

## Natural Gas Market Update

April-2024

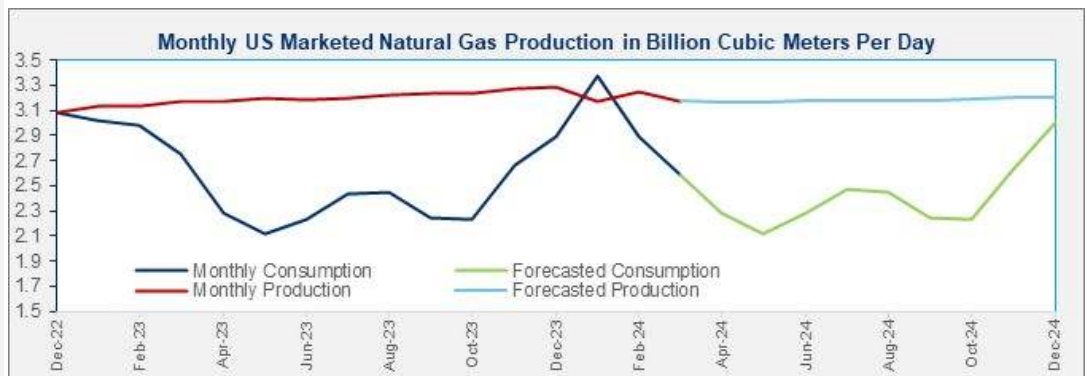
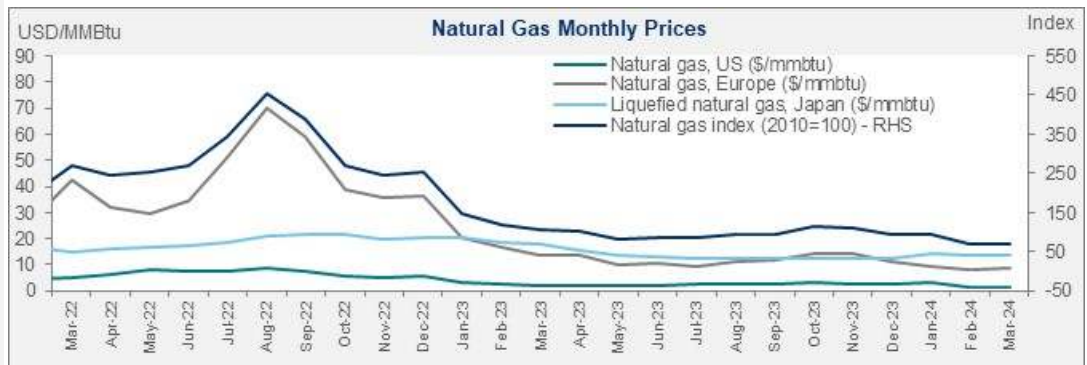
### Natural gas prices stay subdued during the 2023/24 heating season...

Global energy prices fell across the board during March-2024 led by a notable decrease in gas consumption in the EU. The decline reflected lower heating demand driven by unusually warmer-than-expected winter in most of the EU countries. This caused Asian and European natural gas spot prices to decline to the lowest level since the Russia-Ukraine conflict during Q1-2024. Overall, the World Bank's Natural Gas Index recorded 35.7% y-o-y decline during Q1-2024 to close March-2024 at 68.1 points. The World Bank's monthly average European natural gas price recorded 38.1% y-o-y decline to average 8.55 USD/MMBtu during March-2024 while the World Bank's US monthly average gas price witnessed a 34.9% y-o-y drop to an average of 1.5 USD/MMBtu during the month. In terms of East Asian LNG prices, the World Bank's liquified average price for Japan recorded 24.8% y-o-y decline to reach 13.54 USD/MMBtu during March-2024.

According to the IEA, natural gas prices are expected to recover during 2024 and improve by 2.3% during the year driven by expected growth in demand primarily from the industrial power sectors of energy hungry fast-growing economies in Asia coupled with higher demand from residential and commercial sectors. Moreover, geopolitical tensions such as the Russia-Ukraine conflict, the war on Gaza and the stoppage of LNG transport across the Red Sea since the beginning of the year pose greater risk to the short-term outlook of the commodity during the year and might put an upward pressure on the current sluggish prices.

It was a similar story in the Asian markets where unusually mild winter coincided with improving supply fundamentals during the winter season of 2023/24. On the other hand, the Asian markets witnessed a combination of higher LNG production in Asia as well as higher-than-expected piped natural gas deliveries to China, which brought downward pressure on Asian natural gas spot prices. Similarly in the US, the downward pressure on natural gas was brought in by a combination of ongoing increase in gas production and weak demand.

Geopolitical tensions such as the Russia-Ukraine conflict have already disrupted natural gas markets and it took two years for the global gas markets to recalibrate and stabilize. However, new conflicts and current geopolitical tensions might limit growth of natural gas consumption in 2024, according to the IEA.



Sources : EIA, World Bank and Kamco Invest Research

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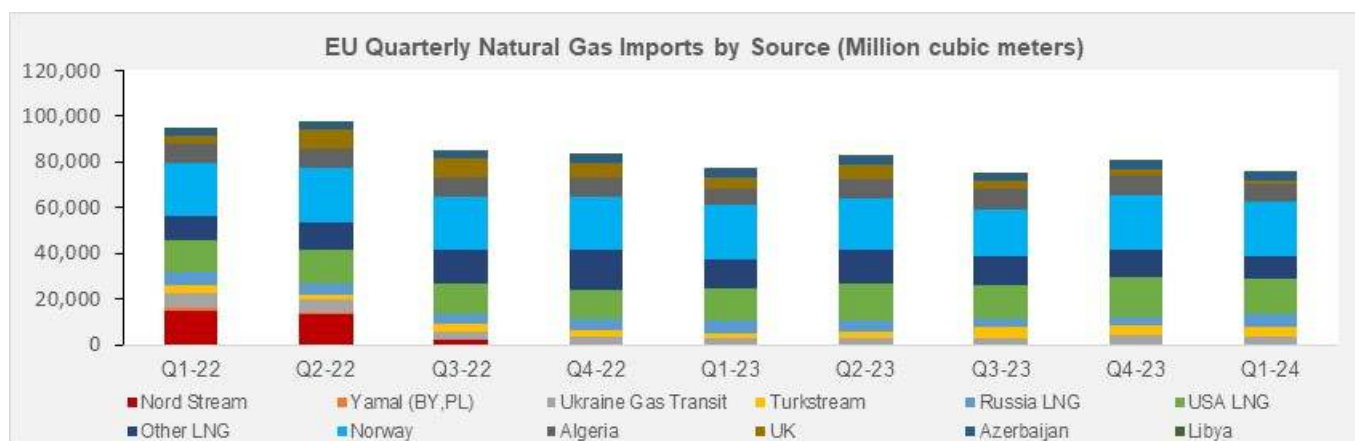
Growth in LNG demand in key markets in Asia and Europe is expected to be restricted by limited global LNG supply. In its latest Gas Market Report Q2-2024, the IEA penciled LNG growth to average 3% in 2024. According to the IEA, natural gas demand in Asia increased 6% y-o-y or 25 bcm during the period between the October-2023 till March-2024 period. China was the main driver on the growth in natural gas consumption as the country witnessed 9% y-o-y growth in its gas consumption during the same period.

<b>EIA Forecast - US Natural Gas Supply and Consumption in Billions Cubic Feet Per Day</b>				
	<b>2022</b>	<b>2023</b>	<b>2024-e</b>	<b>2025-e</b>
Marketed Production	100.00	104.00	104.00	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	2.20	2.90

Sources : EIA and Kamco Invest Research

According to the latest Monthly Gas Report from GECF, natural gas demand in China improved 10% y-o-y to reach 34 bcm in Feb-2024. The growth in China's gas consumption was mainly driven by the renewal of economic activities in the country. In context, electricity generation from natural gas in China increased by 14% y-o-y during Feb-2024 while total electricity production increased 10% y-o-y during the month. In terms of power mix for electricity generation in China, coal remained the largest fuel representing 65% of usage in China followed by renewables (19%), hydro (9%), nuclear (4%) and natural gas (3%). Similarly, natural gas consumption in Japan witnessed 10% y-o-y growth to reach 8.7 bcm in March-2024. The monthly growth in Japan's gas consumption was attributed to growing demand in the power generation sector due to cold weather. Japan's power sector witnessed 12% y-o-y increase in natural gas consumption which reached 4.6 bcm during March-2024.

The trend of monthly gas consumption growth was even stronger in other Asian countries such as South Korea and India. In February-2024, natural gas consumption in India jumped 25% y-o-y to 5.6 bcm registering its 14th consecutive month of y-o-y growth in natural gas consumption. India's monthly growth in gas consumption was mainly driven by energy demand growth in the power generation, petrochemical, and refinery sectors. Comparatively, natural gas consumption in South Korea, another major natural gas importer, increased 11% y-o-y in March-2024. Th growth was fueled by increased demand in the power generation sector as well as city gas sectors.



Sources : Bruegel and Kamco Invest Research

Natural gas demand in the OECD Europe region recorded a 1% y-o-y decline during the 2023/24 heating season, according to the IEA. The dip in European gas consumption was attributed to a combination of developments impacting natural gas consumption in the region including strong expansion of renewable and nuclear energy consumption. Comparatively, natural gas consumption in the Eurasia region witnessed 4% y-o-y growth during the 2023/2024 heating period. Natural gas consumption in the EU fell 9% y-o-y during March-2024 mainly due to less energy demand for heating. According to latest report by GECF, gas power generation in the EU recorded 15% y-o-y drop during March-2024 while electricity generation in the block recorded relatively modest decline of 2.7% y-o-y during the month. German natural gas consumption fell 10% y-o-y to 7.4 bcm during March-2024. This significant drop in gas consumption in Europe's largest economy was mainly due to the fact that Germany witnessed the warmest March ever recorded in in the country with average temperature being 7.4 degree Celsius or 2.8 degrees above the normal temperature. Moreover, Italy's natural gas consumption declined by 6% y-o-y to 5.7 bcm while gas consumption in France fell 13% y-o-y 3.3 bcm during March-2024. Natural gas consumption in North America remained flat during the 2023/24 winter heating season, according to the IEA. Despite growth in gas-fired power generation, a steep decline in demand in the residential and commercial sectors due to mild winter weather was enough to offset that growth.

According to the GECF, total natural gas consumption in the US declined by 4.5% y-o-y to 80 bcm during March-2024. In context, natural gas consumption in US residential and commercial sectors dropped by 15% and 16 y-o-y, respectively. On the other hand, the US power generation sector maintained its natural gas consumption during March-2024 mainly due to the ongoing coal to natural gas switch in the sector.



Sources : Bloomberg and Kamco Invest Research

The global LNG market trade remained strong during the 2023/24 heating period. There have been several liquefaction projects that came online during the past year (2023) which have greatly supported in meeting the global growing demand for LNG. Global aggregate traded volumes for LNG increased by 3% y-o-y over the October-2023 till March-2024 period. However, LNG imports in certain regions of the globe fell during 2023/24 heating period. OECD Europe's primary natural gas supply declined by an estimated 4% (or 10 bcm) y-o-y over the 2023/24 heating season, on the back of combination of lower natural gas demand and high storage levels. According to the IEA, LNG imports in Europe fell 12% y-o-y or 11.5 bcm during 2023/24.

In its latest short-term energy outlook, the EIA forecasted that US natural gas consumption would remain stable at 104 bcf/d (2.94 bcm/d) in 2024 reflecting an overall expected consumption stabilization in the country. The EIA also estimates that US natural gas marketed production to reach 90 bcf/d (2.55 bcm/d) in 2024 witnessing an increase of 1.1% from 2023 to 2024. In terms of sectors, the EIA forecasts that the US natural gas share of electricity generation to remain at 42% in 2024 and then witness a marginal drop to 41% in 2025. In terms of natural gas prices in the US, the EIA forecasts the Henry Hub natural gas spot price to average at around USD 2.20/MMBtu during 2024 and then increase to USD 2.90/MMBtu in 2025 due to expected rise in demand for LNG exports which is forecasted to reach an annual record in 2025. In terms of US LNG exports in 2024, the EIA expects US (LNG) exports to average 12 Bcf/d (0.34 bcm/d) in 2024, recording a 2% increase compared with 2023. Furthermore, US LNG exports are expected to increase by a further 2 Bcf/d (0.06 bcm/d) or 18% in 2025; due to the additional LNG export capacity that is expected to be afforded by three of the five LNG export projects currently under construction which are expected to start operations and increase up to full production.

In the GCC, Qatar has announced another expansion of its LNG capacity during Q1-2024. QatarEnergy has announced its third phase of LNG expansion during February-2024 which is expected to add 16 million tons of LNG per annum. The additional capacity is expected to increase Qatar's overall capacity to 142 million tons per annum by 2030. In context, Qatar has been working on to increase its LNG expansion capacity for the last six years and there have been notable projects previously unveiled by the country including the 127 million tons per annum project expected to be completed by 2027. Moreover, Qatar has been positioning itself to take advantage of Europe's growing demand for LNG to replace the continent's Russian natural gas supply. According to Bloomberg, Qatari LNG will be reserved in the UK's giant new LNG tank from the middle of next year. Reserving capacity in the UK is a strategic move for Qatar as it would make it easier for the GCC country to send volumes of LNG to the UK, store them and deliver to customers.

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