

Natural Gas Market Update

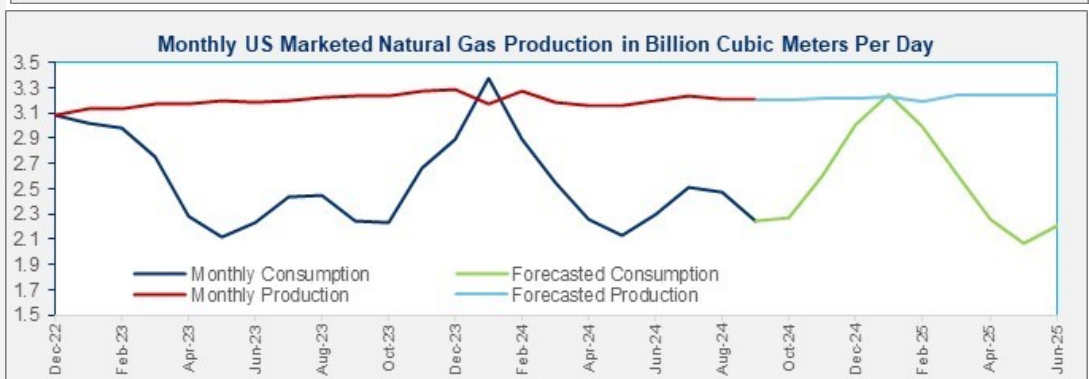
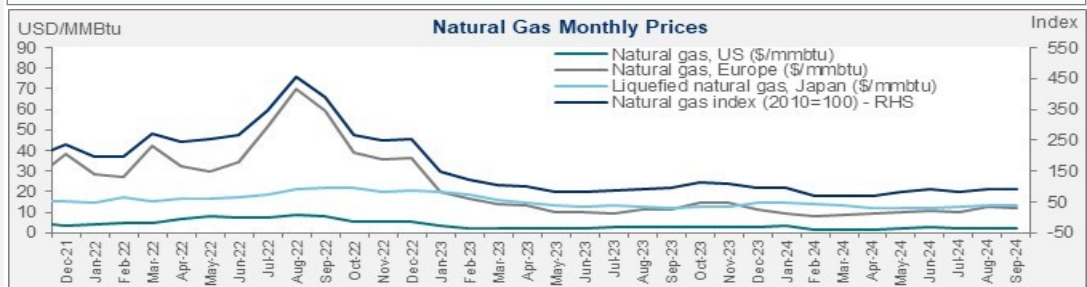
October-2024

Natural gas prices diverge regionally in Q3-2024 as geopolitical issues endure...

Global gas prices trends diverged regionally during Q3-2024. The divergence was mainly led by the decline of natural gas prices in the US, while monthly average prices in Europe and Southeast Asian countries witnessed moderate growth during the quarter. In Europe, gas price growth was supported by deteriorating situation in the Middle East as well as the start of maintenance arrangement schedules for several Norwegian facilities coupled with expected below-normal temperatures in the region. Norway which currently supplies approximately 30% of Europe's natural gas, has become the biggest natural gas supplier of the region due to the blockage of natural gas supplies from Russia. US natural gas prices recorded declines in all the three months of Q3-2024 despite a late impact of hurricane Helena which has caused some production disruptions during the end of September-2024. On the other hand, natural gas prices in Asia witnessed an overall increase during Q3-2024 due to different issues including supply fears from continuing outages at important LNG facilities in key supply nations of Australia and Malaysia.

The continuing energy market instability due the war on Gaza and the Russia-Ukraine conflict has underpinned the continuing realignment of gas trade around the world as European countries keep looking for a substitution of Russian natural gas while the USA has risen as the largest exporter of LNG in the world. In terms of natural gas imports, EU natural gas imports from Russia fell to 13.3 bcm in Q3-2024 as compared to 36.3 bcm in Q3-2021. On the other hand, according to GECF October-2024 Monthly Report, the expected global gas consumption for this year has been revised up to 2.2% in September-2024. Gas consumption in the European Union declined by 2.5% in Q3-2024 to reach 52.8 bcm as compared to 54.2 bcm in Q3-2023 according to GECF (Gas Exporting Countries Forum)

According to the World Bank, average natural gas monthly prices for the EU countries increased by 2% y-o-y during September-2024 to reach USD 11.78/MMBtu as compared to USD 11.55/MMBtu in September-2023. In context, average monthly natural gas prices for the EU countries witnessed y-o-y growth in each of the three months of Q3-2024. On the other hand, the World Bank average monthly prices for the US natural gas witnessed 14.7% y-o-y decline during September-2024 to reach USD 2.25/MMBtu as compared to USD 2.64/MMBtu in September-2023. In a stark contrast to the World Banks' average monthly EU natural gas prices, the US natural gas monthly average prices recorded y-o-y declines in all the three months of Q3-2024.



Sources : EIA, World Bank and Kamco Invest Research

Junaid Ansari
Head of Investment Strategy &
Research
+(965) 2233 6912
jansari@kamcoinvest.com

Mohamed Ali Omar
Associate
+(965) 2233 6906
momar@kamcoinvest.com

Natural Gas Consumption

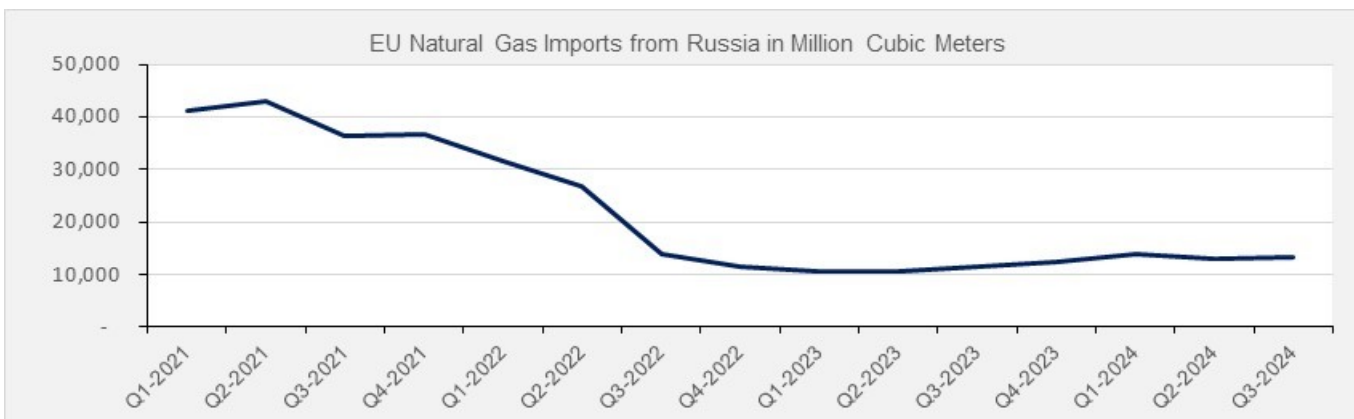
According to the IEA, the expected growth in the global gas demand for 2024 has been revised up by 2.5% to reach 4,200 bcm with growth coming from Asia and North America while the EU natural gas consumption is expected to decline during the year. Moreover, according to IEA, global natural gas demand is expected to reach a record level during 2024 and 2025. So far global natural gas consumption has recorded 2.8% y-o-y growth during the first nine months of 2024.

China played an important role in the global and regional growth in demand for natural gas during the year. According to the CNPC's Economic and Technology Research Institute, China's natural gas demand for 2024 is estimated to reach 422 bcm. Most of the growth in China's natural gas demand is expected to come from LNG-powered trucks which have the sole intention of replacing diesel trucks with low-emission alternatives.

| EIA Forecast - US Natural Gas Supply and Consumption in Billions Cubic Feet Per Day | | | | |
|--|-------------|-------------|---------------|---------------|
| | 2022 | 2023 | 2024-e | 2025-e |
| Marketed Production | 100.00 | 104.00 | 103.00 | 105.00 |
| Consumption | 88.00 | 89.00 | 90.00 | 89.00 |
| LNG Exports | 11.00 | 12.00 | 12.00 | 14.00 |
| Henry Hub Spot Prices (\$/thousand cubic feet) | 6.40 | 2.50 | 2.30 | 3.10 |

Sources : EIA and Kamco Invest Research

Similarly, natural gas consumption in India has witnessed an increase of 6.1% y-o-y to reach 6.1 bcm in July-2024 but suffered 2.2% y-o-y decline to 6 bcm in August-2024. India's natural gas consumption in August-2024 was mainly attributed to lower gas consumption in the power generation sector affected by a decline in cooling demand in the country.



Sources : Bruegel and Kamco Invest Research

In Japan, natural gas consumption increased by 1.3% y-o-y and 1.2% y-o-y to reach 7.8 bcm and 8.2 bcm in July and August-2024, respectively. However, Japan's natural gas consumption recorded 3% y-o-y dip to 7.6 bcm during September-2024 mainly due to an estimated 2.5% growth in the country's temperature. Comparatively, natural gas consumption in South Korea witnessed 3.4% y-o-y growth to reach to 3.4 bcm during September-2024 mainly because of the country's highest ever recorded hottest summer.

Natural gas consumption in the EU witnessed an overall decline during Q3-2024 despite registering a 3.3% growth rate in September-2024. This came despite Germany seeing a growth in natural gas consumption during the month. According to GECF, natural gas consumption in Germany jumped 12% y-o-y to reach 4 bcm in September mainly due to growth in industrial and residential sector gas consumption growth. Natural gas consumption in Germany for the first nine months of 2024 witnessed a marginal decline of 0.2% y-o-y to reach 51 bcm. Comparatively, gas consumption in Italy increased by 1.3% y-o-y during September-2024 to reach 4.2 bcm primarily on the back of higher natural gas consumption growth in Italy's residential and industrial sectors. However, natural gas consumption in Italy recorded y-o-y declines of 5.5% and 2.4% in July-2024 and August-2024 to reach 4.2 bcm and 3.7 bcm, respectively. Natural gas consumption in the US improved 1.6% y-o-y during September-2024 to reach 67.4 bcm mainly driven by increase in gas fired power generation. In the US power mix, natural gas remained in the lead comprising 48% of the primary fuels in the energy mix of the country. US natural gas consumption for the first nine months of 2024 witnessed a 1.2% y-o-y growth to reach 683 bcm. Canada's natural gas consumption for the first nine months of this year improved 1.4% y-o-y to reach 89.7 bcm.

Natural Gas Production

According to the GECF, global natural gas production improved an estimated 2.6% y-o-y to reach 2,780 bcm for the first eight months of 2024. This increase is mainly attributed to growth in Russia's natural gas production which was driven by the necessity to meet its expanding domestic consumption. Moreover, increase in natural gas production in Canada has offset the impact of some of the natural gas production cuts in the USA during the period.



Sources : Bloomberg and Kamco Invest Research

According to the GECF, US natural gas production for August and September-2024 reached 98 bcm and 98.6 bcm respectively maintaining a declining downward trend. In September-2024 the devastation caused by Hurricane Helene has added to the overall production decline after its impact has reduced an estimated 15% of Gulf of Mexico's daily gas production. On the other hand, cumulative natural gas production in Canada witnessed 2.1% y-o-y increase to reach 129 bcm for the first eight month of the year. Overall natural gas production in North America (USA, Canada and Mexico) was estimated at 862 bcm for the first eight months of the year.

In terms of exports, the EIA expects US (LNG) exports to average at 12 Bcf/d (0.34 bcm/d) in 2024, in line with exports in 2023. Furthermore, US LNG exports are expected to increase by 2 Bcf/d (0.06 bcm/d) or 16.7% in 2025 to reach 14 bcf/d (0.4 bcm/d). US LNG exports were the primary driver of US natural gas production growth in 2024. According to the IEA, there are currently five LNG projects in the USA which have an estimated combined export capacity of 9.7 Bcf/d. These projects include the Plaquemines (Phase I and Phase II), Corpus Christi Stage III and the Golden Pass project.

European natural gas production improved 4.4% y-o-y for the first eight months of 2024 to reach 128.1 bcm according GECF. This has been Europe's second largest output during the last five years. Norway has been the main driver of Europe's natural gas production growth during the period as it represented 68% of the total European natural gas production. Growth in Norway's natural gas production was mainly driven by increased yield at the giant Troll field which recorded 16% growth in its production level during September-2024. Natural gas production in Norway increased by 9.3% y-o-y for the first eight months of 2024.

Natural gas production in the Asia Pacific region increased by 3.7% y-o-y during the first eight months of 2024 to reach 467 bcm mainly driven by gas production uptick in China during the period. Natural gas production in China rose by 7.1% y-o-y for the first eight months of this year to reach 163.8 bcm. According to GECF, in August-2024 gas production in China jumped 10.6% y-o-y to reach 20 bcm. Similarly, natural gas production in India improved 4.6% y-o-y to reach 24 bcm during the first eight months of this year.

GCC Natural Gas Update

According to the Qatari government, the country is expected to represent 40% of all new LNG supplies by 2029 as a result of the coming online of major expansion projects such a North Field expansion. These expansion projects are forecasted to increase Qatar's export capacity by 85%. Qatar has already indicated that it will look to South Asia as the market for its upcoming LNG exports. The country currently has significant future deals on its books including the agreement to supply 3 million tons of LNG to Kuwait per year in a 15-year deal. The Kuwaiti-Qatari LNG contract is set to begin in 2025. According to the GECF, Qatar is currently the world's second largest LNG exporter. Qatar has exported approximately 7.1 bcm of LNG during September-2024 as compared to an estimated 6.8 bcm and 7.3 bcm August-2024 and July-2024 respectively.

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Kamco Investment Company - K.S.C. (Public)

Al-Shaheed Tower, Khalid Bin Al-Waleed Street- Sharq

P.O. BOX : 28873, Safat 13149, State of Kuwait

Tel: (+965) 2233 6600 Fax: (+965) 2249 2395

Email : kamcoird@kamcoinvest.com

Website : www.kamcoinvest.com

Kamco Invest