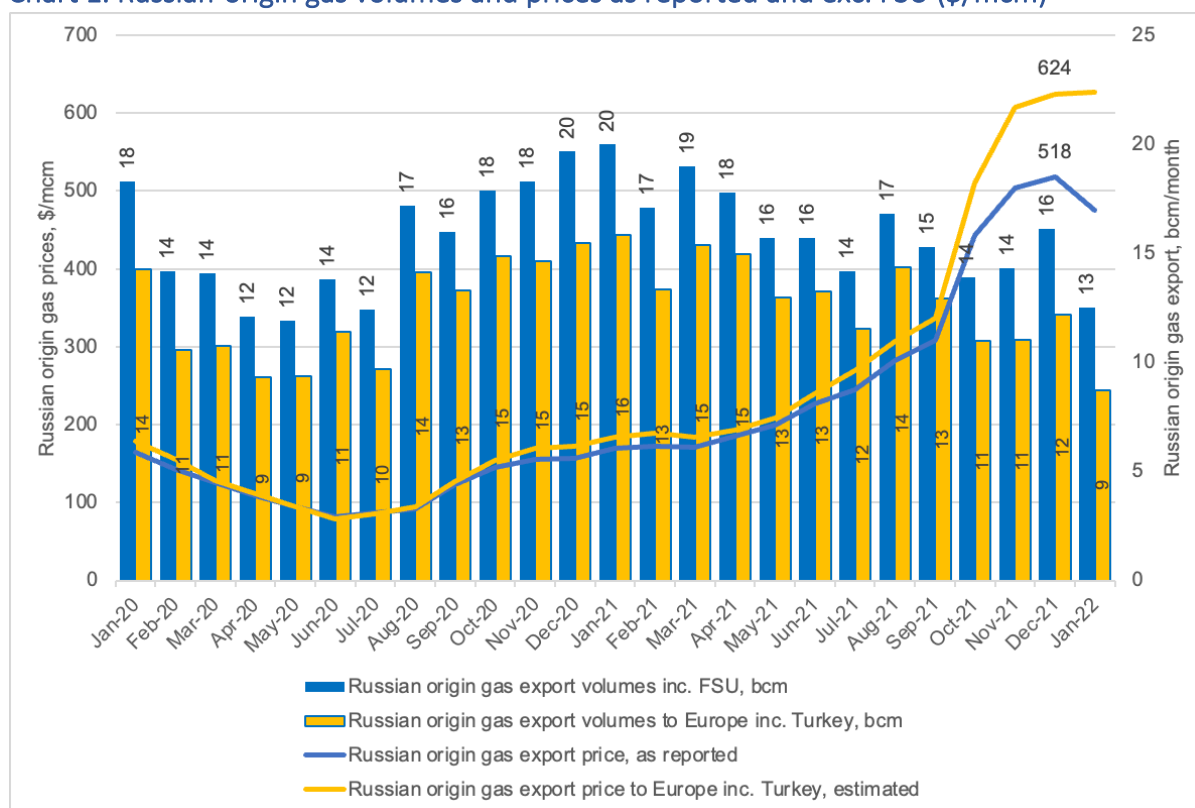


Russian gas export price edges up to \$517/mcm in December 2021, we forecast a fall below \$500/mcm in January 2022

- Based on the Russian customs data released on February 7, the weighted-average price of Russian-origin gas to all export destinations (exc. China) was \$517 per 1,000 cubic meters (mcm) in December 2021, compared to our forecast of \$580/mcm.
- Based on customs data, we estimate that the price for Russian gas in Europe only (excluding FSU, Turkey and ESP sales) was \$711/mcm in December. This is at a 28% discount to the average price of TTF December futures of \$1,005/mcm. While the majority of Russian contract prices is linked to TTF futures, some of the contracts might be based on long-term/fixed prices, which explains discounts to hub prices.
- Our pricing model shows that the weighted average price of Russian-origin gas to all destinations (exc. China) in January 2022 declined 8% MoM to \$475/mcm and export volumes fell 20.9% MoM to 12.7 bcm. The fall in price is on the back of higher proportion of sales to FSU and Turkey, where prices are below the European level. Russian customs will report the relevant data in early March.
- The Russian gas price to European customers is estimated at \$749/mcm, at a 46% discount to the average price of January TTF futures (\$1,392/mcm) and 25% discount to TTF average spot price for January 2022 (\$1,005/mcm).
- This means that some Gazprom customers in Europe were buying Russian gas at a deep discount to headline hub prices. At the same time, Russian gas contracts with prices linked to next-month futures (est. 21% of total export to Europe in January) would have been more expensive (\$1,392/mcm) than spot volumes in January (\$1,005/mcm).
- In the first week of February, the average price of TTF next-day futures (\$935/mcm) has been below Russian contract prices based on dated futures (\$1,002-\$1,375/mcm). At the same time, Russia gas export to Europe (exc. Turkey and Ukraine) was up 24% MoM to 312 mn cu m/d (1-5 February), up from 251 mn cu m/d on average in January.

Russian-origin gas price edged up to \$517/mcm in December, to fall MoM in January

Chart 1. Russian-origin gas volumes and prices as reported and exc. FSU (\$/mcm)

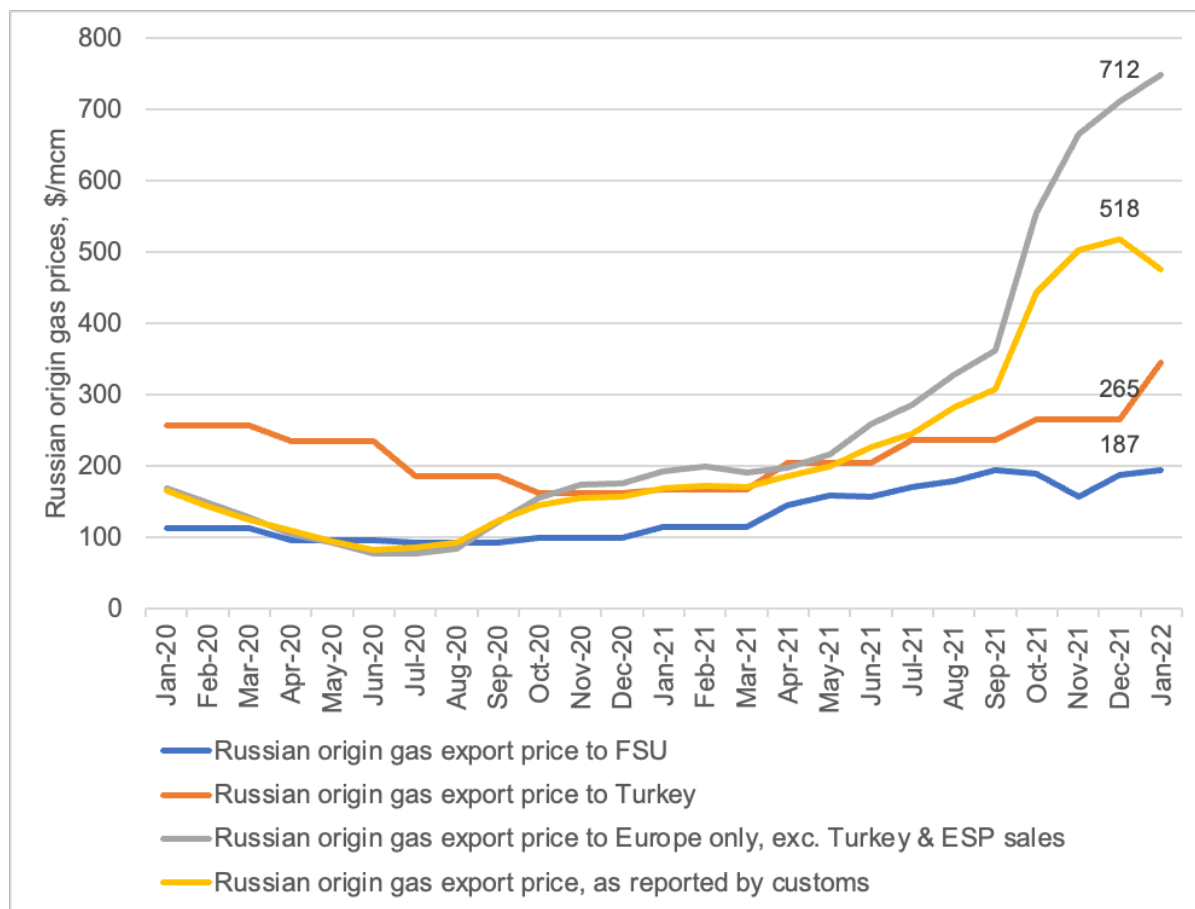


Source: Russian customs data, RAA research

- On February 7, Russian customs released data for Russian-origin pipeline gas export for December 2021. Total value of Russian-origin gas that crossed Russian border to Europe, Turkey and Former Soviet Union (FSU) was \$8,336 bn. Total volume was 16.1 bcm in November¹, down 18% YoY. The data excludes gas sales to China.
- Based on this data, the weighted average price of all Russian-origin gas which crossed the border in November was \$517/mcm compared to \$503/mcm in November. Excluding gas sales to the FSU, the average price of Russian-origin gas to customers in Europe and Turkey moved up to \$624/mcm in December compared to \$601/mcm in November.

¹<https://customs.gov.ru/press/federal/document/325325>

Chart 2. Estimated Russian-origin gas export prices, \$/mcm

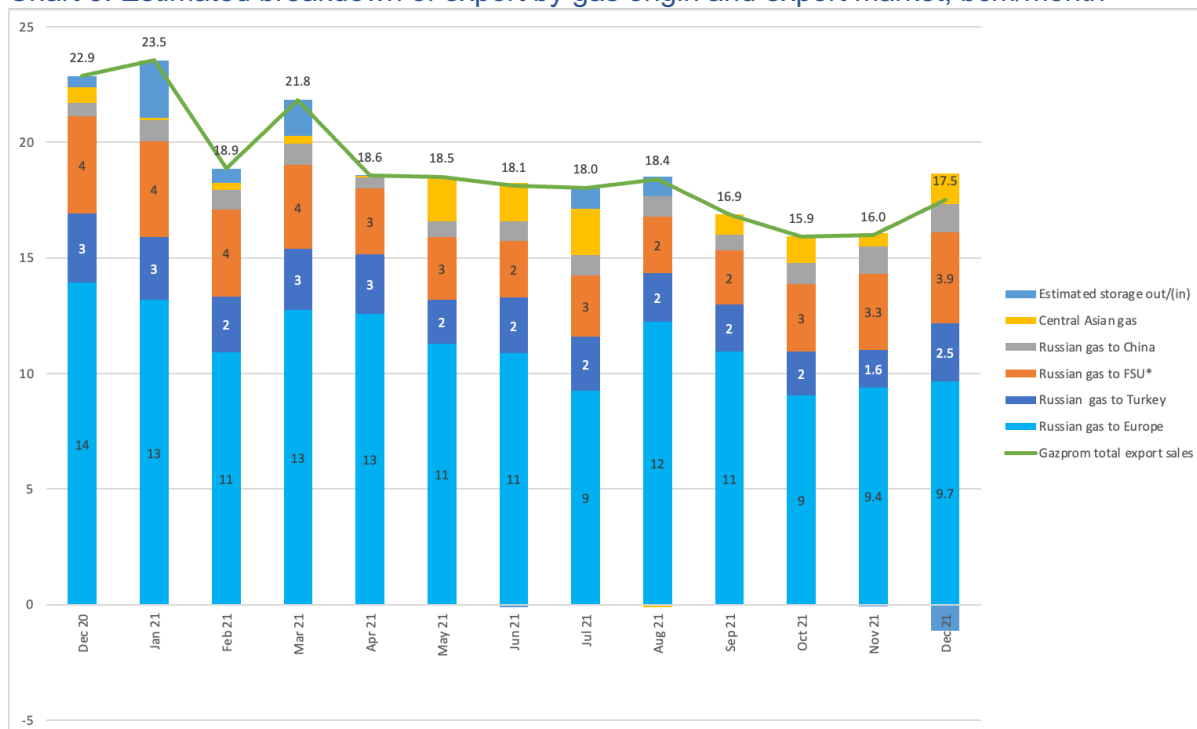


Source: Customs data, RAA research

- According to our estimates the weighted average price to Europe only (excluding Turkey and ESP sales²) was \$712/mcm, up 6.9% MoM. This is at a 28% discount to average price of TTF December futures.
- In January our model shows that weighted average price of Russian-origin gas to Europe, Turkey and FSU fell 8% MoM to \$475/mcm. This is despite a rise in prices to European customers by 5% MoM to est. \$749/mcm. The high proportion of low-price sales to FSU and Turkey has been dragging down the average export price in January, in our estimate.

² The sales via Gazprom Electronic Sales Platform for deliveries in October 2021. We estimate that total volume sold for October 2021 deliveries was 0.34 bcm and average price was \$330/mcm.

Chart 3. Estimated breakdown of export by gas origin and export market, bcm/month



Source: Customs data, Gazprom data, ENSTOG data, RAA research

- We estimate that Russian gas exports to FSU, Europe, Turkey and China was 17.05 bcm in December 2021, down 23% YoY. This is based on various data points released by Russian customs and Gazprom. Detailed data for December with the breakdown of gas exported by country is yet to be published by the customs. However, the preliminary numbers indicate that Russian-origin gas export to Europe was down 31% YoY in December.

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