Russian gas storage still 83% full after a cold spell in December

- Russian gas storage was 83% full at 60.2 billion cubic meters (bcm) as of 29 December. The storage has not been much dented by a cold spell in mid-December with14.2 bcm of gas withdrawals over the last couple of months. A late start of the withdrawal season and YoY decline in exports might explain why Russian gas storage is at its highest level over the last five years.

- Unusually, Gazprom may have had relatively full gas storage in Russia (close to working capacity of 72.6 bcm) in early November, before the company started withdrawals. This could partially explain a relatively high gas storage volume as of end December, in the middle of the heating season.

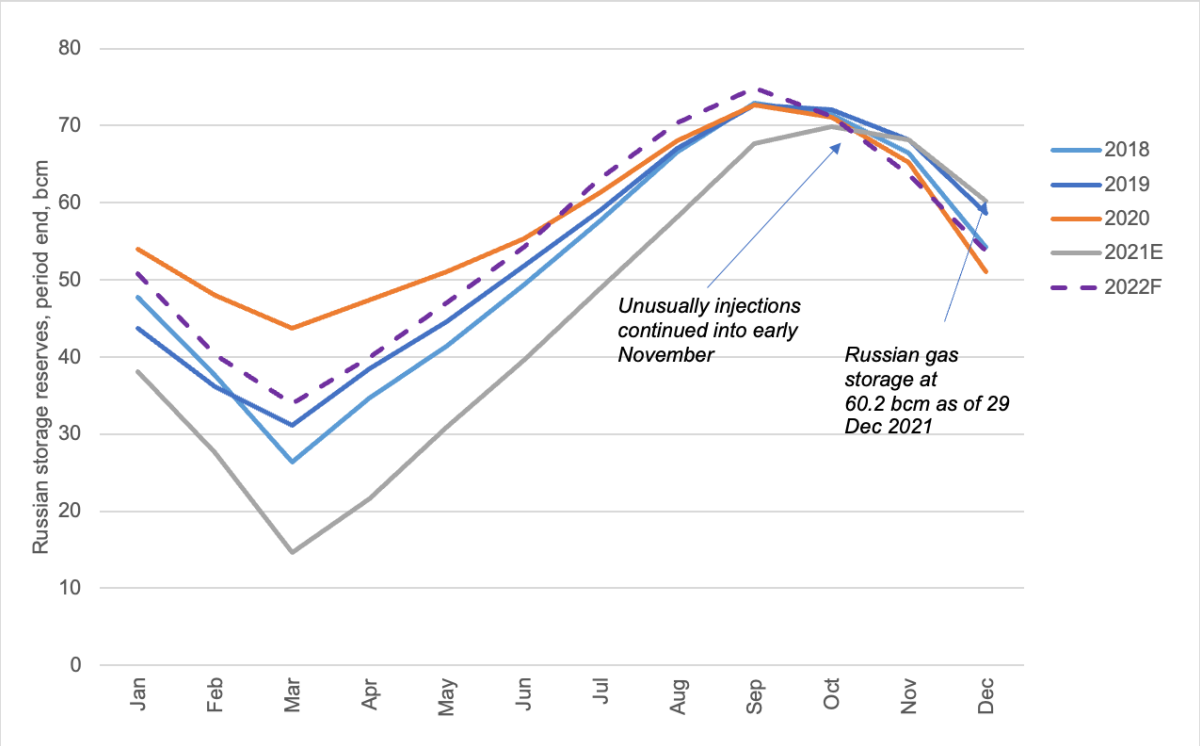
- As of December 29, Russian gas storage was 9 bcm fuller than at the end of last year. If the winter gas demand in Russia is close to the five-year average during the remainder of the heating season (January-March next year), Russian gas storage would stand at 34 bcm at the end March 2022. This would be 19 bcm above the level of the previous year.

- The high level of Russian gas storage might also reflect a YoY fall in gas export in October-December. And If Gazprom export (to Europe, Turkey and China) remains at the current level of around 14-15 bcm per month, exports might drop to around 170 bcm in 2022, down 16 bcm YoY.

- Fuller Russian gas storage and lower YoY exports could lead to a drop in Gazprom Group output in the coming year. We estimate that the company's gas output could decline by as much as 35 bcm to 480 bcm in 2022. This could happen if Nord Stream-2 pipeline is not operational and export to Europe is limited to volumes under long-term contracts.

Russian gas storage stands at 60.2 bcm in the middle of heating season

Chart 1. Russian gas storage level at month-end, bn cubic meters



Source: Gazprom data, RAA research

- Russian gas storage was 83% full at 60.2 bcm as of December 29, even after a cold spell in Russia in mid-December. Gazprom made 14.2 bcm of gas withdrawals during the heating season so far, according to the company's CEO Alexei Miller[1].

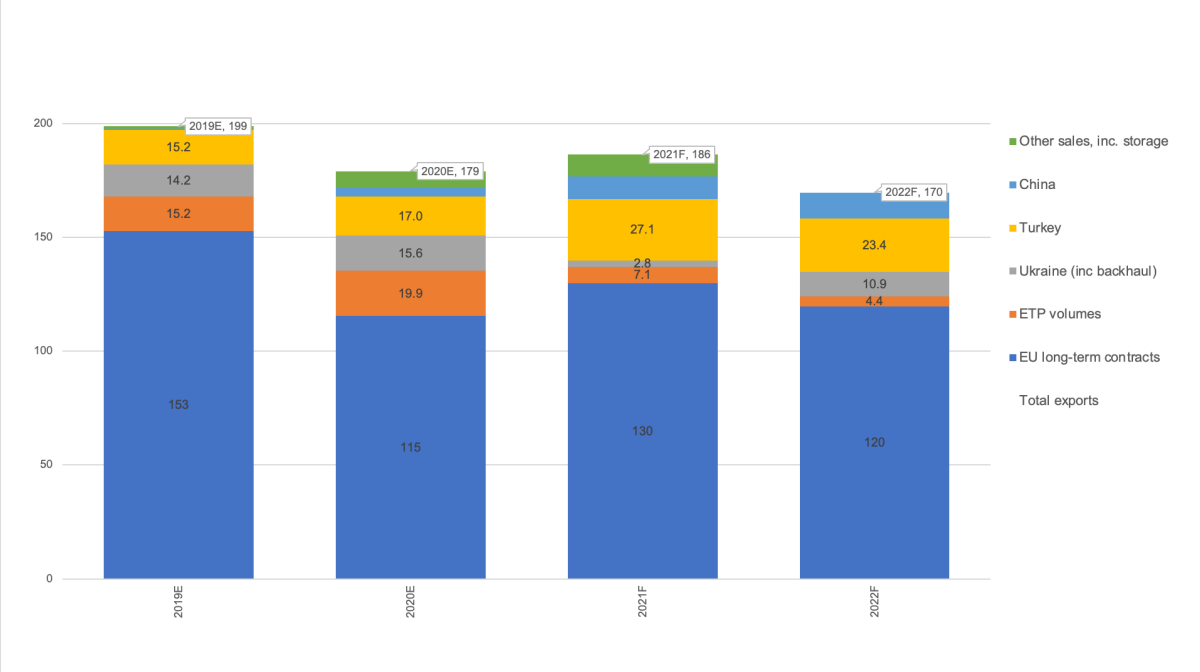
- Unusually, Gazprom may have had relatively full gas storage in Russia (close to working capacity of 72.6 bcm) in early November, before starting seasonal withdrawals. This could partially explain relatively high storage volume in be the middle of the heating season.

- Russian gas storage is now 9 bcm fuller than at the end of last year. If the winter gas demand in Russia is running at five-year average in January-March next year, Russian gas storage would stand at 34 bcm as of end March. This would be 19 bcm above the level of the previous year.

- If the rest of the winter in Russia is warmer than the seasonal norm, as forecast by the Russian meteorological service[2], the level of gas storage in Russia could be even higher.

[1] https://www.gazprom.ru/press/news/miller-journal/2021/021694/
[2] https://meteoinfo.ru/heating-period

Chart 2. Estimated Gazprom export to all destinations, bn cubic meters per year



Source: RAA research

- The other reason why Russian gas storage might be so full is a YoY decline in export flows (to Europe, Turkey and China). In December, Gazprom's exports are estimated at 15 bcm, down 17% YoY.

- We currently assume that Gazprom export to all destinations (Europe, Turkey, China and the Former Soviet Union) will go up 3.5 bcm to 227 bcm in 2022, as per the company's target.

- However, if export flows remain at around current levels (limited to volumes supplied under long-term contracts), Gazprom export might drop to 205 bcm in 2022. This means that export excluding FSU might go down 14 bcm to 170 bcm. This will be a result of both the reduced physical flows and the low level of Gazprom gas storage in Europe (1 bcm as of 29 December 2021), which might limit sales next year.

- Fuller Russian gas storage and lower YoY exports might reduce Gazprom output in the coming year. The company's gas output could drop by as much as 35 bcm next year to 480 bcm if NS-2 pipeline is not operational and export to Europe is limited to volumes specified in long-term contracts.

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