

Medium-Term Gas and LNG Outlook

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Overview

ICIS presents a forecast for the gas and LNG markets for 2025-2028 with focus on European market trends and touching on global dynamics.

Drawing on supply, demand and price development through the year-to-date, the presentation details the likely outcomes for sectoral consumption, pipe and LNG sources of supply as well as storage inventories in Europe. Price predictions on the level of the out-tuning benchmark TTF are included.

Methods

ICIS forecasts European gas prices via a proprietary linear optimisation model that meets predicted demand with all potential sources of supply. The model generates a delivered-price for the traded horizon by minimising system cost under physical, contractual and regulatory constraints.

ICIS forecasts the following three types of gas consumption each with different methodologies: Residential & commercial, Industrial, Gas-to-power.

The residential-commercial forecast uses a ‘typical weather year’ methodology. The approach generates an artificial weather year, where each calendar month selects the historical weather data considered most typical for that period on a pan-European scale. This ‘typical weather year’ is then fed into a neural network model together with other input data such as historical res-com demand data, calendar structure, wind-chill temperatures and population-weighted heating and cooling degree days, which produces a country-specific res-com forecast as output.

The **industrial** forecast is based on a reconsolidated average history, adjusted with the industrial production index by country. The industrial index is sourced from Oxford Economics, and it includes both history and forecast data.

The **gas-to-power** forecast uses assumptions based on outputs from our sister-product ICIS Power Foresight, ensuring we have a common view across Energy Analytics offerings. The ICIS Gas Foresight and ICIS Power Foresight models run consecutively overnight such that the same commodity prices and power fundamentals are used within each run.

ICIS maintains a proprietary long-term contracts database of both pipeline and LNG deals, which is fed into the model. Outage data is updated regularly, as are tariffs for pipelines, storages and LNG terminals. ICIS Analytics also maintains an infrastructure database on LNG which informs capacity changes in the market.

Results

The presentation outlines the current state of play with regards to European wholesale gas prices and how the summer has developed with regards to fundamentals.

It dives into a forecast of internal demand and provides colour as to how much gas the power, industry and residential-commercial sectors are likely to consume throughout the coming years. A focus on the petrochemical industry and its gas requirements is outlined.

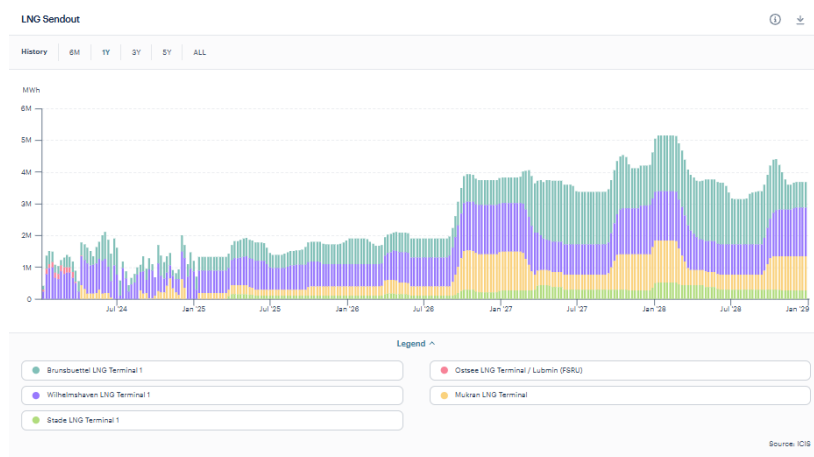
Moving to supply, the presentation then focuses on two main areas: Russian pipe deliveries via Ukraine and LNG availability. Norwegian, Algerian pipe imports and domestic production are dealt with.

With the five-year transit agreement between Russia and Ukraine expired, the presentation outlines market scenarios with regards to flows in Eastern Europe. The role of Russian LNG and gas is explained.

The presentation then focuses on the role of the global LNG market and its fundamental seasonal balance which impacts both price and supply to Europe. Possible risks in the role of supply disruptions and demand spikes around the globe are outlined. This could include commissioning delays to new liquefaction projects as well as unexpected rise in gas consumption in Asian markets.



Picture 1: Examples of projected storage stock levels of Germany



Picture II: Example of projected LNG sendout in Germany

Conclusions

Having considered both demand and supply, the presentation provides a forecast as to how storage fullness develops through winter and summer seasons. The presentation concludes with a prediction of where TTF could out-turn and how that compares with the current traded forward curve. Conclusions on volatility, risks and uncertainty are drawn.