

European gas prices likely to fluctuate in late 2023 as markets evaluate Middle East conflict, among other factors

The Israeli-Palestinian conflict triggered a sudden rise in gas prices, driven by supply scarcity fears. Autumn instability can be expected thanks to Europe's exposure to Liquefied Natural Gas (LNG) supplies.

Milan, 19 October 2023 – After a summer in which gas prices fell to pre-energy-crisis levels (linked to the Russian-Ukrainian conflict) the Israeli-Palestinian clashes triggered a sudden rise in gas prices in early October.

Despite the highest storage levels in Europe seen since 2017, and gas demand remaining low, high market volatility is expected in the autumn. This is a result of escalating violence in the Middle East, coupled with the increasing frequency of extreme weather events and Europe's dependence on liquefied natural gas (LNG) supplies.

These are the findings of a report by global renewable energy producer Renantis - available [here](#) - which analysed energy price trends in the third quarter of 2023.

Gas experienced high volatility over the summer period: gas *futures*¹ quotations fluctuated erratically between 32 €/MWh and 47 €/MWh for the October reporting period. This was impacted by sensitivity of the Title Transfer Facility (TTF) - Europe's main gas trading hub - to news about strikes in the LNG industry in Australia.

In the coming months, energy trading experts at Renantis have predicted price volatility will be further driven by a range of global influences.

Climate change increases the frequency of extreme meteorological events. Possible cold spells in both Europe and Asia would lead to an increase in gas demand that could not be filled by LNG imports alone, as 2022 taught us. In addition, the escalation of the Israeli-Palestinian clashes had an immediate effect on gas prices. Despite this, it is not yet clear what the real consequences on the energy sector will be. The price increase is a snap response to the geopolitical situation in the Middle East; however, the countries involved and surrounding do not play a crucial role in the supply of gas to Europe, so this increase is expected to settle down in time.

Luca Prosdocimi, Head of Trading and Dispatching at Renantis, comments: *'The European market is well prepared for winter, as evidenced by the very high storage levels; however, it will only be possible to assess the resilience of the system once temperatures drop. The uncertainty caused by the current geopolitical situation could weigh on the winter. It's possible*

¹ contracts stipulating the commitment to the deferred purchase of a certain good, in this case natural gas, at a price established before the relevant period.

we'll see sudden price rises driven by conflict-related news and fears, alternating with periods of greater stability.”

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Contacts:

Renantis

Jo Clarkson – Head of Media Relations – Tel. +44 7514 734 135

Elena Roda – Media Relations – Tel. +39 02 2433 2297

Press office

Sec Newgate - renantis@secnewgate.it

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