

## **NEWSLETTER GME – New issue now online**

Rome 15 May 2019 – The new issue of the newsletter of Gestore dei Mercati Energetici (Gme) is online and can be downloaded from the website [www.mercatoelettrico.org](http://www.mercatoelettrico.org).

The newsletter begins with an intervention by Agata Gugliotta from RIE on the European market of liquefied natural gas. *"In 2018, as in the early 2019, the Liquefied Natural Gas (LNG) market was characterized by a series of important dynamics that concern not only the market fundamentals but also the geopolitical scenario and the relations among States. Among them, the significant increase in LNG imports in Europe is certainly among the most significant", the RIE analyst explains. Generally, for the fifth consecutive year, the international LNG trade marked has recorded "an increase over the previous year, + 8.3%" for a volume marketed close to 315 million tons (MT). The increase in product volumes - thanks to the additional capacity of Australia (+11.1 MT) and the United States (+8.4 MT) – has also supported this growth, by balancing the decline in production recorded in some countries (Algeria, Nigeria, Malaysia and Papua New Guinea)", points out Gugliotta adding that in this context, once again, Asia was again " the main driver of demand, absorbing a volume amountingl to 76% of global imports (238, 6 MT) and up 13% on 2017. Japan remains the leading LNG importing country with 82.5 MT (despite declining consumption); China follows with 54 MT, where, due to the government's environmental policy aiming to switch from coal to gas, the import of LNG has doubled in two years". Far from being a completely liquid market, the RIE expert explains, "it is undeniable the path taken towards greater 'commoditization' of LNG, with changes in commercial agreements - which have become more flexible in terms of the allocation of gas, volumes to be withdraw, durations - and in the definition of international prices, no longer entirely linked to oil". This aspect has also impacted the price dynamics, with values "contained up until the beginning of autumn. Starting from October, however, prices have started to fall again, dropping below 10 USD/Mbtu. Weak demand, strong supply and falling oil prices are the main reasons for this trend".*



Conversely, as regards the significant increase in exports to Europe, the main reasons are primarily linked to *“falling LNG prices in Asia, such as to make it more convenient for exporters in almost all the world to move this source to Europe where profit margins have been higher”*, the RIE analyst explains. In addition, it is worth mentioning *“the abundance of flexible LNG volumes, that is not linked to long-term contractual obligations, especially from Russia - which, thanks to the launch of the Yamal plant, has been able to distribute volumes 3 times higher than those of the previous winter to Europe, exceeding the records of historical suppliers such as Qatar, Nigeria and Algeria - and from the United States that mark a + 420%”*. The one linked to the drop in the European domestic production, *“especially the Dutch one, after the government's decision to limit the extraction activity of the large Groningen field to reduce the seismic risk”* along with a *“contemporary, albeit modest, demand recovery”*. Therefore, what should we expect for the coming months? Will Europe continue to be the final market for many LNG loads or will the approaching summer season, typically high consumption for Asia, reverse the trend? *“The answer is far from being obvious, - said Gugliotta -. While at the beginning of April, the forecasts were for an immediate downsizing of the volumes supplied to Europe, mainly due to a recovery in Asian prices, currently the latest figures suggest a still very high level of imports in Europe. For example, in the UK 1.73 MT2 of LNG were imported in Aprile, marking an increase of 270% compared to the same month of 2018, while in France 1.89 MT, double compared to April 2018. Furthermore, Asian LNG spot prices are back to decrease while production capacity is going to increase and new loads could come from a 'rediscovered exporter' like Egypt, but also from the US and Russia,*” concluded the RIE expert.

The new issue also includes the usual technical commentaries on the markets and the national and European electricity and environment exchanges, the section devoted to the analysis of the trends of the Italian gas market and the section with an analysis on European trends, which delves into trends in key European commodities markets.

The GME's new publication also reports, as customary, the summary data of the electricity market for April 2019.



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Press Release