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European Gas Trading Volumes Surge

European natural gas trading volumes in 2020 could easily surpass last year's record as increased market volatility is spurring trading, despite a drop in demand caused by the Covid-19 outbreak, according to Prospex Research.

European gas trading volumes in the first half of 2020 are estimated to have grown by 20% year-on-year, boosted by a nearly 30% increase in traded volumes on the Dutch TTF, Europe's benchmark gas hub.

Prospex estimates that traded volumes of European gas in 2019 amounted to 63,038 TWh, a 20% increase over 2018. That was the largest year-on-year percentage increase since 2014 and the highest absolute volume increase on record.

The demand disruption caused by the coronavirus pandemic created an opportunity for traders (IOD Mar.23'20).

"Changes in demand require traders to adjust their plans for use of storage, forward purchases and so on," the author of the Prospex

report, Nigel Harris, told Energy Intelligence. "Uncertainty in outlook can increase the need to trade for risk management and hedging purposes."

In the first half of 2020, the TTF grew to over four times the size of the UK's National Balancing Point, previously Europe's most liquid hub. NBP first-half volumes fell by about 10% from the same period last year, Prospex says.

The TTF could still expand further and is attracting financial traders for forward supply trading and price risk management for European gas and LNG. "NBP, in contrast, is retrenching to become a market focused on UK (and Ireland) supply and demand," Harris said (IOD Apr.12'19).

NBP trading volumes peaked in 2015 and have since contracted by over 40%. In contrast, the TTF has grown over 150% in the same period, the report said. ■