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# Europe's gas trading volume seen falling from record 2016

\* Market seen turning over 5-10 percent less this year

\* Warmer weather curbs demand

\* UK market suffers post-Brexit, loss of Rough storage

By Vera Eckert

FRANKFURT, Sept 26 (Reuters) - European gas trading volumes have fallen in 2017 from a record 2016 and are likely to be down 5-10 percent over the full year, researchers Prospex said on Tuesday.

The UK company blamed warmer weather this year, which curbed demand for seasonal storage and trading in key markets Britain, the Netherlands, Germany and France.

"We'd be surprised if full year trading volumes for 2017 came in above the 2016," said Nigel Harris, one of the study's authors.

"All indications so far are that the European total gas trading volume for the year will be five to 10 percent below that of 2016."

Wholesale gas trading has picked up in Europe in recent years as the region's gas resources dwindle and policymakers look to trading hubs to boost transparency and reduce prices.

Up to 2003, Britain was the only country with a traded market, but the Netherlands now eclipses it as it handles volumes arriving from Norway and Russia, and on board ships.

Prospex estimated European gas trading volumes fell 7 percent year-on-year in the first half of 2017 after a record turnover of 51,000 terawatt hours (TWh) for the whole of 2016.

The 2016 figure was an 11 percent increase on the previous year and was 10.3 times actual usage. That “churn rate” is a key indicator of market maturity, with higher trading volumes potentially drawing more participants into the market.

The data was based on figures from the four countries mentioned above as well as Belgium, Austria, Italy, the Czech Republic, Denmark, Poland and Spain.

But with 2016 gas prices 25 percent lower than in 2015, the notional value of contracts changing hands fell to an estimated 720 billion euros (\$851 billion), down 22 percent from 2015.

Britain’s National Balancing Point (NBP) hub and the Dutch Title Transfer Facility (TTF) are seeing forward trading volumes drop and volatility of prices on the curve falling, while spot markets are more robust, Prospex said.

This reflects poor conditions for forward trading around seasonal storage, because the differential between winter and summer prices has remained low.

Individually, the NBP has suffered from political uncertainty following Britain’s decision last summer to leave the European Union, Prospex said.

The closure of the country’s Rough storage facility in the summer also reduced trading options.

In 2016, the TTF saw its trading activity leap by 36 percent to overtake NBP, whose volumes fell by 6 percent, Prospex said.

\$1 = 0.8465 euros Editing by Mark Potter