

European 2020 gas trading volume may surpass 2019 record: research

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FRANKFURT (Reuters) - European gas trading volumes this year may beat the record 63,038 terawatt hours (TWh) seen in 2019, as trading hubs expand due to more commercial and financial demand for gas price hedging, research firm Prospex said on Thursday.

Last year's wholesale trading volumes across 11 European markets rose by 20%, and also increased by the same percentage again in January-June 2020, the consultancy said in an annual gas report.

“As European gas trading seems to have not only survived but prospered during the COVID pandemic so far, it will continue to grow through 2020,” said author Nigel Harris.

“Prices are low but volatility is high,” he added.

There are industry-specific reasons why the traded gas market - worth 925 billion euros (\$1.05 trillion) in 2019 -

is an exception in the economic gloom brought by COVID-19, the report showed.

Trading strategies are driven by the need to bring more gas into the region as domestic production in the Netherlands is falling.

Also, price spreads are changing to encourage fuel switching to gas from coal, as coal's profitability is hurt by high carbon emissions rights prices, cheap gas, and stricter climate targets.

Harris said other risk scenarios would also keep traders busy - the Brexit transition in Britain, oil price impact on index-linked gas contracts, which will be hit by coronavirus-related volatility with a time lag, and the prospect that Russia may complete the Nord Stream 2 gas pipeline.

Prospex also noted that in 2019, Dutch gas exchange Title Transfer Facility (TTF) traded 45% more volume than in 2018 while Britain's National Balancing Point (NBP) lost 18%.

The TTF has become Europe's main venue for spot and forward delivery gas, for price risk management by traders of physical volumes and for financial hedges by institutional investors.