

Lower uncertainty with relaxed storage targets

- We expect European gas prices to remain at current levels in the coming months as long as there is no peace deal between Russia and Ukraine
- European gas prices have been responsive to the developments in the peace talks
- Lower LNG competition from Asia, less stringent storage requirements, along with favorable weather conditions have put a lid on prices
- Therefore the market has become less bullish
- But the market remains tight
- Volatility could emerge from adverse weather conditions, more geopolitical tensions, or prospect of substantial supply disruptions



Moutaz Altaghlibi
Senior Energy Economist
moutaz.altaghlibi@nl.abnamro.com

Introduction

Since the start of April European TTF benchmark averaged 35 EUR/GWh for the month-ahead contract (33 EUR/MWh for the year-ahead). European gas prices have been in a downward trend since February driven by a combination of factors, such as lower LNG competition from Asia, less stringent storage requirements, along with favorable weather conditions. There has been a relief among market participant as Europe starts to rebuild its gas stockpiles after winter. This rebuild is facilitated by high LNG and pipeline imports and lower in demand for heating and manufacturing. However, prices edged a bit higher following the slow pace of peace talks to end the Ukrainian war and the better growth prospects for Aisa following the recent de-escalation between US and China (resulting in more LNG demand). TTF is trading around 36.5 EUR/MWh for the month ahead contract at the time of writing.

Prices cool following peace talks

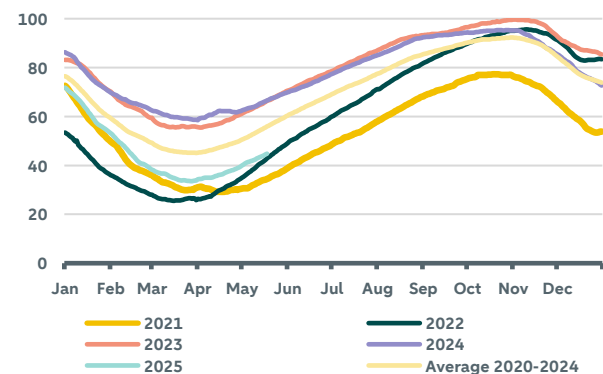
European gas price developments, EUR/MWh



Source: Bloomberg, ABN AMRO Group Economics

Storage levels are lower than the five year average

Percentage



Source: GIE, ABN AMRO Group Economics

European gas market developments

The month-ahead European gas contract is still trading at a premium to their year-ahead counterpart. This reflects supply concerns for the summer months. Despite these concerns, uncertainty for the short-term has declined. This is visible in the narrowing of the spread between the two contracts to almost 2 EUR/MWh from 14 EUR/MWh back in February. In the same direction, the spread between summer and winter contracts is back to be positive. This is after a period of negative

spread where summer gas futures traded above winter gas futures, disincentivizing storage injections over summer and raising the risk of not meeting the target.

Several developments led to the decrease in short-term uncertainty. First, the end of the heating season coinciding with favourable weather conditions. This helped the bottoming out of storage withdrawals. This can be seen in right chart above which illustrates that storage levels have been increasing since April.

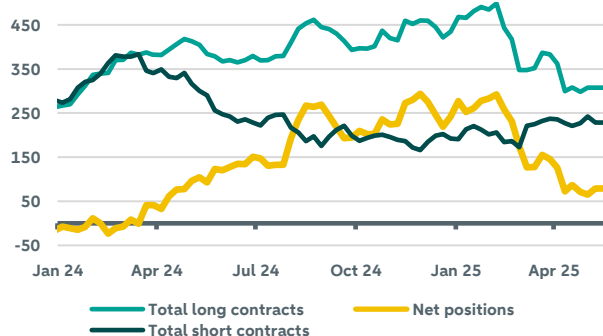
Second, several countries requested the relaxation of regulated inventory targets. As a result the EC agreed to decrease storage targets from 90% to 83% by November (more [here](#)). This gave some relief to market participant as the new targets are perceived more attainable given current market conditions.

Third, the peace talks to end the war between Russia and Ukraine mediated by the new US Administration raised hopes for a possible return of Russian flows to Europe, or at least a potential increase Russian LNG shipments. Any peace agreement could result in a relief or lift of sanctions on Russian energy supplies. We think however that the return of Russian gas to Europe on a large scale is highly questionable especially after the intensive European efforts to reduce the dependency on Russian fossil fuels. We think that the most plausible scenario is the return of Russian pipeline gas through Ukraine again by signing a new transit agreement. Meanwhile, the advancement of these talks has been slower than initially anticipated. Recent remarks by President Trump questioning if Russia is open for a deal fuelled the recent rebound in prices.

Fourth, the resume of pipeline flows from Norway and the UK and the strong increase in LNG imports have helped reduce market worries and ramp up the buildup of storage levels (see chart on the right below). The increase in LNG import was partly driven by lower competition from Asia. The market anticipated lower growth from Asia due to the impact of the US tariffs. Lower economic growth results usually in lower demand for LNG. The market re-adjusted these expectations again after the recent de-escalation between US and China.

Investment funds positions on TTF

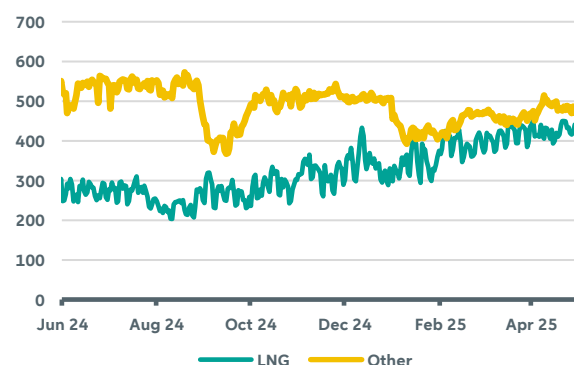
Million (contracts)



Source: ICE, ABN AMRO Group Economics.

EU gas imports per source

Million cubic meters



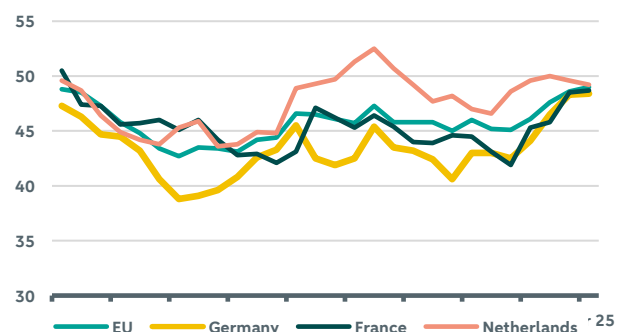
Source: EntsoG, ABN AMRO Group Economics

All in all, these developments drove the easing of bullish sentiment among investment funds. The latest positioning data show a decrease in net long position of investments funds (see chart on the left above).

From the demand side, European industrial demand recovery continues but remain in restrictive territory for most countries. The Eurozone composite PMI for April decreased, but stays just above neutral in expansionary territory at 50.4 (was 50.9 in March). However, the expansion in manufacturing activity carries on. Crucially for gas prices, manufacturing keeps the upward trend reaching 49 in April (was 48.6 and 47.6 in March and February, respectively). The pace of manufacturing contraction slightly eased for the main economies, such as Germany and France towards 48.4 and 48.7 respectively (was 48.3 and 48.5 in March), as can be seen in the chart below. This could be attributed to front loading impacts of the expected US tariffs under the new US Administration. At the same time, these tariffs are expected to have adverse impacts on trade flows and growth in the EU (see our recent macro update [here](#)). This is foreseen to slow down the recovery in industrial demand, starting from the second half of 2025.

Manufacturing PMI remains in restrictive territory

Index level (50 = neutral level)



Source: Bloomberg, ABN AMRO Group Economics.

Outlook

We note that the market remains tight in the coming months. Accordingly, TTF prices will be sensitive to adverse weather conditions, such as cold spells, heat waves, cloudy sky, or slow wind as they would increase demand for power generation or air conditioning and put an upward pressure on prices. In addition, the market geopolitical premium will depend on the developments in the peace talks and how that would affect the probability to reach an agreement that ends the war in Ukraine. Prices will be highly responsive to the developments in peace talks between Russia and Ukraine. Meanwhile, the market will react quickly to other geopolitical developments such as the resurgence of tensions in the Middle East with Israel resuming its war in Gaza, while the escalation of tensions with Iran could result in higher gas prices. Moreover, the ambiguity surrounding the level, extent, and impacts of US tariffs against wide range of countries increase uncertainty about global growth and add to market concerns. At the same time, the market will be watchful of the speed of storage refills, while it continues to react to factors affecting demand in Europe or key LNG competitors in Asia, such as adverse weather conditions, along with any supply disruptions from key suppliers such Norway or the US.

With the current market conditions and as long as no peace deal for the Ukraine is reached, we continue to expect prices to stay above their seasonal average in Q2 of around 33 EUR/MWh for the year-ahead contract. For our outlook in the second half of 2025, we still expect a higher prices as we approach the heating season, but we think the impact will be mitigated by the expected slowdown in global economy which will negatively affect demand from the industrial and power generation sectors. Thus, our outlook for Q3 and Q4 is revised slightly downward towards 34 EUR/MWh (was 36) and 38 EUR/MWh (was 40). If a peace agreement is signed, we foresee TTF prices to decrease by at least 15% with lower volatility and less relevance of a storage timely refill. Our outlook for EU TTF year-ahead benchmark is summarized in the table below.

	Q2-25	Q3-25	Q4-25	Q1-26
TTF outlook (EUR/MWh)	33	35	38	38

DISCLAIMER

This document has been prepared by ABN AMRO. It is solely intended to provide financial and general information on economics. The information in this document is strictly proprietary and is being supplied to you solely for your information. It may not (in whole or in part) be reproduced, distributed or passed to a third party or used for any other purposes than stated above. This document is informative in nature and does not constitute an offer of securities to the public, nor a solicitation to make such an offer.

No reliance may be placed for any purposes whatsoever on the information, opinions, forecasts and assumptions contained in the document or on its completeness, accuracy or fairness. No representation or warranty, express or implied, is given by or on behalf of ABN AMRO, or any of its directors, officers, agents, affiliates, group companies, or employees as to the accuracy or completeness of the information contained in this document and no liability is accepted for any loss, arising, directly or indirectly, from any use of such information. The views and opinions expressed herein may be subject to change at any given time and ABN AMRO is under no obligation to update the information contained in this document after the date thereof.

Before investing in any product of ABN AMRO Bank N.V., you should obtain information on various financial and other risks and any possible restrictions that you and your investments activities may encounter under applicable laws and regulations. If, after reading this document, you consider investing in a product, you are advised to discuss such an investment with your relationship manager or personal advisor and check whether the relevant product –considering the risks involved– is appropriate within your investment activities. The value of your investments may fluctuate. Past performance is no guarantee for future returns. ABN AMRO reserves the right to make amendments to this material.

© Copyright 2025 ABN AMRO Bank N.V. and affiliated companies ("ABN AMRO")