



## European 1H Gas Trading Volumes Fall After Strong 2016: Prospex

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(Bloomberg) -- European gas volumes traded on exchanges and over the counter declined 7% y/y in 1H after gaining 11% in all of 2016, Prospect Research says in emailed note.

\* 1H NBP volumes -16% y/y, TTF volumes -4%:

Nigel Harris, consultant at Kingston Energy Consulting, one of the authors of the report, says by email

\* Declines partly due to "very strong" trading volumes in 1H 2016

\* "At that time, we had a relatively cold and high-demand winter, which ended with a late cold period in April"

\* "The U.K.'s decision to leave the EU, and the political uncertainty that followed it, appears to have acted as a dampener on trading activity in the NBP market toward the end of 2016 and into 2017"

\* Declines also reflect lower seasonal gas spreads, especially at TTF

\* "Volumes have dropped particularly in forward trading, and the volatility of seasonal gas prices has sunk back to a very low level"

\* Closure of Rough U.K. gas storage meant trading in summer 2017 was low

\* "One sector that has not been affected by the downturn in 1H 2017 is spot trading, which continues to expand across Europe"

\* NOTE: Dutch TTF hub surpassed U.K.'s NBP in total traded volumes in 2016; TTF overtook NBP in OTC trading alone in 2015;

\* TTF activity expanded 36% in 2016 while NBP declined 6%

\* "Once liquidity at TTF reached a level that made it a credible competitor to NBP, European gas traders started to shift their hedging activity away from the sterling-denominated, U.K.-market-focused NBP hub, to the euro-based, centrally located TTFhub"

\* "Most traders feel that NBP will still be an important gas market, second only to TTF in Europe, but more narrowly focused on the U.K. physical gas market"