

Trayport Euro Commodities Report

Trayport Analysis Team
August 2019

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Editorial summary

August 2019: Monthly contracts traded down 19% vs. strong July, 2019 low for Euro Gas, TTF price up again.

Monthly contracts traded in August fell 19% vs. July, to 7.502 million contracts, the lowest figure since the start of 2019. While an unusually active July for contracts traded no doubt skews the perceptions on growth this month, it is interesting to note that August 2018 rose 16% vs. July 2018. All commodity groups correspondingly recorded MoM falls of over 10%, with Euro Gas leading the way with a 21% decline, followed by UK Gas and Coal, both with 19% falls against July. With the recent volatility in the gas market still causing uncertainty, TTF prices rose for a second successive month, while the benchmark Emissions contract, EUA-19 fell from its July record price.

Gas

Euro Gas dynamics continue to be intriguing into August with the largest commodity grouping in terms of volume falling a considerable 21% against July. This was driven by a 22% decline in TTF volumes, which fell below 3,000 TWh for the first time this year. Five out of the eight Euro Gas commodities saw MoM falls, NCG down 21%, Austria VTP down 21% and PSV down 29%, while Gaspool was only up 1% and France Hubs was flat. However, looking at a longer period of time, the Euro Gas grouping remains strong with six out of seven (ex PVB – not included as we only have two months' worth of data) displaying double digit YoY and YTD growth rates, headlined by TTF, 53% YTD and 35% YoY growth, and Gaspool, 33% YTD and 61% YoY growth.

On the other hand, NBP volumes continue to fluctuate, falling 19% MoM following a 9% increase June to July. YoY volumes for NBP have also declined, down 27%, and August 2019 now represents just 55% of the volume traded this time two years ago. NBP market composition also saw interesting movements this month, with broker market share rising 6% to 44% of all NBP trades in August. The Euro Gas grouping also saw a slight market share shift towards the brokers, with broker bilateral execution gaining 2% market share. Bucking the trend in Euro Gas, Austria VTP saw its second highest (since records began in Jan-11) exchange executed market share of 22%, up 3% vs. July.

TTF front month prices rose for a second successive month, up 16% to €12.80/MWh while NBP also saw positive growth, up 11% to £33.03/MWh. However, elsewhere amongst the Euro Gas grouping with the exception of ZEE and PVB, front month prices generally saw falls and a look at these commodities' YoY growth rates gives a good insight into the market dynamics at play in the global gas landscape. Is the rise of efficient LNG ports and readily accessible shipping information causing European gas prices to converge towards the prices of their American substitutes?

Gas	Total Volume (TWh)			Exchange Volume (TWh)		
	Aug-19	Jul-19	MoM Change	Auction	Continuous	Total
NBP	864	1,072	-19%	-	484.40	484.40
TTF	2,778	3,548	-22%	-	949.64	949.64
NCG	154	195	-21%	-	29.22	29.22
Gaspool	106	105	1%	-	13.42	13.42
France Hubs	64	64	0%	-	11.00	11.00
Austria VTP	67	85	-21%	-	15.02	15.02
PSV	92	129	-29%	-	0.26	0.26
ZEE	46	35	30%	-	1.07	1.07
PVB	5	14	-61%	-	3.52	3.52

Power

The European power market saw similar movements to the gas market in August though declines against July were to a lesser extent. The Euro Power grouping fell 11% MoM with the influential German Power also falling 11% to 474 TWh. UK Power declined 15% while Nordic Power had a strong month, rising 26% to 88 TWh to become the second highest Power commodity traded by volume in August. Along with higher trading volumes, August was also a good month for brokers trading Nordic Power, where broker cleared execution market share shifted 4% from exchange executed. This was largely against the trend however, as the Euro Power grouping as a whole saw exchange executed gain 3% of market share.

It is also interesting to note that despite Spanish Power following the August trend finishing down 6%, the commodity displays YTD and YoY growth rates unmatched in Europe, 17% and 42% respectively. Is the large capacity of Spanish regasification plants and the growing demand for natural gas for power generation affecting trading volumes in Spanish Power?

Movement of front month price in the power market displayed a mixed bag of results with German Power falling 2% to €38.63/MWh while UK Power rose 1% to £42.27/MWh.

Power	Total Volume (TWh)			Exchange Volume (TWh)		
	Aug-19	Jul-19	MoM Change	Auction	Continuous	Total
UK Power	74	87	-15%	10.65	1.79	12.44
German Power	474	533	-11%	17.71	115.89	133.60
French Power	55	88	-37%	9.15	9.08	18.23
Nordic Power	88	70	26%	-	56.14	56.14
Italian Power	39	57	-31%	-	7.94	7.94
Spanish Power	29	31	-6%	-	15.50	15.50
CEE Power	59	50	18%	-	29.44	29.44
Dutch Power	20	29	-29%	2.45	5.63	8.08
Belgian Power	6	6	2%	1.89	0.92	2.82
Swiss Power	8	10	-15%	-	2.92	2.92

Coal

Coal volumes were down 19% MoM to 109 million metric tonnes (mmT) driven by a 20% fall in API2 volumes. Likewise, API4 fell 15% and gC Newcastle fell 11%. It is not only the MoM figures showing declines in the coal market, YoY and YTD growth rates for all three coal contracts were negative in August representing the fundamental shift underway in the energy market. API2 front month prices fell 5% to \$55.00/tonne following last month's rise and gC Newcastle fell 5% to \$65.75/tonne. ICE also grew its cleared market share in coal by 4% to hold 72% while CME had the remaining 28%.

Coal	Total Volume (MMT)			Exchange Volume (MMT)		
	Aug-19	Jul-19	MoM Change	Auction	Continuous	Total
API2	90	112	-20%	-	32.17	32.17
API 4	4	5	-15%	-	0.28	0.28
gC NEWC	15	17	-11%	-	3.08	3.08

Emissions

Occasionally, the Emissions market has the capability to move in the opposite direction to the general European energy market trend for that month. However in August, it followed gas, power and coal and experienced falls, with EUAs down 17% and CERs down 99%. Following July's record high EUA price (since Jan-11), August prices fell 6% to €26.32. EUA exchange executed market share also rose 7%, to hold 79% of the market.

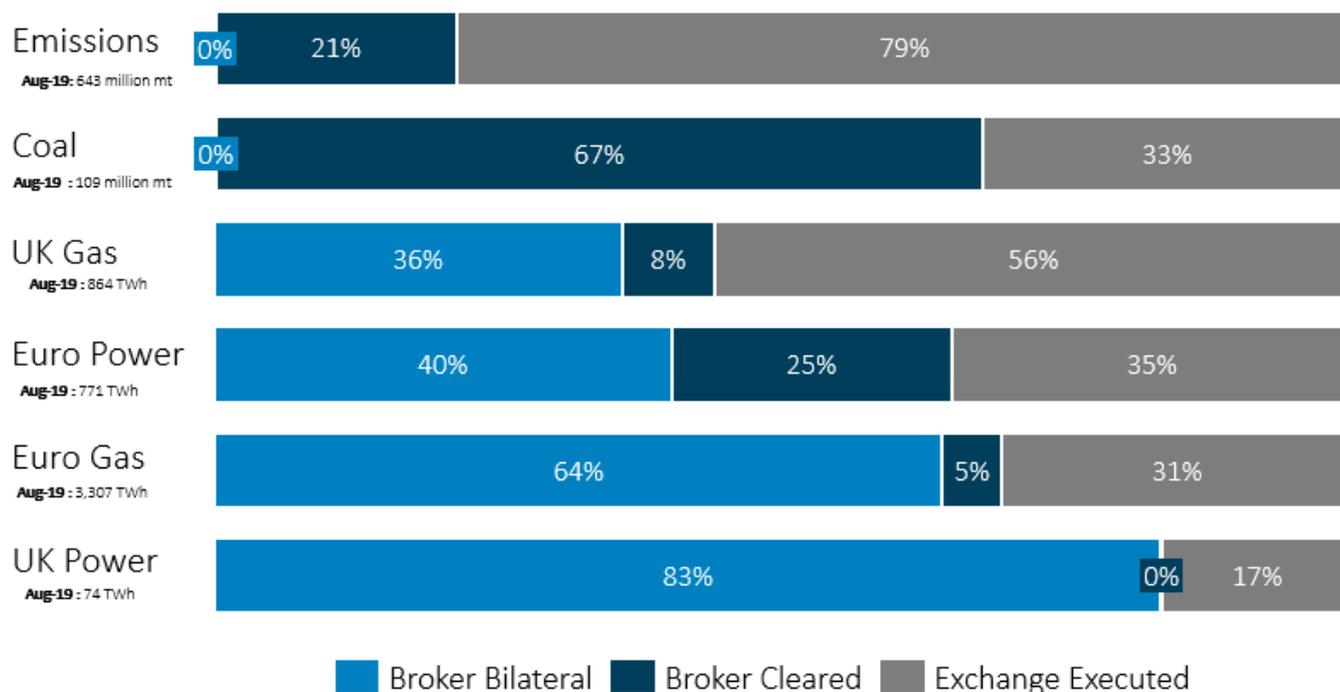
Emissions	Total Volume (MMT)			Exchange Volume (MMT)		
	Aug-19	Jul-19	MoM Change	Auction	Continuous	Total
EUA	643	771	-17%	29.22	477.54	506.76
CER	0	1	-99%	-	0.01	0.01

European Energy Markets Composition: Broker Bilateral, Broker Cleared and Exchange Execution

Information as at: 31 August 2019

Estimates based on Trayport analysis and market research

August 2019



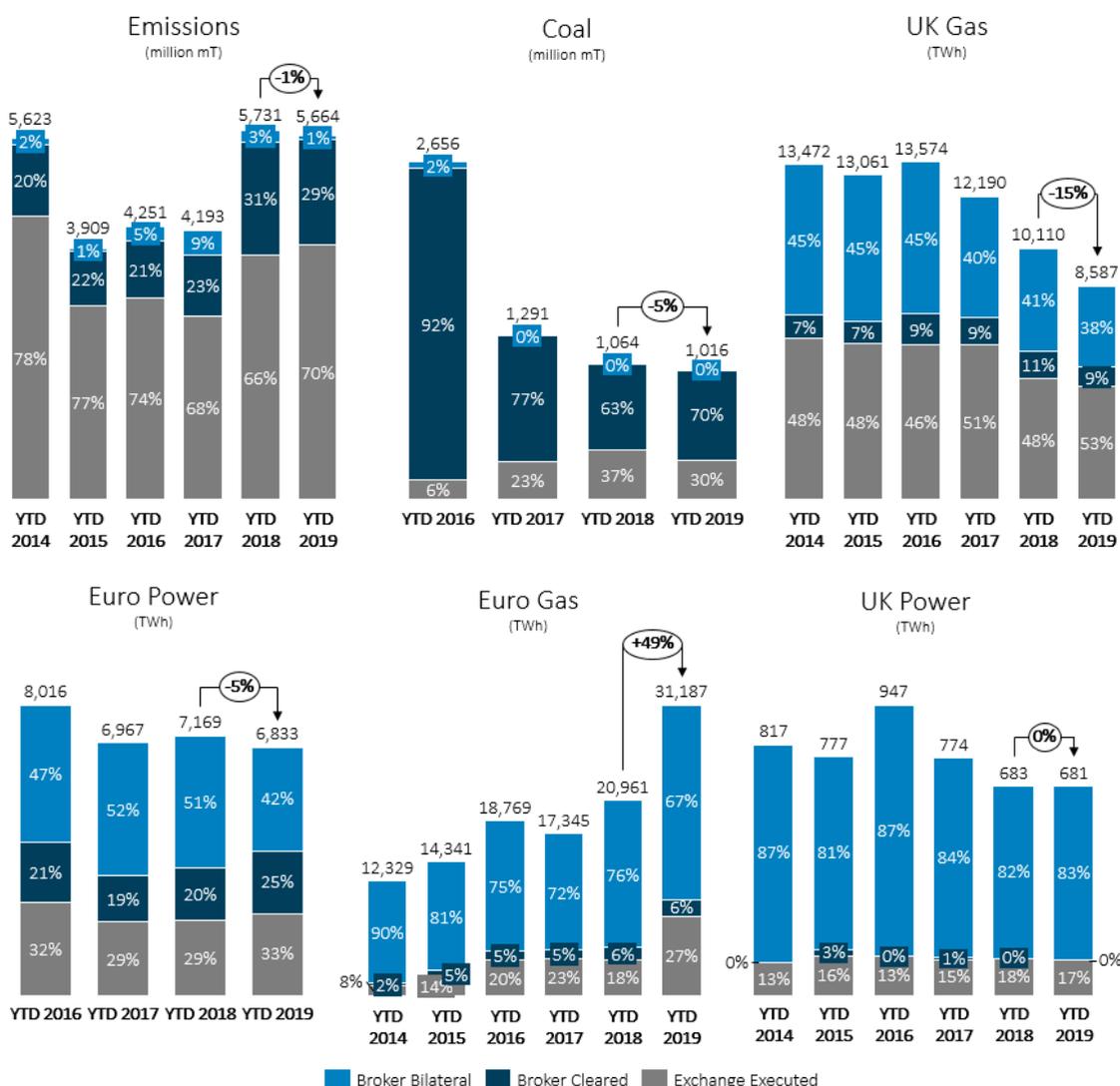
Note: Data sources on page 12.

Table 1: Key Term Definitions

Term	Definition	Calculation
Broker Bilateral	Total volume executed at a broker and settled bilaterally, without the involvement of a clearinghouse	LEBA published total volume minus LEBA published cleared volume
Broker Cleared	Total volume executed at a broker or off-exchange and given up for clearing to a clearinghouse	Aggregated clearinghouse reported broker cleared volume
Exchange Execution	Total volume executed directly on exchange and cleared with the relevant clearinghouse	Aggregated exchange reported executed volume
Cleared Market	Total volume cleared at a clearinghouse	Broker cleared plus exchange execution
Total Execution	Total executed volume, at a broker or an exchange	Broker bilateral plus broker cleared plus exchange executed

European Energy Markets Composition: YTD Trends

Information as at: 31 August 2019



Estimates based on Trayport analysis and market research

Table 2: Volume Traded Change

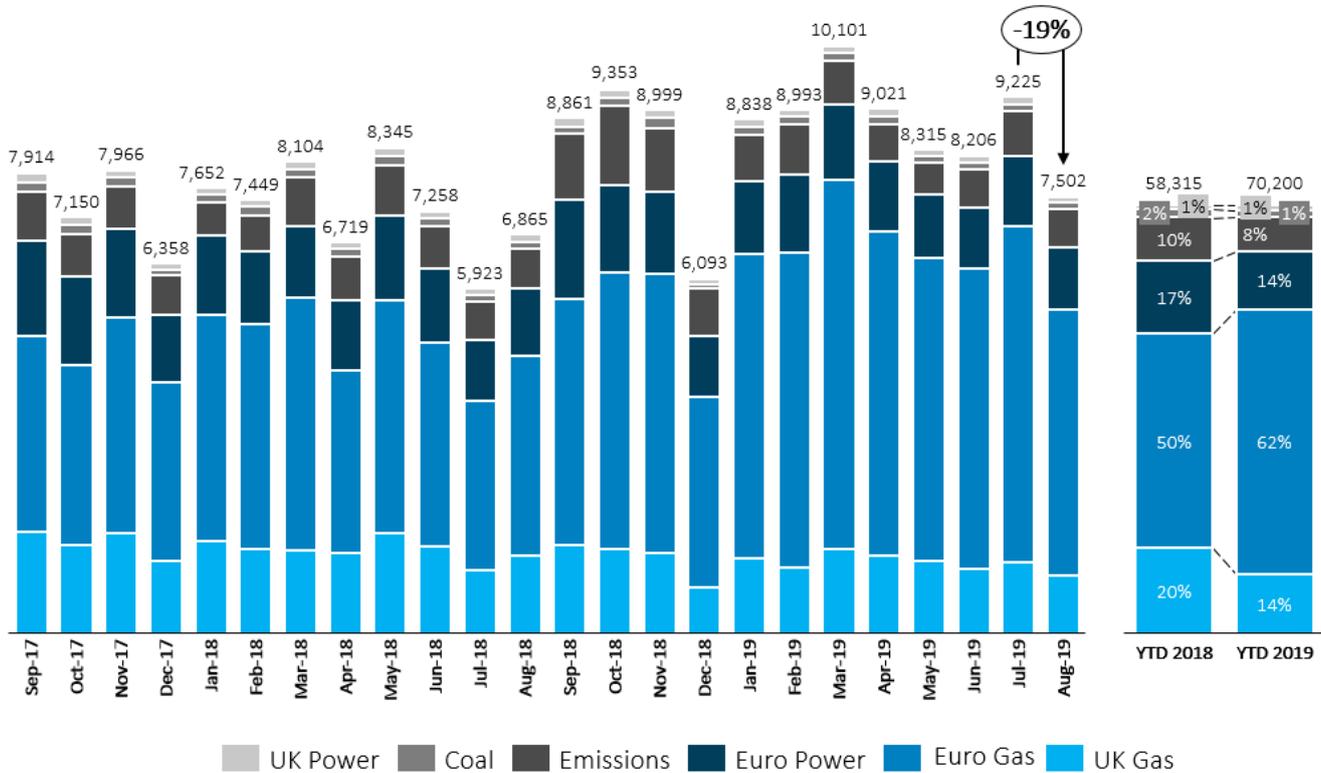
Commodity Class	MoM	YoY	YTD	Term	Definition
Emissions	-17%	-5%	-1%	MoM	Current month volume versus previous month volume (e.g. October 2012 vs. September 2012)
Coal	-19%	-9%	-5%		
UK Gas	-19%	-27%	-15%	YoY	Current month volume versus same month last year volume
Euro Power	-11%	-8%	-5%		
Euro Gas	-21%	34%	49%	YTD	Total volume YTD 2014 versus total volume YTD 2013 (e.g., Jan – Oct 2014 vs. Jan – Oct 2013)
UK Power	-15%	-21%	0%		

Note: Data sources on page 12.

European Energy Markets Composition: Total Euro Commodity Market Volumes

Information as at: 31 August 2019

Estimates based on Trayport analysis and market research



(Monthly Contract Equivalents* 000's)

Note: Data sources on page 12.

*Monthly Contract Equivalents calculated as total volume divided by a standard monthly contract lot size (30 day month):

Commodity Class	Volume Unit	Standard Monthly Contract Lot Size	Monthly Contract Equivalent Calculation
Emissions	Metric tonnes	1,000 tonnes	Total volume in metric tonnes divided by 1,000 tonnes
Coal	Metric tonnes	1,000 tonnes	Total volume in metric tonnes divided by 1,000 tonnes
UK Gas	Therms / MWh	30,000 therms / 879 MWh	Total volume in MWh divided by 879 MWh
Euro Power	MWh	720 MWh	Total volume in MWh divided by 720 MWh
UK Power	MWh	720 MWh	Total volume in MWh divided by 720 MWh
Euro Gas	MWh	720 MWh	Total volume in MWh divided by 720 MWh

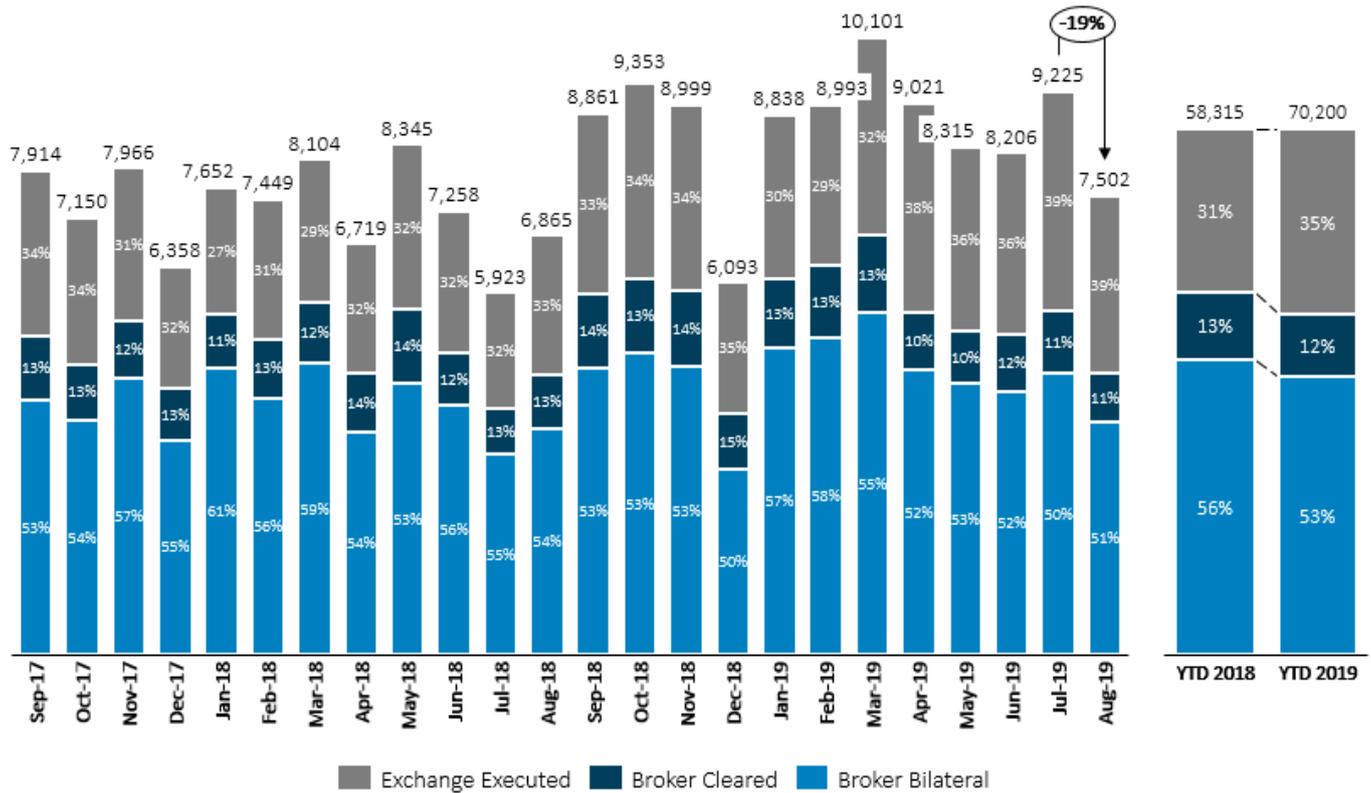
Monthly Contract Equivalents allow us to compare trading volumes across commodity classes that are traded in different volume units.

European Energy Markets Composition: Total Euro Commodity Market Volumes

Information as at: 31 August 2019

Estimates based on Trayport analysis and market research

(Monthly Contract Equivalents* 000's)



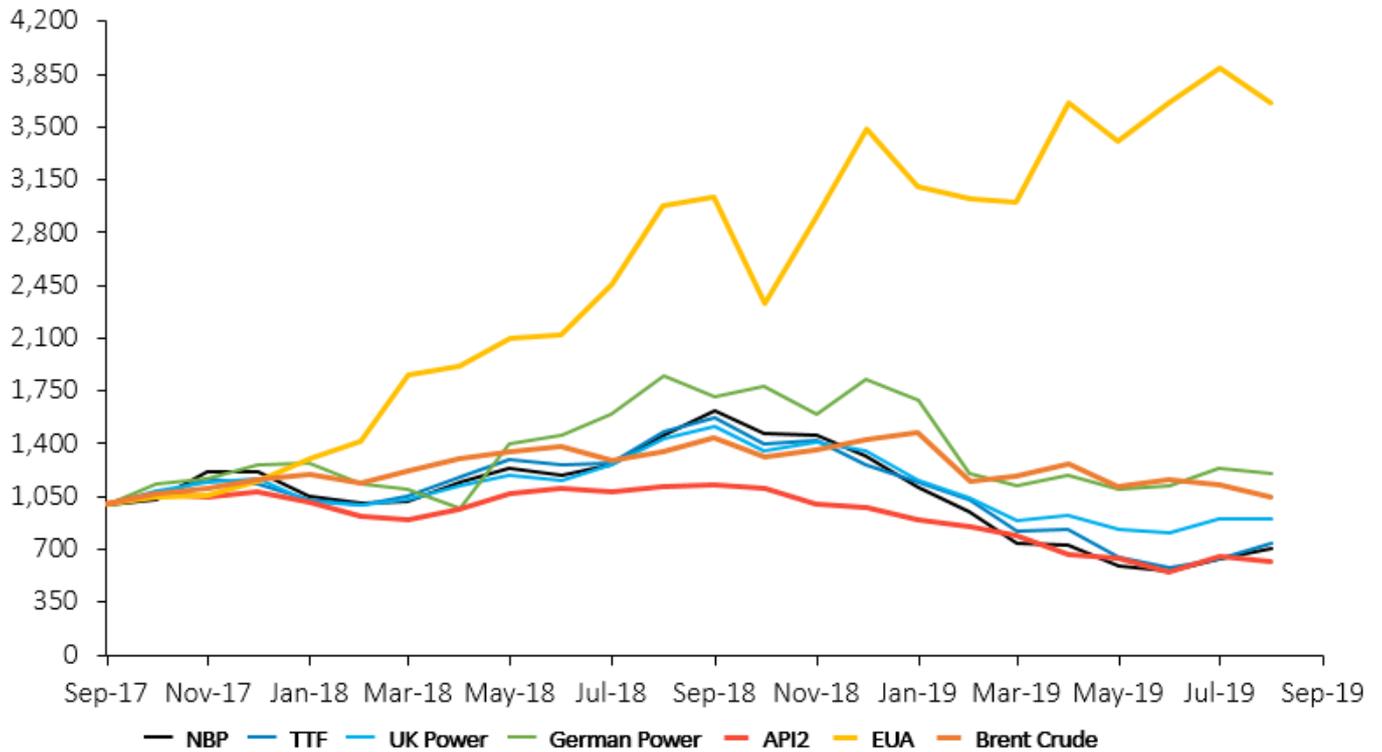
Note: Data sources on page 12.

*Monthly Contract Equivalents calculated as total volume divided by a standard monthly contract lot size (30 day month).

European Energy Markets Composition: Rebased Price Trends over Time

Information as at: 31 August 2019

Estimates based on Trayport analysis and market research



All prices are Front Month, except EUAs, which are Front Vintage.

Prices rebased 24 Months previous

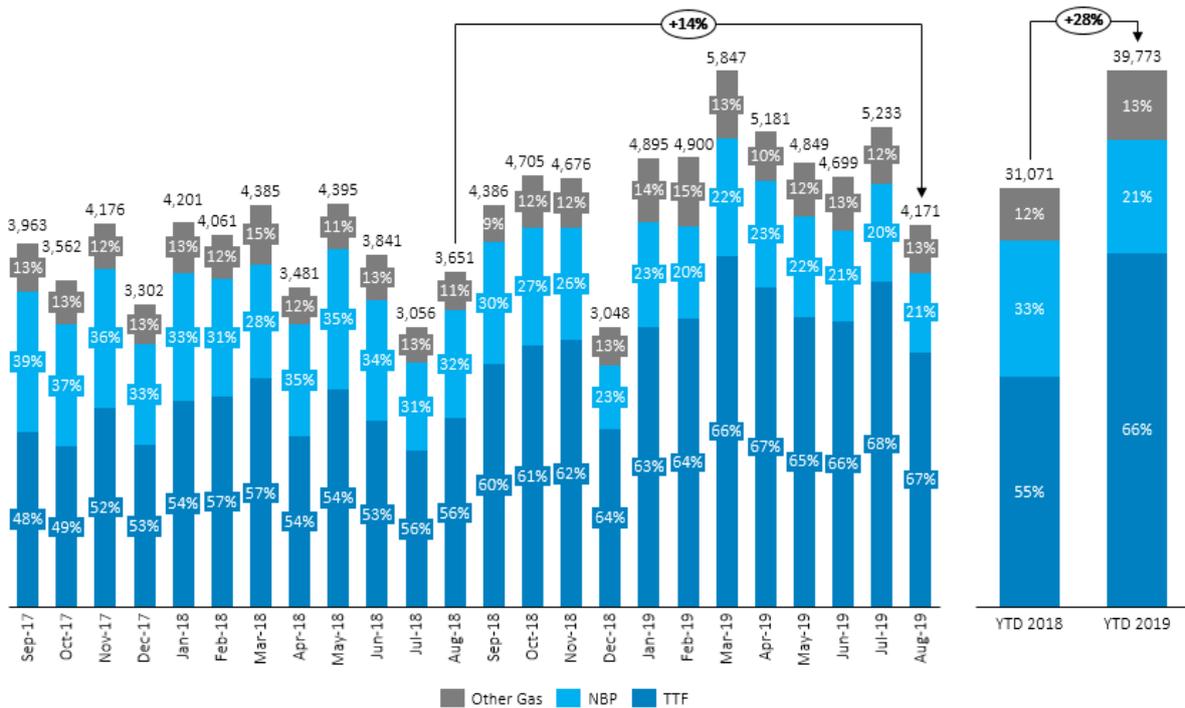
Note: Data sources on page 12.

Gas Hub Evolution

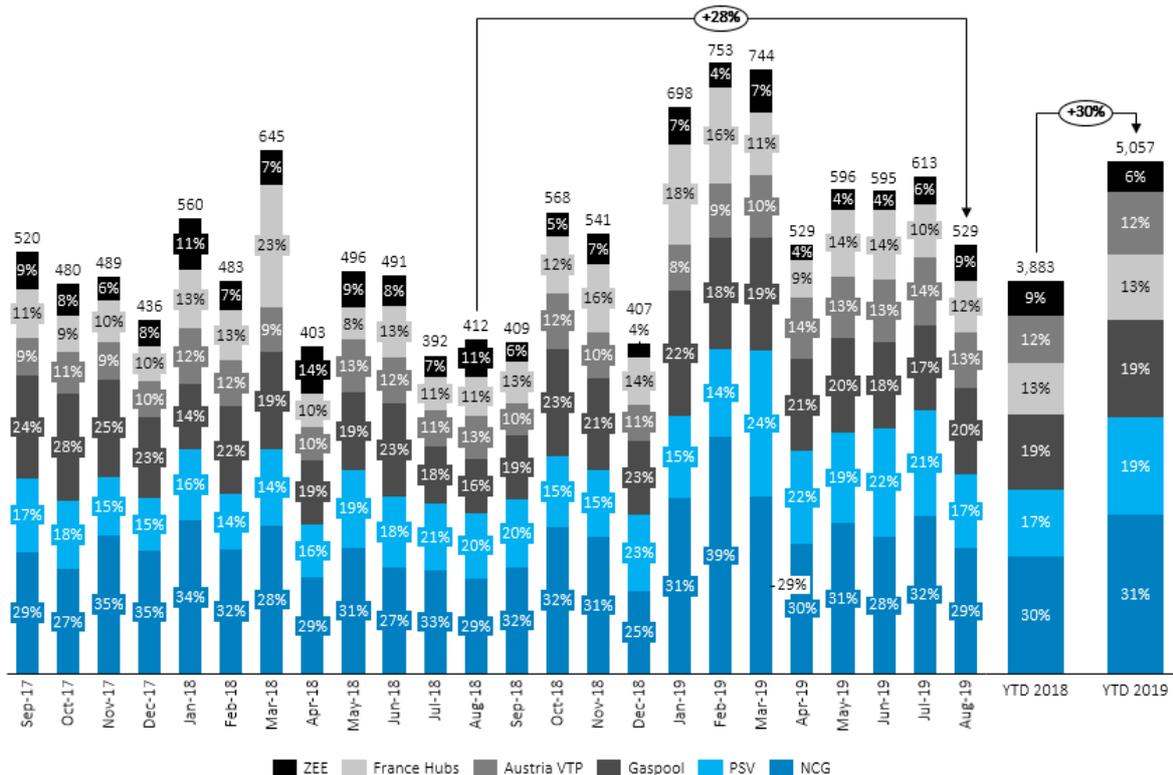
Information as at: 31 August 2019

Estimates based on Trayport analysis and market research

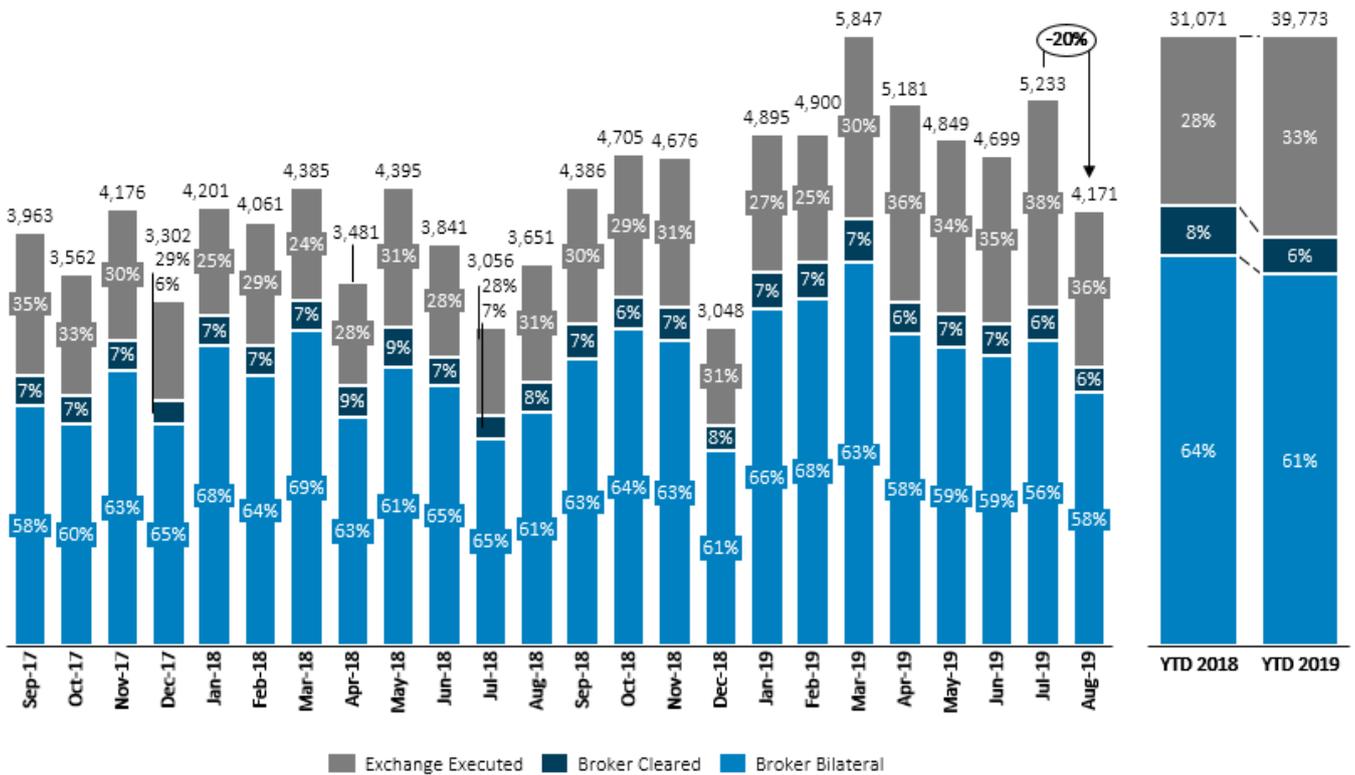
NBP, TTF & Other Gas Chart



Other Gas Chart

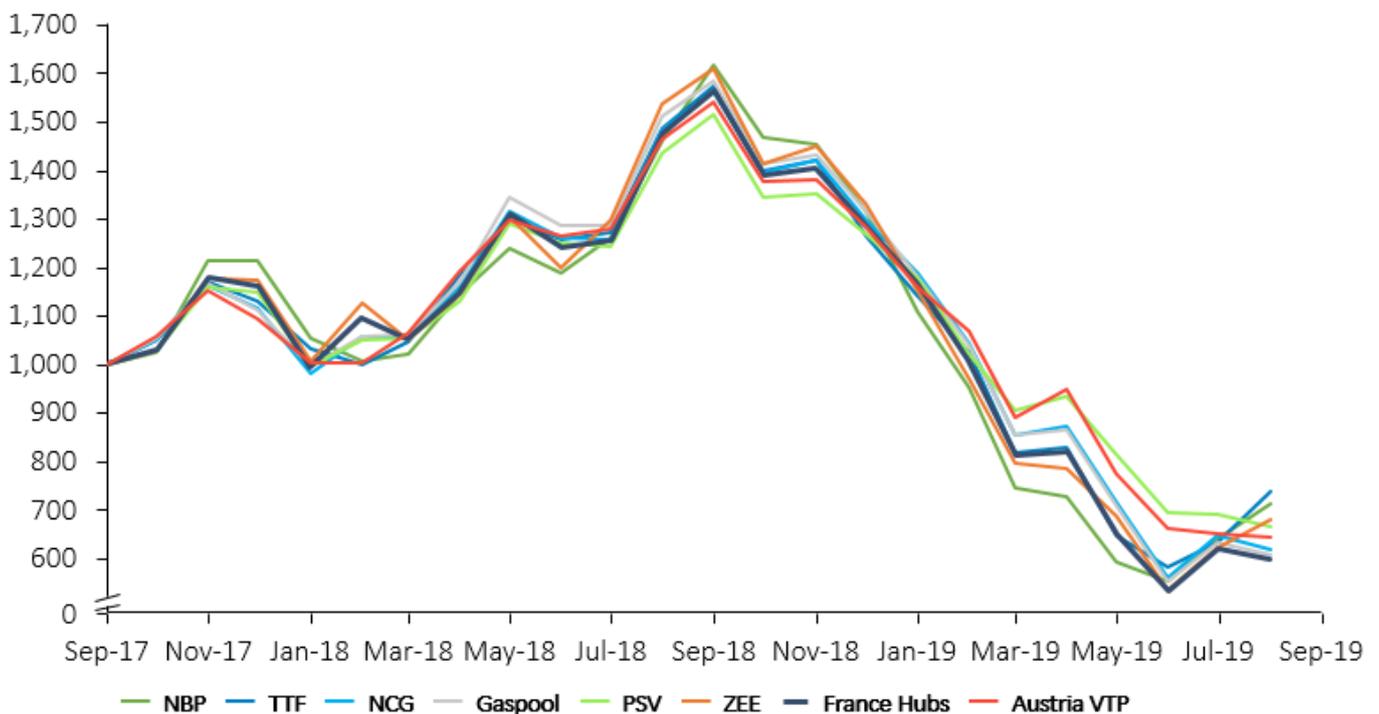


Broker Bilateral / Broker Cleared / Exchange Executed Chart



Price Indexation Chart

Prices rebased 24 Months previous

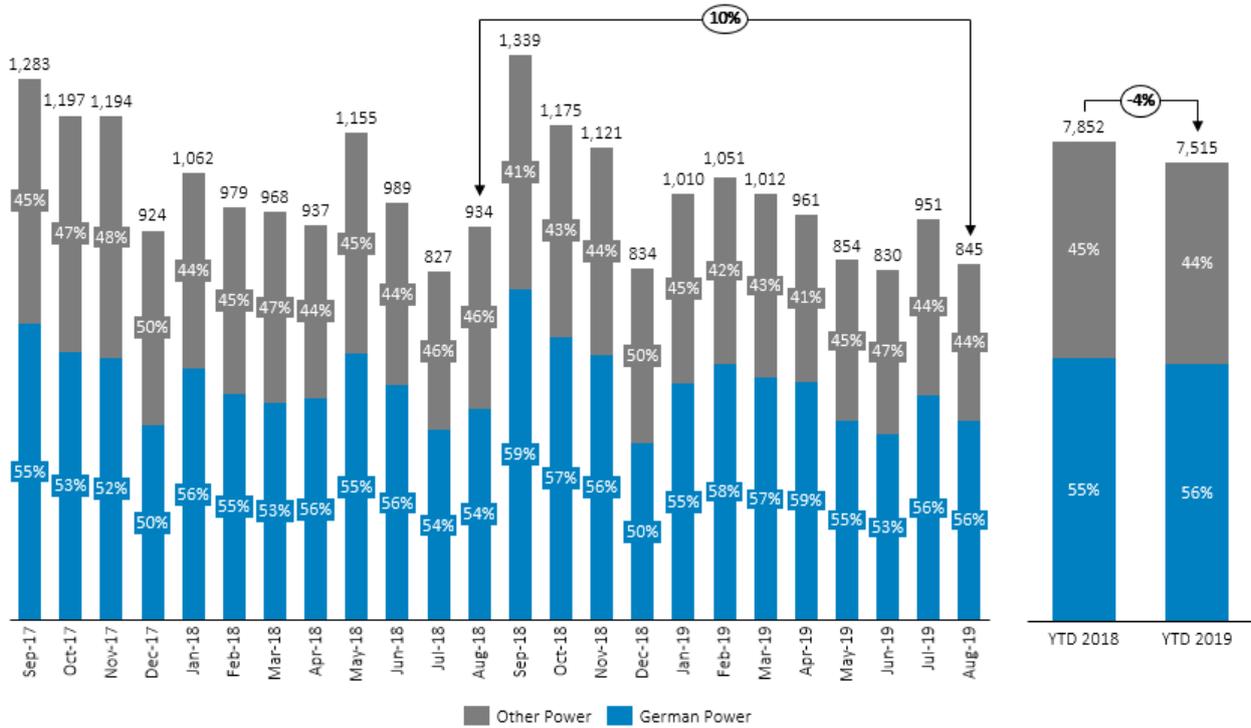


Power Market Evolution

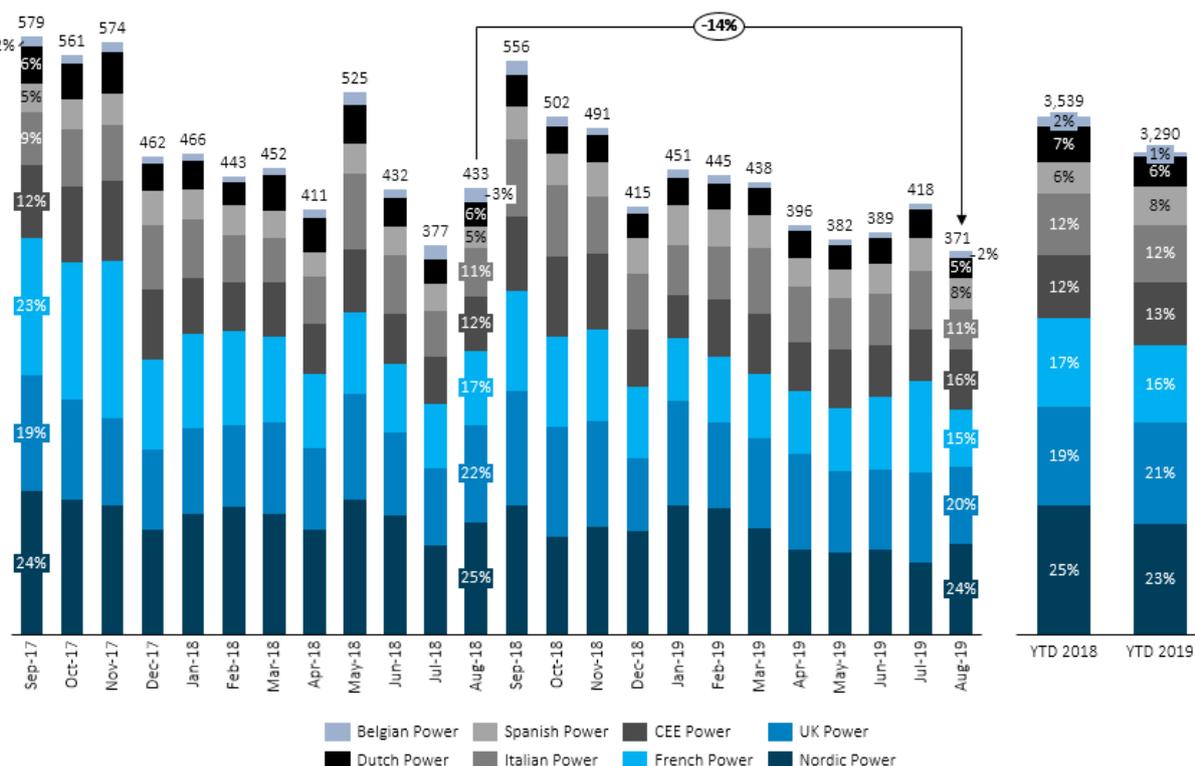
Information as at: 31 August 2019

Estimates based on Trayport analysis and market research

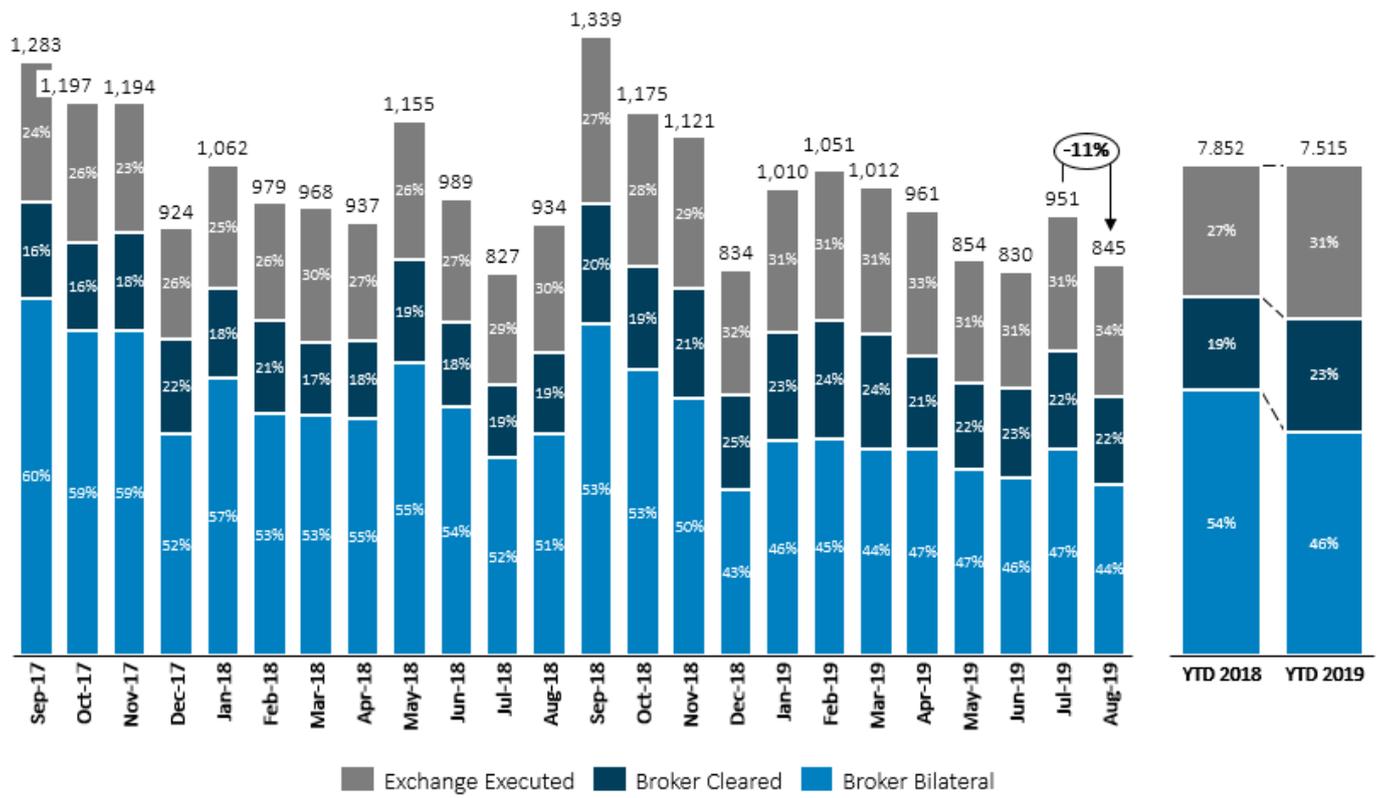
German Power & Other Power Chart



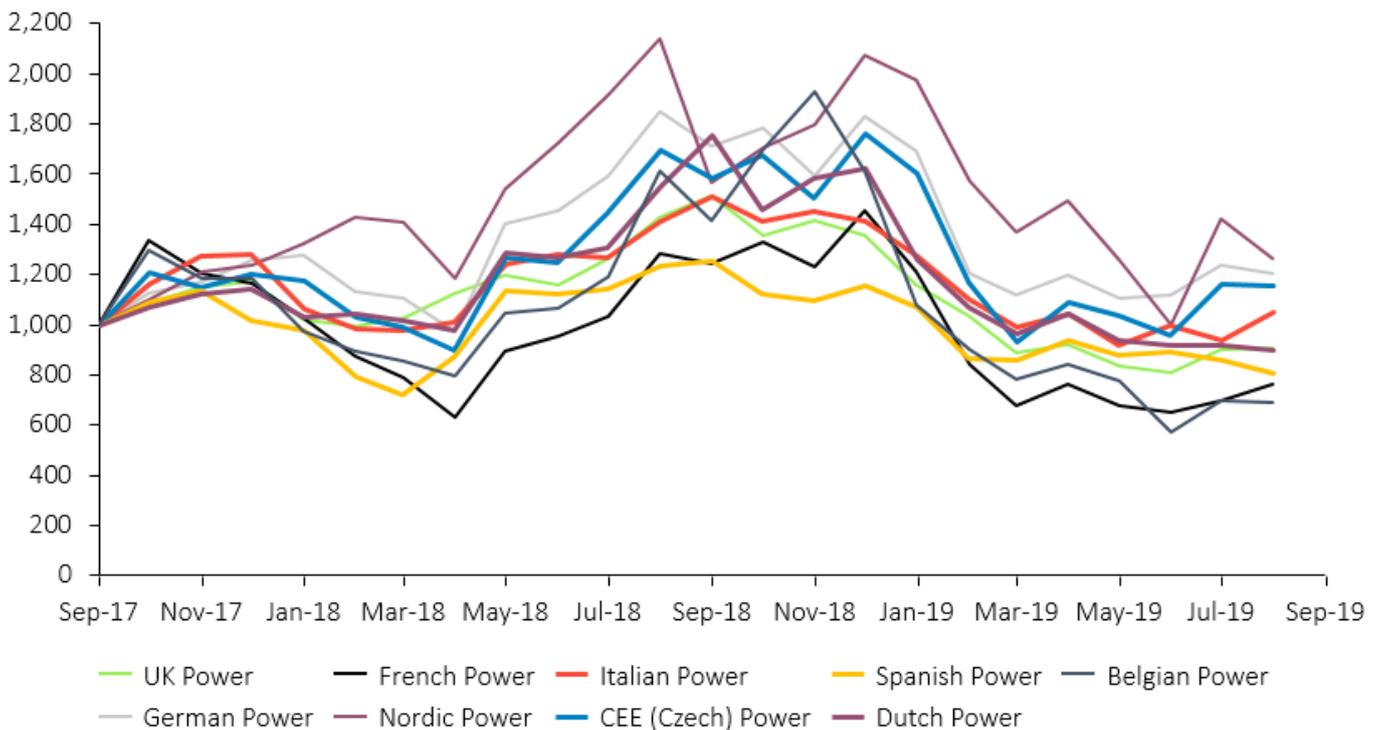
Other Power Chart



Broker Bilateral / Broker Cleared / Exchange Executed Chart



Price Indexation Chart



Price rebased 24 Months previous

Data Sources

OTC brokers data

LEBA www.leba.org.uk

Exchange data

APX-ENDEX Data source Jan 2011 – Oct 2013, TTF futures data only; source no longer available

Borsa Italiana S.p.A. <http://www.borsaitaliana.it/>

CME <http://www.cmegroup.com>

EEX <http://www.eex.com/>

ICE www.theice.com

NASDAQ OMX www.nasdaqomxcommodities.com

BMEClearing <http://www.meff.es>

OMIP <http://www.omip.pt>

CEGH <http://www.cegh.at>

Nord Pool Spot <http://www.nordpoolspot.com>

PolPx Terms of use of PolPX data are available on <http://www.tge.pl>

GME <http://www.mercatoelettrico.org>

Bluenext Data source Jan 2011 – Nov 2012; source no longer available

MIBGAS <http://www.mibgas.es>

Clearing house data

LCH www.lchclearnet.com