



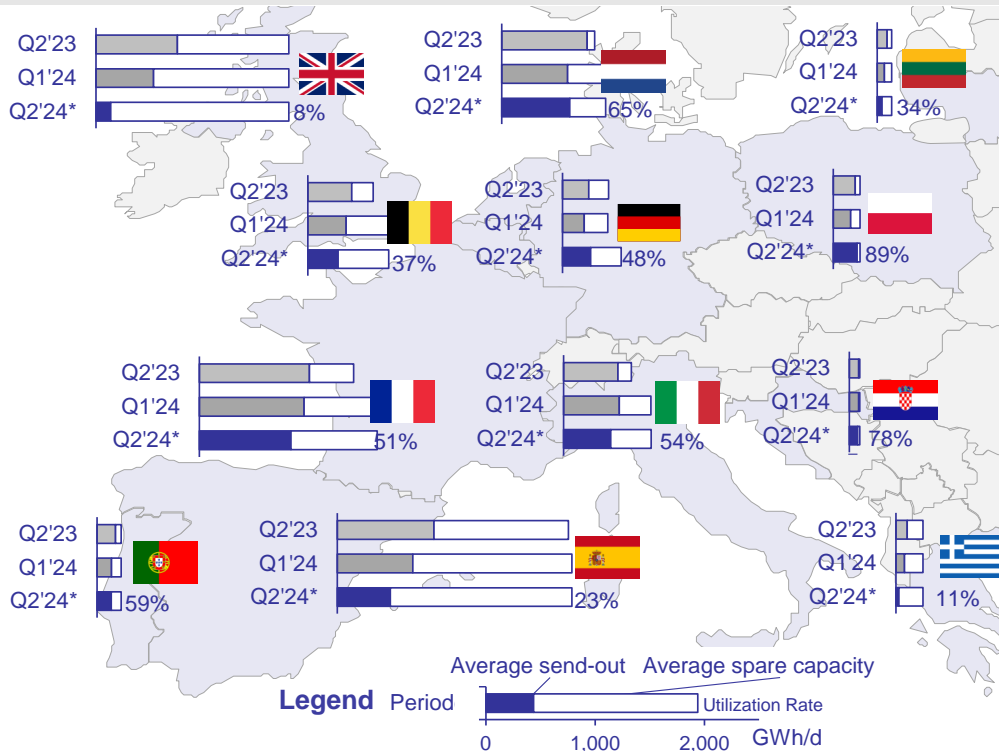
# LNG MARKET RADAR

16.07.2024

## KEY FACTS

- Utilization of European LNG import terminals declined in Q2'24 compared to the same quarter in 2023; this effect is stronger in countries located in the Western part of Europe than in other European countries
- European LNG imports increased sharply in recent years; the bulk of that growth happened under purchases in the LNG spot market; imports under long-term contracts, on the other hand, grew at a lower rate
- Most new long-term LNG sale and purchase agreements (globally) have a price indexed to crude oil (Brent) or the U.S. gas trading market (Henry Hub)
- European importers, however, require a price based on European hub prices when entering into firm offtake commitments; therefore, most new LNG long-term contracts to Europe are flex contracts

## Average European Regasification Capacity Utilization



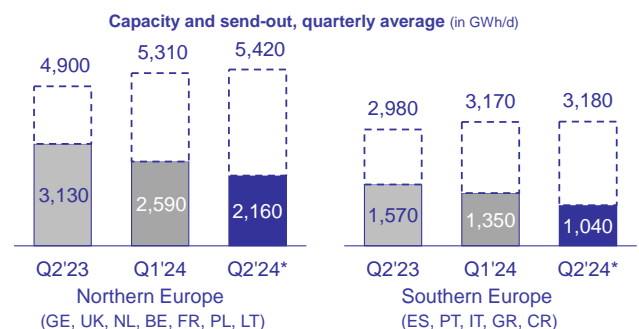
- Utilization of LNG import terminals declined in most countries in Q2'24 compared to Q2'23
- This effect was stronger in Great Britain, France, Belgium and Spain than, e.g., in Germany and Italy
- This is, amongst others, the result of increased import capacities in several European countries that are now less dependent on imports of LNG from their western neighbors.

Source: Gas LNG Europe (GLE), Team Consult Analysis

\*as of 30/06/24

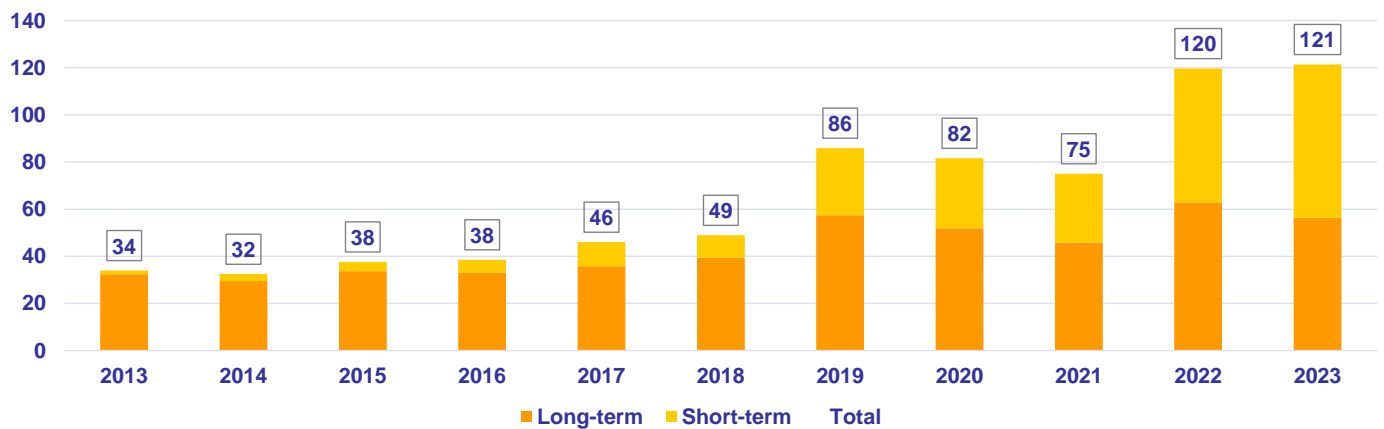
## Average send-out of European Regasification Facilities

- In Northern Europe, the FSRU in Mukran (Germany) came on stream which made the largest contribution to the growth in capacity compared to the previous quarter
- Utilization of European LNG import terminals declined in Northern Europe as well as in Southern Europe
- This is also due to high filling levels of European gas storages which on average are at approx. 80% of working gas volume currently; the security of supply situation is returning to normal further



\*as of 30/06/24

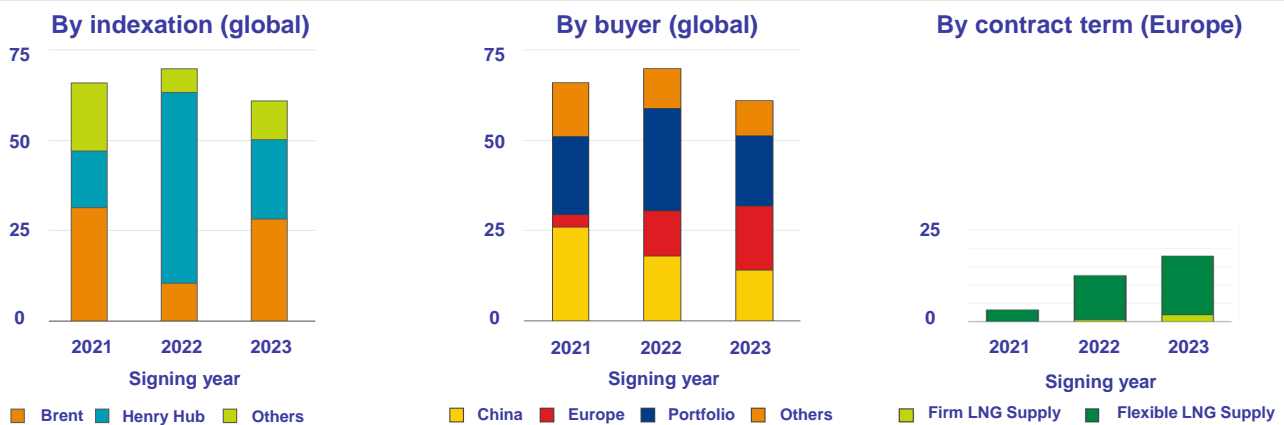
## LNG imports to Europe under long-term and short-term contracts (mtpa)



Source: GIINGL

- Over 50% of European LNG imports in 2023 were based on the LNG spot market; ten years before, in 2013, the spot market accounted for less than 5% of European LNG imports
- One reason for this change is the development of the global LNG market—the share of the LNG spot market in all LNG volumes has significantly increased over the last 10 years
- In Europe, however, LNG spot imports grew at an even faster pace; this has two different causes
  - The growth of European LNG imports was to a large extent enabled by the growth of U.S. LNG exports, which are predominantly sold in the spot market
  - Moreover, the sudden increase of LNG import requirements due to the decline in Russian pipeline gas deliveries left European buyers with no other option than to buy additional LNG volumes in the spot market
- This raises the question about whether there is a need for securing more LNG supplies under long-term contracts

## New long-term LNG supply contracts (mtpa)



Source: Shell LNG Outlook 2024

- Globally, new long-term LNG sale and purchase agreements predominantly have prices indexed to crude oil (Brent) or the U.S. gas trading market (Henry Hub)
- European buyers, however, require contract prices compatible with European gas hub prices, because the on-sale in the European gas market at Brent- or Henry-Hub-indexed prices is usually not possible
- Thus, European LNG buyers usually do not enter into long-term LNG offtake commitments at Brent or Henry Hub-indexed prices
- LNG producers, on the other hand, usually do not enter into long-term delivery commitments at European hub prices since they want to keep open the option to redirect their LNG deliveries into other markets when those offer higher prices
- The result is that long-term LNG contracts for deliveries to Europe are mostly flex contracts (without firm volume commitments)

### Imprint

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