Natural Gas Comment: Middle East LNG Supply Improves, But Winter TTF Risks Still Skewed to The Upside

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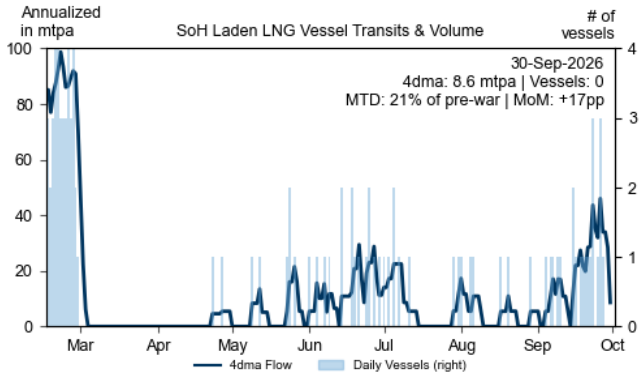
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- LNG data for September was consistent with our view that Middle East (ME) LNG supply adaptation will continue to evolve, albeit lagging that of oil. Visible Hormuz LNG crossings averaged 21% of pre-war levels in September (from 4% in August), in line with total observed LNG deliveries from the Persian Gulf last month (Exhibit 1 and Exhibit 2). We assume this supply adaptation improves further into winter, as a delayed version of what we've observed in oil, and we maintain our year-end TTF price forecast of 70 EUR/MWh (and JKM at $24.85/mmBtu).
- Despite improving ME supply, NW European LNG imports missed our September expectations by 8 mtpa (13%) driven by LNG supply misses ex-ME and demand beats in Asia (Exhibit 3). Specifically, US LNG deliveries disappointed by 13 mtpa, at 118 mtpa in September, although the exceptionally high US deliveries in August (141 mtpa) suggest this was likely driven by a temporary shift in delivery schedule. On the demand side, LNG import beats vs our expectations were mainly driven by China (+7 mtpa) and South Korea (+6 mtpa), with China imports in particular potentially driven by misses in domestic gas supply growth while building inventory ahead of the winter. That said, LNG imports in both countries still averaged down yoy in September.
- The September miss in NW European LNG imports, combined with a beat in power demand for gas, ultimately left NW European end-Sep gas storage modestly tighter than we expected (60% full vs 61% exp.) (Exhibit 4). The beat in power burns was primarily driven by low nuclear generation, which has been significantly impacted by low Rhone water levels[1]. That said, we estimate October can pull storage back on track to end summer near 62% full, primarily driven by a warmer-than-average start of the month.
- We reiterate our view that the path for European natural gas (and LNG) prices from here is primarily dependent on ME LNG exports and weather, with risks still skewed to the upside. Specifically, we estimate TTF could rally to 150 EUR/MWh by year-end in a scenario where winter Persian Gulf LNG exports don't improve beyond 25% of normal and winter realizes 1 std. dev. colder than average (Exhibit 5).

[1] Many nuclear plants in France rely on water from the Rhone river for cooling, depositing much warmer water back into the river afterwards. Low river levels (as is the case at the moment) can restrict such cooling operations (and hence stop the nuclear plant operations) to prevent excessive warming of the river water temperature.

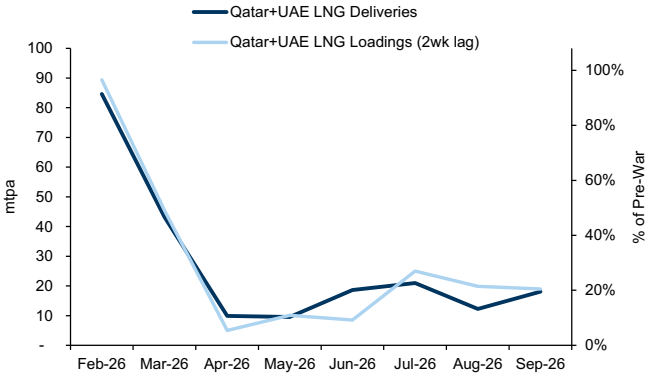
Investors should consider this report as only a single factor in making their investment decision. For Reg AC certification and other important disclosures, see the Disclosure Appendix, or go to www.gs.com/research/hedge.html.

Exhibit 1: Visible LNG Hormuz crossings in September averaged 21% of pre-war levels...



Source: Kpler, Goldman Sachs Global Investment Research

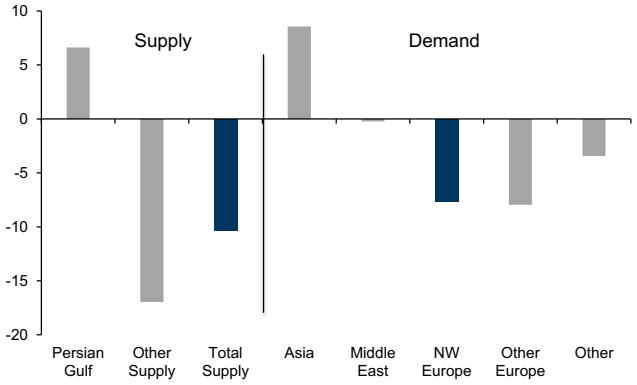
Exhibit 2: ...Consistent with Persian Gulf LNG delivery data for September



Source: Kpler, Goldman Sachs Global Investment Research

Exhibit 3: NW European LNG imports missed our expectations in September

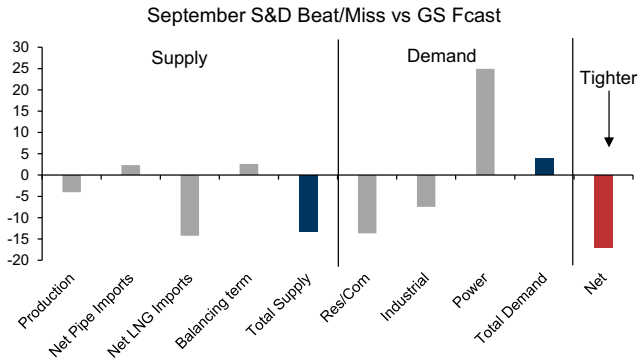
September LNG S&D miss/beat vs GS fcast, mtpa



Source: Kpler, Goldman Sachs Global Investment Research

Exhibit 4: NW European balances realized modestly tighter than we expected in September

Mcm/d



Source: Bloomberg, Goldman Sachs Global Investment Research

Exhibit 5: We still see risks to our year-end TTF forecast skewed to the upside

Peak Winter (Dec26) GS Price Scenarios for European Natural Gas (TTF), €/MWh			
		Mideast Supply	
		Base Case	Low Supply
2026-2027 Winter	Base Case (10-Year Average)	70	105
	1 St. Dev. Colder Than Average	115	150
	1 St. Dev. Warmer Than Average	45	90

Our base case for ME LNG supply assumes 65% of normal is reached in Jan 2027, and over 80% by mid-Feb 2027. The low-supply scenario assumes ME exports hold at 25% of normal through Mar 2027.

Source: Goldman Sachs Global Investment Research

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