

Trading in liquefied natural gas and electricity

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Two markets have taken on new importance since 2022. Liquefied natural gas, whose cargoes are traded like those of oil, has seen its global trade reorganised after the halt of Russian pipeline deliveries to Europe. The Geneva houses, already present in gas, then increased their positions, with long-term contracts with American, Qatari and African producers and a logistics chain of LNG carriers and terminals.¹ Electricity, long traded by specialised players, has become an activity of the large traders, who buy and sell blocks of energy on the European markets, finance renewable installations and provide flexibility services to the grids.²

These markets differ from the traditional markets in their dependence on infrastructure — terminals, grids, storage capacity — and in their regulation, which is denser than that of oil. They bring trading closer to public utilities and to energy policy while exposing traders to new risks, the measure of which was given by the extreme price volatility of 2022: several energy traders had to obtain exceptional credit lines to cover the margin calls on their hedging positions.³ Part H describes what these episodes mean for financing.

1 Notes

1. Trafigura, 2023 Annual Report: 11.2 million tonnes of LNG traded during the 2023 financial year (13.0 million in 2022, 14.0 million in 2021) and 23.9 million tonnes of natural gas; “higher LNG imports from the US, Asia and Middle East combined with increased pipeline supplies from Africa, Azerbaijan and Norway resulted in a complete change of trade flows in Europe”; Gunvor Group, “Results 2022”: volumes reduced to 165 million tonnes (240 million in 2021), mainly owing to the decline in natural gas trading. ↩
2. Trafigura, 2022 Annual Report: Nala Renewables, a 50:50 joint venture with IFM Investors, “pressed ahead with investments in solar

power, onshore wind and battery storage to progress towards its 4GW renewable energy target”; renewable portfolio of 2.8 GW at the end of 2022 (1.7 GW in 2021), investments of 170.6 million dollars; plan for a one-gigawatt renewable hydrogen plant in Denmark; Wikipedia (en), art. “Mercuria”: acquisition in 2021 of the clean-energy specialist Beyond6 for 169 million dollars. ↩

3. Trafigura, press release of 8 December 2022: total credit lines raised to 73 billion dollars with some 140 banks; Trafigura, 2023 Annual Report: 75 billion with some 150 banks; ECB, Financial Stability Review, November 2022: initial margins roughly twice as high in mid-2022 as at the end of 2021; Reuters (hl.co.uk), 26 February 2024, quoting a trading-house executive: “We all faced margin calls and rushed to borrow from banks”. ↩

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