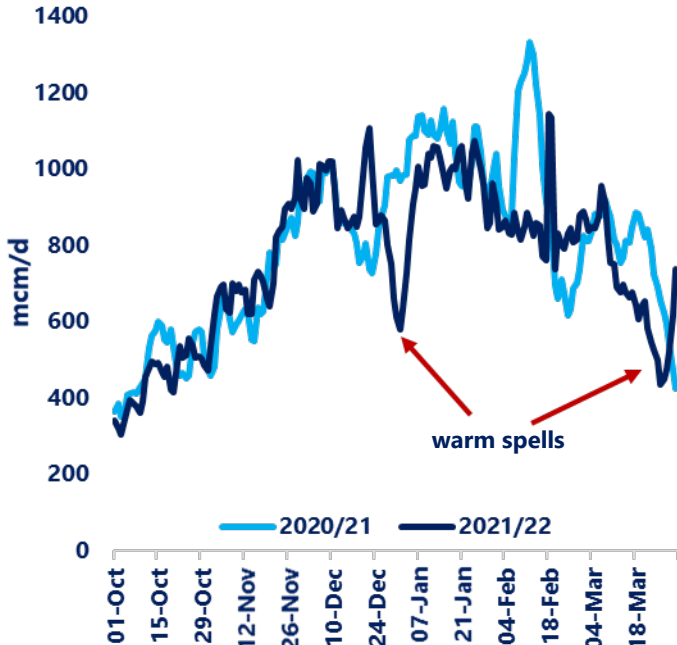


Europe's net LNG imports rose by a remarkable 70% in Q1 2022, as the continent compensated for the drop in Russian pipeline gas supplies mainly by increasing its LNG imports.

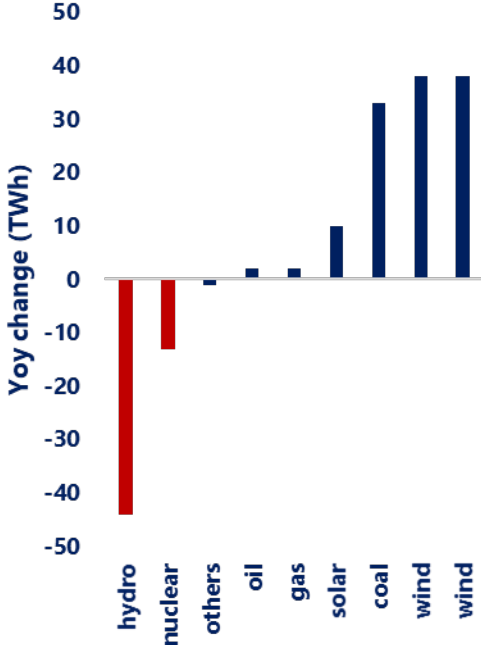
Focus on Europe

European gas demand dropped by 4% yoy during the gas winter

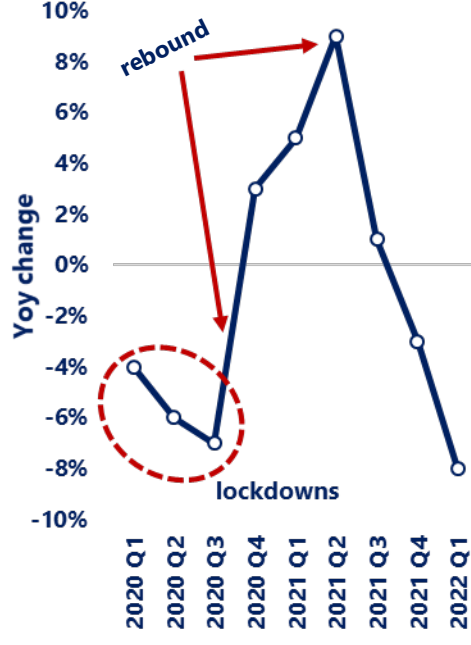
Estimated distribution-network related demand



Estimated power generation

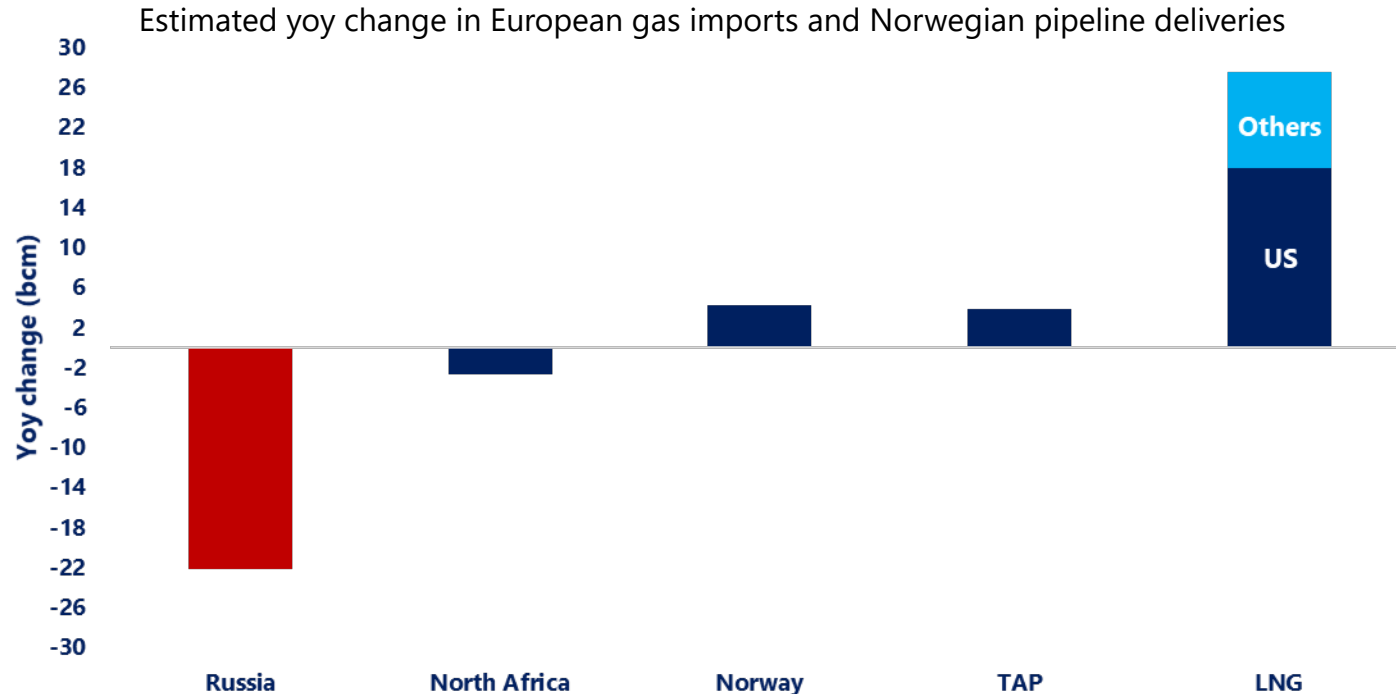


Estimated industrial gas demand



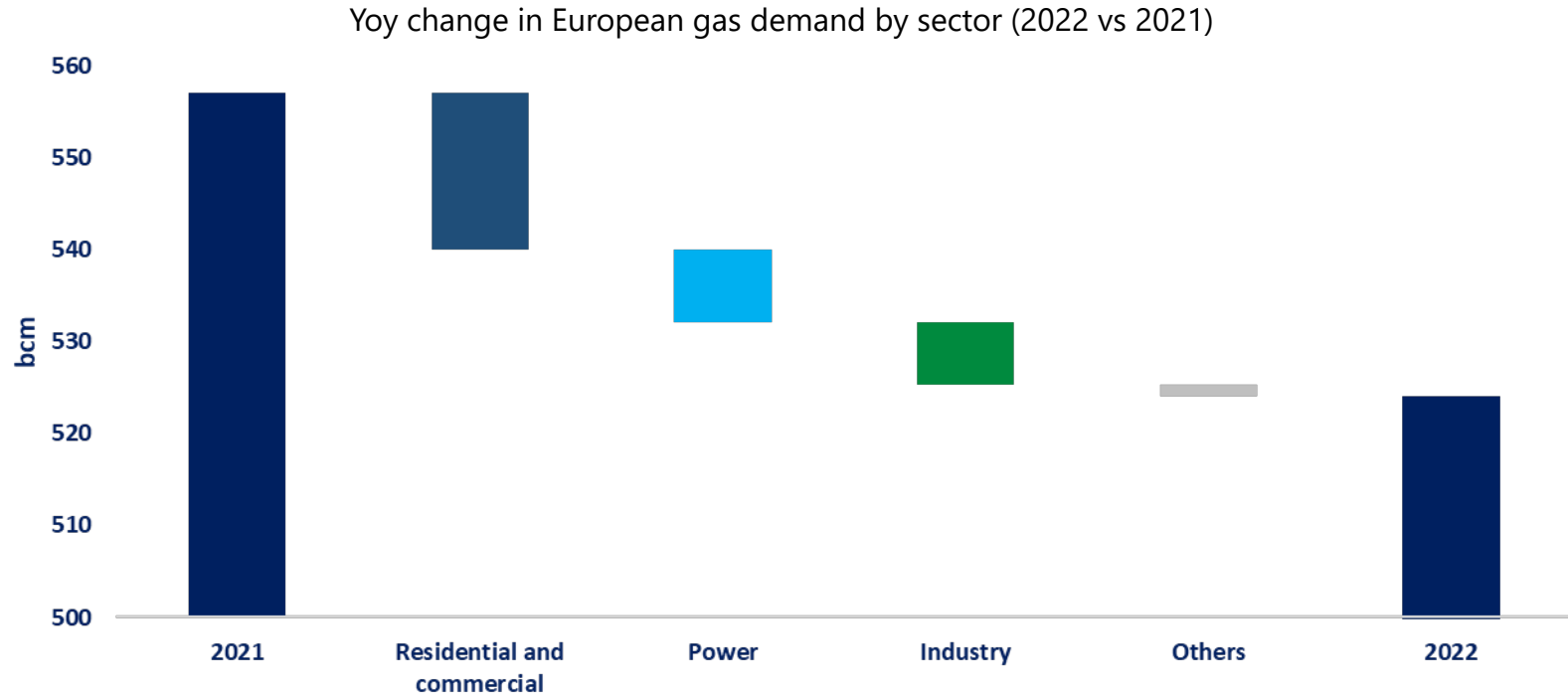
Milder temperatures weighed on distribution-network related gas demand, whilst gas burn in the power sector remained resilient. Industry displayed strong demand response in Q1 2022.

Lower Russian flows were compensated by record LNG inflow



Russia reduced its piped gas supplies to Europe by close to 55% y-o-y during the heating season, which have been compensated by the record high LNG inflow –primarily from the United States.

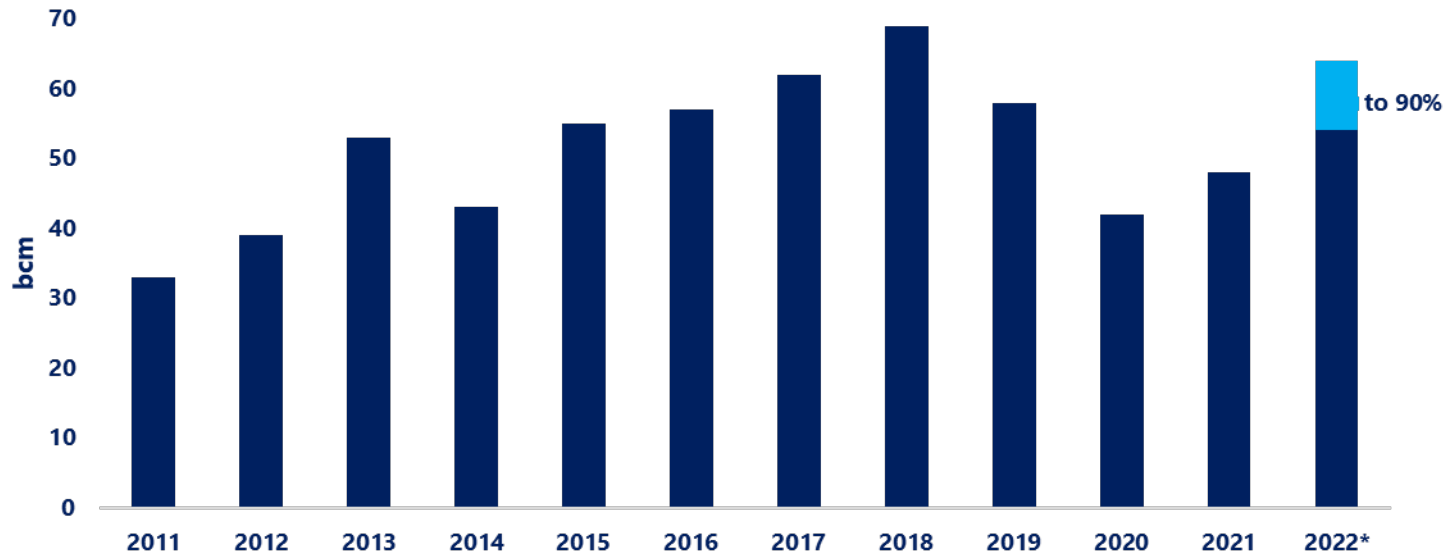
Europe's gas demand is expected to decline by 6% in 2022



European gas demand is expected to fall back to its 2020 levels, amidst record high gas prices, rapid expansion of renewables and an assumed return to average weather conditions.

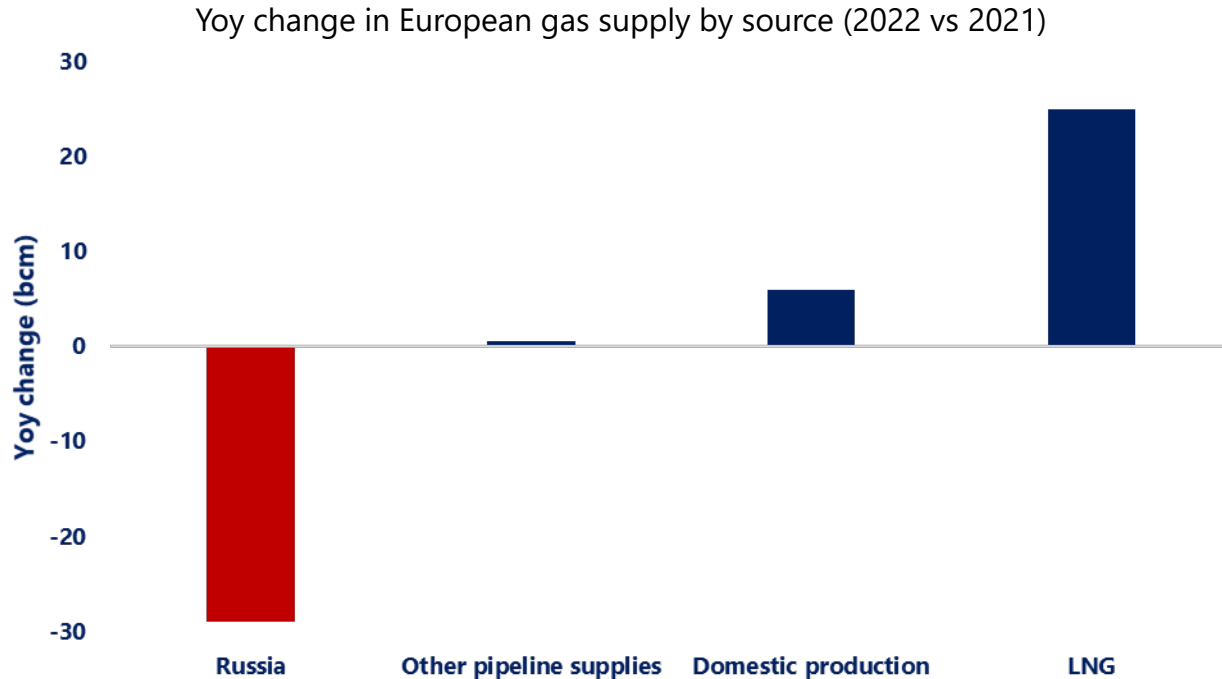
Higher storage injections will be needed to reach 80% fill levels

Gas storage injections in the European Union (2012-2022)



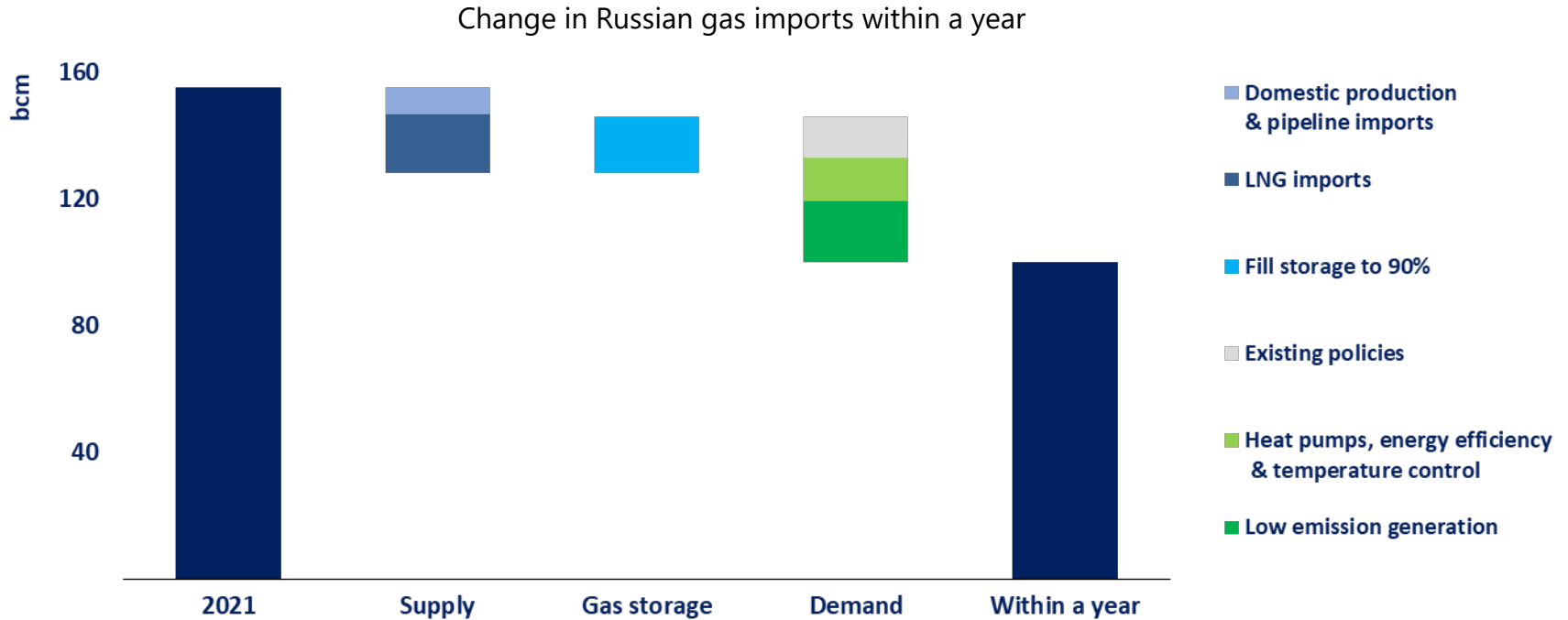
Higher storage injections are set to further tighten the European gas market and heat up the competition for LNG this summer.

Europe: a new premium market for LNG?



Europe's LNG imports are expected to increase to a new all-time high in 2022, amidst the continued decline in Russian piped gas supplies.

10-Point Plan to reduce the EU's reliance on Russian gas

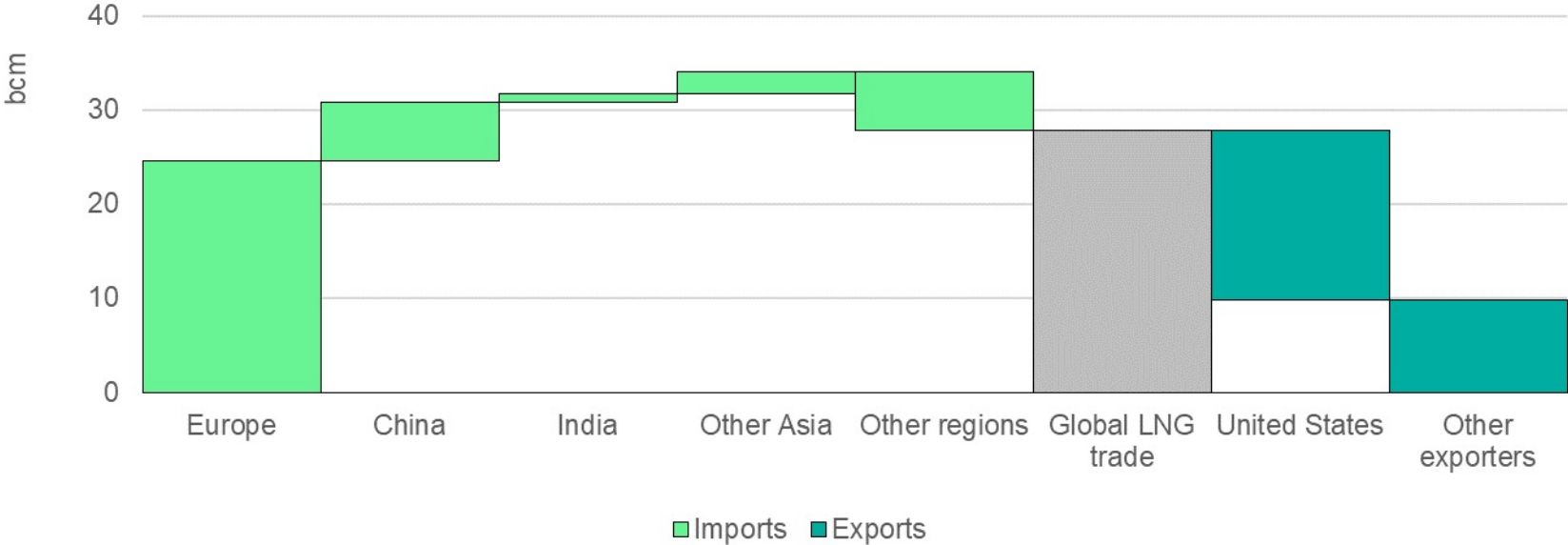


A combination of supply and demand side measures could reduce the European Union's reliance on Russian gas by over one-third within one-year.

Global outlook

Europe's incremental supply needs drive LNG growth and tightness

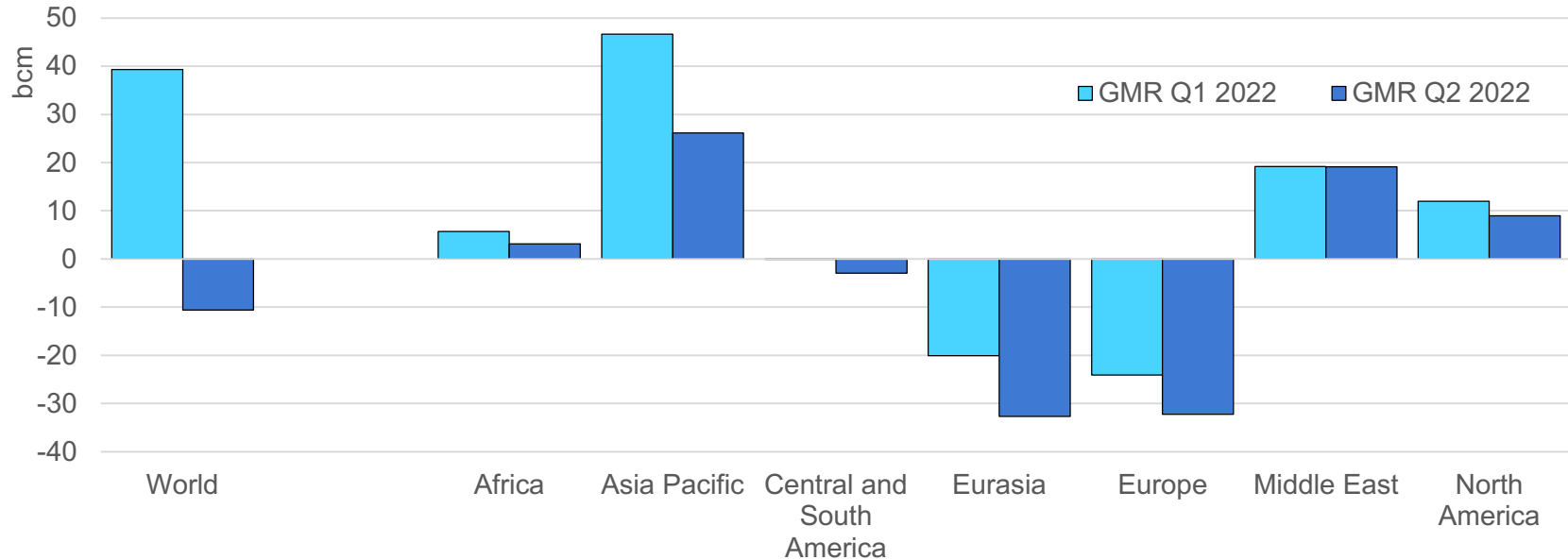
Global LNG balance, y-o-y change (2021-2022)



Global LNG trade flows reconfigure in 2022 as Europe becomes the premium market for LNG.

Global gas growth rate is expected to turn negative in 2022

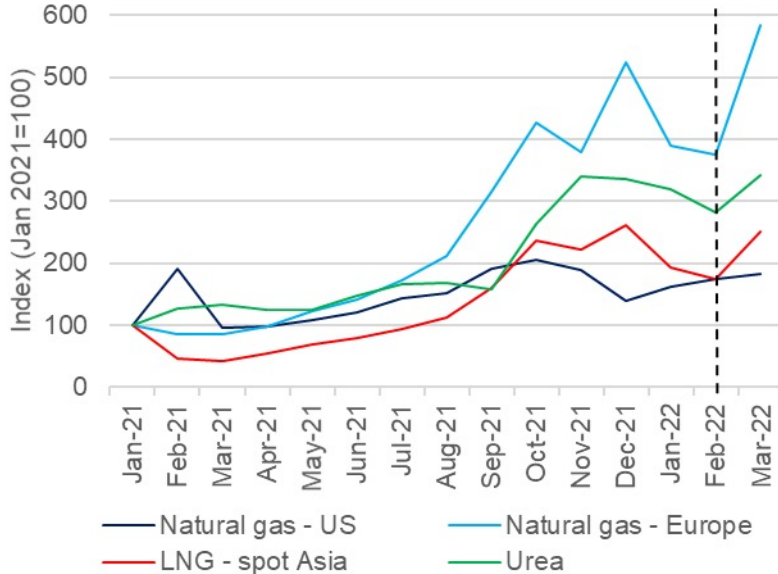
Comparison of natural gas consumption growth for 2022 in the two latest issues of the Gas Market Report



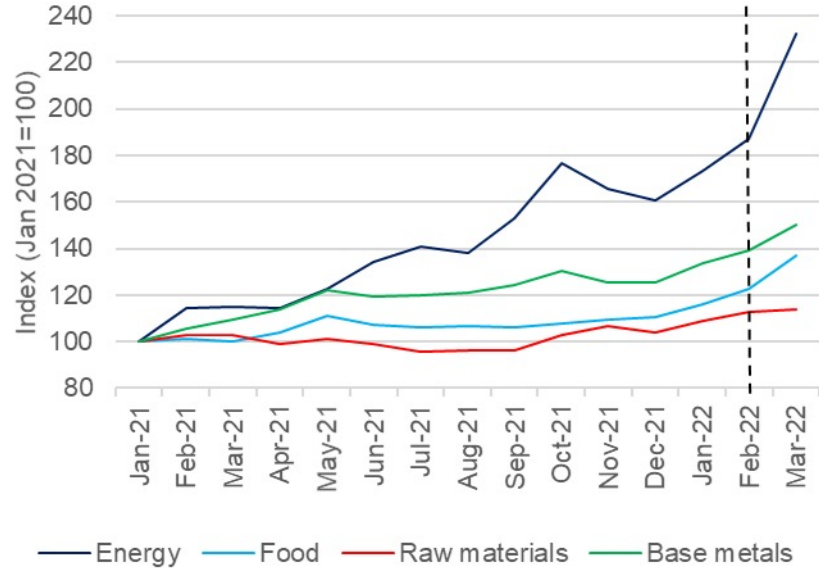
Revised consumption growth is around 50 bcm lower, turning to negative gas growth for 2022, and with the bulk of the impact taking place in Asia Pacific, Eurasia and Europe.

Beyond gas balances – the wider impact of the crisis

Evolution of gas and urea price indices, 2021-2022



Evolution of main commodity indices, 2021-2022



Natural gas demand is also likely to be affected by the conflict's wider repercussions on the global economy as well as tensions on non-energy uses such as fertilisers.