



EUROPE'S TRADED GAS MARKET IN "ROBUST FORM": REPORT

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The European natural gas trading market is in “robust form”, according to a report published September 22 by Prospex Research which estimates that 2015 total European trading volumes grew 13% to a record high of 46,111 terawatt-hours of natural gas (4,288 bn m³).

Over-the-counter (OTC) trading is still the main business, accounting for 62% of all volumes in 2015.

However, the cleared share of 2015 European gas trades reached a record 38%, up sharply from just 15% in 2010. In 1H2016 exchanges and clearinghouses are estimated to have handled over 40% of the total.

Overall volumes

Growth in the overall traded volume – OTC and cleared – continued into 1H 2016, when it was expected to be 16% higher year-on-year. Over a five-year perspective, overall 2015 volumes were 43% higher than in 2011. Yet the market remains highly concentrated, with the UK accounting for 49% of total volume in 2015, followed by the Dutch market (35%) and Germany (8%).

Trends varied nationally too: volumes increased by 4% in the UK, but were up by one-third in the Netherlands, and by 14% in Germany and 19% in France. But because of lower gas prices, the overall market’s notional value grew by only 5% to some €920bn – lagging the 13% volume increase.

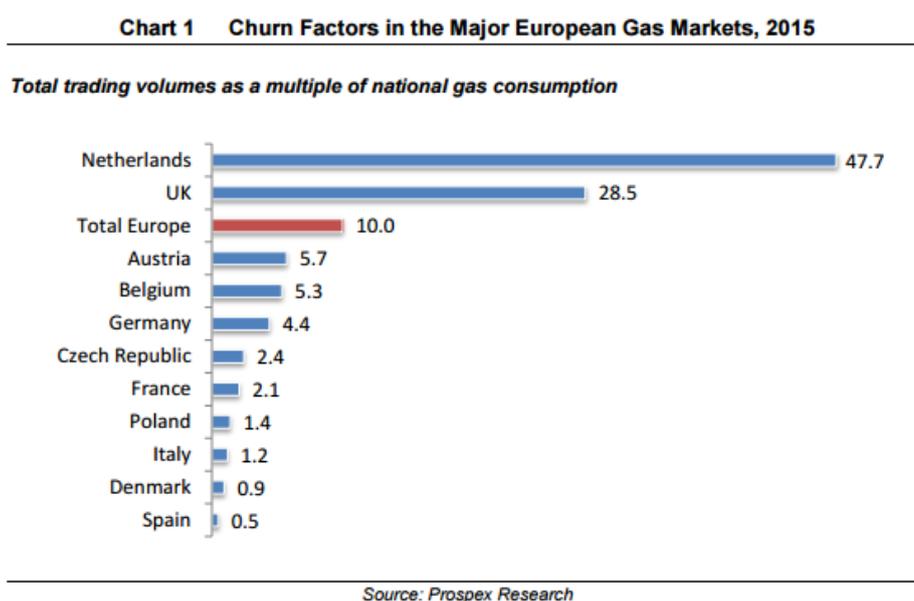
Co-authors Mary Jackson and Nigel Harris of UK consultancy Kingston Energy said the competitiveness of gas-fired generation since 2015 over coal, plus the UK Carbon Support Price which penalises coal-firing, spurred growth – so too did the continued drift away from historic long-term bilateral contracts with oil-indexed prices.

Churn factors

Based on their overall figure, the overall churn factor of European gas trading was 10 times consumption in 2015.

The Dutch TTF gas market had the highest churn factor of 47.7, but the report cautions that far more gas flows through the Dutch network and is available for trading at TTF than what is consumed in the Netherlands itself. "The TTF acts as a trading point for gas that is passing through the Dutch network on its way to German, Belgian and other customers," Harris told NGW.

The UK's NBP market had a high churn of 28.5, still ahead of middle-tier markets like Austria (5.7), Belgium (5.3) and Germany (4.4).



Churn factors in major European gas markets, 2015 (Chart source: Prospex Research report, *European Gas Trading 2016*)

TTF Closing in on NBP

For the second year running, the Dutch TTF – the continent's largest gas market -- expanded faster than any other, up by one-third reaching 15,913 TWh, with authors estimating that the total TTF market equated to 70% of the UK-NBP's in 2015 and 85% in 1H 2016.

Taking OTC volumes alone, the report says TTF surpassed NBP during 2015 and has grown to be 30% larger than NBP in 1H 2016.

NBP still dominates overall exchanges-based gas trading but, if present trends continue, TTF futures are set to overtake the NBP futures market by end-2017, the authors say. Information on the new report, *European Gas Trading 2016*, can be found at www.prospex.co.uk