Green shoots: Developing gas markets in SEE and Turkey

South-East and East European Gas Platform (SEEGAS) 2nd stakeholder meeting

Dr Aura Sabadus
Senior reporter ICIS
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Agenda

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Green shoots: Developing market liquidity in SEE and Turkey

- Traded volumes on regional exchanges have been growing in the last three years
- Most exchanges have started offering a selection of spot and long-term products
- Gas release programmes introduced in Bulgaria and Romania may have boosted liquidity. However, price caps set by governments may have been distorting markets
Bulgaria

Gas volumes traded on the Balkan gas hub in 2020 (in MWh)

Source: Balkan Gas Hub
Romania

Total traded gas volumes on the Romanian exchange BRM (in MWh)

Source: BRM
Turkey

Daily traded gas volumes on the Turkish exchange EPIAS (in thousand standard cubic metres)

Source: EPIAS
Companies had access to trades by end of 2020

Source: UEEX
Trading choices: Exchange or OTC trading?

- Larger volumes moving from the bilateral market to exchanges across the region
- No established OTC (brokered) trading, although bilateral contracts still concluded across the region
- Some OTC (brokered) trading reported on Ukraine’s borders with European neighbours as many companies sought to avoid establishing a local presence
- Governments tend to support local exchanges, with partial requirements to trade in Bulgaria, Romania and likely Turkey as part of gas release programmes
Moving in lockstep with Europe’s TTF prices

Correlation of Dutch TTF and Ukrainian front month VTP prices (€/MWh)

Correlation of TTF and Romanian day-ahead gas prices (€/MWh)

Source: ICIS
Beware! The impact of unpredictable governments

The impact of government intervention on Romanian gas traded volumes (in MWh)

Government regulates gas prices in Dec 2018

Government deregulates gas prices in July 2020

Source: BRM

The impact of government intervention on price correlations (€/MWh)

Source: BOTAS, BRM, EWRC, ICIS

2018/19 2019/20
Going forward

➢ Gas trading is developing across the region albeit at different speeds in each country

➢ Demand for natural gas will remain at least in the mid term, as regional countries are looking to switch from coal to comparatively cleaner gas generation

➢ Government intervention has been a challenge to developing trading liquidity and clear market signals

➢ Governments must refrain from interfering and focus instead on allowing markets to respond to demand-supply signals

➢ Free cross-border trading is key to developing an integrated regional gas market
Thank you!

E-mail: aura.sabadus@icis.com
Follow me on Twitter: @ASabadaus