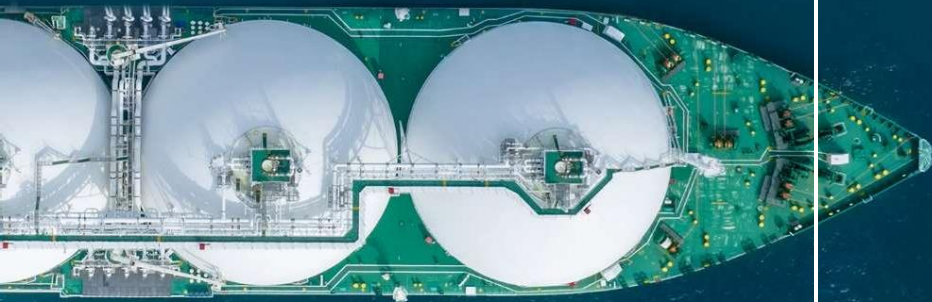


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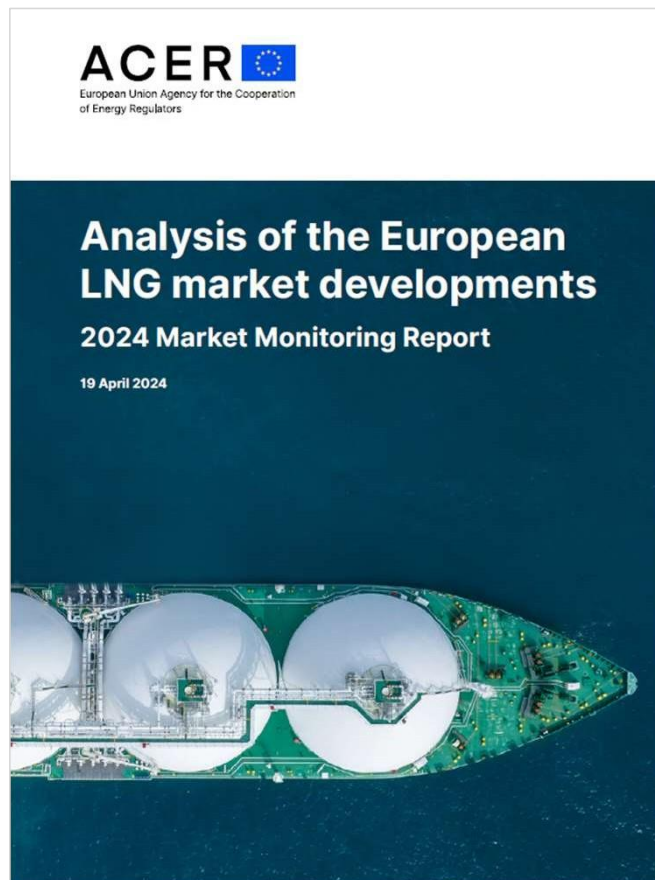


Monitoring the European LNG market developments

**LNG Markets Overview in Europe; Global
LNG Developments and Future Perspectives**

Energy Community

10 June 2024



The first ACER 2024 Market Monitoring Report (MMR) on the [analysis of the European LNG market developments](#) offers a comprehensive overview of the role of LNG in the European natural gas market.

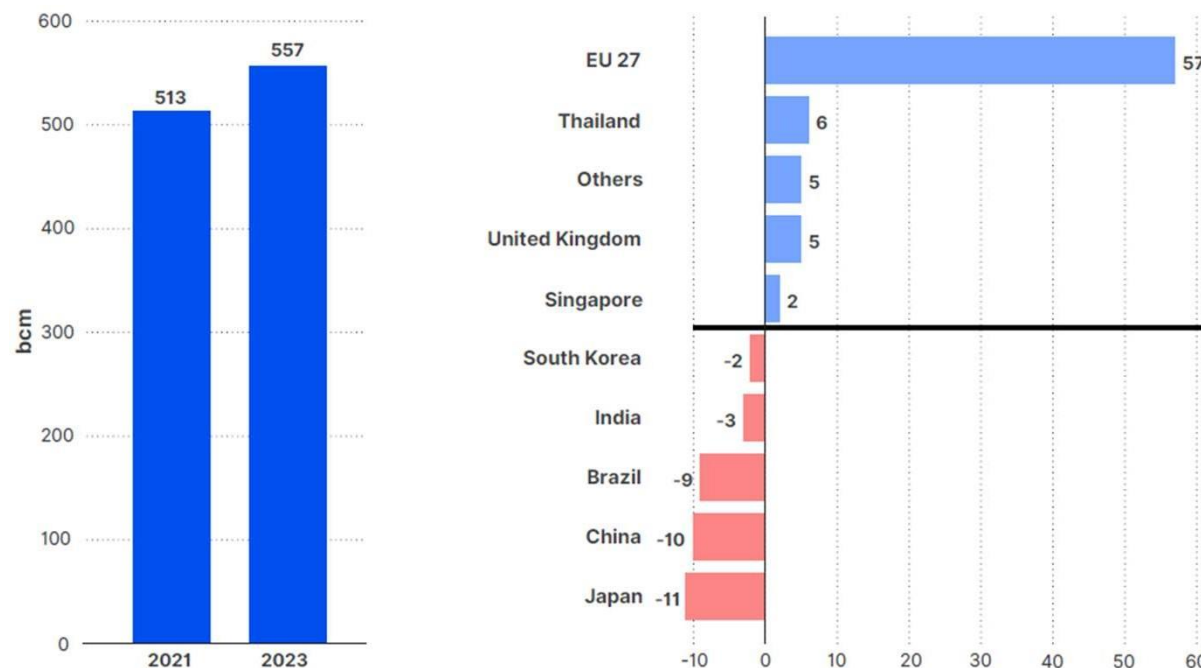
It describes the most recent dynamics in the global LNG market, provides insights into the latest trade developments and LNG contractual arrangements, and addresses some select regulatory considerations.

Three chapters:

1. **Global LNG market dynamics**
2. **LNG Trade**
3. **Functioning of the European LNG market**

The global LNG market was still tight in 2023

Global LNG production (left) and relative changes in LNG imports (right), 2023 vs 2021 (bcm)

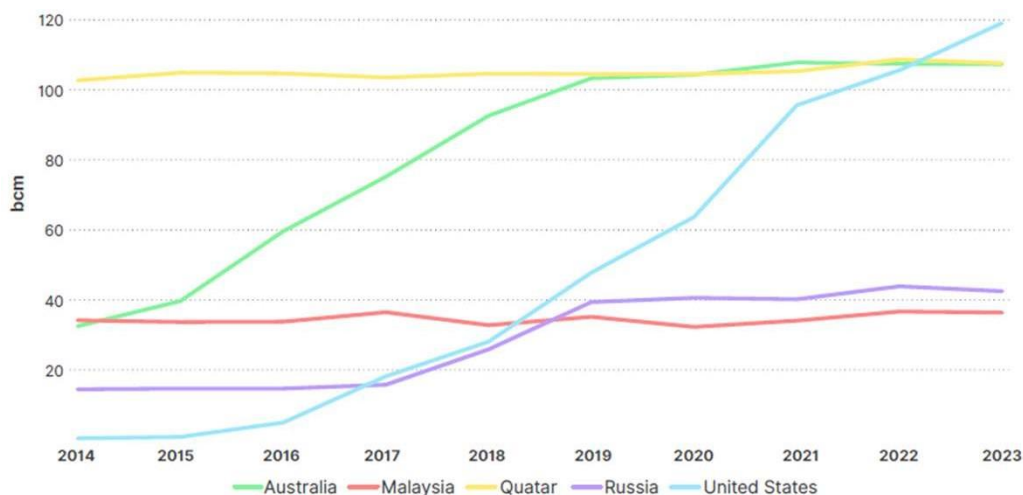


The EU pivot away from Russian pipeline supply and towards becoming one of the largest global importers of LNG continued in 2023 (though year on year growth of LNG imports was modest). The increase in European LNG demand since 2021 has exceeded growth in global liquification production, resulting in periods of intense price competition for LNG cargoes in 2022 and 2023. European willingness to outbid competitors, a favourable netback for American cargoes heading to Europe, and muted Asian demand have all contributed to significant LNG volumes reaching the EU.

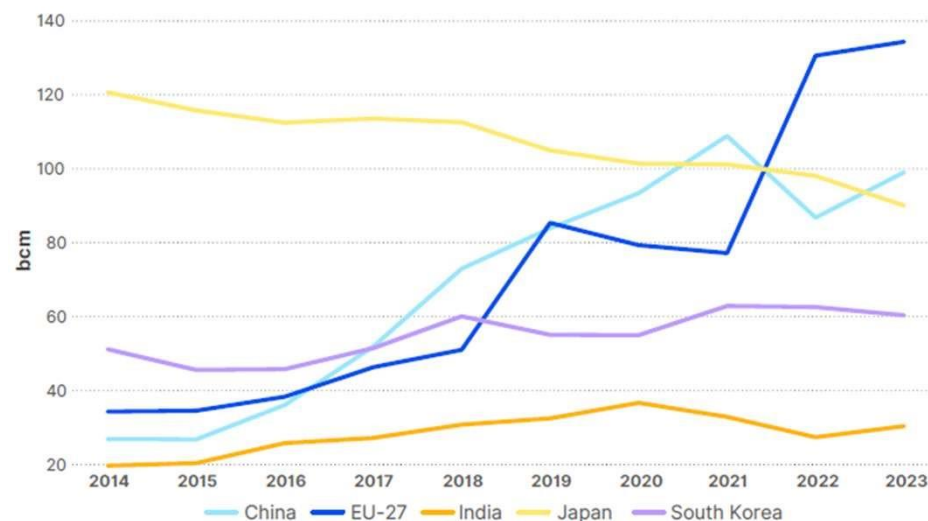
Global LNG importance grows as trade dynamics evolve

Main changes in global LNG trade over the last decade

Top 5 global largest LNG producers, 2014-2023 (bcm)



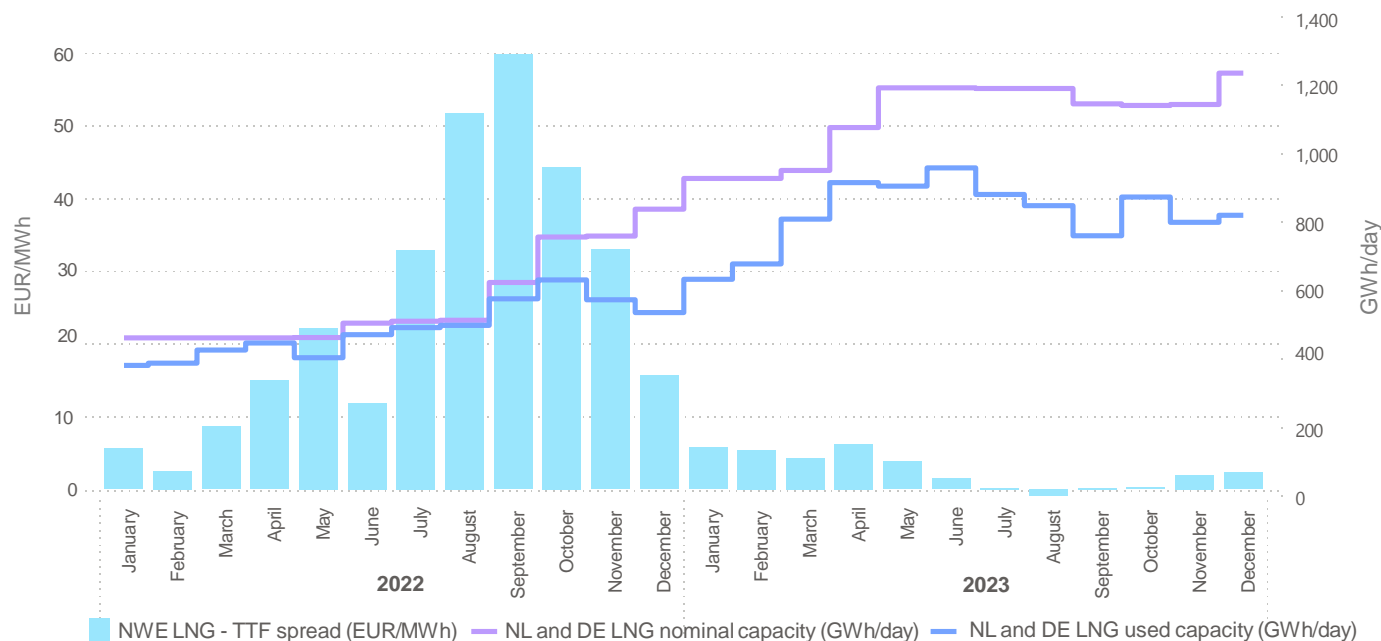
Top 5 largest global LNG importers, 2014-2023 (bcm)



The European Union has outpaced China as the largest global LNG importer, while the United States have surpassed Qatar and Australia as the largest LNG producer.

New LNG capacity eased congestion, aligning LNG spot and EU hub prices

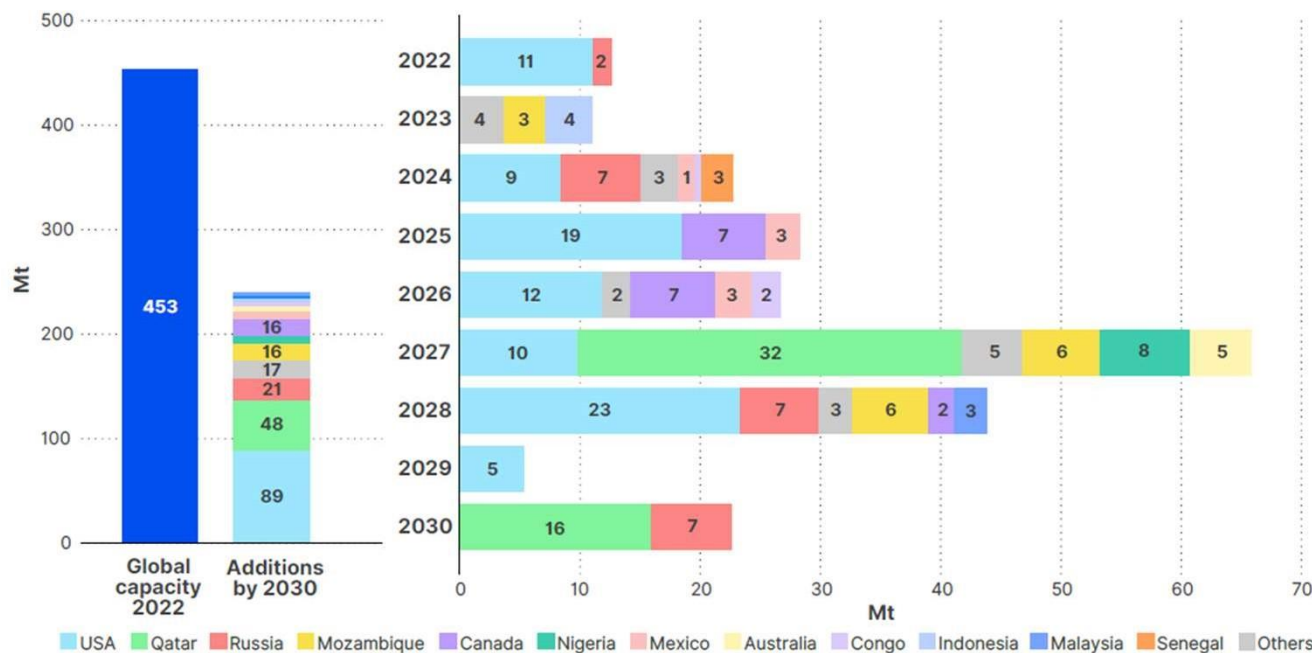
Spread between North-West EU LNG and TTF month-ahead prices (left axis) and Netherlands and Germany nominal and used LNG regasification capacities (right axis), 2022-2023 (EUR/MWh & GWh/day)



Since mid-2022, LNG regasification capacity in the EU has expanded by 50 bcm/year, primarily in North-West Europe. This expansion has boosted LNG imports and eased congestion at gas networks and LNG terminals. This contributed to lower wholesale gas prices and improved price convergence at gas hubs.

Rising global LNG production capacity will support price stability

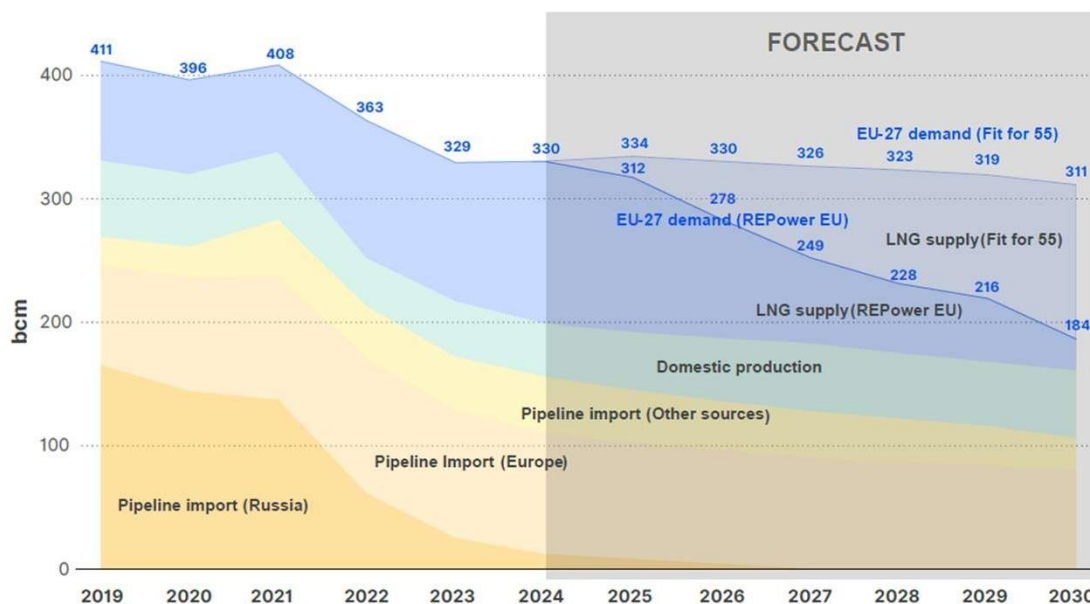
New capacity developments in global LNG liquefaction, 2022-2030 (million tonnes/year)



As of March 2024, 19 global liquefaction projects are under construction and set to boost LNG production by circa 200 million tonnes by 2030 (despite the recent US pause on granting new LNG export licenses). This production capacity increase equals roughly 50% of current global LNG trade and stands to reduce LNG market tightness and stabilise prices.

Outlook for EU gas demand and LNG supply needs

EU gas supply outlook and assessed LNG supply needs relative to FitFor 55 and RePowerEU demand scenarios, by 2030, (bcm)

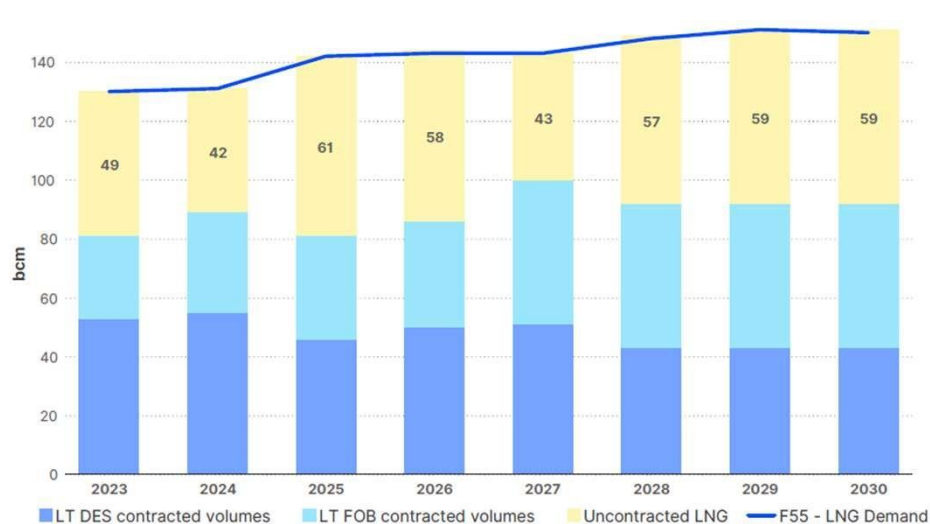


EU LNG imports might be nearing its peak due to structural gas demand reductions driven by the EU's decarbonisation goals.
 Pipeline remains generally stable (with Russian pipeline imports ending in 2027).
 Domestic EU production is expected to slightly increase (thanks to decarbonised gases increase).

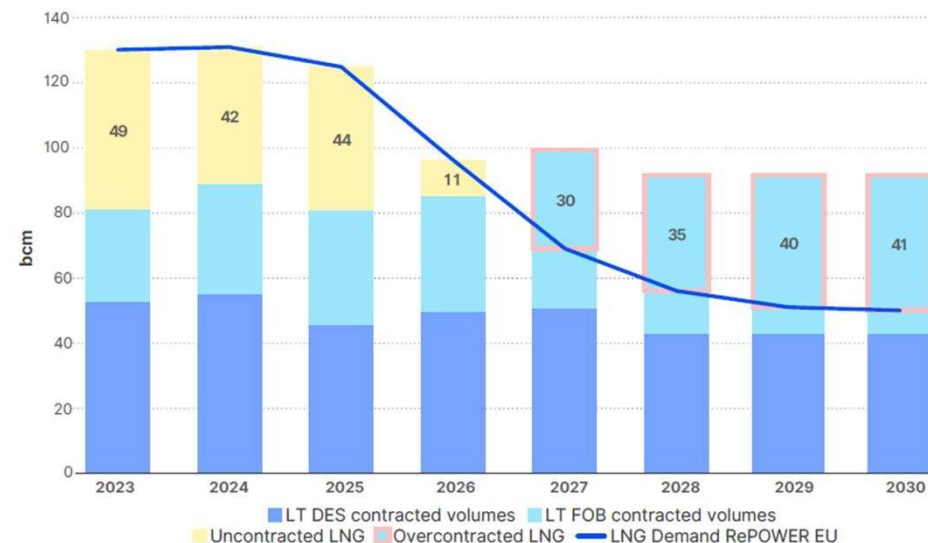
Source: [ACER's key developments in European gas wholesale markets](#), March 2024.
 Note: Domestic Production includes conventional gas, and projected Biomethane and Hydrogen production developments.

EU LNG reliance on the spot market

Uncontracted/over-contracted LNG volumes under Fit for 55 EU scenario (bcm)



Uncontracted/over-contracted LNG volumes under REPowerEU scenario (bcm)



Fit for 55 mandates a 30% gas demand reduction by 2030 (compared to 2019) while REPowerEU promotes additional demand reductions, targeting over 200 bcm gas demand reduction if all REPower EU measures are fully implemented by 2030. Reliance on the spot market would be reduced from 49 bcm in 2023 to just 11 bcm in 2026 under REPower EU scenario while reliance on the sport market would reach around 60 bcm under FitFor 55 scenario.

Source: ACER based on data from REPowerEU and proprietary long-term contracts database.

TTF primary indexation term for spot LNG in the EU

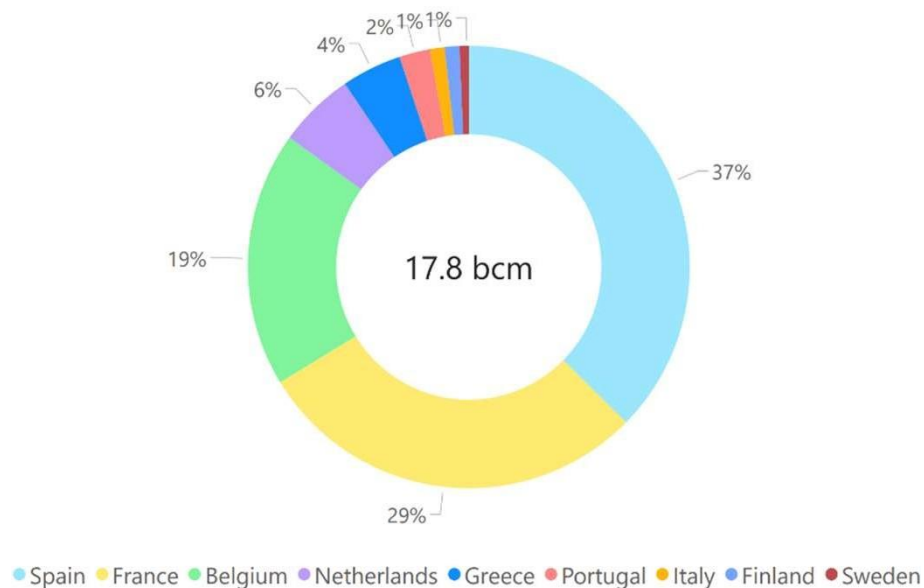
Breakdown of price references/indexation for spot & short-term trade in Europe, 2023



TTF was the dominant indexation term for EU spot and short-term trades (64%), whereas Henry-hub and Brent prevailed in long-term ones. European spot and short-term LNG trades amounted to 47 bcm. The largest eight buyers and nine sellers controlled over 50% of their respective markets, with the top three holding a +20% market share.

EU continues to import some Russian LNG due to long-term contract commitments

Total LNG deliveries to European countries from Russian liquefaction plants in 2023 (bcm)



In 2023, Europe still imported 18 bcm of Russian LNG, without including transshipment. At least 1 bcm, but probably more has been reloaded to other markets, mainly to Asia. Around 12 bcm are contracted on a long-term basis with delivery to the EU signed before 2022.

Source: ACER based on data from ICIS LNG Edge.

Note: The figure accounts for the total deliveries of Russian LNG reaching EU terminals. A certain part of those deliveries – 1 bcm, approx. - would be re-diverted to non-EU markets.

Certain mechanisms can assist to safeguard fair access conditions and foster competition

1. Transparency: System operators shall institute transparent and consistent reporting mechanisms for operational data. Secondary capacity allocation platforms shall be useful in that aim.

2. Competition: Competition can be facilitated. Various approaches, like avoiding the total allocation of the entire capacity in the first allocation round and offering capacity short-term could be options. Limiting the primary capacity that can be assigned to dominant users and implementing market-based mechanisms such as auctions, if demand exceeds offered capacity, assist market competition.



3. Flexibility: Flexibility can be promoted, while adhering to technical boundaries. For example, allocating unbundled products can encourage additional market participants to engage in LNG trading and supply from terminals. Flexible send-out patterns facilitate the optimization of supply portfolios or the virtual regimes such as in Spain encourage trading.

Thank you

The contents of this document do not necessarily reflect the position or opinion of the Agency.



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