

## News : Europe faces 'dire' situation if next winter is cold: Eurogas chief

By Stuart Elliott

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- Warns of risk of prices sending wrong market signal
- Possibility of Russia again 'playing games': Holleaux
- Italian minister warns against gas market complacency

Europe would be faced with a "dire" situation if the next winter is cold given the continued gas market uncertainties, the president of industry group Eurogas said June 9.

Didier Holleaux, speaking during a webcast industry event in Rome, also warned that the potential for lower gas prices later this summer as storage sites are filled would send the wrong market signal for the winter.

"In a nutshell, I'm not comfortable for next winter. If the winter is cold, we are still in a very dire situation," Holleaux said.

He said one of the main problems facing Europe was that governments considered the energy crisis to be effectively over because prices have come down.

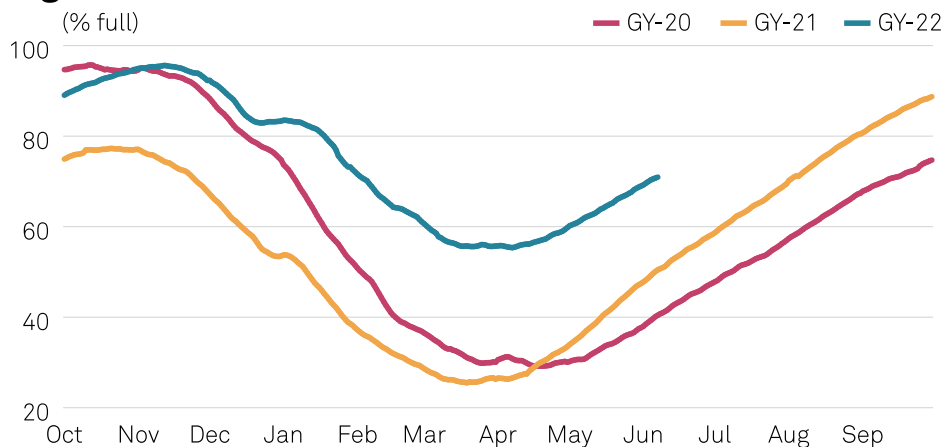
Platts, part of S&P Global Commodity Insights, assessed the benchmark Dutch TTF month-ahead price on June 8 at Eur27.20/MWh -- well down from the record high of Eur319.98/MWh in August last year.

Holleaux said that the EU's "rigid" approach to storage filling could also have market implications for the winter.

EU member states are required to fill sites to 90% of capacity by Nov. 1, with interim targets also throughout the year that are to be met.

EU storage is currently filled to 71% of capacity, according to data from Gas Infrastructure Europe.

### EU gas stocks move above 70% full mark



Source: GIE

"We may be in a situation where the storages are filled before the winter and suddenly the prices crash," Holleaux said.

"If the prices crash, we will give exactly the wrong signal at the wrong moment. We will give the impression that we have plenty of gas just before the winter," he said.

"We have to warn the authorities that anything can happen on the market between today and next winter. It doesn't mean anything regarding what may happen in the winter. That's a very strong message we need to deliver."

Holleaux said there needed to be more flexibility in the rate of storage filling in Europe.

"We need operators to fill storage before winter, but giving them more flexibility as to the way they want do it may be wise because it may avoid price volatility," he said.

Addressing the Rome event, Italy's environment and energy security minister Gilberto Pichetto Fratin also warned against complacency in the European gas market.

"Calm over storage levels should not make us think that everything is solved," he said. He added that market stresses could also reoccur "in other ways".

### Russia 'games'

Holleaux also warned that the European gas market remained at risk of further Russian interventions. "We are still under the risk of Russia playing games," he said.

"If the winter starts to be cold and prices are going up, we may still have Russia announcing some crazy things -- we have to pay in yuan rather than rubles or whatever -- and this may have an impact on gas prices," he said.

"We are not immune to the risk of, again, panic pricing if Russia wants to play games. That's why we have to make all the authorities aware that this may happen. We have to keep our calm and be able to manage if it does happen."

In March last year, Moscow forced European buyers of Russian gas to switch to a ruble-based payment mechanism and cut off those consumers that refused to comply.

Russia still supplies pipeline gas to European markets via Ukraine and the TurkStream pipeline, with Italy among the countries that still import Russian pipeline gas.

Also speaking at the event, Ruud Kempener, Member of the Cabinet of Commissioner Kadri Simson at the European Commission, said the EU had, however, slashed its gas payments to Russia.

"Our natural gas payments to Russia have decreased over this past year by almost 90%, down to Eur1.1 billion in March," Kempener said.

## Longer-term outlook

Longer term, Holleaux said the addition of new LNG export capacity in Qatar and the US would help bring new supply to the market.

But, he said, Europe needed to lock in new supply through long-term contracts. "The issue is that very few of the new projects have long-term contracts where the main destination is Europe."

He said the new LNG capacity would mean there would probably be enough gas to balance the global market, but if Europe wants to attract the LNG it would have to pay the highest price.

This, he said, meant that in terms of competitiveness, "we are still at risk."

"We should work on having more long-term contracts dedicated to Europe being signed," he said.

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