

Roundtable update

Domestic gas sector in winter 2022/23 with possible 2023/24 outlooks

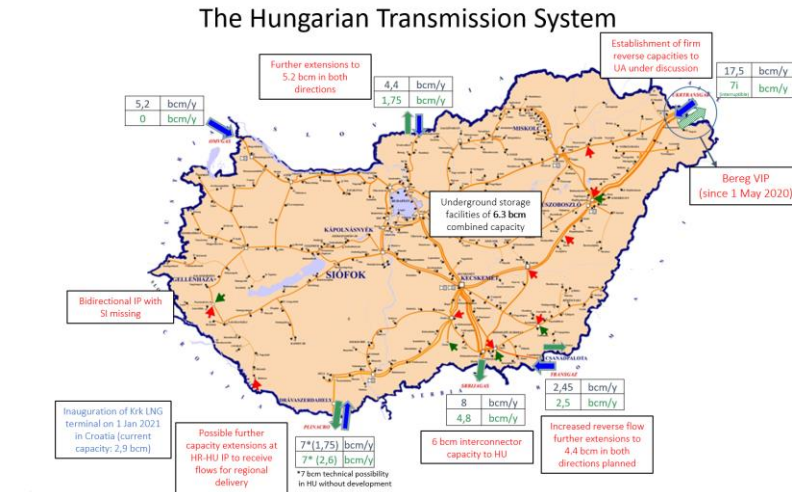
Andor Szilárd Ávéd
MEKH



SoS and sourcing

1. Sources for supply/structure of imports?

- HU system is connected to 6 out of 7 adjacent systems
- HU consumption ~10 bcm
 - Domestic: 1.5 bcm
 - LTC (pipeline): 4.5 bcm
 - LNG (Krk): 1 bcm LTC
 - Others (non-LTC): 3 bcm



Source: FGSZ, MEKH

2. New import routes? 2022/23 and plans for 2023/24?

- **New regional infrastructure** in 2022: GIPL, BalticPipe, PL-SK, IGB, RO-HU IP capacity increase – strengthens SoS of the region by diversification of routes&sources
- **New FSRU (LNG) capacities** in DE, NL will ease current infrastructure constraints



Source: EC

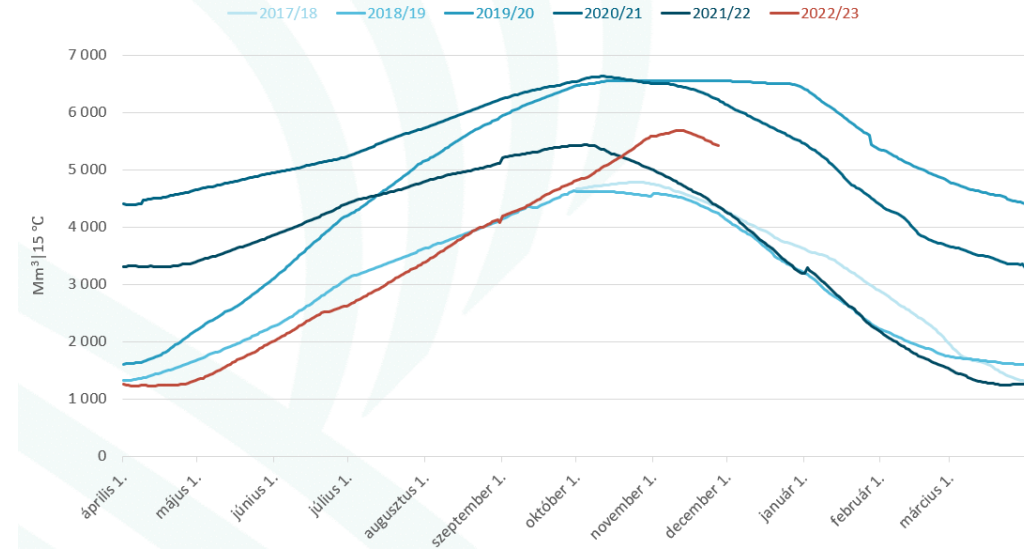
SoS and sourcing (2)

3. Meeting domestic demand – any policies to limit demand? (~-20-25% y/y)

- Declaration of state of energy emergency in July 2022 & adoption of a 7 point plan focusing on:
 - **decreasing gas import needs and dependence / strengthen SoS:**
 - domestic production increase (2 bcm) + additional special gas stocks (0,74 bcm) to emergency stocks (1.2 bcm)
 - **promotion of alternative fuels:**
 - boost coal/lignite and firewood production, operation time extension of Paks nuclear PP, Blocs of Mátra PP to be restarted
 - **partial maintenance of price regulation for households:**
 - above average energy consumption level - > prices aligned to current situation of high energy prices
- **Demand reduction policies** in government bodies & public institutions (cap on temperature of space heating, winter holiday breaks, etc.)
- **Council Regulation** (EU) 2022/1369 **on coordinated demand-reduction measures** for gas: voluntary demand reduction by 15% for the period between August-March (until Union alert)

Storage

- **Domestic storage level** in HU as of 26 Nov:
 - 83% of total capacity (57 TWh ~ 5.23 bcm)
(max. level: around 86% 2 weeks ago)
 - 52.8% of total annual consumption



Development of UGS levels 2017-2022, source: MEKH

- **New EU regulation on gas storage** ((EU) 2022/1032): set out UGS to be filled up at least 80% for the current and 90% for the next winter or 35% of the average annual gas consumption. HU: +50% beyond objective.
- HU offered SRB cross-border storage of gas (up to 0.5 bcm)

Tariff/market considerations

- **Any new rules to apply for recovering cost of fuel?**
 - A windfall tax on the profit of energy companies & other industries is used to subsidise the affordable supply of households
- **Protection of households – any support schemes in place?**
 - Price cap in effect for households – applicable by the state-owned universal supplier, ensuring affordable prices up to the level of the average household consumption; above this level a higher regulated gas price is applied, which is reviewed quarterly
- **New challenges in 2023/24?**
 - The high level of gas prices increases counterparty risk, risk related to accounts receivable and the risk of liquidity issues for gas suppliers
- **New tariff proposals:**
 - Tariffs were set for the current tariffs periods (SSO: Apr 1 2022 - Mar 31 2023; DSO&TSO: Oct 1 2022 - Sep 31 2023) in line with the standard rules and methodologies for the periodic, annual tariff review
 - There was a significant increase in the level of volumetric system tariffs due to the increase of energy costs of system operators



**THANK YOU
FOR YOUR ATTENTION!**

aveda@mekh.hu