



Baltic Gas Conference

*Recent trends and developments
in the Latvian natural gas market*



Sebastian Gröblichhoff
Vice-Chairman of the Management Board
JSC Latvijas Gāze

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Key features of the open Latvian natural gas market



- > 35 registered natural gas traders
- Storage, transmission and distribution remain regulated; non-discriminatory access to infrastructure at the same commercial conditions for all market participants
- Two contract entry-exit system
- Different storage and transmission products available at regulated tariffs
- Exchange and trade of natural gas via Latvian Virtual Trading Point (VTP) possible



Entry-Exit System



Trends and developments since opening of the Latvian gas market

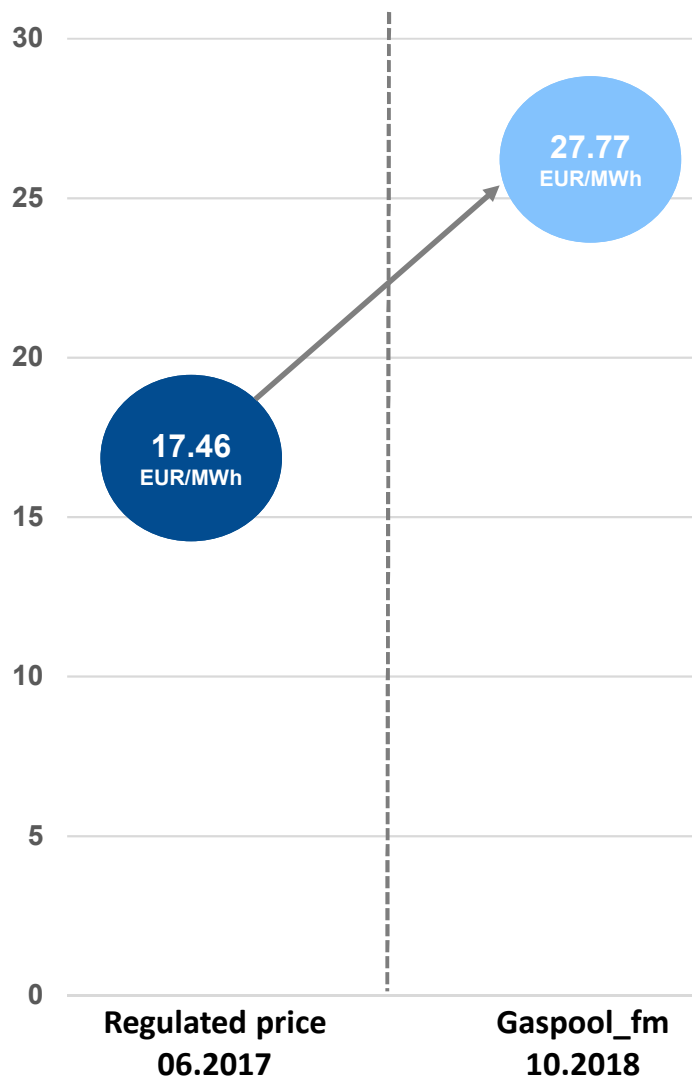


- ① Customers request **different types of products** with regard to pricing and flexibility (e.g. fixed price, formula-based pricing, sales in storage, virtual storage etc.)
- ② General trend towards **shorter contract periods** (e.g. next months, quarter)
- ③ Number and frequency of transactions is increasing
- ④ **Customers actively request offers** with short response periods for traders
- ⑤ **Decisions** of traders are strongly **commercially driven** (e.g. use of storage)
- ⑥ New product variety leads to new optimization and hedging needs for traders
- ⑦ **Balancing** and quality of demand forecast are becoming more important

-> **What about the development of market prices and security of supply?**



Do open markets inevitably lead to lower absolute prices for customers?



Old (closed) market environment

- **Regulated prices for all customers** essentially reflecting purchase conditions of market incumbent
- **Mainly indexation to oil products** with respective time lag; no short-term price volatility

New (open) market

- **Customers can freely negotiate price** with traders
- Majority of customers in the Baltic region have chosen **German GASPOOL price as a reference**
- Reference prices at European **gas hubs exhibit higher short-term volatility** than old regulated price



Natural gas prices significantly moved up since the beginning of the year



Development of the TTF Front Months Price



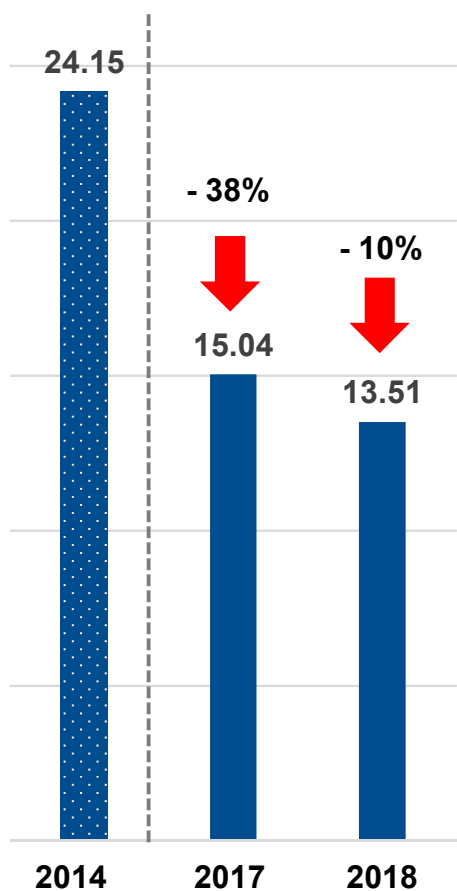
Data source: ARGUS Media



After market opening storage operator could ensure sufficient injections only through special incentives



Total quantities injected into IUGS at the end of the injection seasons in TWh



Development of storage and exit (to distribution) tariffs

	Current EUR/MWh	Planned EUR/MWh	Change in EUR	Change in %
Group product (firm capacity)	2.95	3.68	+0.73	+25%
Market product (interruptible capacity)	0.92	1.37	+0.45	+49%
Exit into distribution system	2.13	2.77	+0.64	+30%

