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New and old oil price forecast (USD/bl)

Tenor	New	Old	Change
Q3-24	83	85	-2
Q4-24	83	85	-2
Q1-25	75	87.5	-12.5
Q2-25	75	87.5	-12.5
2024	83	85	-2
2025	75	87.5	-12.5
2026	87.5	90	-2.5
2027	90	90	-

Source: SEB Markets

New and old gas price fcst (EUR/MWh)

Tenor	New	Old	Change
Q3-24	35	30	+5
Q4-24	35	30	+5
Q1-25	38	30	+8
Q2-25	38	30	+8
2024	35	30	+5
2025	38	30	+8
2026	34	30	+4
2027	30	30	-

Source: SEB Markets

Tight LNG market in 2025; a bit softer in oil

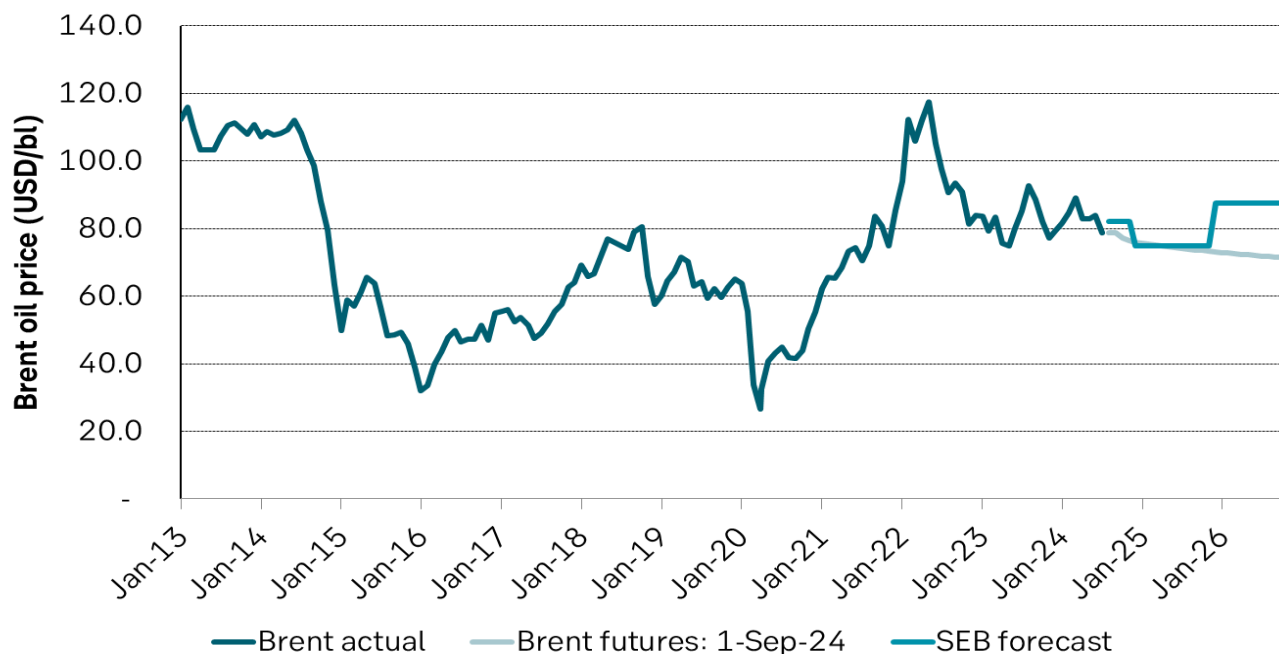
At the end of August, the Brent crude oil price was down 11% y/y while the TTF natural gas price was up 6%. We expect natural gas prices to stay firm over the coming one to two years before looser market conditions set in. We expect Brent crude to trade in a wider range and at an average of USD 75/bl in 2025 as OPEC+ puts more barrels into the market. However, we expect a lower price in 2025 to be the basis of higher prices again in 2026.

Oil market: Lower oil prices in 2025 lay the ground for a rebound in 2026

We expect the global oil market to flip to surplus in 2025 amid lukewarm oil demand growth where China is struggling while production will rise both inside and outside of OPEC+. OPEC+ will sacrifice some price to get more volume. Its price control will be looser and price volatility will likely rise. US shale oil production is cooling even at USD 80/bl and will likely cool yet more amid lower prices in 2025. Lower oil prices, lower US interest rates, a likely softer USD and a further cooldown in US shale oil production will likely flip the oil market back into deficit in 2026, with a rebound in the oil price as a result.

Natural gas market: Tight LNG balance to pressure 2024E-26E prices

The global natural gas market faces challenges for the rest of 2024, driven by a confluence of geopolitical tensions, project delays and maintenance disruptions. Russian piped gas exports remain uncertain as the conflict escalates, while planned maintenance on the NCS is set to reduce European supply. NE Asia's LNG demand is robust and continues to outbid Europe, pushing global LNG cargoes eastward. The global LNG supply is further strained by delays in key projects and legal setbacks, with tight market conditions expected to persist for 2025/26. Despite high EU inventories, our price outlook suggests elevated prices through 2024 and 2025, with relief arriving in late 2026 and 2027 as new LNG production capacity comes online, i.e. we see sustained upward pressure in the near term before a gradual easing in the latter half of the decade.

Historical Brent crude oil prices, the forward curve and SEB's oil price projection in USD/bl

Source: SEB

Surplus and lower prices in 2025 pave the way for higher prices in 2026

The global supply/demand balance will likely shift to surplus in 2025, as growth in demand is soft while growth in supply is robust with OPEC+ also adding barrels to the market. We expect Brent crude to average USD 75/bl in 2025 as OPEC+ sacrifices some price for more volume. We expect a rebound to USD 87.5/bl in 2026 with robust non-OECD demand, while US shale oil production slows further following lower prices in 2025.

Lower prices in 2025 as OPEC+ loosens price control. We expect OPEC+ to add most of its 2.2 mb/d of voluntary cuts back into the market over the coming two years. It will have to sacrifice some price in 2025 in exchange for more volume. We do not think this is a full shift from “price” to “volume”.

Price support around USD 75/bl in 2025. We do not expect a price collapse in 2025. 1) The US will likely step in and buy more oil for strategic stocks when WTI prices touch USD 70/bl. 2) US shale oil production can adjust rapidly lower in the face of lower oil prices. 3) OPEC+ is not out to ‘kill’ the oil price.

More volatility. Brent crude has traded in an unusually narrow range since the start of 2023. Prices will likely span a wider range in 2025 along with a market surplus. Brent crude at USD 60/bl at times is likely.

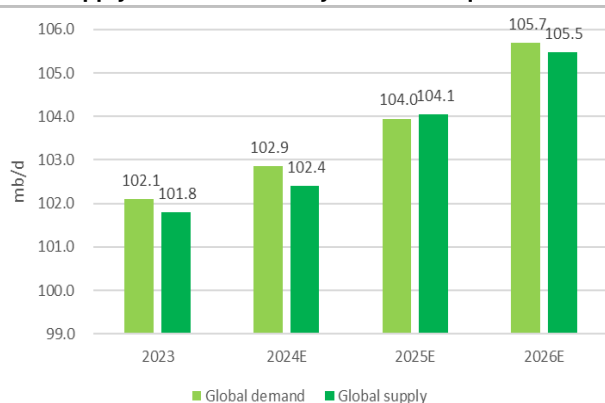
Price rebound in 2026. We expect US shale oil production to slow yet more in 2026 following lower prices in 2025. Lower oil prices in 2025 should also stimulate higher demand growth in 2026. Lower US interest rates and possibly a softer USD should be good for emerging markets and oil demand.

Global oil and liquids supply and demand with forecasts to 2026

	mb/d				mb/d ch.			% ch.		
	2023	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
Global demand	102.1	102.9	104.0	105.7	0.8	1.1	1.7	0.8%	1.1%	1.7%
OECD	45.7	45.6	45.6	45.6	-0.01	-	-	0.0%	0.0%	0.0%
Non-OECD	56.4	57.2	58.3	60.1	0.78	1.09	1.75	1.4%	1.9%	3.0%
China	16.55	16.65	16.97	17.22	0.10	0.32	0.25	0.6%	1.9%	1.5%
Global supply	101.8	102.4	104.1	105.5	0.60	1.65	1.42	0.6%	1.6%	1.4%
US liquids	21.9	22.7	23.0	23.1	0.8	0.3	0.0	3.5%	1.5%	0.2%
Non-OPEC+, Non-US	29.4	30.3	31.0	31.5	0.9	0.7	0.5	3.0%	2.2%	1.6%
OPEC	32.9	32.5	33.0	33.7	-0.4	0.5	0.7	-1.1%	1.5%	2.1%
OPEC+ ext. members	17.6	16.9	17.1	17.2	-0.7	0.2	0.2	-4.0%	0.9%	1.2%
Supply Demand balance	(0.30)	(0.46)	0.10	(0.23)						

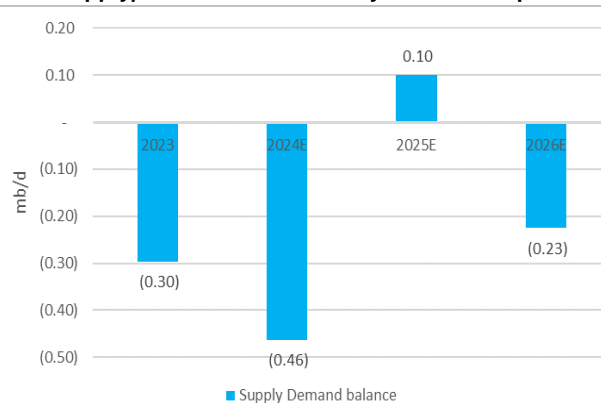
Source: SEB forecasts for 2024-26, US EIA historical data

Global supply and demand for hydrocarbon liquids



Source: SEB forecasts for 2024-26, US EIA historical data

Global supply/demand balance for hydrocarbon liquids



Source: SEB forecasts for 2024-26, US EIA historical data

Demand: China cooling, India rising

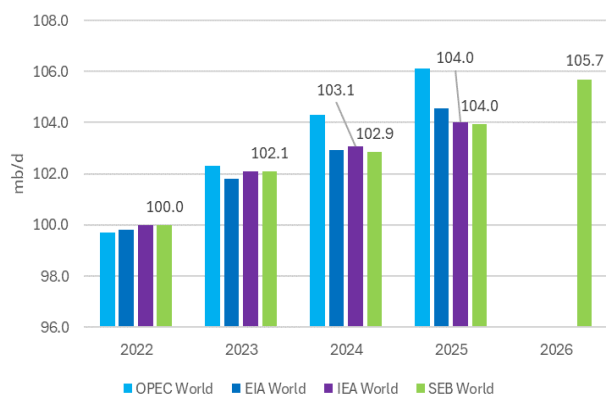
China is centre stage over concerns for oil demand growth and rightfully so as the heavy construction part of its economy is cooling, with steel producers sounding alarm bells across the country. We think Chinese oil demand growth is set to drop significantly, both this year and in the years to come. But oil demand growth from the other emerging markets will probably accelerate, with demand growth in India now close to 300 kb/d y/y which is comparable to where China was in the early 2000s.

Demand 2025: OPEC is bullish for non-OECD. IEA is bearish for OECD. The pandemic induced large fluctuations in global oil demand over in recent years. It is hard to say whether we have moved fully back to a new normal yet or if there is still pent-up demand after both the pandemic and the energy crisis.

Central banks in the OECD have been fighting inflation with high interest rates since early 2022. The fight now seems to have been won. Lower interest rates ahead look likely. That is positive for growth. But OECD economies could get stung by the high interest rates over the past two years before the benefits of lower rates kick in, as the effects on the real economy come with a considerable lag. Add the ongoing problems in China and electrification of transportation and forecasts for oil demand are wide apart.

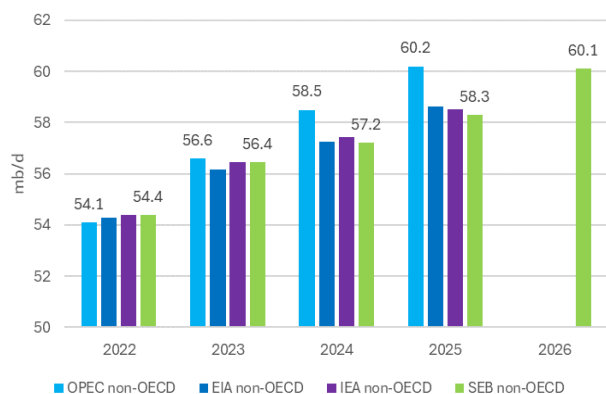
The IEA, EIA and OPEC forecast a global 2025 oil demand growth of 0.9%, 1.6% and 1.7% respectively versus SEB's forecast of 1.1%. In comparison the average was 1.3% p.a. over the 15 years to 2019. The main differences between the forecasts by the three reports are that OPEC is very bullish for non-OECD demand, while the IEA is very bearish for demand by the OECD countries.

Global oil demand in mb/d



Source: OPEC, EIA, IEA and SEB

Non-OECD oil demand in mb/d



Source: OPEC, EIA, IEA and SEB

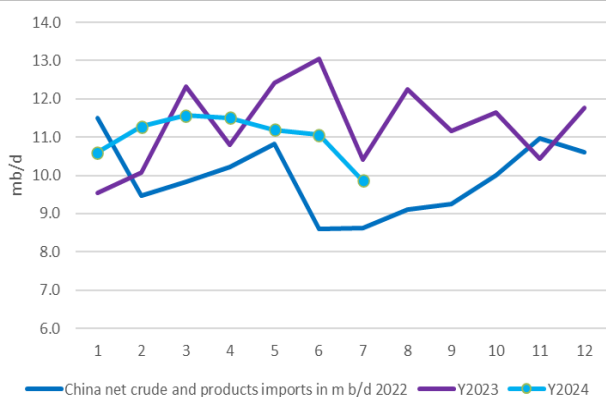
OECD demand: Zero growth in 2024, 2025 and 2026. For the OECD countries we expect zero growth for 2024, 2025 and 2026. But as highlighted above, there are many uncertainties.

Non-OECD demand: China slowing down while India is rising. We expect non-OECD oil demand to grow by 1.4% and 1.9% in 2024 and 2025 respectively. For 2026 however, we place non-OECD oil demand at 3.0%. Non-OECD oil demand grew by 2.1% p.a. from 2015 to 2019 but it grew by 3.9% from 2000 to 2014. We have placed our forecast in between to allow for more robust growth from non-OECD countries ex-China as highlighted in a recent forecast by IMF.

China is a major concern. China emerges as a major uncertainty when estimating oil demand, given the continued cooldown in housing and construction together with lacklustre domestic consumer demand. The biggest steel producer in the world, China Baowu Steel Group, warned in August that the Chinese steel market was in crisis and that the downturn would be long and hard as there would be no construction stimulus package this time around.

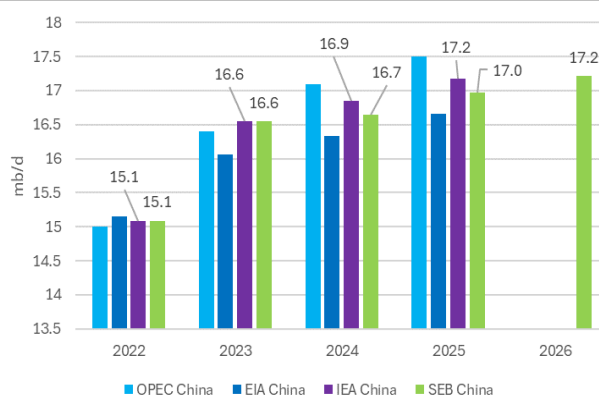
Net Chinese imports of crude and oil products were down 2% y/y over the first seven months to July this year, with net imports being especially weak in June and July. The risk is that there will be no strong rebound, either in H2 2024 or in 2025. The IEA and the EIA are still forecasting growth in Chinese demand of 1.8% and 1.7% respectively for 2024. But the signals coming out of the Chinese economy are not very promising. We expect Chinese oil demand to grow by 0.6%, 1.9% and 1.5% respectively for 2024, 25 and 26.

China net crude and product imports in mb/d



Source: SEB graph and calculations. Conversion from ton to barrels is 7.53 b/t

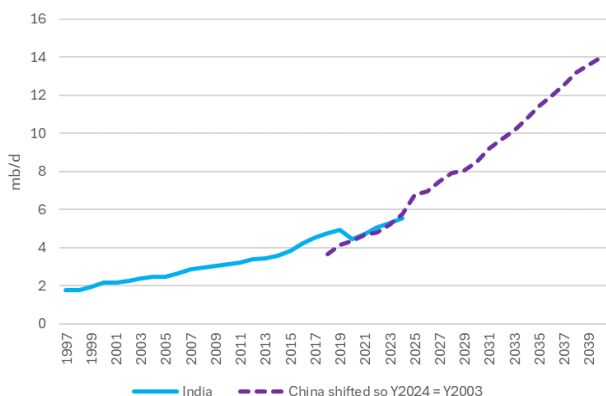
Chinese oil demand and forecasts in mb/d



Source: OPEC, EIA, IEA and SEB

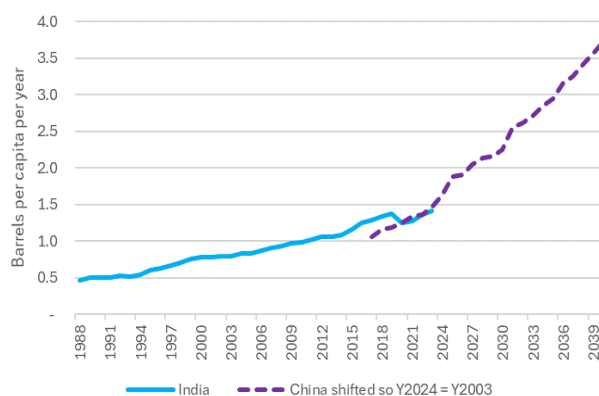
But India's oil demand growth now is set to outpace China. India's oil demand per capita grew by 5% p.a. from 2015 to 2019. China's oil demand per capita grew by 7% over the eight years to 2008. But India's population is growing strongly. It only needs a per capita growth rate of 6% to keep track with China in the parallel eight years to 2008. India's oil demand growth in kb/d in 2025 would be 350, 412, and 476 with 5%, 6% and 7% per capita per year growth in oil demand. The US EIA, the IEA and OPEC are in comparison forecasting oil demand growth (kb/d) for India in 2025 of 300, 230 and 200. On average it looks likely to us that they are going to undershoot by at least 100 kb/d in y/y growth.

India oil demand vs. China shifted 21 years. In mb/d



Source: OPEC, EIA, IEA and SEB

India oil demand vs. China shifted 21 years. In b/capita/y



Source: OPEC, EIA, IEA and SEB

In general, India looks set to increasingly take over as a growth factor as China is tapering off. India and China will probably account for a 20% equal share of global oil demand growth in 2025. India's oil demand and growth today is roughly where China was in the early 2000s. We believe India is unlikely to follow in the exact same footsteps as China. What is important to note is that the phase when an economy grows from USD 2,000/capita/year to USD 10,000/capita/year is the phase when the economy undergoes a tremendous shift with urbanisation, industrialisation and infrastructure build-out. It is a phase that is very commodity intensive. China moved through that phase from the early 2000s and reached USD 12,614/capita in 2023 (World Bank). India reached USD 2,485/capita in 2023 (World Bank) and is at the very beginning of such a commodity intensive growth phase. How quickly it will move through that phase is of course unknown. Few seem to expect India to move through this phase as quickly as China. The decades ahead for India will nonetheless involve intensive commodity growth.

Stronger non-OECD excluding China and India. The IMF recently published a forecast for non-OECD growth from 2025 to 2029 which also was referenced in an article by Ruchir Sharma in the [Financial Times](#) on 26 August.

It argues that the years from 2015 to 2024 were especially problematic for many emerging markets. During those 10 years only 48% of these countries managed to grow faster than the US economy on a GDP per capita basis. However, the IMF expects that 88% of emerging markets will grow faster than the US economy over the coming five years to 2029. That is on par with the years from 2000 to 2014. The coming five years are thus likely to be good for emerging markets. Even though China may now enter a new phase with much slower growth, the rest of the emerging market countries look set to accelerate. We have placed oil demand growth at 3.0% p.a. for 2026. That is higher than the 2.1% p.a. growth from 2015 to 2019 period and lower than the 3.9% p.a. growth from 2000 to 2014.

Number of non-OECD economies growing faster than US



Source: [Financial Times on 26 August by Ruchir Sharma](#).

Historical and possible demand growth from 2025-29

	Non-OECD oil demand and growth				
	%	%	mb/d	%	mb/d
	Y2000-14	Y2015-19	Y2024	Next 5 yrs??	
Non-OECD	3.9%	2.1%	57.2	3.0%	1.7
China	6.7%	4.2%	16.3	1.5%	0.25
India	4.1%	6.8%	5.6	7.0%	0.39
Rest non-OECD	3.1%	0.7%	35.3	3.0%	1.06

Source: EIA historical data. Calculations and scenarios by SEB

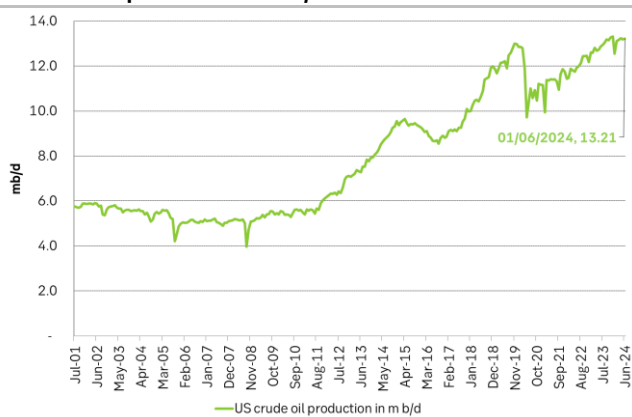
Supply: More from OPEC+ and non-OPEC+

OPEC+ plans to raise production by 2.2 mb/d from Q4 2024 to Q3 2025. We expect it to lift production but by much less as it is still sensitive to price developments. We estimate an increase of 0.6 mb/d in 2025 and of 0.9 mb/d in 2026. We expect much softer growth in US liquids, at only 0.3 mb/d in 2025 and virtually zero growth in 2026. We expect the rest of world production to rise by 0.7 mb/d and 0.5 mb/d over the coming two years.

US supply: US supply growth is slowing down sharply. US shale oil production has been booming since 2008/09. It killed the oil price in 2014. Volume, volume, volume was the mantra. Bankruptcies, restructuring and M&A were the result over the past four to five years. The sector now seems to have 'grown up' with focus now squarely on profits and not on volume for the sake of volume.

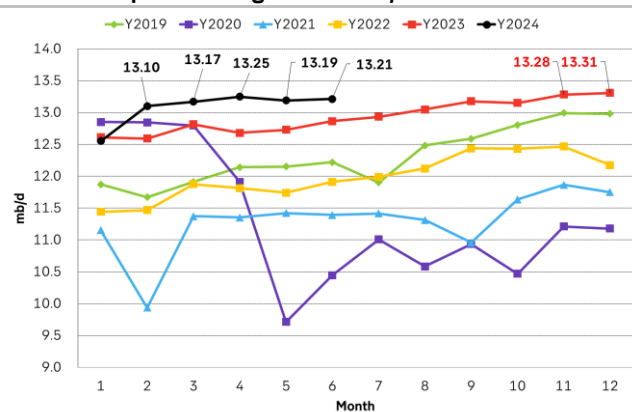
Production and activity used to accelerate sharply when the oil price moved above USD 45/bl. Over the past two years the Brent crude oil price has averaged USD 84/bl. But activity has cooled down rather than boomed. The US oil drilling rig count is down 23% since late 2022. US liquids production grew by 1.3 mb/d in 2023 in response to an oil price of USD 100/bl in 2022. Growth will likely be 0.8 mb/d in 2024 and we expect total US liquids production to grow by only 0.35 mb/d in 2025, with close to zero growth in 2026 following a lower Brent crude price of USD 75/bl in 2025.

US crude oil production in mb/d



Source: Graph by SEB, EIA data, Bloomberg data feed

US crude oil production growth in mb/d



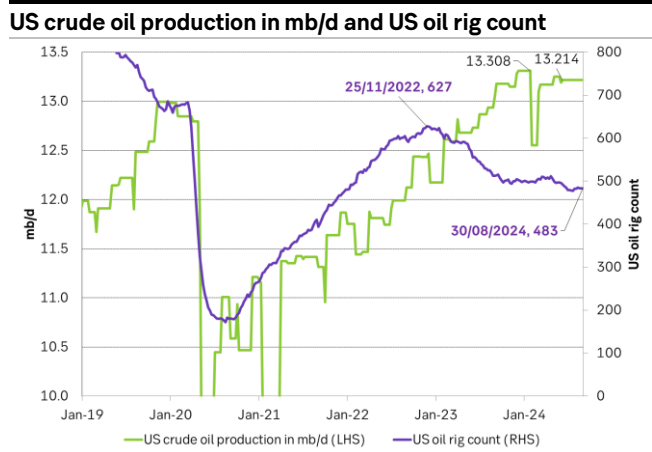
Source: Graph by SEB, EIA data, Bloomberg data feed

SEB visited US oil producers in June this year. When asked for their expectations for US crude oil production over 12 months, they in general responded that they expected zero production growth from May 2024 to May 2025.

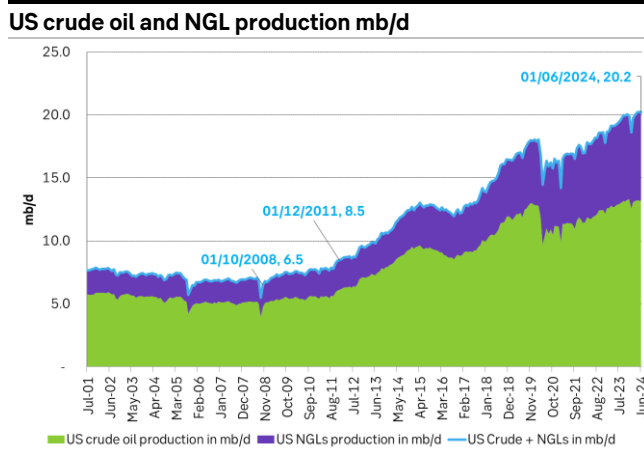
US shale oil production has surprised to the upside again and again and again. Naturally it is hard to know how this will develop. The sector has nonetheless clearly changed and matured, and focus has shifted away from growth for growth's sake. Several of the shale oil plays in the US have peaked and resource quality is gradually in decline as the best resources have been taken out.

If this happens as we expect, then it is like a dream come true for OPEC+. The group will be able to demand a higher price for its oil without risking being flooded by liquids from the US. At least the price point going forward when this happens will be higher than before.

When you look at the historical developments in production it is quite hard to believe that growth in production will now actually come to a halt. However, the underlying loss in existing production has a staggering run-rate of more than 600 kb/d per month every month, which must be countered by new production to prevent production from falling. Production growth or decline can thus change very rapidly as circumstances with respect to resources change, or the strategy by the producers changes.



Source: Graph by SEB, EIA data, Baker Hughes data, Bloomberg data feed

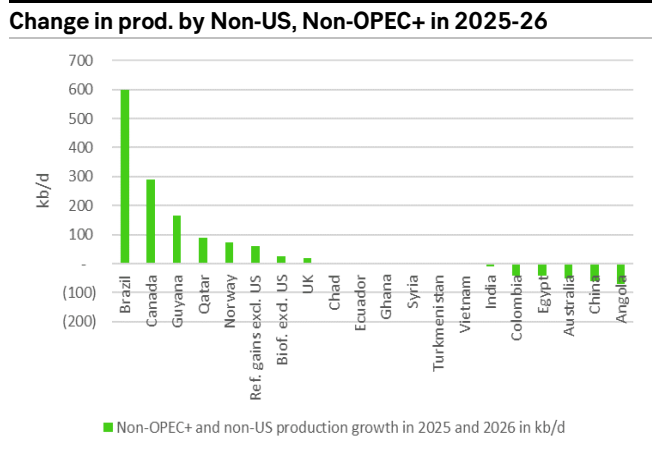


Source: Graph by SEB, EIA data, Bloomberg data feed

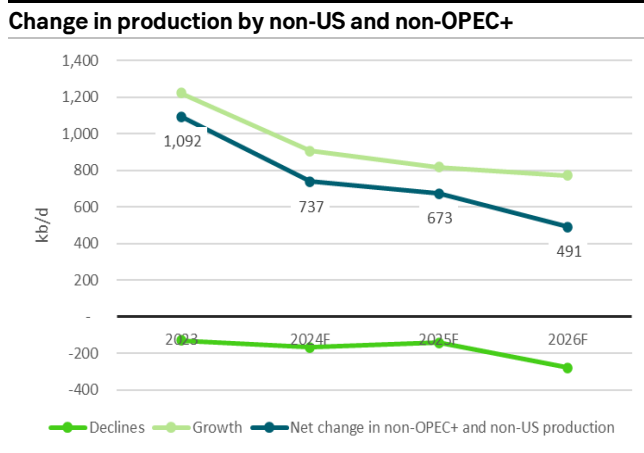
What will be interesting is to see is how the sector fares versus the Brent crude oil price, which in our view will average USD 75/bl in 2025 and at times trade down to USD 60/bl, and at times cross below the USD 60/bl line. We think the sector will ease back on activity even more.

Non-US, non-OPEC+ supply: Adding 0.7 mb/d in 2025 and 0.5 mb/d in 2026

We estimate that the supply outside of the US and OPEC+ looks set to grow by 0.7 mb/d in 2025 and by 0.5 mb/d in 2026, with total supply growth over the two years amounting to 1.2 mb/d including 0.2 mb/d of biofuels and refinery gains. We think the biggest contributors over the two years will be Brazil (+0.6 mb/d), Canada (+0.3 mb/d) and Guyana (+0.17 mb/d). There will also be a range of smaller declines within the group which will drag supply growth down by 0.3 mb/d. While total supply growth over the coming two years looks to us to be robust, it looks set to ease gradually. Supply growth reached 1.1 mb/d in 2023, then eased to 0.9 mb/d in 2024 and looks set to soften further to 0.7 mb/d in 2025 and 0.5 mb/d in 2026.



Source: Graph and calculations by SEB, data by IEA, US EIA, Rystad



Source: Graph and calculations by SEB, data by IEA, US EIA, Rystad

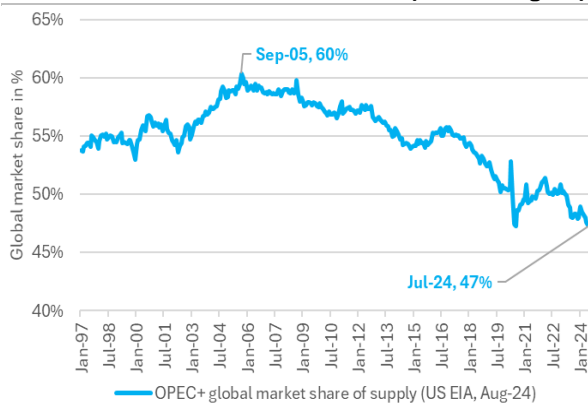
OPEC+ will add more supply but it will still manage the market. Officially OPEC+ is holding back 3.66 mb/d of shared cuts as well as additional voluntary cuts of 2.2 mb/d by a smaller group of members initiated in December 2023, so in total 5.86 mb/d. A substantial part of these cuts is however from very high watermarks close to their maximum capacities reached in April 2020. Many of the members hold spare capacity as a norm. If we instead look at what key members normally produce, then the current cuts are more like 3-4 mb/d than 5.9 mb/d. But total spare capacity may be close to 6 mb/d today for OPEC+.

The group has said that it wants to lift production gradually from Q4 2024 to Q3 2025 and by then reinstall the voluntary cuts of 2.2 mb/d. They have backed this plan up with a very bullish outlook for oil demand in 2024 and 2025. Thus, arguing that it is not about shifting strategy from price to volume but rather that the additional volume is needed in the market.

We think that OPEC has an oil demand forecast which is too bullish and that less than the 2.2 mb/d of additional supply from OPEC+ is needed. We further think that OPEC+ needs to return some supply to market as it has moved towards the end of what it feels comfortable cutting. It needs to get back towards a more normal level of production. If nothing else than to be able to cut again at the next crisis. We have seen that OPEC recently reduced its oil demand forecast. The group will likely reduce its planned return of supply as well.

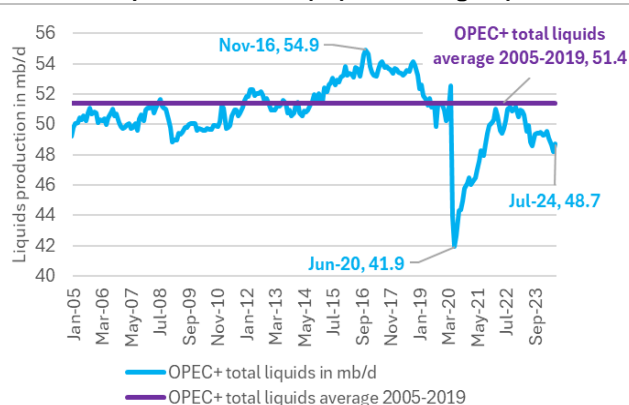
In our supply/demand balance we have assumed that OPEC+ will return 30% of the 2.2 mb/d by the end of Q3 2025 and an additional 37% by end of 2026. We think they are willing to sacrifice some price for doing so. But we do not think that the group is aiming for a 'shock and awe' strategy like it did in 2014/15 and in spring 2020. It will be more like moving from a strict 'price over volume' strategy to some kind of hybrid management of the market.

Market share of OPEC+ vs. total world (US EIA, Aug-24)



Source: Graph by SEB, EIA data

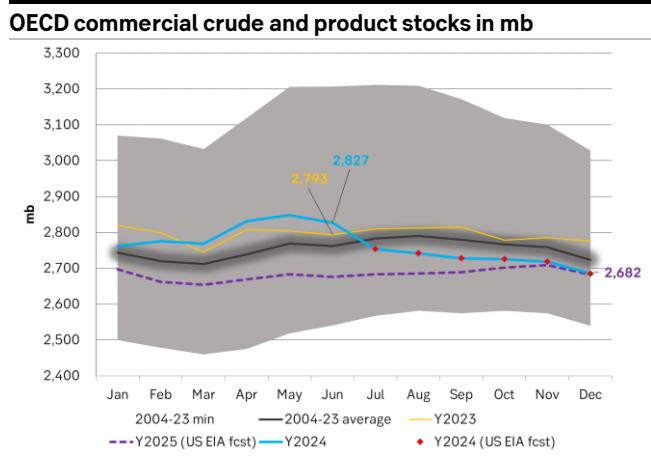
Total OPEC+ production in mb/d (US EIA, Aug-24)



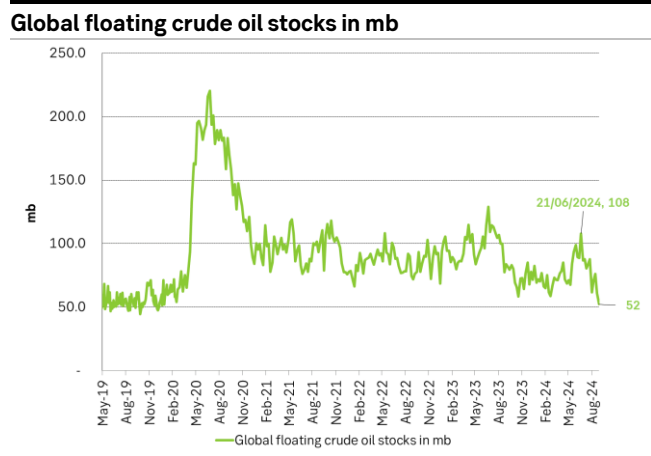
Source: Graph by SEB, EIA data

Oil inventories: Higher OECD stocks y/y to June. Draws in US stocks and floating crude stocks since end-June

Commercial OECD crude and product stocks are up 34.3mb y/y to June following rising inventories from January to May. June inventories fell by 21mb along seasonal norms. Global floating crude oil stocks have fallen sharply by 35mb since the end of June. US commercial crude and product stocks have fallen by 18mb since mid-June and commercial stocks in the US are now 9mb below the 2015-19 average.

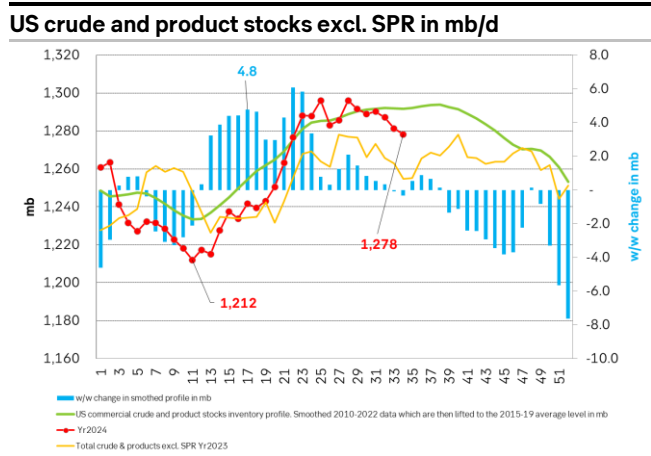


Source: Graph by SEB, EIA data, IEA, Bloomberg data feed

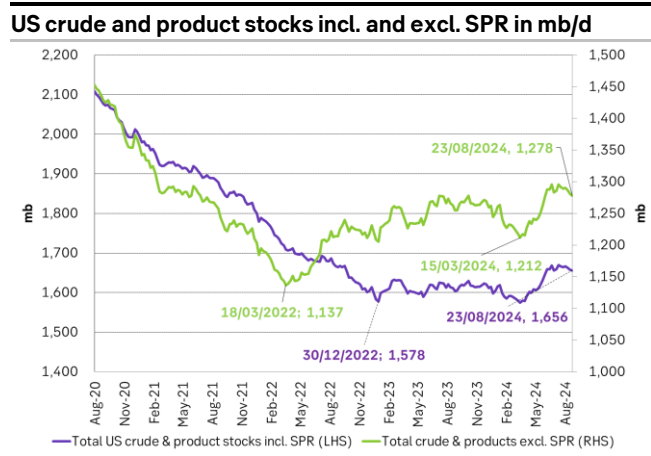


Source: Graph by SEB, Bloomberg data feed, Vortexa

US commercial crude and product stocks have fallen steadily and counter-seasonally since a recent peak in mid-June. They are now 9mb below the 2015-19 average. US Strategic Petroleum Reserves (SPR) are still very low following the sharp drawdown in SPR in connection with the Russian invasion of Ukraine in 2022. The US SPR is now however steadily rebuilding with some 100 kb/d. There has been a build of 31mb since the low point of 347mb in June 2023 and the SPR today stands at 378mb.



Source: Graph by SEB, EIA data, Bloomberg data feed



Source: Graph by SEB, EIA data, Bloomberg data feed

Geopolitics: Unstable Middle East but severe outages not expected

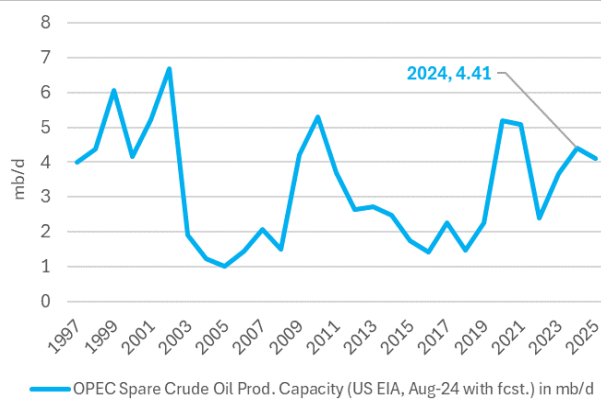
We expect instability in the Middle East to continue for the year to come with Iran and its proxies versus Israel the main focal point. At the same time however, the involved parties appear to be working hard to avoid an escalating conflict engulfing the wider region. Risk of loss of supply seems low, so far. Global oil has now mostly adapted to the shock from the sanctions toward Russian crude and oil product exports.

Geopolitics: Iran/Israel is disturbing but critical disruption looks unlikely. The 7 October 2023 attack on Israel by Hamas ignited turmoil in the Middle East. Gaza has mostly been destroyed, the Houthis are attacking ships in the Red Sea and Hezbollah (Lebanon) and Israel are shooting at each other across the border. But it still looks like a long step from here to an escalation to a war engulfing the larger region.

If the conflict spirals out of control, then a loss of around 2 m b/d of Iranian crude and condensates exports could be at risk. OPEC+ does, however, have ample spare capacity of up to 6.5 mb/d. The oil price would naturally move higher, but the world would not run out of oil and the price rally would be contained.

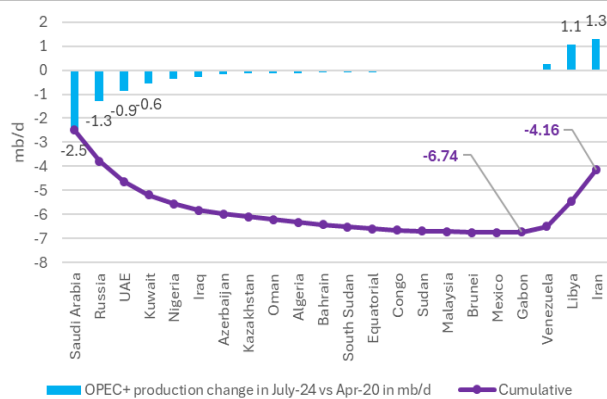
A worst case for the oil market is a closure of the Strait of Hormuz which carries 18-20 mb/d of oil to the global market. If that was to happen, then the spare capacity of OPEC+ would not enough and it would also be difficult to transport larger parts of this spare capacity out into the global market. We estimate the oil price would jump to USD 200-300/bl before falling back again as global demand would be destroyed and OECD could supply oil from strategic inventories into the market.

Total OPEC spare capacity by US EIA (US EIA, Aug-24)



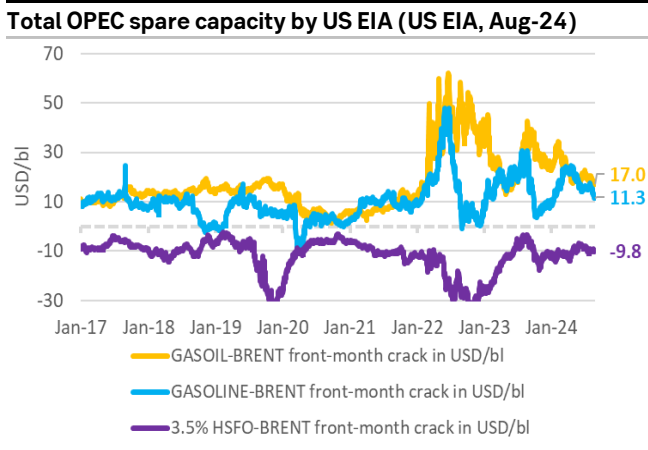
Source: Graph by SEB, EIA data

OPEC+ production in Jul-24 vs. Apr-20 (US EIA, Aug-24)

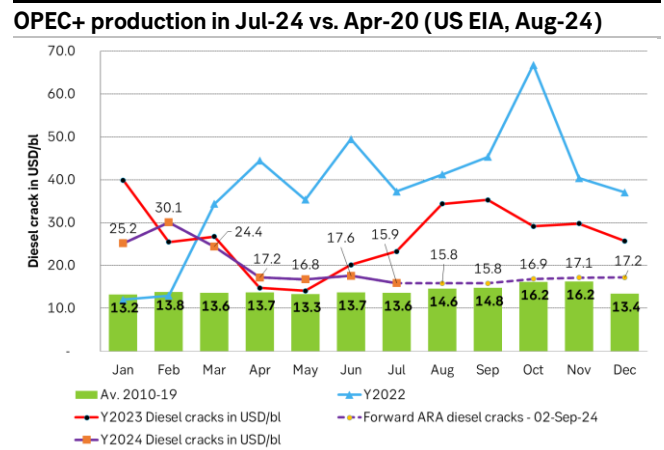


Source: Graph by SEB, EIA data

The Russia/Ukraine oil product energy shock has largely dissipated. The global middle distillate market came under severe stress when OECD countries sanctioned Russian exports for crude and products following Russia’s invasion of Ukraine. Diesel refining margins in Europe, which normally are USD 10-20/bl spiralled to USD 70/bl in the spot market. Total spot diesel prices traded close to USD 180/bl. The global oil market was forced to reroute the transportation of Russian crude and oil products which Europe relied heavily on, to other parts of the world. Europe instead had to import crude and products from other sources around the world. This reshuffling has taken quite some time, but the global transportation of crude and products now largely seems to have stabilised into a new pattern. Today the shock has largely dissipated. Though forward diesel margins are still a bit higher than normal.



Source: Graph by SEB, EIA data



Source: Graph by SEB, EIA data

Forward crude curves explained

We are often asked about what the forward crude oil prices say. Are they an expression of the markets' assessment of what future prices will be or a technical consequence of current spot prices, inventory levels, interest rates, storage costs and geopolitical risks? They are typically a mix of these factors. And more of one than the others from time to time. What stands out is that the Brent crude oil forward curve has been in backwardation in 77% of the weeks since January 2017. OPEC+ was formed in the autumn of 2016 and has exerted market control since early 2017.

Financial markets: The shape of the forward curve and long-dated prices.

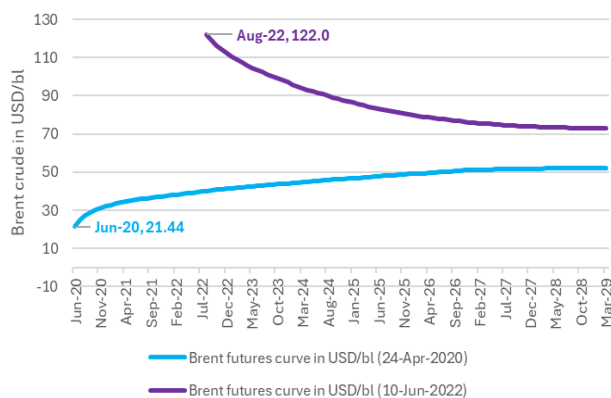
The level of the spot price versus longer-dated prices often leads to a lot of discussions and confusion about what these longer dated prices are indicating.

Tight market and backwardation: The front-month contract will trade at a premium to longer dated prices when inventories are low, and supply of oil is scarce. If you own oil in storage you are incentivised to sell oil physically into the market today. At the same time, you can buy a contract for future delivery at a lower price and take that to physical delivery at a future date. This structure of the forward curve helps to drive oil out of inventories and into the physical market where it is needed. It is a typical deficit market structure but not solely.

Producers are often required by their lenders to do a certain amount of forward hedging (selling) to safeguard future cash flows. Consumers are short oil on a forward basis and have a natural appetite to buy forward. But less so than the selling needs of the producers. The result of this asymmetry is that the forward curve is pushed down below the spot price into so called "backwardation". Financial players are normally willing to fill part of this gap as they are paid a premium where they can buy at a rebate on a forward basis. This value is often "harvested" by financial players by so-called "rolling long positions".

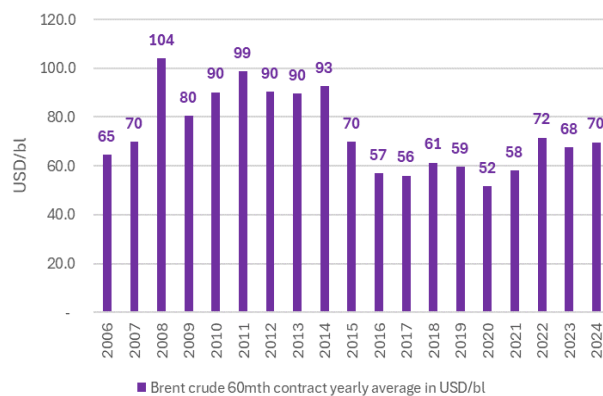
Physical consumers of oil, being either refineries or industry, are often very concerned about running out of oil in the short-term. Their industrial activities will come to a full stop if they do. As such they often have a willingness to pay up at the very front-end of the oil curve to secure marginal, physical supplies of oil. These consumers are typically willing to pay up for oil in the short-term equal to the opportunity cost for them of not having that oil. This also adds some premium to the front-end of the crude oil price curve even if there isn't an all-out scarcity of oil in the market.

Brent crude forward curves in USD/bl



Source: Graph by SEB, Data by Bloomberg

Brent crude 60mth contract. Yearly average in USD/bl

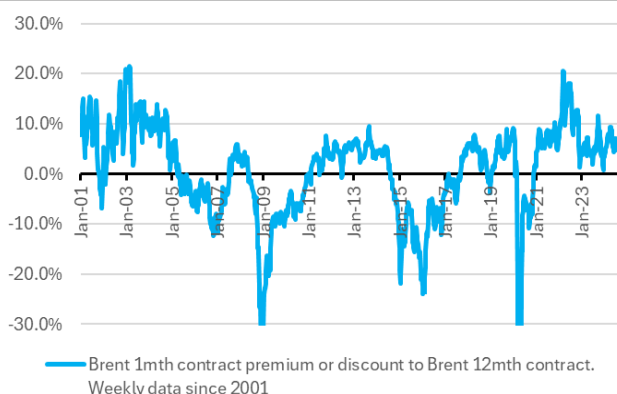


Source: Graph by SEB, Data by Bloomberg

Surplus market and contango: The forward crude oil curve is in “contango” when the spot price trades at a discount to longer dated prices. It is a sign of surplus oil. When production is higher than consumption then oil needs to be stored. A player in the oil storage market is willing to buy oil in the physical spot market if it can be sold 3, 6 or 12 months forward at a premium equal to or higher than what it costs to store the oil: storage facility, capital costs and logistical costs. The cost of storing oil will rise as the utilisation of available storage capacities rises as the cheapest and most efficient storage locations will be utilised first. At the depth and the trough of a bear market there will hardly be anywhere left to store oil except for ships of different kinds.

The longer-dated prices in the middle of this. Longer dated oil prices 12, 36 and 60 months forward are often impacted by the spot prices in the market. When the spot prices are low in a contango market, then the longer dated prices are often to the low side as well. When spot prices are high in a backwardated market, then longer-dated prices are often higher. The 12-month forward price is however not a predictor of the oil price 12-month forward in time because we most often do not know the supply/demand balance in the market in 12 months's time. If the front-month Brent crude oil price is USD 100/bl today and the 12-month contract is USD 90/bl then this is typically not a predictor by the market that the Brent crude oil price will fall. Rather it is the result of the different dynamics mentioned above. But if the front-month contract is USD 150/bl and the 12-month forward price is USD 100/bl then it would typically be an expression of a tight market where the reason for the tightness is of temporary endurance.

Brent crude 1-month to 12-month price ratio in %



Source: Graph by SEB, Data by Bloomberg

Brent crude curve statistics based on data since 2001

		%	USD/bl	%	USD/bl	USD/bl
		% >	% <	Av. > 0	Av. < 0	Av.
1mth to 12mth	2001-Present	60%	40%	4.4	(4.4)	0.9
1mth to 12mth	2001-2016	52%	48%	3.7	(4.7)	(0.4)
1mth to 12mth	2017-Present	78%	21%	(2.8)	5.4	3.6
1mth to 60mth	2006-Present	61%	39%	(11.2)	13.3	3.8
1mth to 60mth	2017-Present	77%	23%	(6.9)	13.7	9.0

Source: Calculations by SEB, Data by Bloomberg

What stands out is that the Brent crude curve has been in backwardation 60% of the time since 2001. It had been in backwardation only 52% from 2001 to 2016. But it has been 78% in backwardation since January 2017. OPEC+ was formed in the autumn of 2016 and exerted market control since early 2017.

The 60-month Brent crude contract has averaged close to USD 70/bl since 2022. In the six years to 2021 it average USD 57/bl. The lift to USD 70/bl coincides with the Russian invasion of Ukraine. But we think the lift has mostly to do with the consolidation and restructuring of the US shale oil business. The US shale oil sector has been in steady cooldown since the end of 2022 while at the same time the Brent crude oil price has average USD 82/bl. The US shale oil sector now has a completely different reactivity versus the oil price. While it earlier expanded aggressively when crude oil prices moved above USD 45/bl, it is now instead cooling down with an oil price above USD 80/bl.

Gas market update

Tight LNG balance to pressure 2024E-26E prices

Recent revisions to SEB gas forecasts: A look at near- and long-term trends

We have recently updated our assumptions for natural gas prices, making minor reductions for the short term (Q3, Q4, and FY 2024) and more significant adjustments for 2025 and 2026. Our estimates for 2027 are unchanged.

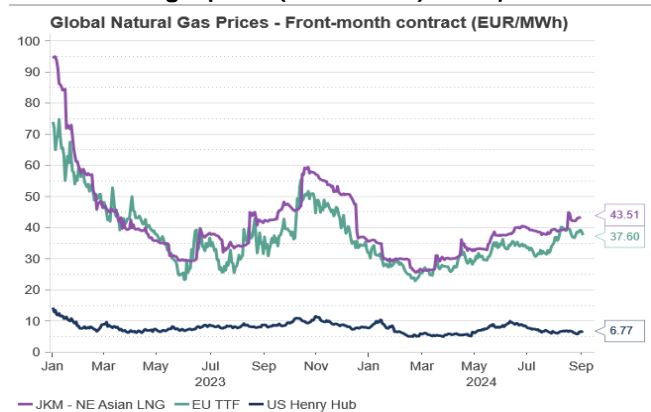
Interestingly, longer-term prices (2026 and 2027) continue to be slightly elevated compared to historical figures. However, when adjusted for inflation, real-term prices for European natural gas are in the EUR 26-29/MWh range. Thus, a new normal. In our forecast in 25 March 2024, we projected EU TTF natural gas prices for 2024 to average EUR 28/MWh (USD 53/boe), which represented a decrease from our earlier prediction of EUR 40/MWh in late December 2023. Currently, the average price is EUR 31/MWh thus far in 2024, with a significant possibility of further increases as we approach the European heating season.

For the full year of 2024, we have raised our estimate by EUR 5 to EUR 35/MWh (USD 65/boe). The forecast for 2025 shows a more pronounced increase of EUR 8/MWh, bringing it to EUR 38/MWh, while the projection for 2026 has been adjusted upward by EUR 4/MWh to EUR 34/MWh. Despite these upward revisions, we still expect European natural gas prices to "normalise" over time. Our 2027 projection remains steady at EUR 30/MWh, only slightly above the current real-term normal prices.

Potential risks ahead: A bullish outlook for Q4 2024

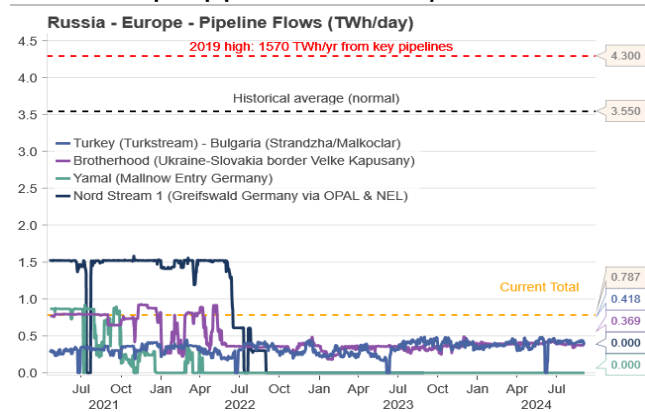
In last year's report, we noted a significant shift in Europe's energy dynamics during the winter of 2023/24 compared to the previous winter. In 2022 Russia had considerable leverage over the EU during the peak of the energy crisis, but this power dynamic has diminished. In 2022, President Vladimir Putin carefully balanced gas exports. If they fell to zero, revenue would disappear, but if they were too high, the EU's crisis would ease. This strategy has unravelled and Russia's use of natural gas as a geopolitical tool has largely failed.

Global natural gas prices (front-month) in EUR/MWh



Source: SEB calculations and graph, Bloomberg data

Russia – Europe – pipeline flows in TWh/d



Source: SEB calculations and graph, Bloomberg data

However, Russia's role in Europe's energy supply is not entirely over. Currently, Russia supplies about 0.8 TWh per day of piped natural gas to Europe, roughly 23% of the historical level (3.55 TWh per day). This is an increase from the low of 10% in early 2023. These flows have stabilised over the past year, primarily through two remaining pipelines: TurkStream (Russia-Turkey-Bulgaria) delivering 0.418 TWh per day, and the Brotherhood pipeline (Russia-Ukraine-Slovakia) at 0.369 TWh per day.

As the market adapts, Russia's ability to exert geopolitical pressure through the supply of gas is waning. However, the future of Russian gas transit through Ukraine remains a critical concern. The transit agreement between Gazprom and Naftogaz, signed in 2019, expires at the end of 2024. Ukraine has indicated that it will not renew the agreement, driven by the escalating conflict and a desire to sever financial ties with Russia.

The termination of this agreement could disrupt about half of the current 0.8 TWh per day of Russian gas flows to Europe. Austria, Slovakia, Hungary, Moldova and other countries that rely heavily on this route will need to secure alternative sources for gas, such as increased LNG imports or other pipeline options like TurkStream, although these alternatives may come with higher costs and greater logistical challenges.

For Russia, losing this transit route would strain Gazprom's finances, which are already impacted by reduced export volumes. In the short term, Europe is likely to increase its reliance on LNG imports. Meanwhile, Ukraine may focus on enhancing its role as a natural gas storage hub for Europe. With a total capacity of about 31 billion cubic metres (bcm), Ukraine holds one of the largest gas storage capacities in Europe, but as of 22 August 2024, only 17% of this capacity was filled, significantly lower than many other EU countries (see figure below).

Despite the potential benefits, the ongoing conflict presents substantial risks, particularly with regard to the security of Ukraine's infrastructure. While Ukraine has offered up to 10bcm of storage capacity to European countries, concerns about damage and security remain prominent.

Looking further ahead, Ukraine is exploring the use of its pipeline infrastructure to transit gas from other countries (e.g. Azerbaijan) to maintain its strategic importance as a key transit country.

Higher winter prices are likely due to a diminishing natural gas surplus

Our latest assessment aligns with our price forecast from March 2024, emphasising the ongoing impact of the absence of Russian piped gas on the global LNG market and European natural gas demand. These factors are crucial in shaping EU natural gas inventories as we approach Q4 2024.

During Q1 and Q2 2024, EU inventories reached record highs, surpassing the previous records set in 2023. This has contributed to the current strong inventory levels (92.4%), giving the impression that the EU is well-prepared for winter. However, we expect natural gas prices for the upcoming heating season to be EUR 35-38/MWh unless it is extremely cold.

Price fluctuations will depend largely upon weather conditions and supply changes. A mild winter could see prices stabilise at c. EUR 35/MWh, in line with current expectations for 2024. Conversely, a harsh winter would likely push prices up to EUR 55/MWh and possibly higher. Statistically, 20% of winters are milder than normal, 20% are harsher, and the remaining 60% align with historical averages.

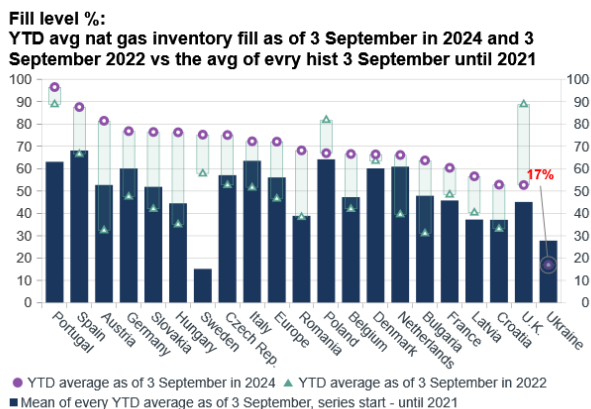
Throughout 2023 and much of 2024, the urgency of the natural gas crisis has eased with market adjustments responding to lower price thresholds. Nevertheless, we foresee a prolonged period of elevated prices due to increasing LNG demand from NE Asia (China, S. Korea, and Japan), a slight uptick in European demand and reduced EU LNG imports driven by reduced prices, potentially leading to a slowdown in inventory replenishment.

Additionally, the anticipated disruption of about half of the 0.8 TWh per day of Russian gas flows to Europe, following the termination of the Russia-Ukraine transit agreement, is already factored into market expectations, adding pressure to peak winter prices.

Compounding these issues is the heightened aggression in the Russia-Ukraine war, particularly in the Kursk region of northeast Ukraine. The Russian border town of Sudzha, which is a critical processing point for gas exports to Europe, is at increased risk. Despite gas flows remaining stable thus far, the intensifying conflict with drones and rockets flying intensively in the region has heightened the vulnerability of the gas network, raising concerns that the flow could be disrupted before the year-end.

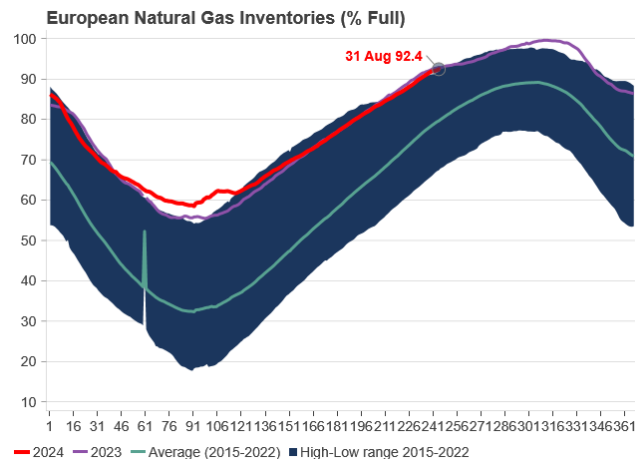
Despite the ongoing conflict, gas flows through Ukraine have been stable, but this may be due to strategic considerations. If Ukraine were highly motivated to shut down the flow, it could have done so on its side of the border long ago. This suggests that the current risk to gas flows is less about deliberate shutdowns and more about the physical threats to infrastructure posed by warfare. The heightened risk stems from potential damage to the network due to military activity rather than due to intentional disruptions by the parties involved.

Europe – Natural gas inventories per country in % full



Source: SEB calculations and graph, Macrobond data

Europe – Natural gas inventories total in % full



Source: SEB calculations and graph, Bloomberg data

Peak natural gas and peak European energy have passed

While the European energy crisis has diminished significantly throughout 2023 and 2024, it is premature to assume a return to historical “normal” prices anytime soon.

Currently, EU front-month prices are above typical levels for this time of year, even though European gas inventories are robust. As of now, EU storage facilities are filled to 92.4% of their capacity, totalling 1,058 TWh. Notably, the European Commission’s target of reaching 90% storage levels by 1 November was achieved more than two months ahead of schedule. Despite the ample inventories and subdued European gas consumption (currently 12% below historical averages), front-end prices remain elevated. This persistence of high prices reflects a tight global natural gas balance and ongoing geopolitical risk, relating particularly to the Russia-Ukraine conflict and the Middle East.

Persistent uncertainty drives divergence between spot and longer-dated prices and slows long-term hedging

Since early May, the TTF spot price has averaged c. EUR 34.6/MWh, equivalent to USD 64/boe. While this is “only” 1.3 times the historical norm in real terms (according to Bloomberg data), it has not spurred a significant resurgence in European industrial gas consumption, which remains more complex than the pricing might suggest.

While industrial gas demand is subdued, currently running 17% below historical averages, this is an improvement from the 25-30% drop during 2022 and 2023 (as reported by Bloomberg). The slower recovery than we expected is due largely to industrial players hesitating to commit to long-term contracts. For example, futures prices for January and February 2025 have climbed significantly over the past six months (up EUR 12/MWh) and remain at a considerable premium to spot prices, which are currently at EUR 37.5/MWh.

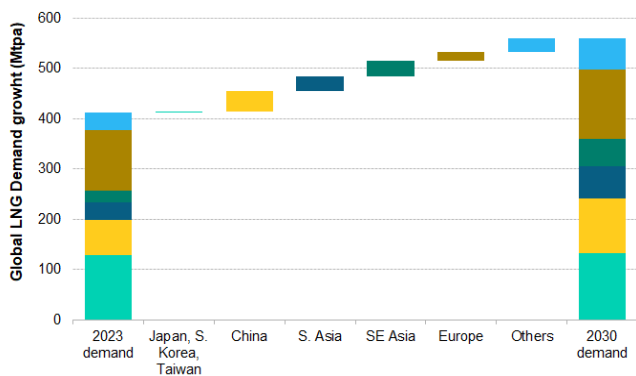
Recently, a clear divergence between spot prices and longer-dated futures prices has emerged. Typically, when spot prices drive forward contracts, it reflects market uncertainty and a hesitance to project into the future during volatile periods. The current widening gap between spot and long-term prices underscores the ongoing tightness in the global gas market. Major European consumers continue to adopt a cautious “wait and see” approach, sceptical of locking at long-term prices and preferring to hedge futures closer to “normal” spot prices.

Global natural gas reliance rests on NE Asia's shoulders

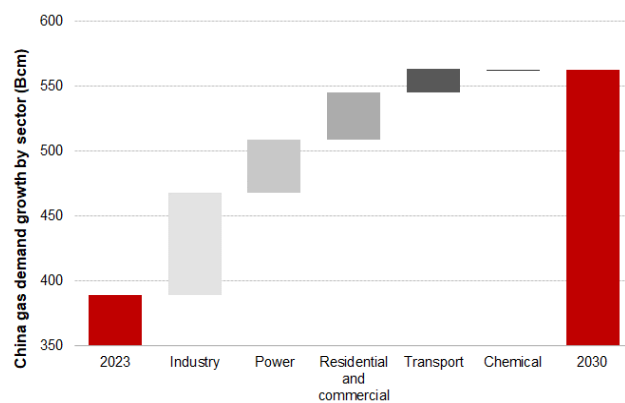
As Russian natural gas supplies to Europe faded, exacerbating the energy crisis, the EU lost c. 1,000 TWh of energy. While the mild winter of 2022/23 provided some relief, the real saviour was the high prices that led to significant demand reductions and a substantial increase in LNG imports, which added c. 1,400 TWh to European supply (an over-compensation of 400 TWh in the first half of 2023). This surplus facilitated rapid injection into European inventories, benefiting the continent well into 2024.

However, the lost Russian volumes remain a significant gap in overall supply, particularly as the Russia-Ukraine conflict continues to escalate. Although Europe has received additional piped gas from Norway and North Africa (Algeria and Libya), the gap has been closed mainly by increased LNG imports. Consequently, the marginal cost of European gas is now closely tied to global LNG prices. The global LNG market is heavily influenced by Asian importers, with Japan, S. Korea, Taiwan, and China (NE Asia) alone accounting for c. 50% of global LNG demand in 2023, while Europe accounted for 29%.

If NE Asia, led by China, continues to outbid the EU for marginal LNG cargoes, European gas prices are unlikely to revert to “historical norms.” This means elevated prices are likely to persist until the new LNG supply comes online in late 2026 (more below). Although we forecast Europe to see increased LNG imports over the next six years (until 2030), China's demand will continue to dominate growth as it looks to decarbonise its industrial sector. We project, that China's market share in terms of global LNG demand will exceed 20% (110 Mtpa) by 2030, up from 17% (70 Mtpa) today (see charts below).

Global LNG demand growth in Mtpa


Source: SEB calculations and graph, BNEF/Bloomberg data

China nat. gas demand growth by sector (2023-2030)


Source: SEB calculations and graph, BNEF/ Bloomberg data

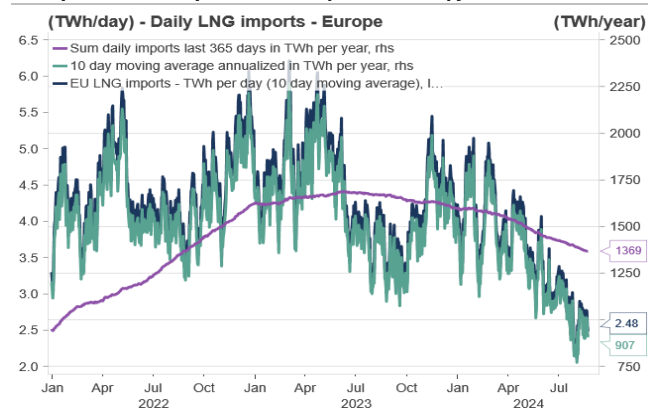
EU natural gas prices are currently too low to attract LNG imports

As the heating season approaches, EU natural gas prices (currently at EUR 37.5/MWh) will need to rise to attract additional LNG supplies from the global market. Forward prices for both JKM (Japan-Korea Marker) and the TTF suggest that NE Asia will remain the preferred destination for marginal LNG cargoes.

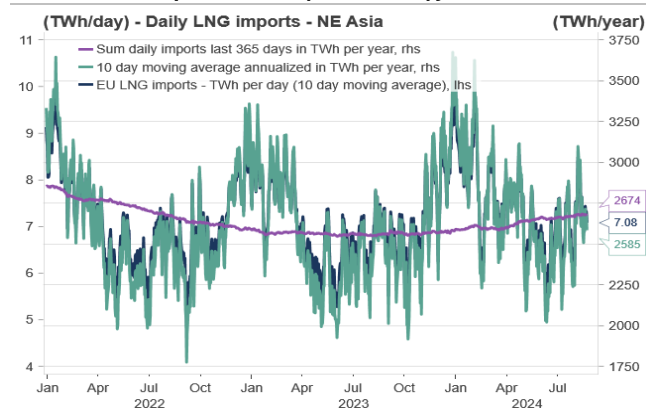
The EU's reliance on NE Asia's LNG demand is critical and it cannot solely depend upon the economic vulnerabilities of the Asian region, mainly China. China is currently facing several economic challenges, including a slowdown in its real estate sector, which historically has been a key driver of its economic growth. High debt among property developers has led to stalled projects and declining property prices, while weakened export growth due to global economic fears and shifting trade has strained the economy.

Additionally, consumer confidence in China remains low, as reflected in disappointing retail sales and industrial output figures. These challenges are compounded by rising youth unemployment and the broader difficulty of transitioning from an investment-led growth model to one driven by domestic consumption and innovation. While these vulnerabilities may temporarily dampen energy demand, a recovery could lead to a surge in energy consumption, particularly for natural gas in the form of LNG down the road.

A rebound in China's economy could result in heightened demand for goods and services, which would boost energy consumption significantly. In such a scenario, JKM would likely command a much larger premium over TTF than the current EUR 15/MWh, diverting LNG spot cargoes away from Europe and thereby reducing the EU's natural gas surplus.

European LNG imports in TWh/d and TWh/yr

Source: SEB calculations and graph, Bloomberg data

NE Asia LNG imports in TWh/d and TWh/yr

Source: SEB calculations and graph, Bloomberg data

Gas prevails in the environmental argument over coal

In the long term, natural gas remains a crucial energy source for both NE Asia and Europe, largely due to its environmental advantages over coal. As a key bridging technology, natural gas plays a pivotal role in facilitating the transition from the coal phase-out to the broader adoption of renewable energy sources. This transition is happening in real time, driven in part by the reduced supply of Russian gas, which has pushed the market to seek LNG volumes globally, particularly from the US and Qatar (discussed below).

Although efforts to develop the necessary export infrastructure to meet global demand are underway, completion will not come until 2026 or 2027. Similarly, establishing new supply routes for Russia to access global markets is a lengthy process, complicated by the hesitancy of potential stakeholders to enter new long-term agreements with a global energy major whose credibility has been compromised.

These factors are likely to strain the global natural gas balance over the next few years. In the interim, Europe will need to place competitive bids to secure marginal LNG cargoes amidst intense global competition.

Short-term global competition for LNG cargoes intensifies

In the short term, we are seeing fierce global competition for LNG cargoes, with four key factors contributing to increased volatility. Since mid-July 2024, the European TTF spot (day-ahead), front-month (M1), and winter 2024/25 (January 2025) contracts have fluctuated significantly, predominantly reflecting strengthening prices. These fluctuations have been influenced by the following.

- 1) Potential earlier-than-expected supply risks due to the escalating conflict between Russia and Ukraine.
- 2) Substantial planned maintenance on the Norwegian continental shelf.
- 3) Increased demand from NE Asia, where buyers are more willing to source global spot LNG cargoes.
- 4) Early indications of further delays in US LNG export terminals.

Both the TTF spot and front-month contracts surged by over 20% in August and peaked at EUR 42.3/MWh. At the same time, the TTF futures contract for winter 2024/25 delivery rose nearly 23%, reaching EUR 45.8/MWh. Since these August highs, the values for spot and front-month contracts have receded and stabilised, while longer-dated contracts have shown more resilience, with fewer declines observed for the winter 2024/25 contract.

The contango structure seen in EU natural gas prices during the second half of 2024 has continued to support strong injections into inventories. If storage economics remain favourable, market participants could profit by purchasing spot gas, storing it, and selling it at a later date. This strategy is particularly crucial as the market prepares for the upcoming winter. Current pricing reflects a winter risk premium, indicating anticipation of a rise in prices due to reduced Russian gas volumes and an increase in LNG imports compared to current levels. Given LNG's global reach, it remains inherently vulnerable to international competition and potential supply disruptions.

Four things to watch in global gas markets

While the recent price swings in international gas markets driven by potential further supply risks from Russia might seem premature or even overreactions, we believe several underlying factors have contributed to the price rally. In the following sections, we explore four critical dynamics that are shaping the global gas markets, starting with the significant influence of Russian piped gas (discussed above).

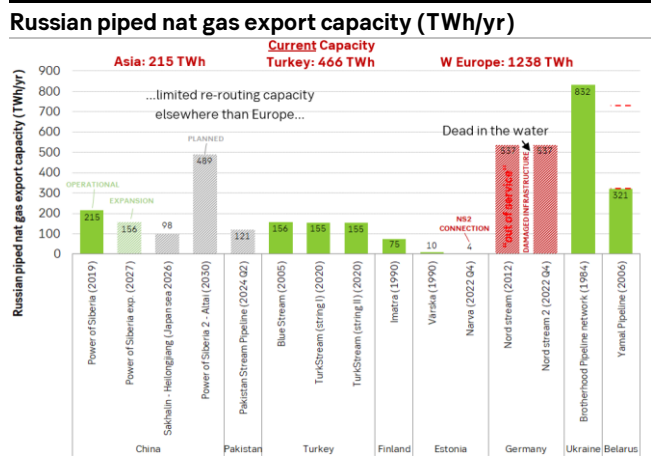
1. Russian piped gas exports

The escalating conflict between Russia and Ukraine has significant implications for global natural gas markets, especially as the critical transit agreement between Gazprom and Naftogaz approaches its expiration in December 2024. This agreement has been pivotal in ensuring a steady flow of Russian gas to Europe despite the ongoing war. However, Ukraine's firm decision not to renew the deal, driven by its desire to sever economic ties with Russia, presents a substantial risk to European energy security.

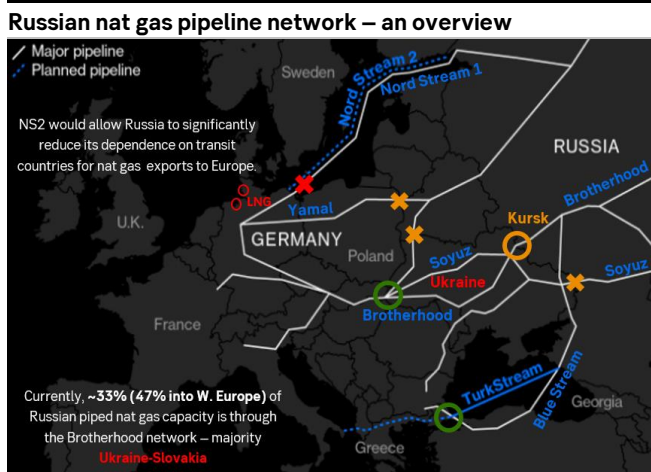
Should the agreement lapse without a replacement, approximately half of the current Russian piped gas supply to Europe (c. 0.8 TWh per day) could be disrupted. This would have severe consequences for countries heavily reliant on this route, such as Austria, Slovakia, and Hungary, and compel them to seek alternative and likely more expensive sources (e.g., LNG or other pipelines, such as TurkStream).

The potential early termination of these gas flows is complicated by the intensifying conflict around key infrastructure, particularly the Sudzha processing point in Ukraine's Kursk region. This adds another layer of uncertainty to the market, as such disruptions could drive natural gas prices up during the upcoming winter, especially if the season is harsh.

As Europe continues to adjust its energy strategy, including increased reliance on LNG imports and the strategic utilisation of Ukraine's vast gas storage facilities, the market remains on high alert. Developments in this region are being monitored closely as any further strain on global gas supplies could exacerbate the existing challenges.



Source: SEB calculations and graph, Rystad Energy, Eurostat, EntsoG



Source: SEB, Agency for Cooperation of Energy Regulators, BNEF

2. Maintenance on the Norwegian Continental Shelf

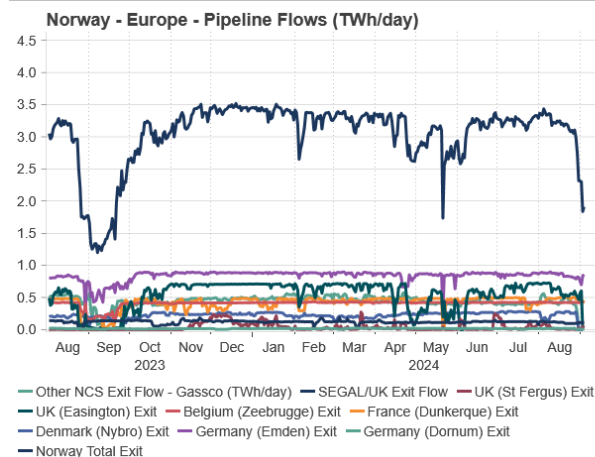
Scheduled maintenance activities for both upstream and midstream facilities on the Norwegian Continental Shelf (NCS) are set to occur during late August-early November 2024. The most significant impact on gas production is expected in mid-September, with Gassco estimating a reduction in output averaging around 0.2-1.0 TWh/day during this period. This reduction is anticipated to decrease Norway's total natural gas exports from the normal flow of 3 TWh/day to about 2 TWh/day.

While this reduction has been signalled to the market as “planned maintenance,” it could still impact gas supply and EU inventories, especially given that European storage levels are already experiencing a slowdown in injection rates. As of late August, the maintenance on the NCS has not yet ramped up to its full extent, and this year’s maintenance season is scheduled to be less comprehensive than in 2023.

Key assets will notably be affected during this period. The Kollsnes processing plant will see a significant capacity reduction from 158.0 mcm/day to 80.0 mcm/day during 1-13 September, while the Troll field will have a similar reduction from 128.0 mcm/day to 64.0 mcm/day over this period. The Kårstø processing plant is scheduled for a substantial decrease from 97.6 mcm/day to 30.0 mcm/day during 24-25 September and the Åsgard field will be completely shut down during 24 August-1 October, resulting in a total loss of 16.4 mcm/day. Nyhamna will also contribute to the overall reduction, with a drop from 79.8 mcm/day to 20.0 mcm/day during 20 August-19 September.

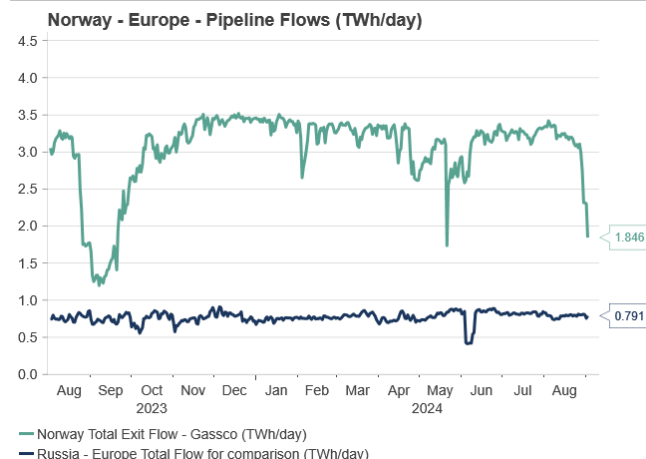
Given Norway’s role as Europe’s primary gas supplier, any disruption (planned or otherwise) can impact market dynamics and price movements significantly. It is important to note that much of the maintenance initially planned for 2022 was deferred to 2023 due to the extraordinary disruptions in European gas markets during the peak of the energy crisis. This postponement led to extended maintenance windows last year, with delays in production restarts. For example, in 2023, the Ormen Lange gas field had its startup delayed twice in August. Therefore, there is a concern that the prolonged maintenance windows from last year could affect this year’s maintenance schedule. We are monitoring this situation closely.

Norway to Europe – pipeline flows in TWh/d



Source: SEB calculations and graph, Bloomberg data

Norway vs. Russia to Europe – pipeline flows in TWh/d



Source: SEB calculations and graph, Bloomberg data

3. LNG demand in NE Asia

Forward prices indicate a stronger willingness in NE Asia than in Europe to pay a premium for natural gas. This trend is evident as NE Asia consistently outbids the EU for available LNG cargoes.

This is underscored by a marked increase in LNG demand across the region, with Japan, S. Korea, and China all ramping up their imports. As of late August, NE Asian imports were significantly above the historical norms for this time of year, averaging 7.1 TWh per day, compared with a typical 6.5 TWh per day.

For Europe to attract more spot LNG supplies, its natural gas prices (currently at EUR 37.5/MWh) will need to rise. Forward prices for both the JKM (Japan-Korea Marker) and TTF suggest that NE Asia will remain a more attractive destination for LNG cargoes in the near term. Historically, Europe has benefited from occasional market weaknesses in NE Asia, particularly in China, as a buffer. However, this dynamic is shifting. If China implements more aggressive policies to stimulate its economic growth, the resulting surge in demand for goods, services, and energy (primarily LNG) would likely intensify. This could see the JKM premium over TTF expand beyond the current EUR 15/MWh for the coming winter months, leading to a more pronounced redirection of LNG spot cargoes away from Europe and potentially creating a natural gas deficit.

Japan, the world's second-largest LNG importer, plays a critical role on the global stage, accounting for c. 15% of global LNG trade. During the fiscal year April 2023 to March 2024, Japan imported c. 65m tonnes of LNG, down 8% from the previous year, placing it behind China, which imported 71m tonnes. For comparison, S. Korea imported 44m tonnes during this period.

The key takeaway in our view is Japan's significant influence on global LNG markets, particularly given its current low LNG stockpiles. These stockpiles are near all-time lows, similar to the levels observed in 2023. Current reserves are c. 6.5% below the five-year average and a significant 15% below the corresponding period in 2022. With winter approaching, we expect Japanese LNG importers to intensify their purchasing efforts to ensure adequate stock levels, likely driving more spot LNG cargoes toward Asia and away from Europe.

4. LNG supply likely to face delays

The global LNG supply chain is currently under significant strain due to a confluence of factors, including project delays, geopolitical tension, and legal obstacles. In 2024, we expect LNG supply growth to be constrained, with only 5-6m tonnes a year coming online. This minimal growth is the result of both minimal contributions from new projects and unanticipated operational disruptions.

Several key supply sources have already experienced significant setbacks. Notably, the Damietta and Idku LNG plants in Egypt have had substantial output reductions. Similarly, unplanned outages at the Freeport LNG facility in Texas, coupled with extensive maintenance work at Qatar's Ras Laffan complex, have tightened the market.

Moreover, major LNG projects such as Golden Pass LNG in Texas, with a planned capacity of 18m tonnes (c. 5% of global liquefaction capacity), have encountered delays, pushing their expected operational dates from 2024 to late 2025 with further delays possible. The Arctic LNG 2 project in Siberia, Russia, which was intended to add 6.6m tonnes to global supply, has been severely impacted by US sanctions and a shortage of specialised Arc-class LNG carriers, limiting its operational capabilities.

Geopolitical factors are adding a layer of complexity. The EU's decision to block transshipments from the Yamal LNG project in Siberia could disrupt 10-15% of its supply during the second half of 2024. These disruptions, while significant, have been mitigated somewhat by Europe's high storage levels (currently at 92.4% capacity). Impressive inventory injection has been possible alongside mild weather in the first half of the year and continued subdued demand for natural gas in the EU.

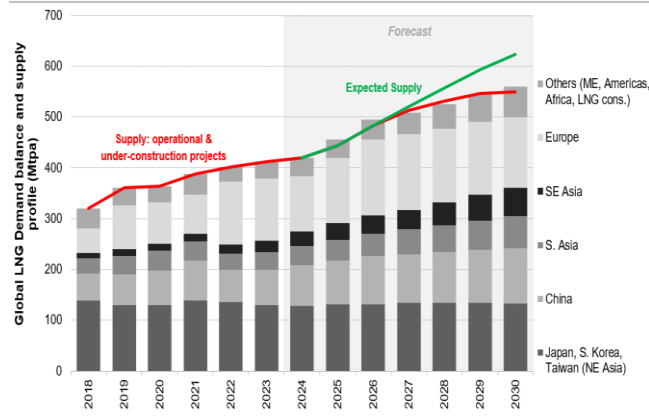
Despite relatively stable short-term prices, longer-dated contracts (e.g. those for January 2025 delivery) have surged by 55% since March 2024. This increase reflects market concerns about the potential for further supply disruptions and delays in bringing new LNG projects online.

Looking ahead, the global LNG market could tighten further, particularly if there are reductions in Russian pipeline gas supplies to Europe or if winter demand spikes as a consequence of colder-than-normal weather. Compounding these concerns, a recent US court ruling against the Rio Grande LNG project, which the market expected to add 17.6m tonnes by 2027/2028, could delay additional supply, potentially impacting the anticipated market balance.

While the LNG market is likely to remain tight through 2024, followed by a market condition that is sufficiently more constrained in 2025 and the first half of 2026, over 200m tonnes of new production capacity are currently under construction. This could shift market dynamics dramatically by late 2026 and into 2027-2028.

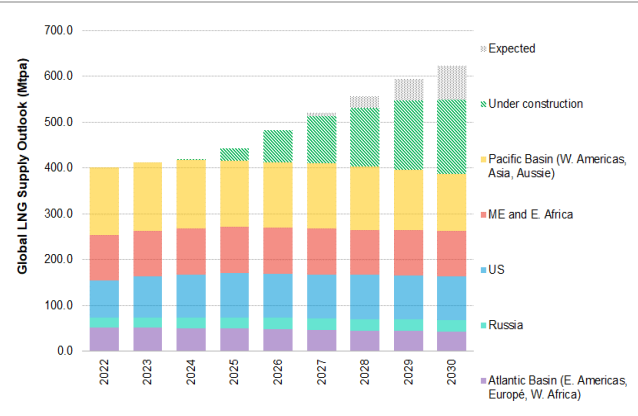
We anticipate an additional 40m tonnes of LNG supply coming online in late 2026, although there is always a risk of delays pushing some of this capacity into 2027. The market expects a further 35m tonnes of new capacity in 2027, potentially leading to a market surplus and reshaping long-term procurement strategies. This impending wave of new supply is on the horizon: it will come online, it is just a matter of when. Consequently, this should soften the EU natural gas prices further out on the curve, with "normalization" post-2027.

Global LNG demand balance and supply profile in Mtpa



Source: SEB calculations and graph, BNEF/Bloomberg data

Global LNG supply outlook in Mtpa



Source: SEB calculations and graph, BNEF/ Bloomberg data

The delays in new LNG export capacity and disruptions in current supply have tightened the global natural gas market for the remainder of 2024, extending through 2025 and much of 2026. With global LNG demand hovering around 420m tonnes in 2024, the market is already experiencing tight conditions. However, as we project demand to rise to 455m tonnes in 2025, supply is anticipated to lag slightly behind at 444m tonnes, further intensifying the supply-demand imbalance. This trend is likely to persist into 2026, with our supply forecast to reach 483m tonnes, while our projection for demand is expected to outstrip this, reaching 495m tonnes.

This suggests a "higher for longer" scenario for natural gas prices, as the market grapples with balancing supply and demand until late 2026, when new projects come online. We anticipate an increase in LNG supply to 513m tonnes in 2027, against demand of 508m tonnes, should bring some stability to the market. However, the lead-up period is likely to see elevated prices as the industry navigates these supply challenges.

The combination of ongoing geopolitical tension, particularly with regard to Russian supply, and infrastructure delays underscores the risk of price volatility and supply constraints in the coming years. The market remains highly sensitive to additional disruptions, particularly as Europe and Asia continue to compete for limited LNG supplies.

Target prices and risks

Target price definition and associated risks

Our target price is the analyst's assessment of what total return an investor should expect over the coming six to 12 months. The target is based on fundamental equity research and other factors at the analyst's discretion. Please refer to published reports on the individual companies for a detailed description of the target price methodology.

Risk levels

The risk level is the analyst's view of the uncertainty in the earnings forecasts based on an assessment of the company's business model, operating risk as well as financial risk. We use two risk levels with the following explanations:

- **Normal risk:** All forecasts involve uncertainty and we view companies in this risk level to have normal forecast risks
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Hold	33.8	9.2	8.3
Sell	2.7	0.6	0.6

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Hold Fairly valued – the security / instrument is trading close to target price.

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