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Market Outlook Summer 25

Winter 24 was another volatile season where supply slowed and demand increased resulting in extremely low storage levels across Europe when compared to the 5-year average. More importantly storage levels ended the winter season 25% lower than the average of the last two years where the Europe has been surviving without a robust supply of piped Russian gas. Due to the increased need to fill storage, risk was being funneled into summer prices, at times, creating negative spreads against the Winter 25 contract. Winter is almost always more expensive than summer due to increased demand but diminishing storage levels created an anticipation of heightened summer demand to refill storage reversing the typical summer/winter price dynamic.

Throughout the summer there are many factors at play that are likely to impact price direction and below we have highlighted some of the main drivers.

Gas Storage

The lowest European storage levels witnessed in many years present a huge challenge for EU mandated levels (that were introduced during the energy crisis) to be achieved. There are ongoing discussions regarding a loosening of the targets in an attempt to reduce market manipulation and remove panic buying which could alleviate some of the pressure. These changes could see a 7-10% flex on the 90% current target introduced along with a more flexible deadline window of 1st October – 1st December to replace the current 1st November cut-off. The new rules could apply for this year if the law can be passed quickly enough. At the time of writing the decision will be voted on between the 5-8th of May. There is a possibility that this will push the risk further down the curve and create increased demand during the already stretched winter period. The results of which would be a bearish impact in the near-term market whilst pushing Winter 25 prices higher to accommodate for the potential extra demand.

LNG Supply

In order for the storage target to be achieved, whether they are adjusted or not, a robust flow of Liquified Natural Gas (LNG) will need to arrive on tankers to the Continent. LNG Supply to Europe is expected to grow over the summer with a 7% year-on-year increase forecast. The US remains the main supplier to Europe as their exports continue to be at all-time high levels. Currently Asian demand is not forecast to increase significantly but European hub prices will need to retain a premium to continue to attract the requisite LNG.

Summer Maintenance

During the summer months, as heating demand diminishes and the system balance loosens, vital maintenance is undertaken on gas infrastructure throughout the Continent. Planned maintenance schedules are known in advance and are therefore factored into market dynamics however, any unexpected or prolonged outages are likely to cause concern that storage levels may fall short of mandated levels. So far this summer season any maintenance that has been scheduled has been completed without any cause for alarm.

Russian & Ukraine

The peace between Ukraine and Russia is still yet to be agreed and we are seeing slow progress as attacks continue despite the seemingly positive rhetoric coming from Russia. President

Trump appears to be losing patience stating he will 'pass' on Ukraine peace talks if he does not see any progress soon. Rumors have been present that any peace agreement reached could involve a reintroduction of Russian piped gas to Europe with America helping broker the deal and even possibly taking an ownership role in the undamaged pipeline of Nord Stream 2. Several utilities and major consumers across Europe seem to be increasingly open to the idea of accepting Russian Gas (pipeline & LNG) improving the chances that some sort of arrangement may form part of a peace deal. For this to become a reality the EU will require a compelling story in order to save face as this would be seen as a huge U-turn from the current sanctions imposed and the outward condemnation of the Russian state and its actions.

Presidents Trump's Tariff Fallout

Weeks after the first announcements were made US trade tariffs continue to have impacts on the global economy. The barrage of tariffs has caused stock markets to plummet, created fears of a global recession and led to growth forecasts being reduced. The recession fears have led to an expectation of reduced industrial demand and a weakening of the dollar which, so far, have had a bearish impact on seasonal prices. Some believe the second part of President Trump's economic plan will include huge tax cuts for big business which could provide a boost to retrace the recent losses. Currently the world is awaiting further announcements from the US President to see what macro-economic impact they may cause.

Outlook Summary

Considering all of the above, the summer started with a bullish expectation that the pressure to fill storage would keep prices elevated. However, a very warm April and fears that a global recession might stunt demand have alleviated some of the initial concerns, at least for now. Storage filling progress, and the factors impacting it, are likely to continue be the main focus but if the targets are adjusted and supply remains robust things are looking slightly better for Europe than they did several weeks ago. Longer-term, if adequate storage levels are hit then much of the weather risk for Winter 25 will evaporate as an influx of new LNG supply capacity is due to hit the market from late 2025.