

Natural Gas Comment: Higher TTF on Longer Supply Disruption and Higher Fuel Switching Costs

- The Qatari Energy Minister signaled last week that the ongoing disruption to Qatari LNG exports (20% of global LNG supply) might last longer than we initially assumed, citing the requirement for a complete cessation of hostilities in the region for a restart of operations, followed by weeks to months of a full ramp up. We now assume Qatari exports remain at zero through late March (vs mid-Mar prev.), followed by a gradual ramp up lasting through most of April (vs through end-Mar prev.), leaving average annualized Qatari LNG deliveries at 18/43 mtpa during March/April (vs our 74/76 mtpa pre-Iran-conflict expectation), and fully normalized at 79 mtpa in May (Exhibit 1).
- On net, our LNG balance revision leads us to further **raise our 2Q26 TTF price forecast to 63 EUR/MWh or \$22/mmBtu** (from 45 EUR/MWh), including the April/May contracts (traded during March/April) at 75/70 EUR/MWh (\$26/\$24/mmBtu), above forwards at 52/51 EUR as of the close on March 6th (Exhibit 2). We raise our 2Q26 JKM price forecast to \$23/mmBtu (from \$16), above forwards at \$19/mmBtu. Our 2027 gas price forecasts are only marginally higher, at 23 EUR/MWh for TTF (from 21 EUR) and \$8.30/mmBtu for JKM (from \$7.55). Risks to our revised price forecast are two-sided, with a longer-than-expected Hormuz closure potentially requiring TTF to temporarily approach 100 EUR/MWh to trigger broader industrial demand destruction, while a quicker conflict resolution would likely drive a faster drop in TTF back to the coal switching range in the 40 EURs/MWh.

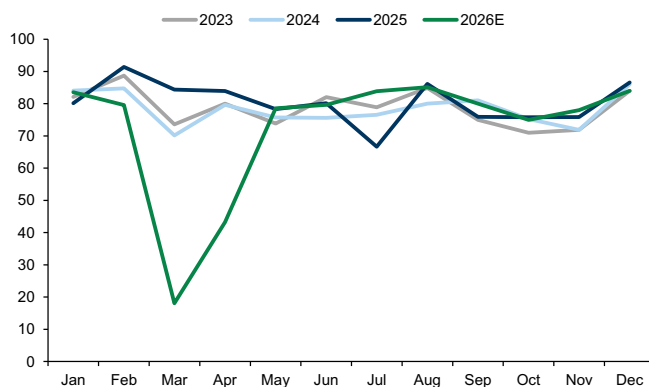
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Exhibit 1: We expect Qatari LNG deliveries will fall sharply in March and April, before recovering fully in May

Qatar LNG deliveries; mtpa

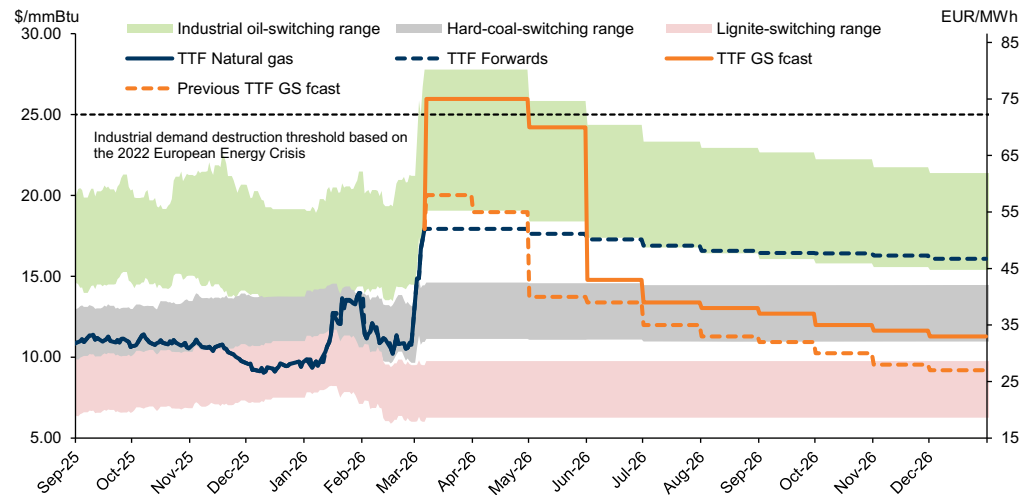


Source: Kpler, Goldman Sachs Global Investment Research

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Exhibit 2: Oil prices rallied significantly into the end of last week, requiring higher gas prices to incentivize a given amount of gas-to-oil switching

Realized and forward TTF prices and fuel switching ranges, and TTF GS fcst



Prices shown in gas-equivalent terms, adjusted for carbon costs and burning efficiency; oil products adjusted for carbon costs only.

Source: ICE, S&P Global Commodity Insights, Goldman Sachs Global Investment Research

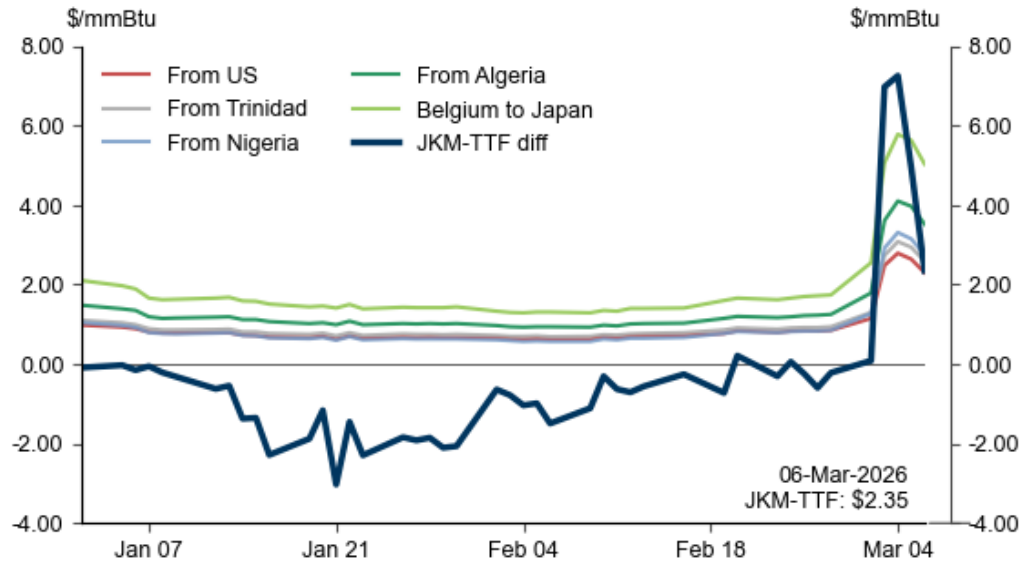
- This LNG supply shock lowers our expected March/April NW European LNG imports to 207/195 mcm/d vs our 302/262 mcm/d pre-Iran-conflict expectations ([Exhibit 3](#) and [Exhibit 4](#)). This takes into account slightly lower LNG imports we now expect in India, Pakistan and Bangladesh, where anecdotal evidence of industrial demand destruction has started to be [reported](#). While mild weather in NW Europe has thus far helped partially offset the drop we expect in LNG imports¹, we estimate that, for every two weeks of full Qatari LNG supply disruption without any offsets, the resulting tightening in NW European inventories would be equivalent to almost 4% of storage capacity².

¹ We see residential and commercial demand for gas in March 25 mcm/d below our expectations as of a month ago.

² We assume NW Europe will on net absorb 50% of the 302 mcm/d supply shock from the Qatar disruption, with the rest of Europe absorbing the rest.

Exhibit 3: Following the Qatari supply shock, the JKM-TTF premium has rallied to attract incremental Atlantic basin LNG supply to be diverted to Asia...

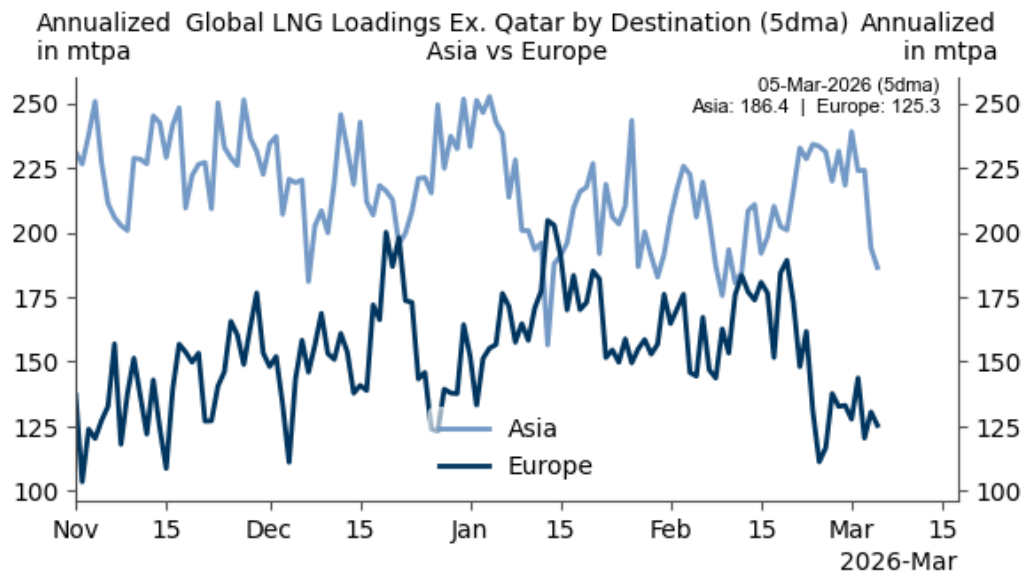
JKM-TTF premium and Asia-Europe shipping cost differentials by supply region; \$/mmBtu



The cost differential for Atlantic basin suppliers to send LNG to Asia vs to Europe is calculated based on the S&P Global Commodity Insights daily published full shipping cost by route.

Source: ICE, S&P Global Commodity Insights, Goldman Sachs Global Investment Research

Exhibit 4: ...which we expect to start lifting ex-Qatari LNG loadings marked for Asia vs for Europe



Source: Kpler, Goldman Sachs Global Investment Research

- Ultimately, this longer Qatari supply shock suggests European natural gas prices (TTF) likely need to stay deeper and longer in the gas-to-oil (G2O) switching range, currently set at 55 EUR/MWh (fuel oil) at the bottom and 80 EUR/MWh (distillate fuel) at the top³ vs what we expected previously. Higher natural gas prices would

³ Our estimates take into account carbon cost differentials between gas and oil products.

increase the probability that fuel switching away from gas and into hard coal (potentially 19 mcm/d vs what was priced in the market pre conflict) and oil products (we base case 12 mcm/d, half of the peak switching observed in 2022) offsets the loss we expect in European LNG imports from the Qatari supply shock.

- Given that the ongoing rally in oil and oil products has already left our previous 55 EUR/MWh Apr26 TTF forecast at the bottom of the 55-80 EUR/MWh G2O switching range, this leads us to raise our Apr/May TTF forecast higher into the current oil range to 75/70 EUR/MWh (\$26/\$24/mmBtu), noting this range will likely continue to move higher in the coming days if there's no evidence of de-escalation of the conflict. We also raise our Apr/May JKM forecast, to \$29/\$25/mmBtu (from \$20/\$15), at a positive premium to TTF to help Asia attract enough Atlantic basin cargoes to replace Qatari supply. We expect our revised TTF and JKM forecasts to potentially trigger incremental industrial demand destruction beyond the G2O switching we embed in our balances, although the fact that a significant portion of energy-intensive industry in NW Europe has not recovered since suggests this process might take even higher TTF prices in particular.
- Under our base case that Qatari LNG exports start to recover from late March, we don't believe that broader industrial demand destruction will be needed to balance global LNG markets. That said we reiterate our view that, should energy flow disruptions last beyond April, it is likely that TTF and JKM approach 100 EUR/MWh to trigger more widespread demand destruction to preserve natural gas in storage for next winter. Conversely, a quicker de-escalation of the conflict would likely drive a faster drop in TTF back to the coal switching range in the 40 EURs/MWh.
- While we observed at times during the last week some sympathy in intra-day Henry Hub trading relative to TTF, we maintain our view that US natural gas prices are likely to remain insulated from the spike in European gas and global LNG prices, given the US is a net exporter of LNG, with essentially no spare capacity at export terminals.
- We continue to see limited pass-through from the current tightening shock in global LNG balances to forward balances (2027 and beyond), though we shift our expected start date for Qatar's North Field East (NFE) train 1 to Jan27 from Oct26 - with the subsequent seven trains included in the forthcoming Qatari liquefaction expansion equally delayed - driven by the ongoing pause in construction. This revision lowers our global LNG supply by 2.8 mtpa on average in 2027-2030, which does not derail our very bearish global gas price view for 2028 and 2029. Our 2027 gas price forecasts are only marginally higher, at 23 EUR/MWh for TTF (from 21 EUR) and \$8.30/mmBtu for JKM (from \$7.55), and our forecasts for 2028 and beyond are unchanged (Exhibit 5).

Exhibit 5: We raise our near-term TTF and JKM price forecasts

GS price forecasts

	TTF (EUR/MWh)			TTF (\$/mmBtu)			JKM (\$/mmBtu)		
	New	Previous (if changed)	Forwards	New	Previous (if changed)	Forwards	New	Previous (if changed)	Forwards
2Q26	63	45	51	21.60	15.40	17.45	23.35	16.20	18.30
3Q26	38	33	48	13.10	11.50	16.55	13.40	11.70	16.75
4Q26	34	28	47	11.70	9.75	16.25	12.20	10.25	16.25
1Q27	30	24	44	10.35	8.40	15.30	10.85	8.90	15.30
2Q27	25	21	34	8.50	7.35	11.90	8.90	7.75	12.25
3Q27	21		32	7.15		11.15	7.55		11.60
4Q27	16		31	5.50		10.90	6.00		11.35
Bal-2026	45	35	49	15.50	12.20	16.75	16.35	12.75	17.10
2027	23	21	36	7.90	7.10	12.30	8.30	7.55	12.65
2028	12		25	4.10		8.80	4.40		9.15
2029	12		22	4.20		7.85	4.45		8.35
2030	16		22	5.50		7.70	5.90		8.20
2031	19		22	6.55		7.75	7.05		8.25
2032	20		22	6.90		8.00	7.45		8.60
2033	30		23	10.30		8.30	10.95		8.85
2034	39		23	13.40		8.55	14.25		9.15
2035	40		24	13.80		8.85	14.90		9.40

Source: ICE , Goldman Sachs Global Investment Research

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