

What's Next in Gas: European Gas Walking a Tight Line

- **In the absence of incremental Russian gas, TTF needs to remain high enough to attract LNG.** European gas markets remain stuck between a tight prompt physical market, with NW European storage at 25% full currently, less than half the fill a year ago, and the possibility of increased Russian gas supplies from a potential Ukraine peace deal. In our view, end-Mar25 gas storage levels are simply too low for European inventories to reach 90% full by end-Sum25. We think storage can still reach over 80% full, which will likely be enough to go through next winter given the ongoing ramp in global LNG supply, if European prices stay high enough to continue to attract high LNG imports. This means staying at least above 40 EUR/MWh (\$12.80/mmBtu), though moving higher to 45-50 EUR/MWh would increase our conviction on European LNG imports remaining robust. Our base case for Bal2025/2026 TTF remains 49/36 EUR/MWh (\$14.90/\$10.80/mmBtu).
- **JKM-TTF spread softness has started to reverse.** Month to date, TTF has moved to the lower end of the 40-50 EUR/MWh range it has largely traded in this winter, with downside to all key fuel switching benchmarks, from oil to coal to emissions, exacerbating the pressure on TTF from the ongoing ceasefire-related discussions. The lower TTF goes, the cheaper global LNG prices are, incentivizing higher LNG demand elsewhere in the world, and ultimately risking a reduction in LNG imports into Europe this summer. This is already reflected in an uptick in the JKM-TTF spread from -\$0.30/mmBtu in February to \$0/mmBtu month to date. The forward spread for the remainder of the year is fully in positive territory, a view we share.
- **TTF walking a tight line.** Despite prompt balance tightness, today's conversation between President Trump and Putin is yet another reminder the market faces the possibility of a significant increase in gas supply availability from Russia, though volume and timing remain highly uncertain. We extend our scenario analysis, covering different outcome combinations and updating numbers for the recent downside in coal generation costs in Exhibit 1, below. We believe potential TTF downside is significant, creating risks to US LNG exports across several scenarios, particularly from 2026. With forward Sum25/2026 US natural gas prices averaging near \$4.40/mmBtu, we estimate the implied variable cost of US LNG exports delivered to Europe at approximately \$5.50/mmBtu or 17.2 EUR/MWh. As a result, TTF scenarios that take it below such levels represent a risk that US LNG buyers might cancel their US LNG

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volumes, at least temporarily. To be clear, we take no view on the odds of the ongoing Russia-Ukraine conflict ending, and for the purposes of our gas balances assume that the status quo continues, while consensus among most specialist clients we talk to points to a partial Ukraine flow restart from sometime next year.

Exhibit 1: We see significant downside to TTF, including risks to US LNG exports, should Russian gas return in size

Estimated TTF scenarios (based on our expected NW European balance impact from incremental flows from 2H25, 50 mcm/d=18.3 Bcm/y); EUR/MWh

GS Base Case With No Incremental Russian Gas	2025 TTF				2026 TTF			
	49				36			
	No additional route/LNG	Return of sanctioned LNG (35 mcm/d)	NS2 remaining leg (75 mcm/d)	NS2+Returned sanctioned LNG (110 mcm/d)	No additional route/LNG	Return of sanctioned LNG (35 mcm/d)	NS2 remaining leg (75 mcm/d)	NS2+Returned sanctioned LNG (110 mcm/d)
Ukraine Sudzha gas transit back to 2023/24 levels (40 mcm/d)	45	40	28	20	22	17	<17 (risk to US LNG exports)	<17 (risk to US LNG exports)
Ukraine Sudzha gas transit restored to pre-war levels (80 mcm/d)	33	28	17	<17 (risk to US LNG exports)	<17 (risk to US LNG exports)	<17 (risk to US LNG exports)	<17 (risk to US LNG exports)	<17 (risk to US LNG exports)
Ukraine Sudzha and Sokhranivka transit restored to pre-war levels (120 mcm/d)	22	17	<17 (risk to US LNG exports)	<17 (risk to US LNG exports)	<17 (risk to US LNG exports)	<17 (risk to US LNG exports)	<17 (risk to US LNG exports)	<17 (risk to US LNG exports)

Table based on storage outcomes from the different scenarios applied to our last published balance. The 40 mcm/d Sudzha transit observed in 2023/24 did not deliver any gas to NW Europe. We estimate its indirect impact to the region at 15 mcm/d based on Germany pipeline exports to Austria. Any incremental Ukraine flow beyond 40 mcm/d is assumed to impact NW Europe. Similarly, we estimate the impact of Russian sanctioned LNG on NW European balances at approximately 17 mcm/d (vs total sanctioned volume of 35 mcm/d), as NW Europe typically imports around 50% of total European LNG imports.

Source: Goldman Sachs Global Investment Research

Exhibit 2: Our TTF scenarios table, \$/mmBtu

Based on our expected NW European balance impact from incremental flows from 2H25, 50 mcm/d=18.3 Bcm/y

GS Base Case With No Incremental Russian Gas	2025 TTF				2026 TTF			
	14.90				10.80			
	No additional route/LNG	Return of sanctioned LNG (35 mcm/d)	NS2 remaining leg (75 mcm/d)	NS2+Returned sanctioned LNG (110 mcm/d)	No additional route/LNG	Return of sanctioned LNG (35 mcm/d)	NS2 remaining leg (75 mcm/d)	NS2+Returned sanctioned LNG (110 mcm/d)
Ukraine Sudzha gas transit back to 2023/24 levels (40 mcm/d)	14.40	12.80	8.95	6.40	7.05	5.45	<5.45 (risk to US LNG exports)	<5.45 (risk to US LNG exports)
Ukraine Sudzha gas transit restored to pre-war levels (80 mcm/d)	10.55	8.95	5.45	<5.45 (risk to US LNG exports)	<5.45 (risk to US LNG exports)	<5.45 (risk to US LNG exports)	<5.45 (risk to US LNG exports)	<5.45 (risk to US LNG exports)
Ukraine Sudzha and Sokhranivka transit restored to pre-war levels (120 mcm/d)	7.05	5.45	<5.45 (risk to US LNG exports)	<5.45 (risk to US LNG exports)	<5.45 (risk to US LNG exports)	<5.45 (risk to US LNG exports)	<5.45 (risk to US LNG exports)	<5.45 (risk to US LNG exports)

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Source: Goldman Sachs Global Investment Research

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