



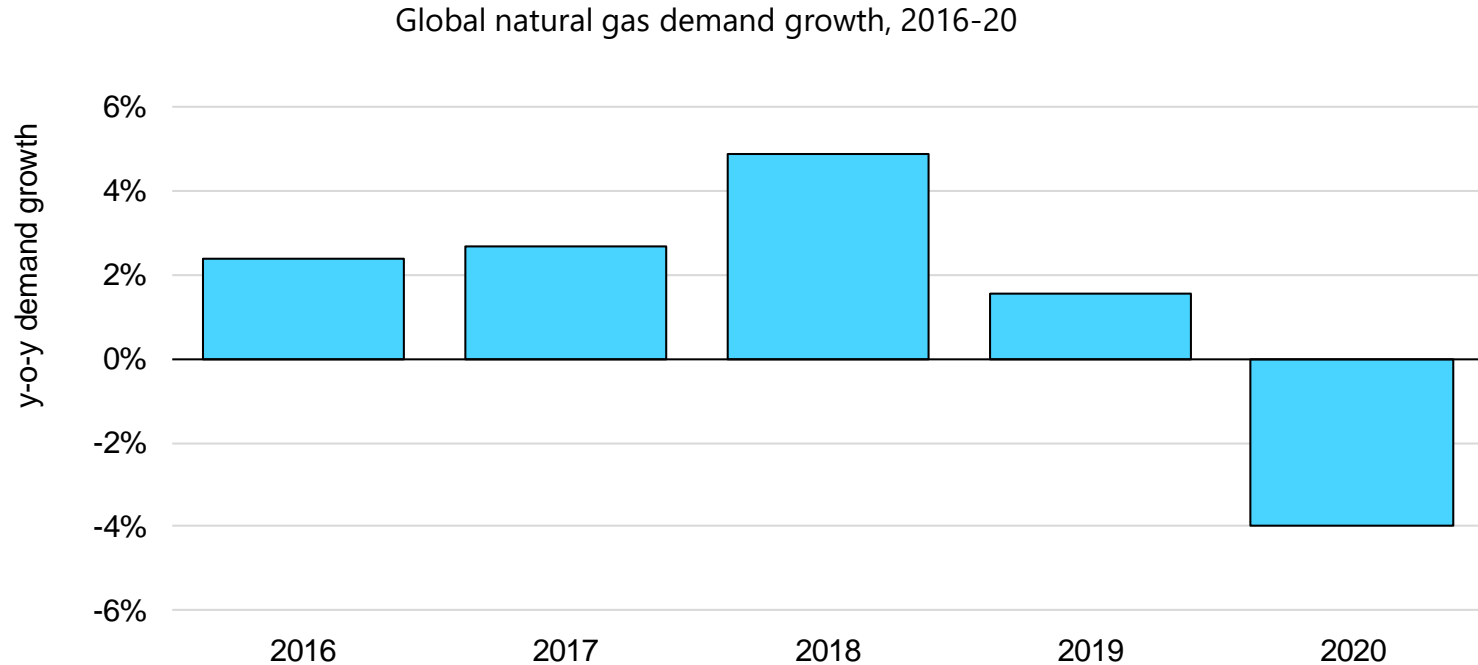
## **GAS 2020**

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Club Español de la Energía, 10 July 2020

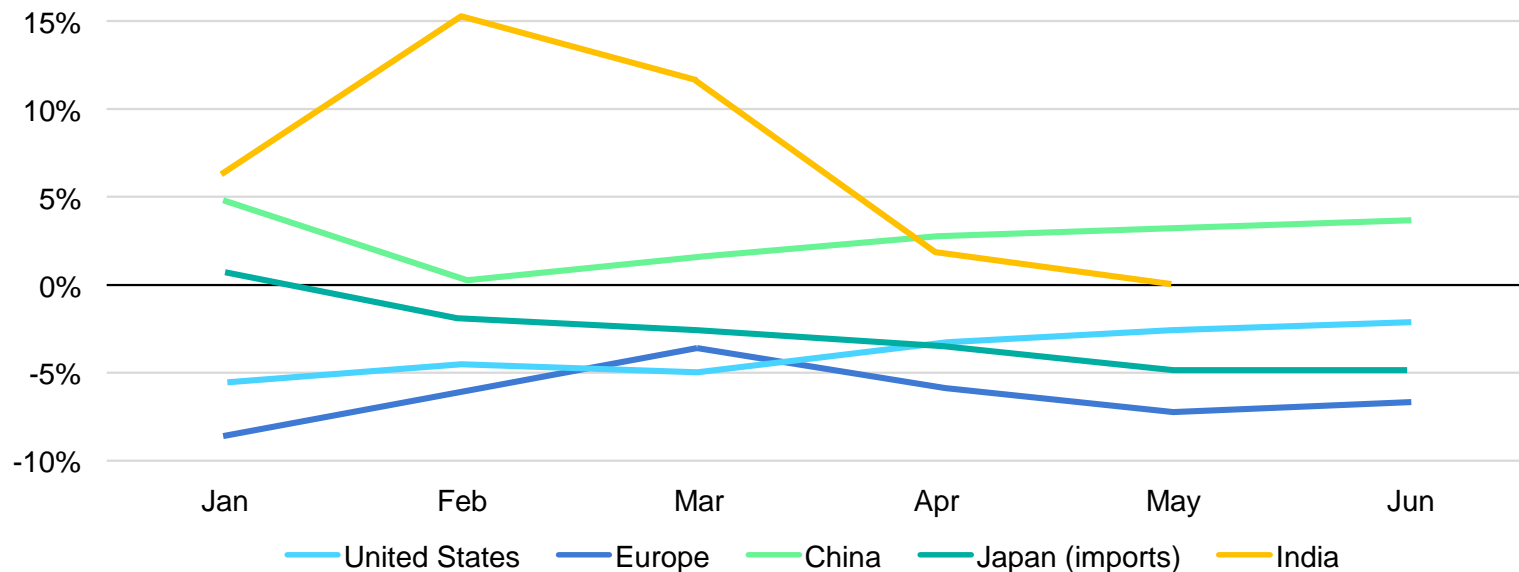
# Natural gas demand – from cool down to meltdown



After three consecutive years of strong gains, natural gas demand growth slowed down in 2019 and is expected to experience its largest recorded drop this year

# Gas demand decline already started before the Covid-19 outbreak

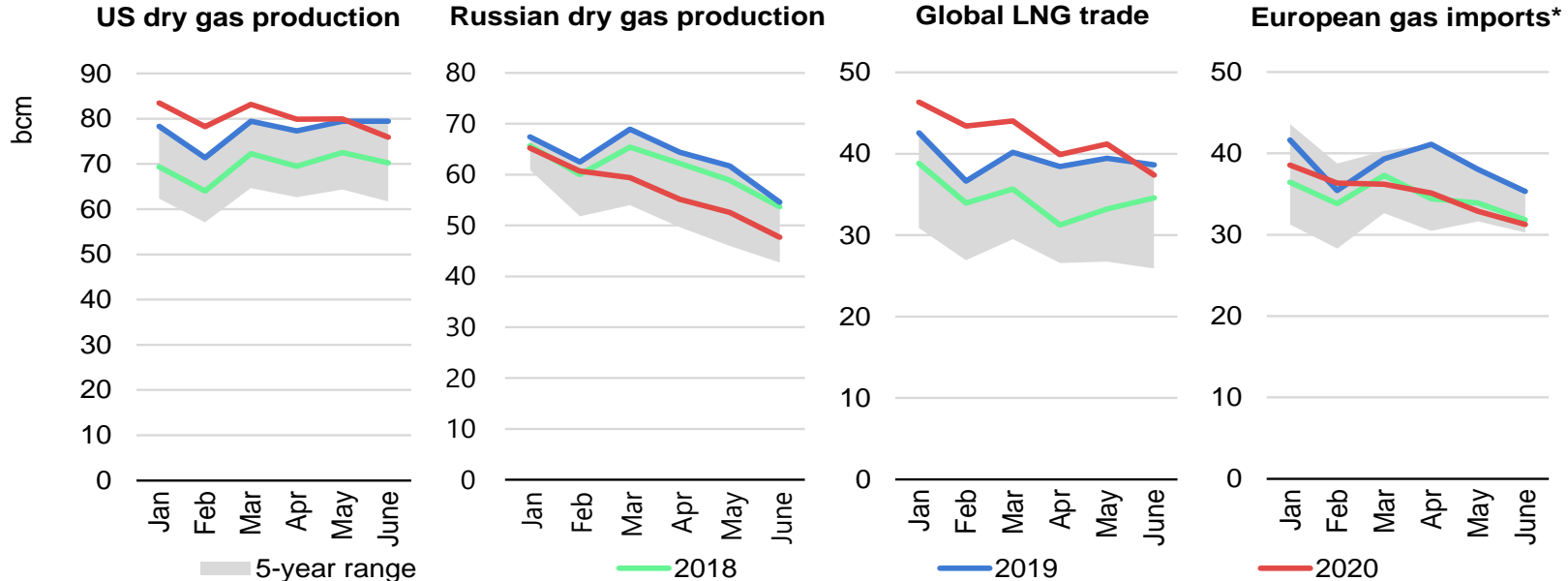
Year-on-year change in gas demand for a selection of major markets, 2019-20



The Covid-19 crisis hit an already weak gas demand at the end of an exceptionally mild winter for mature markets, while emerging markets were impacted later with the implementation of lockdowns

# The impact of lower demand is not (yet) fully visible in supply

Monthly evolution of major natural gas supply indicators, 2018-20 and 5-year range

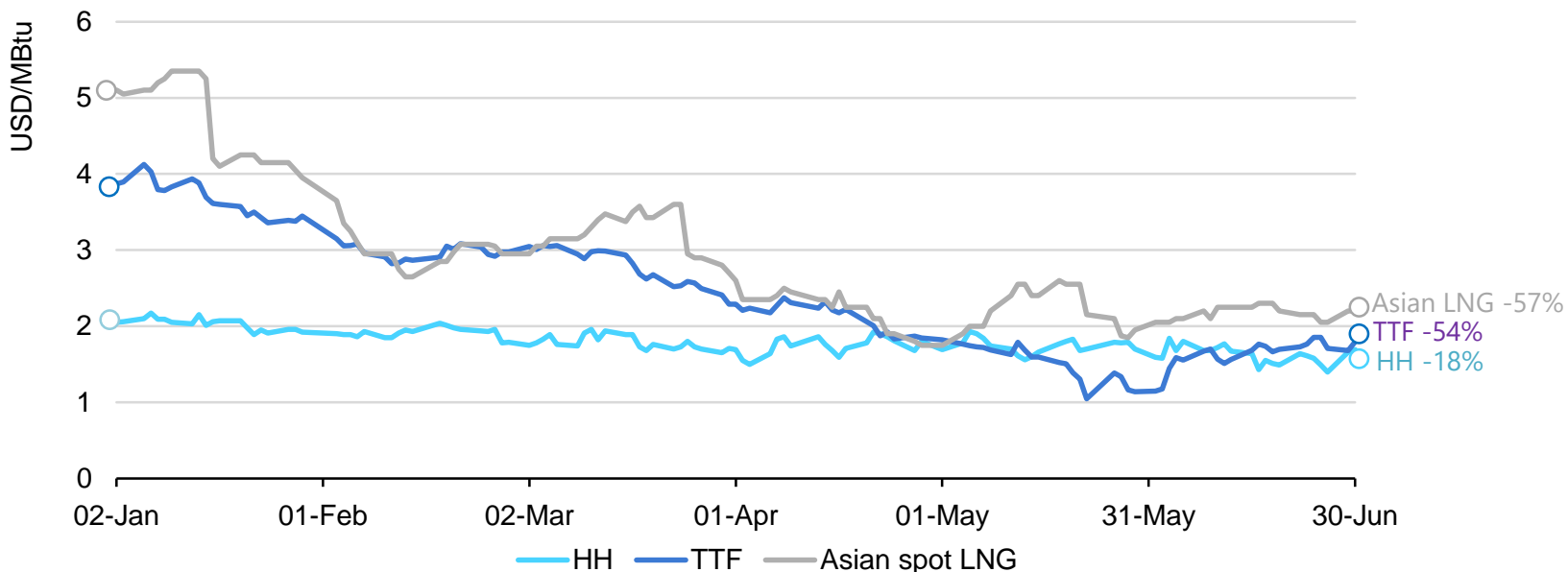


\* including Norwegian pipeline gas flows to the United Kingdom and continental Europe

US production and LNG trade are still showing some growth over last year, but monthly volumes slowly converge to their 2019 levels.

# Global gas benchmark prices are searching for new lows

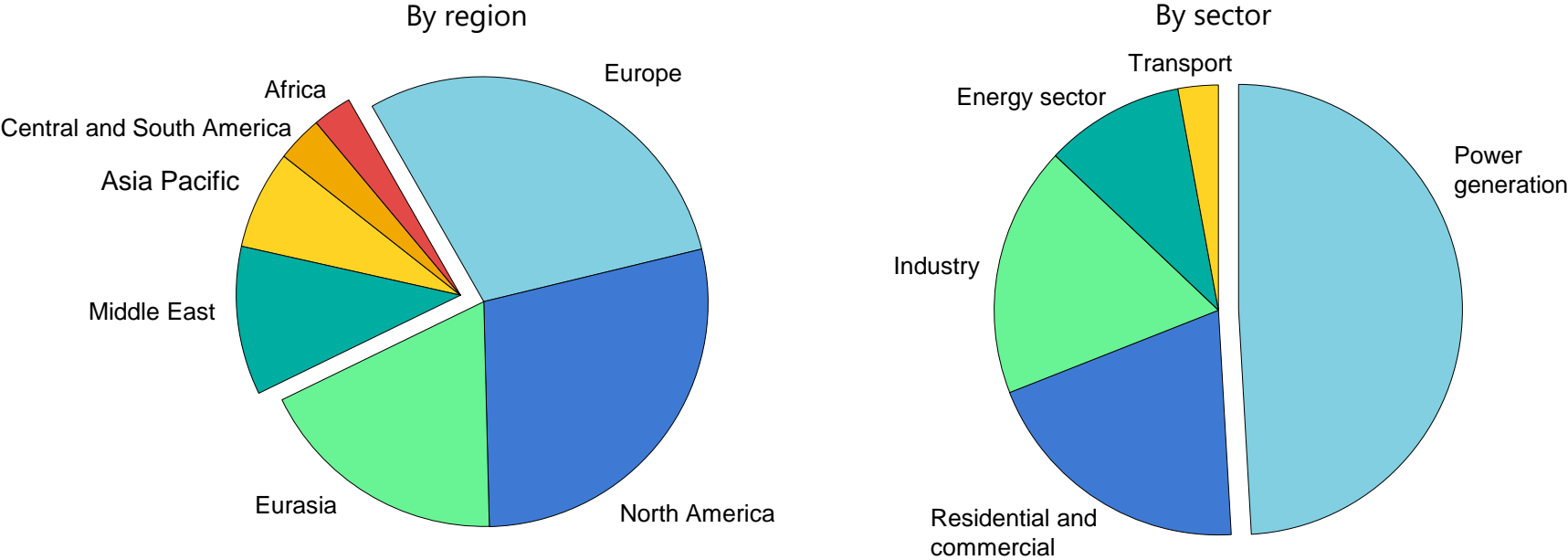
Natural gas spot prices in the US, Europe and Asia, 2020



Spot prices in Europe and Asia collapsed since the beginning of the year, while the US benchmark remained under the USD 2/MBtu mark

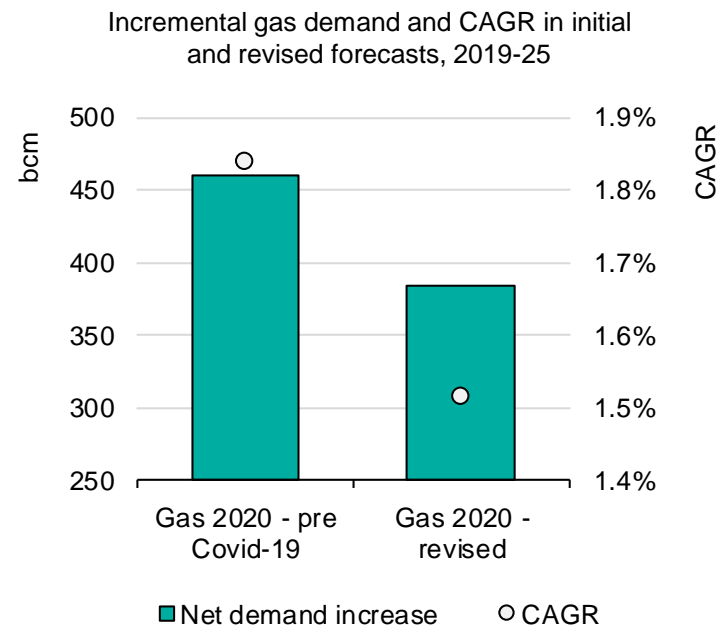
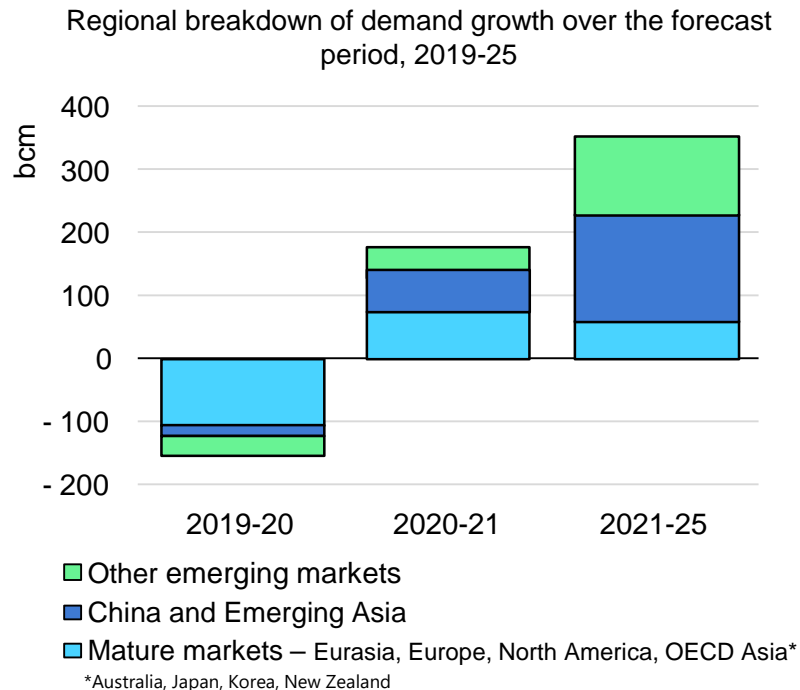
# Demand downturn is expected to impact all regions and sectors

Breakdown of natural gas demand decline, 2019-20



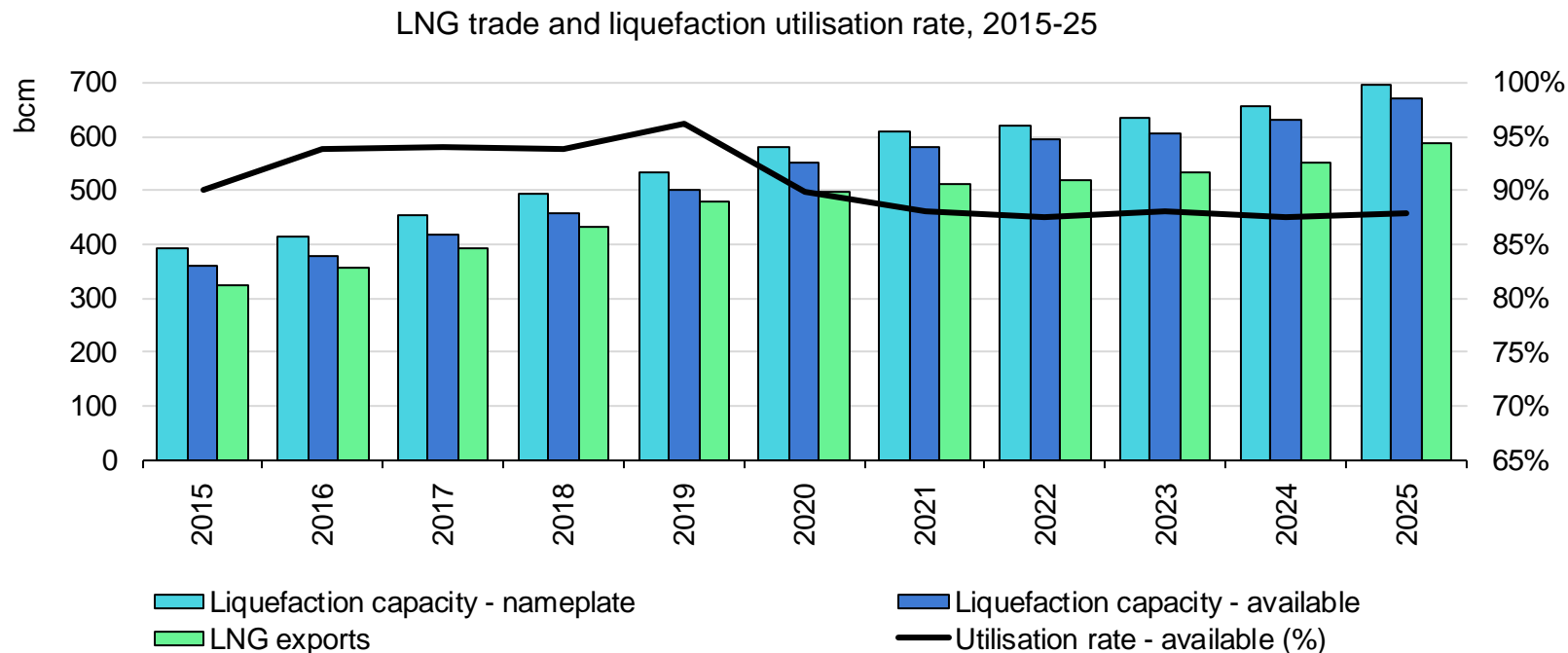
Mature markets in Europe, North America and Eurasia account for 75% of expected demand loss in 2020

# The Covid-19 crisis is likely to have long-lasting impact on gas growth



Even if most of the 2020 losses are estimated to be globally recovered in 2021, slower growth results in 75 bcm/y of demand lost by 2025 compared to our initial forecast (equivalent to incremental demand for 2019)

# LNG trade balance is unlikely to retighten before 2025



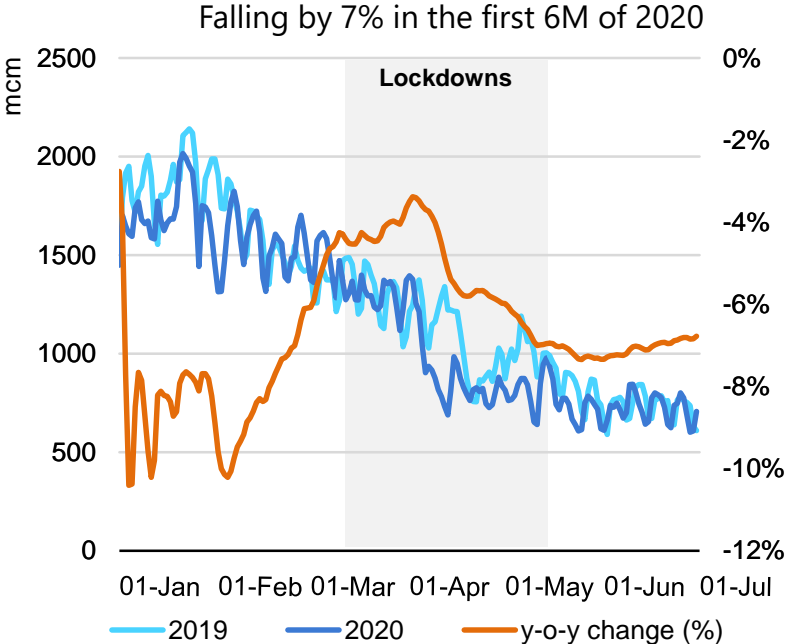
LNG trade is expected to increase at a slower rate than liquefaction capacity additions, thus limiting the risk of a tight market over the coming years



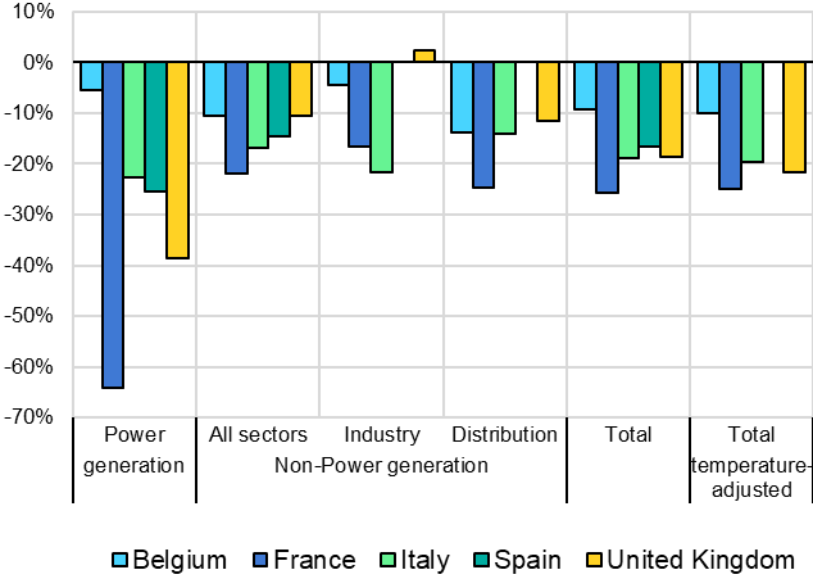
# Focus on Europe

# European gas markets are facing a perfect storm

European gas consumption, 2019 vs 2020



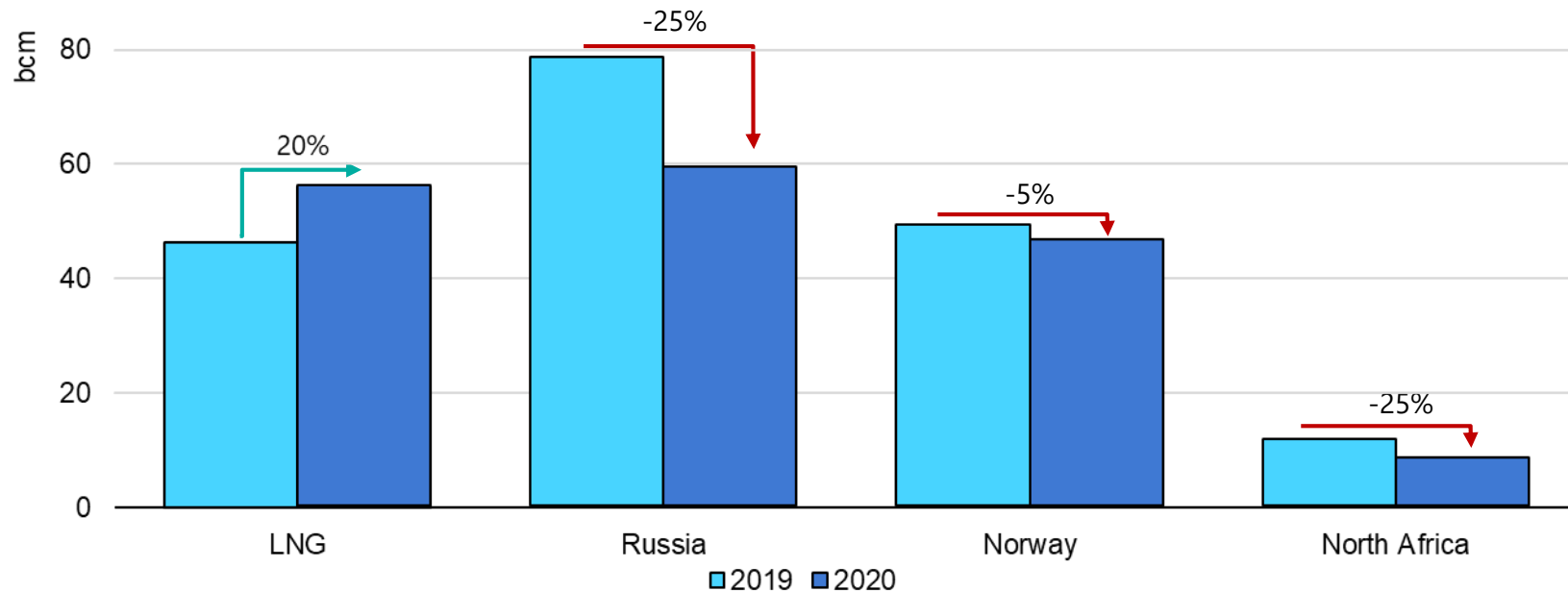
With lockdowns weighing on all sectors



European gas demand has been already depressed before the start of the lockdowns due to a particularly mild winter. Under the lockdowns gas demand fell by over 10% yoy.

# LNG influx remained strong –at the expense of pipeline exporters

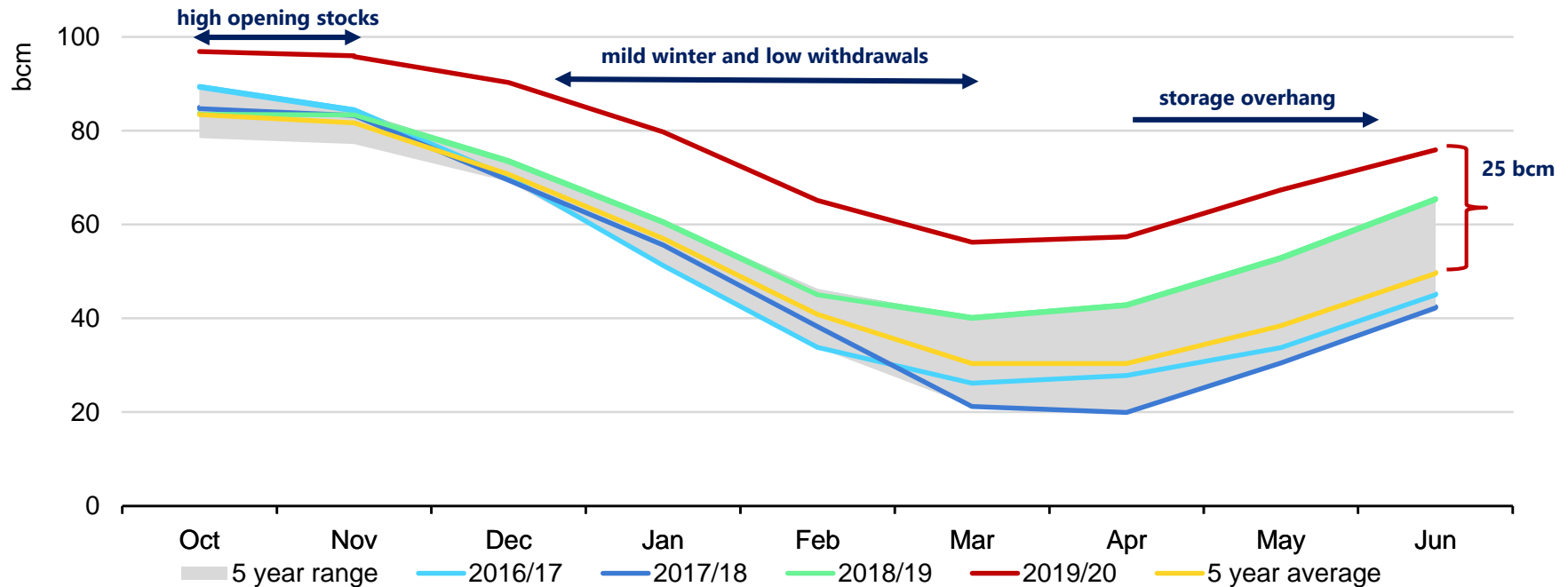
Europe's natural gas imports in the first 5M of 2020



LNG imports into Europe grew by 20% in 5M of the year –with the United States now the largest source of LNG supply. All pipeline importers reduced their exports towards Europe.

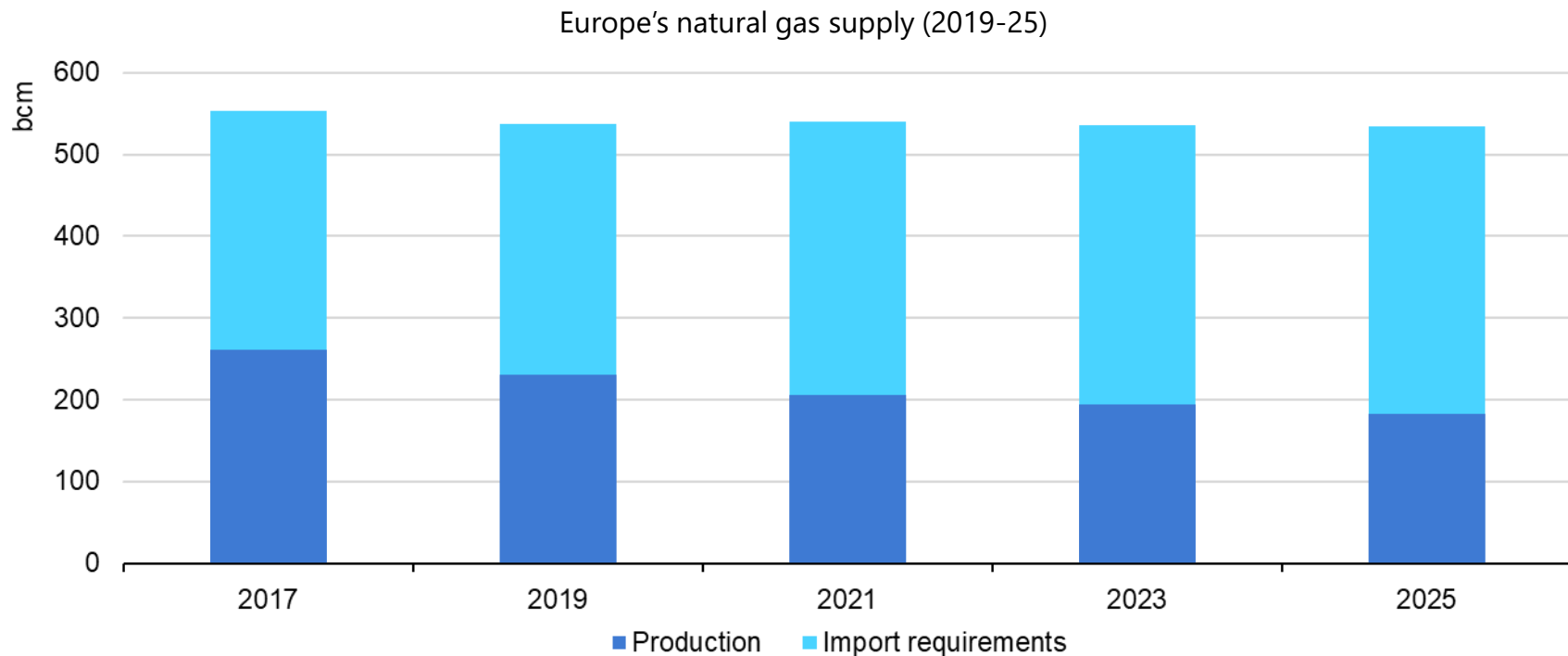
# Storage sites are filling up rapidly

EU underground storage inventory (GY 2014/15-GY 2019/20)



European storage sites are over 80% full -25 bcm above their 5-year average. If injection rates continue at the same pace as in April-May, storage capacity could be saturated before the end of the injection season.

# Europe's import requirements will continue to grow



Amidst rapidly declining domestic production, Europe's import requirements are expected to increase by over 10% (or 45 bcm/y) in the next 5 years.

# Key takeaways

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- 2020 is on its way to experiencing the largest recorded demand shock in the history of global gas markets
- Mature gas markets are expected to be the hardest hit by the combination of demand loss from reduced economic activity and an exceptionally mild winter
- Even if most of the 2020 loss is expected to be recovered in 2021, the Covid-19 crisis is likely to have long-lasting impact on future growth
- Slower demand growth increases the prospect of a loose market, casting a shadow on future investment in production and trade infrastructures
- Europe will continue to play a key role in balancing the global gas market
- The IEA is closely monitoring natural gas market developments and will provide quarterly revisions on latest market analysis and short term projections