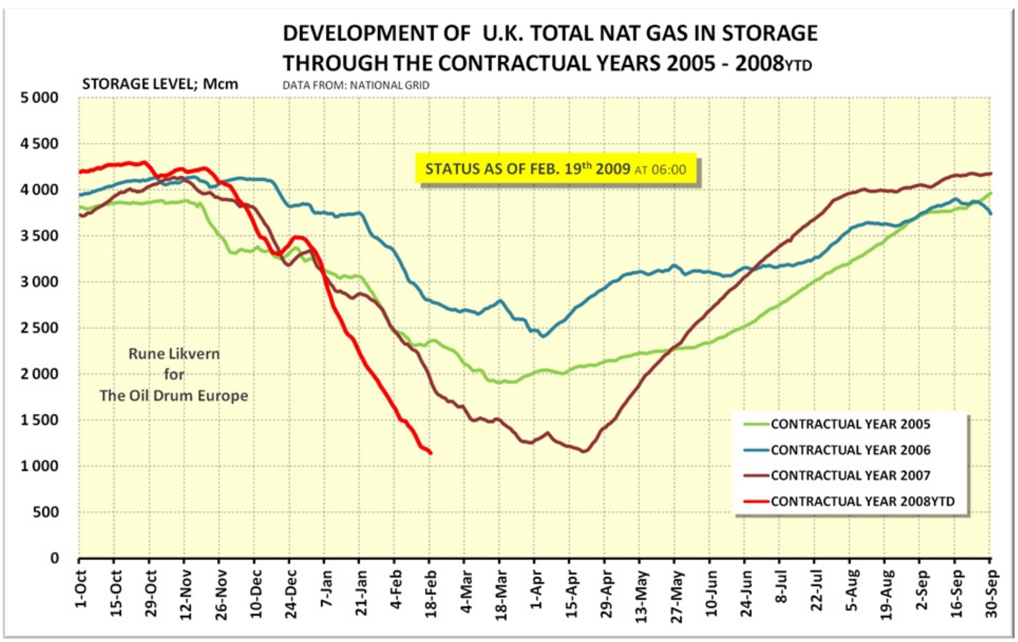
UK NAT GAS WINTER 2009, FEBRUARY UPDATE

Posted by Rune Likvern on February 20, 2009 - 11:05am in The Oil Drum: Europe
Topic: Demand/Consumption
Tags: france, germany, interconnector, lng, national grid, natural gas storage facilities, original, russia, uk natural gas imports, uk natural gas prices, uk natural gas production [list all tags]

This is an update of my series about U.K. natural gas. In the **second part** of this series, I presented the results of several simulations of the U.K. natural gas supply situation for this winter. Using these simulations, I identified the possibility that U.K. might run short of natural gas in storage before the end of this winter.

In this post, I will provide the current status and a forecast for the U.K. natural gas supply and demand for the remainder of this heating season. The present status and the outlook suggest that this heating season will end with little natural gas in storage.



INTRODUCTION

NOTE: All diagrams are clickable and open in a larger version.

Status for the storage facilities are now as follows:

- Short Range Storage (SRS) is now down to approximately 28 % of total working gas capacity.
- Medium Range Storage (MRS) is down to approximately 36 % of total working gas capacity.
- Long Range Storage (LRS) is down to approximately 24 % of total working gas capacity.

In this post, I will briefly give an update of the status of the storage facilities and the outlook for the remainder of this winter. There are several factors that may change the actual outcome, including weather (most important), changes in the supply--domestic production and imports by pipeline and LNG, remaining flexibility and duration of current natural gas contracts, level of economic activity, fuel switching and prices to name a few.

STORAGE STATUS AS OF THURSDAY 19th FEBRUARY 2009

TOTAL STORAGE

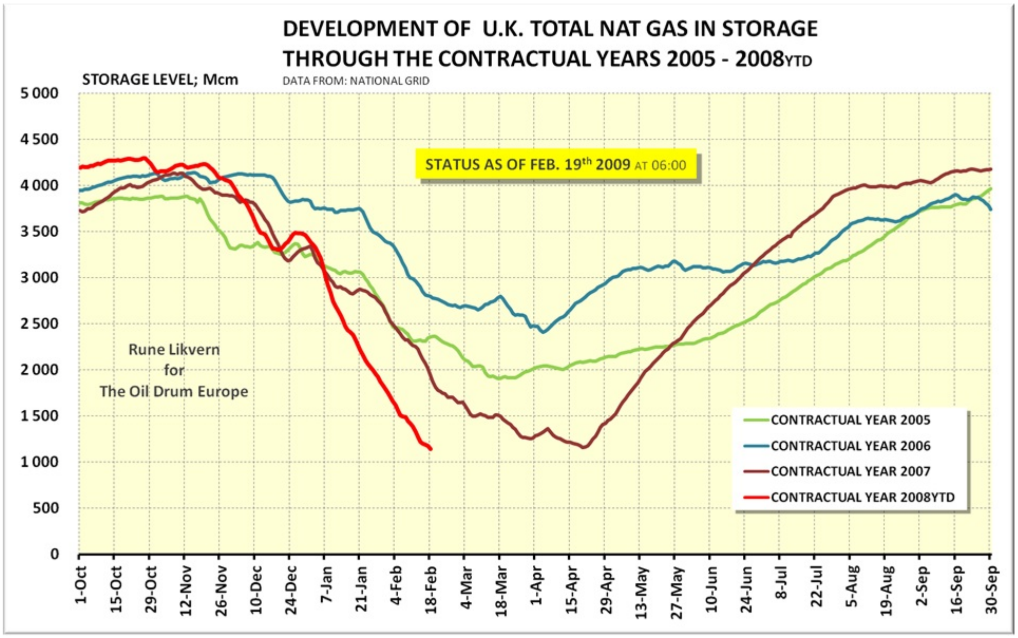


FIGURE 01 *The diagram above shows the development of total natural gas in storage for the contractual years 2005 - 2008 YTD (Year To Date). A contractual year starts on October 1st one year and lasts until September 30th the following year. Presently total storage levels are around 800 Mcm lower than last year. Total natural gas in U.K. storage as of February 19th was 1 140 Mcm, which is below the low of 1 155 Mcm reached April 20th in 2008.*

- The unseasonably warm weather in the days around last Christmas allowed for some reinjection into storage and is estimated to have reduced net withdrawals by 300 Mcm.
- In the article **UK gas demand falls as recession bites**, it is reported that demand this winter is down 4 % compared with the same period last year. This amounts to a total estimated 700 Mcm less demand between January 01st and now.

Last year saw net withdrawals of an additional 800 Mcm between this time and April 20th. If net withdrawals of natural gas from storage follow roughly the same pattern as last year, this would suggest that total natural gas in U.K. storage would end with a low of 3 - 400 Mcm.

LONG RANGE STORAGE (LRS)

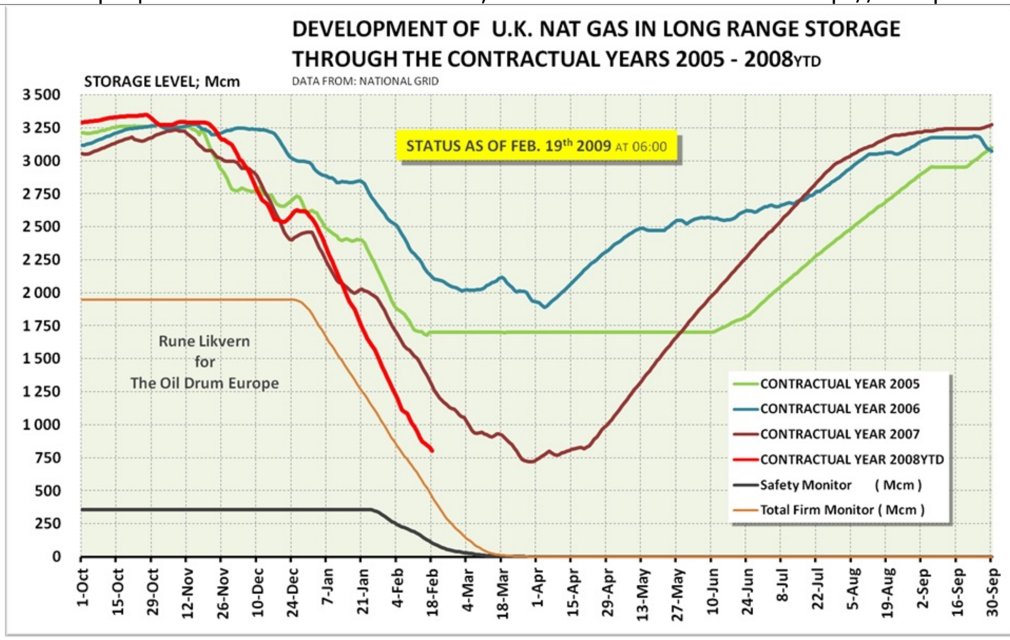


FIGURE 02 *The diagram above shows the development of total natural gas in Long Range Storage (LRS) for the contractual years 2005 - 2008 YTD. Presently LRS levels are more than 500 Mcm lower than last year.*

MEDIUM RANGE STORAGE (MRS)

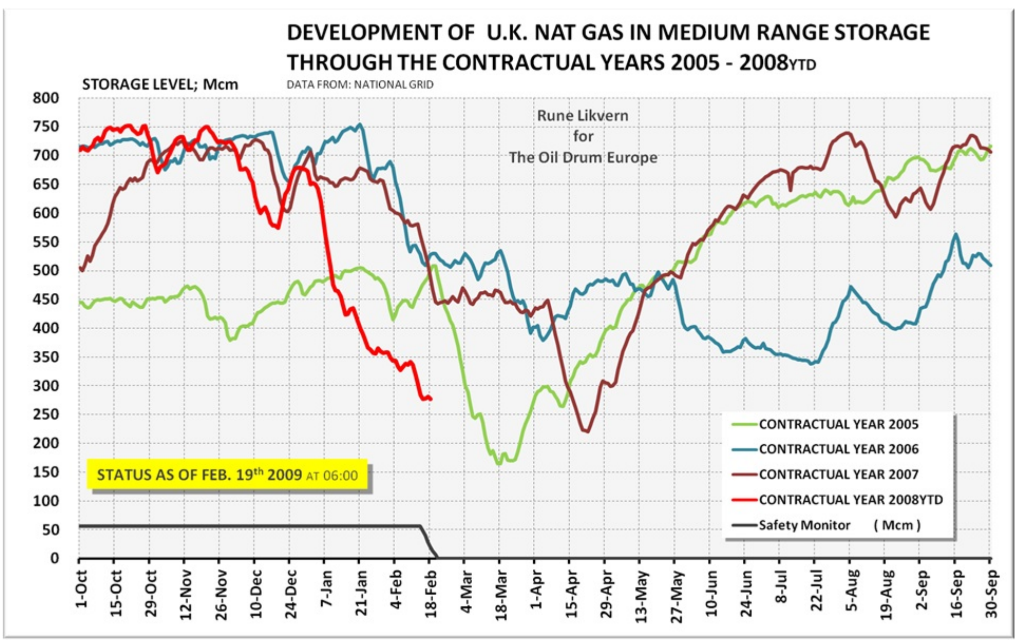


FIGURE 03 *The diagram above shows the development of total natural gas in Medium Range Storage (MRS) for the contractual years 2005 - 2008 YTD. Presently MRS levels are more than 200 Mcm lower than last year.*

SHORT RANGE STORAGE (SRS)

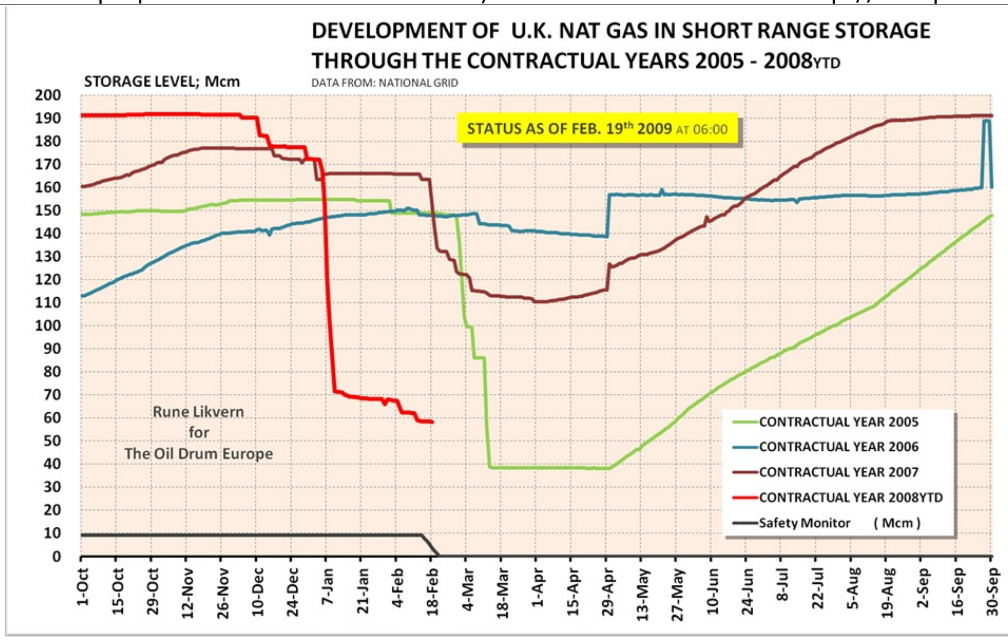


FIGURE 04 *The diagram above shows the development of total natural gas in Short Range Storage (SRS) for the contractual years 2005 - 2008 YTD. Presently SRS levels are close to 100 Mcm lower than last year.*

VOLUMES AND DIRECTION OF FLOWS IN THE INTERCONNECTOR

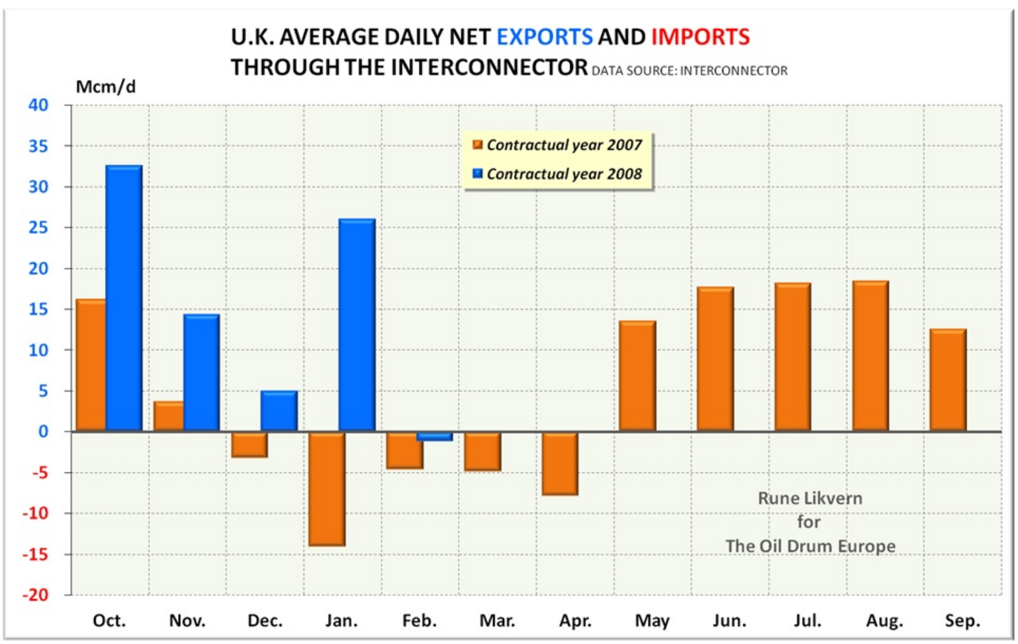


FIGURE 05 *The diagram above shows the average daily flow and direction through the Interconnector between Bacton (U.K.) and Zeebrugge (Belgium) for the contractual years 2007 and 2008. February 2009 is average daily flow as of February 18th.*

Presently U.K. natural gas prices are around 40 p/therm (day ahead), and the higher prices in Continental Europe suggests that the Interconnector will continue to flow natural gas from U.K. to Europe.

STATUS OF STORAGE IN FRANCE

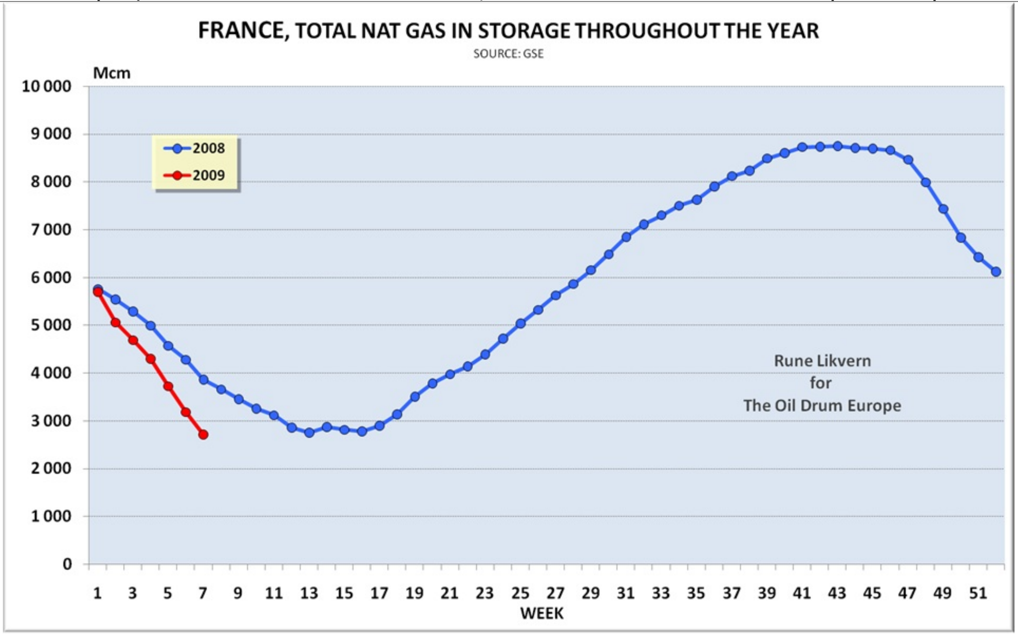


FIGURE 06 *The diagram above shows the development of total natural gas in storage for France for the calendar years 2008 and 2009 YTD. Presently storage levels in France are more than 1 100 Mcm lower than last year.*

STATUS OF STORAGE IN GERMANY

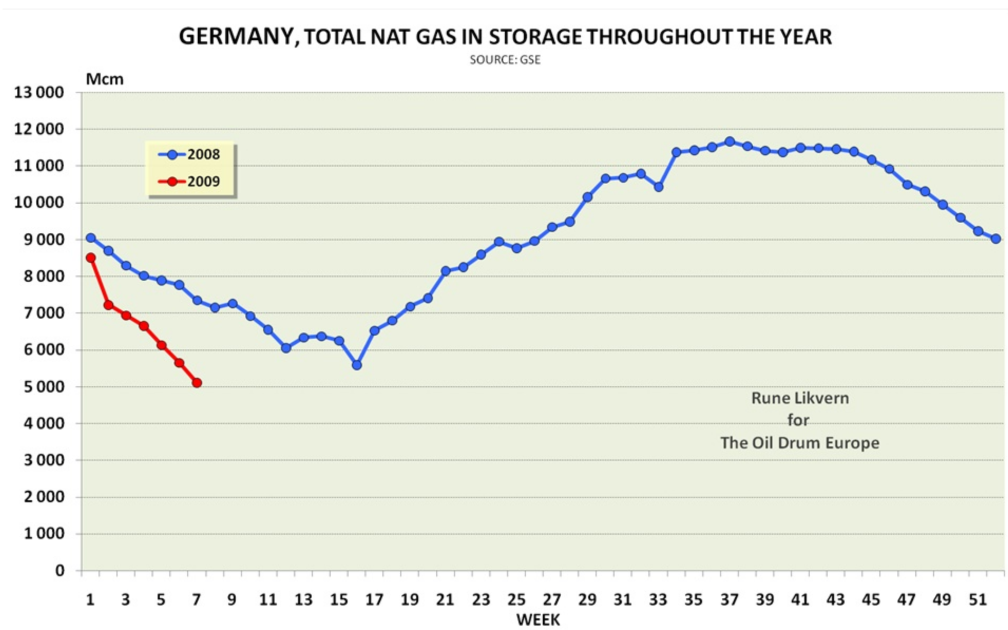


FIGURE 07 *The diagram above shows the development of total natural gas in storage for Germany for the calendar years 2008 and 2009 YTD. Presently storage levels in Germany are more than 2 200 Mcm lower than last year.*

The diagrams for France and Germany illustrate that the storage levels for both countries are now lower than at the same time a year ago. The increased withdrawals this year are mostly believed to be due to the recent shutdown of supplies from Russia through Ukraine and colder than normal weather.

Expectation of lower natural gas prices towards the summer may also have motivated higher storage withdrawals.

More posts on U.K. nat gas supplies:

Will UK face a nat gas crisis during this winter (Part 1 of 2)

Will UK face a nat gas crisis during this winter (Part 2 of 2)

Why UK Natural Gas Prices Will Move North of 100p/Therm This Winter