

MNI Gas Weekly: European Fundamentals Back in Focus

By Lawrence Toye & Daniel Dawson (02/07/2025)

Executive Summary:

- **European Gas Benchmarks** have traded mostly rangebound, with fundamentals back in the driver's seat.
- Asia's **LNG market** continues to face pressure as supply concerns from the Middle East ease.
- In the **Middle East & Africa**, Israeli gas flows have returned to normal levels.
- **Henry Hub** has seen a downtrend in recent days, amid milder forecasts for H2 July and continued strong production.
- In the **Americas**, small scale LNG project on Mexico's Gulf coast is set for FID in H2 2025.

European Natural Gas:

TTF front month has mostly traded rangebound this week, with healthy injections into gas storage and an expected easing of hot temperatures ahead weighed against relatively low wind output in CWE this week.

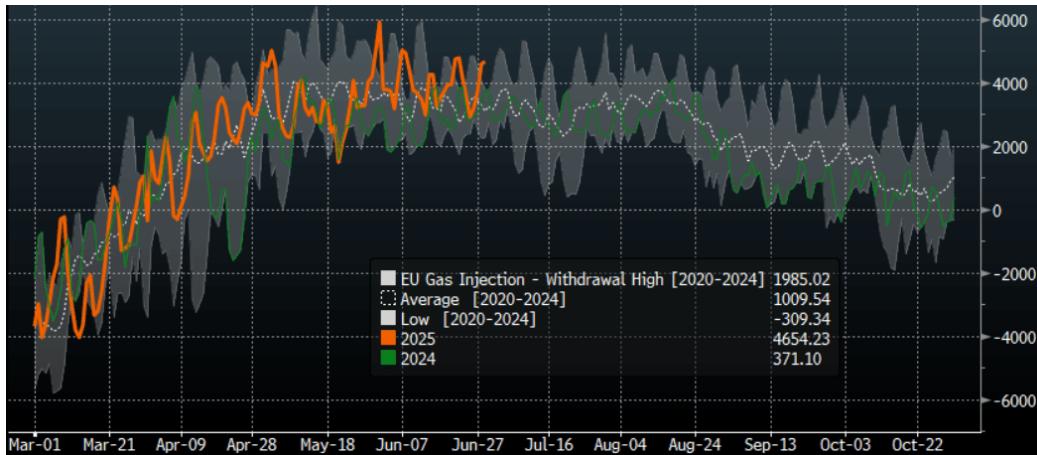
- Front month TTF prices traded between €32.64/MWh and €35.975/MWh this week, compared to €35.03/MWh and €42.44/MWh over the previous week.
- Temperatures in NW Europe are forecast to gradually cool over the coming week back to near normal levels before a potential rise again into mid-July.
- European gas storage is up to 58.90% full on June 30, according to GIE, compared to the previous five-year average of 68.2% full. Net injection rates remain healthy with rates averaging 10.6% above the previous five-year average since the start of April.
- NW European LNG sendout was 204mcm/d on July 1 compared to an average of 221mcm/d in June but still above year ago levels, Bloomberg shows.
- Norwegian pipeline supplies to Europe are holding steady, nominated at 318.3mcm/d today, Bloomberg shows. Gassco shows unavailable capacity of 29.4mcm/d today falling to 16.8mcm/d tomorrow.

European Net Injections Remain Above Normal

Average EU gas storage net injection rates dipped in the last week but remained above normal with support from healthy European LNG imports.

- Injections have averaged 10.6% above the previous five-year average since the start of April.
- The average net injection rate was 3,807GWh/d in the week to June 29 compared to 3,984GWh/d the previous week and the previous five-year average of 3,238GWh/d, GIE data shows.
- Based on the withdrawal rates from the last ten years from now until the end of October, the EU storage level would build to an average of 87.2% of capacity at the end of the season with a range between 74.1% and 96.6%.
- European gas storage is up to 58.56% full on June 29, according to GIE, compared to the previous five-year average of 68.0% full.
- Storage in Germany is at 124.5TWh (50.3% full), Italy at 143.9TWh (71.1%), Netherlands at 68.8TWh (47.7%), France at 83TWh (66%) and Austria at 64.5TWh (64.3%).

European Gas Storage Injections - Source (GIE/Bloomberg Finance L.P.)

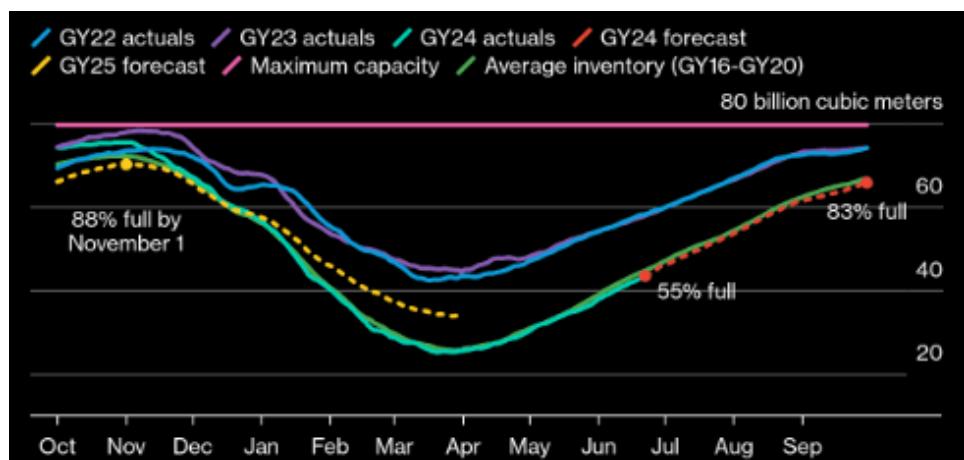


European Gas Storage Forecast at 88% by Nov. 1: BNEF

The European gas storage forecast for Europe Perimeter of NW Europe, Italy and Austria has been raised slightly to 88% by Nov. 1, BNEF reports.

- The inventories are projected above the provisionally approved EU target of 80% for Oct. 1 to Dec. 1.
- However, Germany's Rehden facility remains at just 2% full with limited bookings. Germany last month lowered the legally binding gas storage targets with cavern storage facilities down from 90% to 80% and porous reservoirs, such as Rehden, to 45%.
- Rehden injections must begin by Sep. 8 to reach target by November, based on max injection rates, BNEF said.
- Germany's gas market manager, Trading Hub Europe, has said it would only intervene in stockpiling at the end of summer if needed.
- Supply side risks come from any unexpected Norway maintenance and increased LNG competition if there are warmer-than-normal temperatures in Asia boosting cooling demand, BNEF said.
- Gas outflows from the Europe Perimeter to Central and Eastern Europe are rising with Ukraine forecast to import 2bcm between July and October.
- End of winter storage is forecast at 43% full and well above the five-year average, BNEF shows.

European Gas Storage Forecast - Source (Bloomberg Finance L.P.)



German LNG Imports Continue to Rise

Germany's LNG imports continue to rise, boosted by expanded capacity at Wilhelmshaven, according to Bloomberg ship tracking. June arrivals of 10 have already exceeded the previous monthly record high of 9 in May while July slots have started filling.

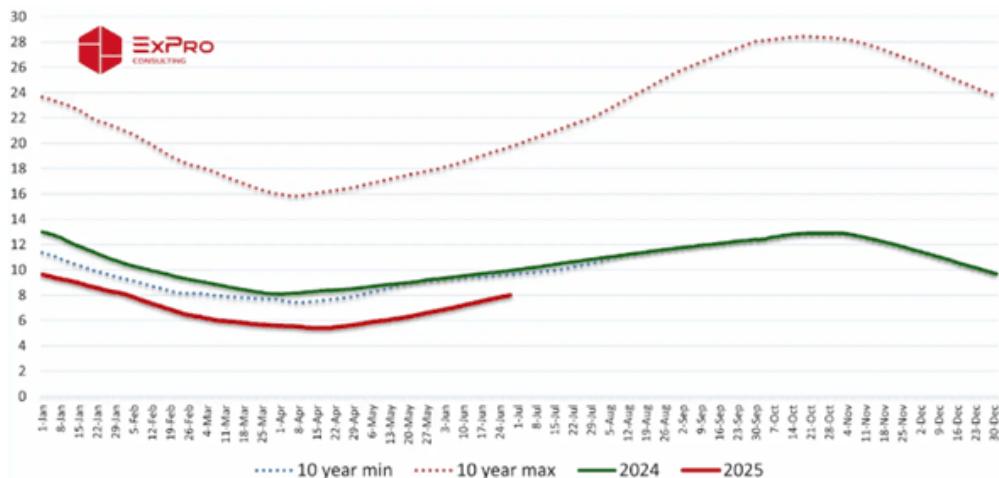
- Wilhelmshaven 2 LNG terminal received a US cargo last weekend and plans to start commercial operations at the end of August. The Excelsior vessel received the first commissioning cargo in May.
- NW European LNG sendout was 217mcm/d on Jun 23 compared to an average of 214mcm/d over the previous week and average of 136mcm/d in June 2024, Bloomberg shows.
- A total of 78 cargoes arrived in NW Europe in June 1-24, Bloomberg ship tracking shows. A total of 103 arrived in May and compared to just 42 in June 2024. Another 16 arrivals are scheduled before the end of the month and 15 already set for July.
- About 56.4% of arrivals and scheduled deliveries this month originate from the US, compared to a share of about 55% seen in May. Russia accounts for about 17% this month.

Ukraine Natgas Storage Exceeds 8 Bcm

Natural gas reserves in Ukrainian underground gas storage facilities exceeded 8 bcm as of June 28, according to ExPro data.

- Ukraine's storage facilities are currently 25.9% full, ExPro says. Compared to the same period last year, gas volumes in storage are 19.6%, or 1.95 bcm, lower. Gas injection volumes remain significantly higher than last year.
- Since the beginning of June, 1.25 bcm of gas has been injected into Ukrainian underground storage, 1.8 times more than the same period last year. Total injection for June is expected to reach nearly 1.34 bcm, the highest monthly volume in 20 months.
- The average daily injection rate in June stood at 44.7 mcm/d, 26% higher than May.
- Ukraine needs to accumulate at least 13 bcm of gas in storage by the start of the next heating season, ExPro says. If current injection rates are maintained, this target could be reached slightly ahead of schedule. Part of the required volume will be covered by domestic production, while the rest will need to be imported. According to ExPro estimates, Ukraine will need to import about 2.4 bcm of gas during July-October.

Ukraine Gas Storage - Source (ExPro)



JPMorgan Maintains Bullish Bias for TTF in Winter Months

JPMorgan maintains a bullish bias for TTF in winter months, driven by historically low end-of-summer storage levels and potential winter weather risks, according to an analyst note.

- The agreement by the EU to allow up to a 10ppt deviation to gas storage targets of 90% "in case of difficult market conditions," is seen by JPMorgan as more bearish for summer prices compared to the base case expectation of an 83% target.
- The bank continues to see robust supply and demand dynamics, supporting an end-of-October 85% storage trajectory.
- However, the bank maintains its bullish bias for the winter months, owing to weather risks and lower end-of-summer storage levels.
- These risks are heightened if adverse weather conditions occur earlier in the season, as evidenced by last year's 12ppt withdrawal in November, compared to the five-year average of 5ppt.
- As a result, the bank maintains its Q4 TTF price forecast at €42/MWh. For Q3, JPMorgan forecasts TTF at €35/MWh.

APAC LNG

Asia's LNG prices have been on a downtrend following the ceasefire between Israel and Iran. This has reduced the risk of disrupted Persian Gulf supplies, allowing prices to retreat from the previous four-month high.

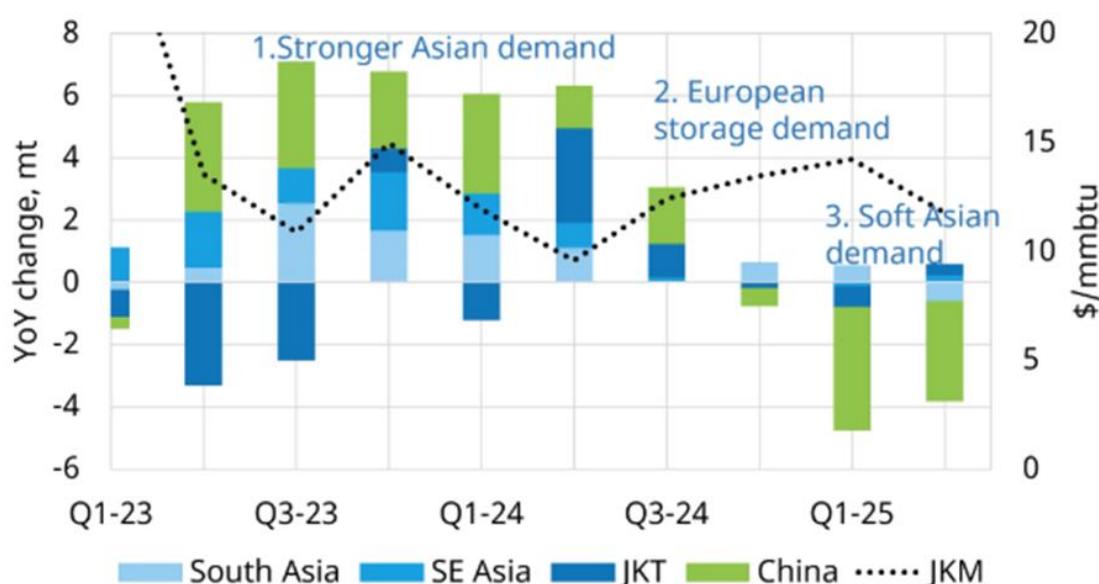
- The average LNG price for August delivery into north-east Asia was at \$13.10/MMBtu, down from \$14.00/MMBtu last week, which was the highest level since February 21, Reuters said.
- The JKM front-month swap ranged between \$12.578/MMBtu and \$13.605/MMBtu in the week to Jul-01, compared to a range of \$13.447/MMBtu and \$14.988/MMBtu the week prior, according to Bloomberg. "We have a stable to slightly bearish outlook (for Asian prices). A sustained Iran-Israel ceasefire would lower geopolitical risk, refocusing on weak demand in China and South Korea," a senior LNG analyst at Kpler told Reuters.
- The US front month arb to NE-Asia (via the Cape of Good Hope) has opened up for the first time in over 2 months, marginally incentivising prompt US cargoes to deliver to Asia, according to Spark Commodities
- However, a rise in charter rates in the Atlantic basin curbed a swathe of mid-Atlantic diversions, Argus told Reuters.
- Global LNG imports ticked higher in the first half of 2025 as stronger European demand pulled cargoes away from Asia, according to Clyde Russell at Reuters.
- Total LNG imports were 208.62m mt in H1, up 1.7% year-on-year, according to Kpler. Asia saw imports drop by 9.09m mt, or 6.4%, to 133.41m mt over this period.
- LNG stockpiles held by Japanese utilities fell by 5.29% on the week to June 29 to 2.15m tons, according to data released by the trade ministry cited by Bloomberg.

Chinese LNG Demand Weighing on Global Demand Growth

Asian LNG demand is the engine room of global demand growth, but soft Chinese LNG demand has weighed in H1 2025, according to Timera Energy.

- The dynamics of Asian LNG demand from here to 2030 is the key variable to determine how the market absorbs new supply estimated at more than 200mtpa, Timera added.
- China's annual LNG imports are forecast to decline for the first time in three years, between 6% and 11%, according to five research firms cited by Reuters in mid-June.
- Kpler forecasts that China's LNG Imports are forecast to decline for an eighth month on a year-on-year basis to about 5m tons in June, and 12% lower on the year.

Year on Year LNG Demand Change - Source (Timer)



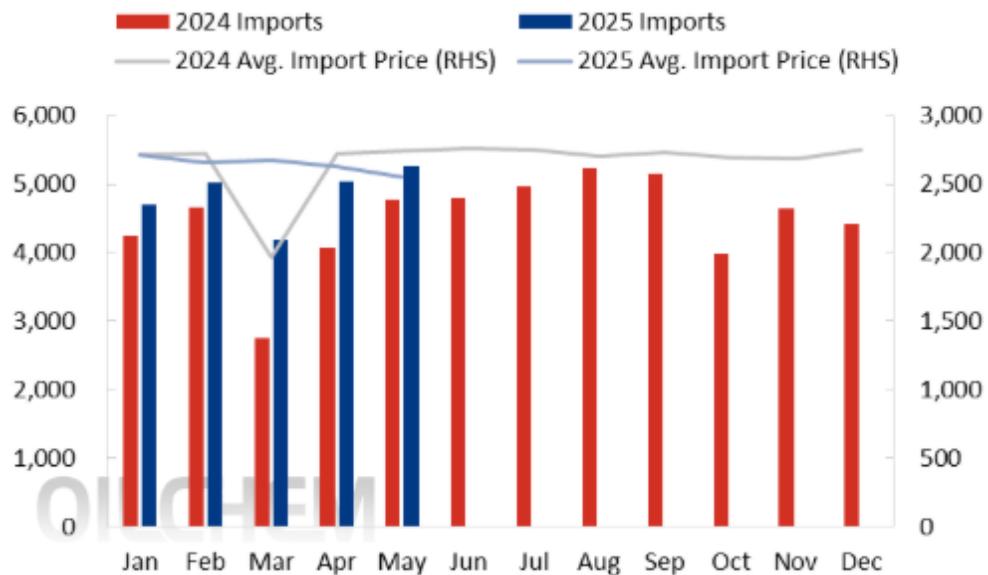
*Q2'25 only covers from April through to May

Pipeline Imports Preferred to Seaborne Cargoes

China has been buying less LNG this year due to strong flows of piped gas from Russia and Central Asia and robust domestic production.

- High global LNG spot prices capped the appetite for seaborne cargoes and further boosted interest in imports of pipeline gas.
- A spot price above \$12/MMBtu is believed to make LNG largely uncompetitive in China's domestic markets.
- China's Pipeline gas imports rose 4.64% on the month and 10.74% on the year to 5.263m mt in May, according to OilChem citing GACC data.
- OilChem expects China's pipeline gas imports to be around 5.7m mt for June, up 8.3% on the month.
- China has also completed construction of a 15 bcm/y gas pipeline, the last leg of a cross-country transmission project that will boost shipments from Central Asia and domestic gas fields, Bloomberg reported.
- The fourth line of the West-to-East gas transmission project has started shipping fuel, state-owned operator PipeChina said.

China's Pipeline Gas Imports 2024-25 - Source (OilChem)



Southeast Asia

Indonesia has allocated four LNG cargoes for domestic use in July to ensure sufficient supply, sources told Platts. The allocation includes two cargoes from the Tangguh project and one each from Donggi Senoro and Bontang.

- Indonesia initially estimated it would need 53 LNG cargoes in 2025 but has revised this to 49, thanks to optimisation by PGN and PLN.

South Asia

Pakistan is exploring ways to sell excess LNG cargoes amid a gas supply glut, Reuters reported. Pakistan has at least three LNG cargoes in excess that it imported from top supplier Qatar and has no immediate use for, a government source told Reuters.

- Power generation from gas-fired power plants has declined for three straight years ended 2024, with cheaper solar power use dramatically gaining at the expense of gas-fired generation.
- In Bangladesh, the government has approved a plan to buy 5 cargoes of LNG in 2025 and 12 cargoes next year from OQ Trading under a government-to-government deal, the finance ministry said on July 1, cited by Bloomberg. The LNG cargoes will be priced at a \$0.15/MMBtu premium to the benchmark JKM.
- Bangladesh's state-run RPGCL has floated a two-cargo spot tender for delivery windows Aug 3-4 and Aug. 14-15, Platts reported citing a senior official from the company.

Russia Appears to Boost Gas Production at Arctic LNG 2

Russia's sanctioned Arctic LNG 2 project raised production to record levels during the last days of June, with the facility appearing to resume loading cargoes, Bloomberg said.

- Natural gas output at the facility averaged 14 mcm/d June 28-29, the plant highest ever levels. Higher natgas output doesn't automatically indicate a hike in LNG production, Bloomberg cautioned. However, the facility has traditionally loaded more cargoes when the plant produced more gas.
- The LNG tanker Iris has left the Arctic LNG 2 facility, having docked there last week, and is now heading to Murmansk, Bloomberg reports.
- The vessel could be traveling to Murmansk to offload fuel into a nearby floating storage unit, or another vessel in a ship-to-ship transfer, Bloomberg says.
- It is not clear if the vessel loaded LNG. The tanker's draft level, which the crew manually inputs, did not change after leaving the plant.
- Eight shipments were exported from Arctic LNG 2 between August and October 2024. All were offloaded into Russian storage units. Large-scale production halted in October due to ice build-up.
- Russia produced 52.4 bcm of gas in May, down 1.1% on the year, according to Bloomberg estimates based on Rosstat data.

Middle East & Africa:

Israeli gas flows to Egypt returned to normal levels over the weekend following the Israel-Iran truce, sources told Bloomberg.

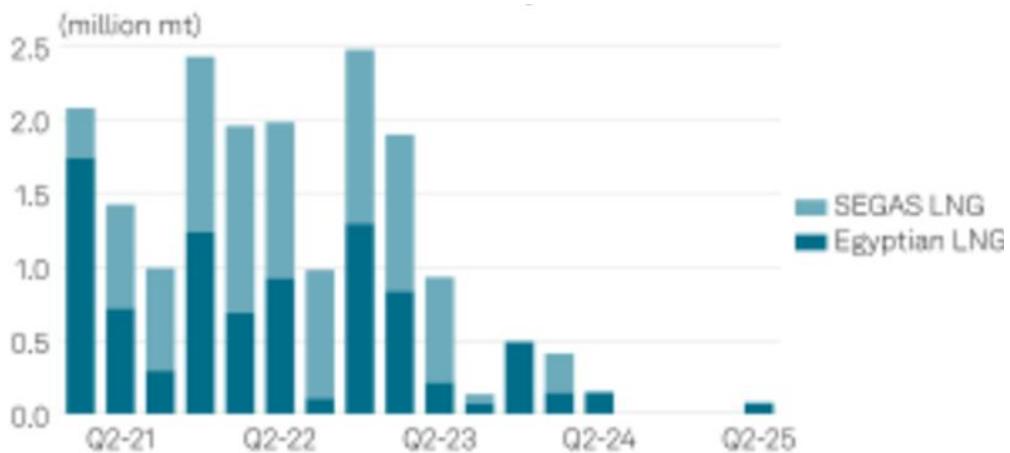
- Israel temporarily closed Leviathan and Karish shortly after launching attacks on Iran on June 13.
- Egypt had been seeking alternative fuel supplies due to the lack of gas flows which is heavily depends upon to avoid blackouts.
- The gas flows began resuming last Wednesday partners in the operators said last week.

Damietta LNG Imports Rare LNG Cargo

Egypt's Damietta LNG terminal has received its first laden vessel in over two years, raising questions about the site's evolving role as the country becomes increasingly reliant on LNG imports, Platts said.

- Damietta previously accounted for over half of Egypt's LNG exports in 2022-2023. However, since becoming a net importer in March 2024, Egypt has begun repurposing infrastructure.
- The terminal may now be used for cooldown or temporary storage, especially as delays affect the deployment of new FSRUs, Platts said.
- Only one FSRU, the Hoegh Galleon, is currently operational at Ain Sokhna. Three more are expected this summer, including one likely destined for Damietta.
- Egypt has secured around 150 LNG cargoes through 2026 to address falling domestic production and rising demand.
- Damietta's Mediterranean location also reduces reliance on the Suez Canal, offering shorter, safer shipping routes amid regional security risks.

Damietta LNG Exports - Source (Platts)

**Iraq Maintains LNG Import Ambitions**

Iraq is in advanced talks with Excelerate Energy to provide an FSRU that would allow it to import LNG, Bloomberg said.

- This would help Iraq reduce its dependence on Iran for gas supplies. Iraq has been looking at LNG ever since Iran halted electricity exports earlier this year following the end of a sanction waiver.
- Gas imports from Iran have continued and weren't affected by US and Israeli strikes on the country.
- Iraq doesn't have enough domestic supply to operate its mostly gas-fired power plants and suffers from summer blackouts when demand peaks.
- Iraq has been in talks with Qatar and others to find more import solutions and signs an agreement with Turkmenistan last year for supplies.

Bahrain to Import Eight LNG Cargoes Per Year

Bahrain is expected to take around eight LNG cargoes per year, likely focused over the warmer summer months, according to ICIS analyst Alex Froley.

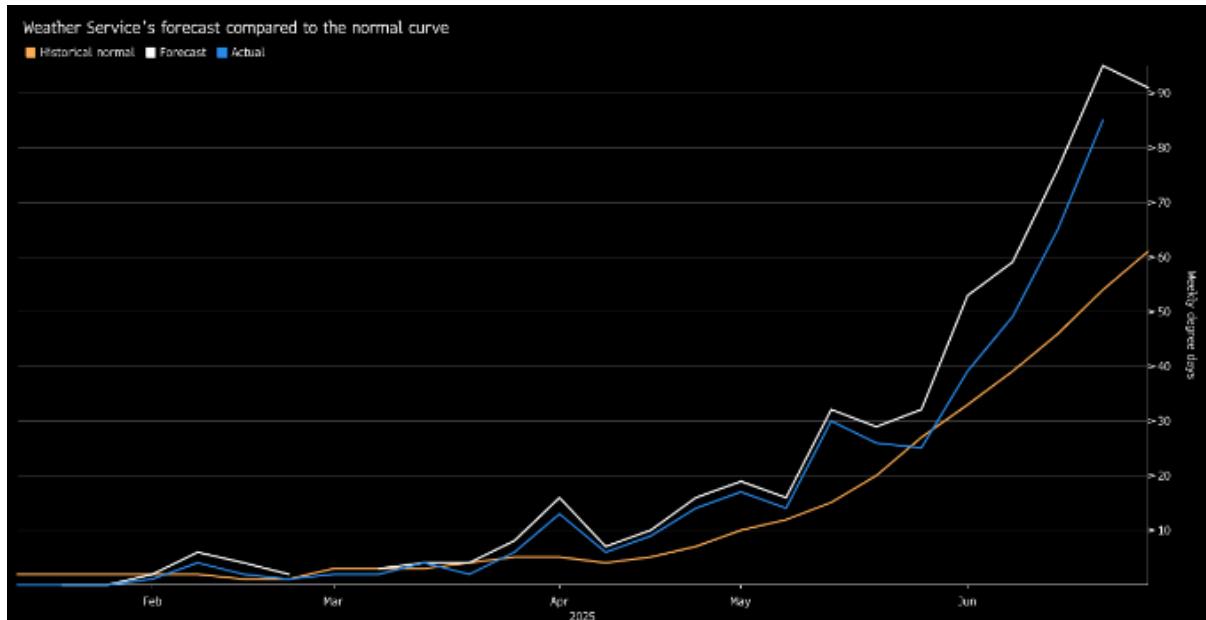
- The Umm Swayyah has just set off from the US Plaquemines plant to deliver to Bahrain in July.
- It will be Bahrain's third recent cargo, following a Plaquemines cargo to Bahrain on June 5 and an Equatorial Guinea cargo on June 25.
- The Seapeak Bahrain vessel, which is being used as a floating storage unit, earlier arrived in April with some volumes onboard after a ship-to-ship transfer near Fujairah.

US Natural Gas:

Henry Hub has been ticking down this week, as milder weather for the H2 July is set to ease cooling demand across the US. Strong production numbers will also contribute to downside pressure.

- Henry Hub Front Month has traded between \$3.199/MMBtu and \$3.751/MMBtu this week, compared to \$3.372/MMBtu and \$4.148/MMBtu over the previous week.
- Natural gas deliveries to US LNG terminals averaged 15.16 bcf/d in the seven days to Jul-02, compared to the seven-day average of 13.95 bcf/d during the previous period.
- Lower 48 natural gas production averaged 106.71 bcf/d in the 10 days to Jul-01, compared to last week's 10-day average of 105.63bcf/d.
- Baker Hughes rig count: Gas: 109 (-2). This is up 8 rigs, or 7.9% on the year.
- US cooling demand for the week ending July 5 is forecast to be 25 cooling degree days (CDD) above the long-term normal, according to Bloomberg, citing the NOAA. During the week to June 28, the US was 25 CDD above normal.

US CDD Count- Source (Bloomberg/NOAA)

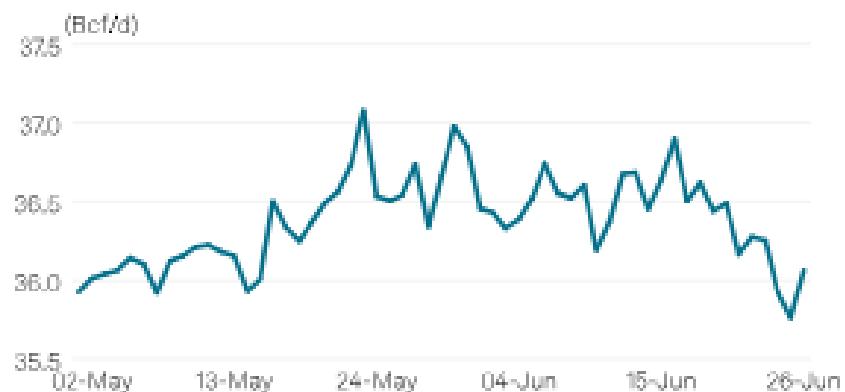


Appalachia Set for Output Rebound

Appalachian gas production and prices are expected to rebound in early July following pipeline maintenance, Platts said.

- After maintenance is completed, production is likely to return to an average of 36.5 Bcf/d.
- However, forward markets suggest continued price weakness amid mild summer weather, with July contracts hovering around \$2.18/MMBtu, Platts added.

Appalachia Basin Gas Production - Source (Platts)

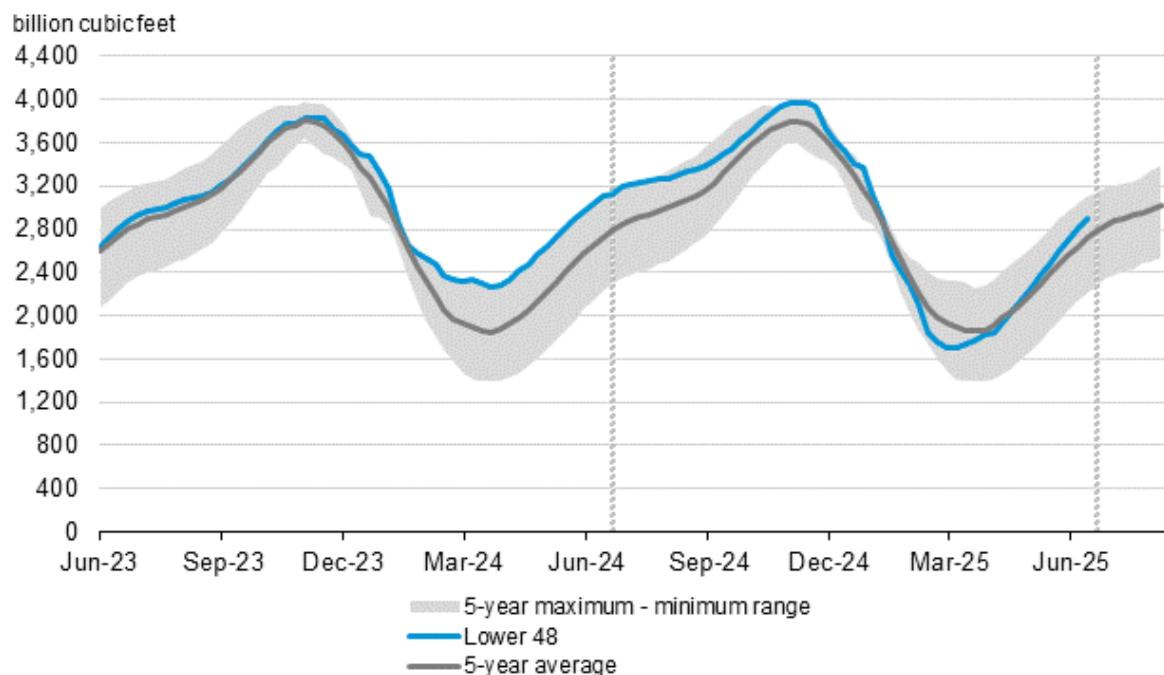


US Gas Storage

The EIA weekly gas inventories for the week ending Jun. 20 showed a build of 96 bcf.

- The seasonal five-year average shows a net build of 79 bcf. Stocks built by 59 bcf this time last year.
- Total stocks are up to 2898 bcf. This is 196 bcf below levels seen a year ago and 179 above the previous five-year average of 2719 bcf.

US Working Gas Storage 5-Year Range- Source (EIA)



LNG Canada Starts Exports

Shell has started exports from LNG Canada, according to a company statement, helping to meet growing demand in Asia.

- The first cargo from the plant was loaded on the vessel Gaslog Glasgow.
- Production at the first train of LNG Canada is 5.6 mtpa, with a second train expected to start-up later this year, Bloomberg reports.
- LNG Canada produced its first LNG for export on June 22, a spokesperson told Reuters. The LNG was produced at Train 1, which has a capacity of 5.6 mtpa.
- Reuters sources said last week that only a portion of the processing plant was operating. One source told Reuters that Train 1 has had difficulties with one of its lines and will only produce at half its capacity until the problem is solved.
- The 14 mtpa facility is expected to reach full capacity in 2026.
- Proximity to Asian markets has added appeal to the project, with key destinations reachable in under two weeks, OilPrice.com said.

Latam

The small-scale LNG export facility at the Mexican port of Coatzacoalcos in the Gulf of Mexico is planning for an FID in H2 2025, BNamericas said.

- The FID would be followed by the start of construction and pre-operational testing in H1 26. Commercial start-up is planned for 2H26.
- The facility will supply LNG to markets in Europe, the Caribbean and Central and South America.
- A large portion of the feedgas for the project will be from Mexican sources. The plant will also utilise Mexico's pipeline network.
- Its target production capacity is around 4.5m mtpa.
- Unlike larger LNG projects on Mexico's Pacific Coast, which are being developed by foreign companies, this project is under the development of Ursus Energy, an entirely Mexican company.