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Markets

European Natural Gas Trade Tops 1 Trillion Euros for First Time

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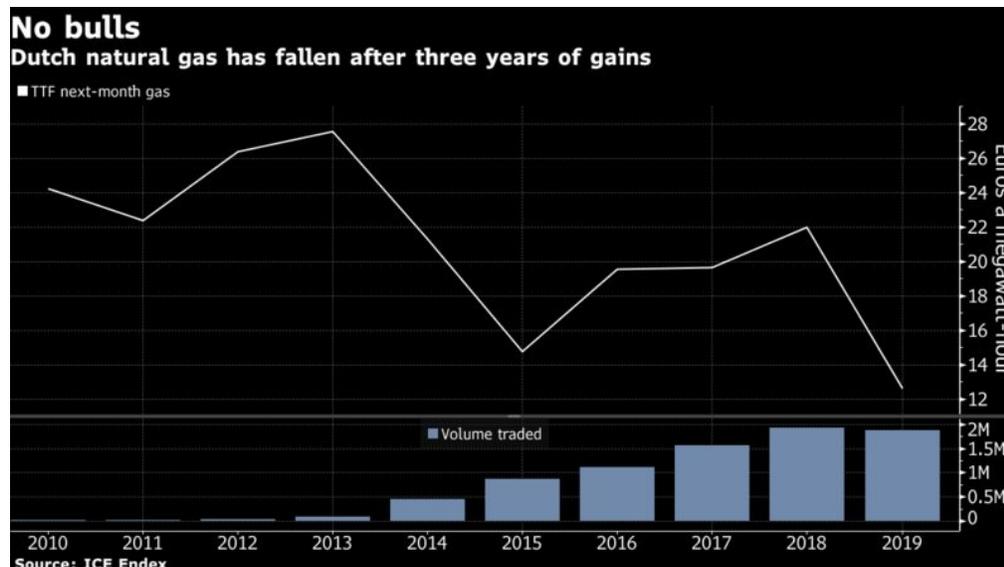
- Gain in value driven by sharp price increase, more trading

- Exchange volume drops, attributable to decline in Britain

The value of Europe's natural gas market rose more than a third to 1.19 trillion euros (\$1.34 trillion) last year as prices soared and buying and selling of the fuel reached new highs.

Natural gas, the cleanest fossil fuel, is increasingly seen by governments and utilities as key in the transition toward an energy system built on renewables. It emits half the carbon dioxide of coal but can provide the stable power that solar and wind installations can't.

The total volume of gas traded at European hubs rose 5% to 52,604 terawatt-hours last year and were up about 10% in the first few months of this year, according to a report by Prospex Research Ltd. in London that will be published on Monday. Prices rose by almost a third over the year, driving the sharp increase in market value, the industry consultant said.



The gain in activity was dominated by the Netherlands, which in the past half decade or so has transformed itself from a regional market to one of the global centers for the fuel. Trading on the TTF market rose 28% to 27,219 terawatt-hours, in sharp contrast to Britain’s NBP, the biggest market for decades, where activity contracted for the third consecutive year and slumped by 19% in 2018.

Other findings in the report:

- Outside the two dominant markets overall trading volumes increased by 4%, although the performance of the individual smaller trading hubs was mixed.
- The quantity of gas traded at European hubs last year was 10.2 times the amount used by consumers in the same period. This is a record level for the Europe-wide churn factor and compares with about four times across the region’s major power markets. But it is still “far lower” than the churn factors seen in some other commodities including oil.
- The volume of trading handled by exchanges fell by 6%, reversing the trend of the previous five years, where this sector rose strongly.
- “The decline in exchange volume in 2018 is attributable entirely to a sharp drop in futures and options trading in the NBP market,” Prospex said.