

Section 4 – UK Gas January to March 2019

Key results show:

UK production of natural gas was down by 5.7 per cent in the first quarter of 2019 compared with the same quarter of 2018. This is associated with the closure of the Theddlethorpe Gas Terminal as well as consistently lower output from other large gas terminals (**Chart 4.1**). Within this, production of associated gas was 16 per cent lower whilst dry gas production was down 21 per cent (**Chart 4.2**).

In contrast to the record imports at the start of the year in 2018, imports in Q1 2019 fell by 14 per cent (**Chart 4.4**). Despite this overall decrease, Liquefied Natural Gas (LNG) imports increased five-fold, resulting from decreased demand in Asia and increased availability from the diversification of the LNG market (**Chart 4.5**).

Meanwhile exports increased by 15 per cent, driven by increased trade with the Republic of Ireland, while exports to the Netherlands were lower. As a result, net imports decreased by 15 per cent (**Chart 4.4**).

This decrease in net imports was driven by lower gas demand, down 10 per cent compared to Q1 2018. Comparatively high temperatures in February and March this year contrasted with colder temperatures brought over by 'Beast from the East' in this period of 2018, resulted in a 19 per cent decrease in domestic gas use, which underpinned a 15 per cent reduction in total final consumption (**Chart 4.6**).

Demand for gas for electricity generation continued to fall against the previous year in Q1 2019, down 2.9 per cent as increased output from renewable energy continues to displace demand for gas for electricity generation (**Chart 4.6**).

Relevant table

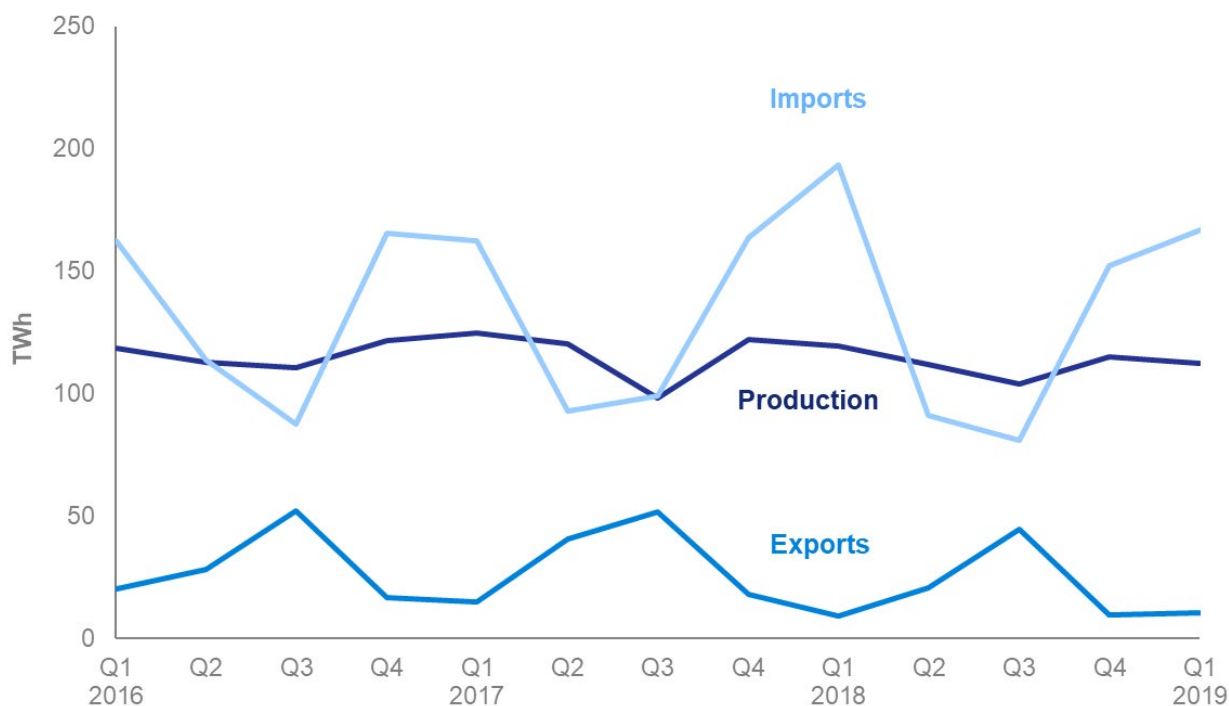
[4.1: Natural gas supply and consumption](#)

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Chart 4.1 Production and nominated flow trades of natural gas (Table 4.1)

Production of natural gas in the first three months of 2019 decreased by 5.7 per cent compared with the same quarter of 2018. This is associated with the closure of the Theddlethorpe gas terminal last August as well as consistently lower output from the St Fergus Frigg pipeline and other large gas terminals. Since 2014 we had seen year-on-year production increases until 2018, which marked the first annual decrease in five years. In the longer term, the trend is one of decline and production in Q1 2019 was down 70 per cent on peak levels seen in Q1 2000.

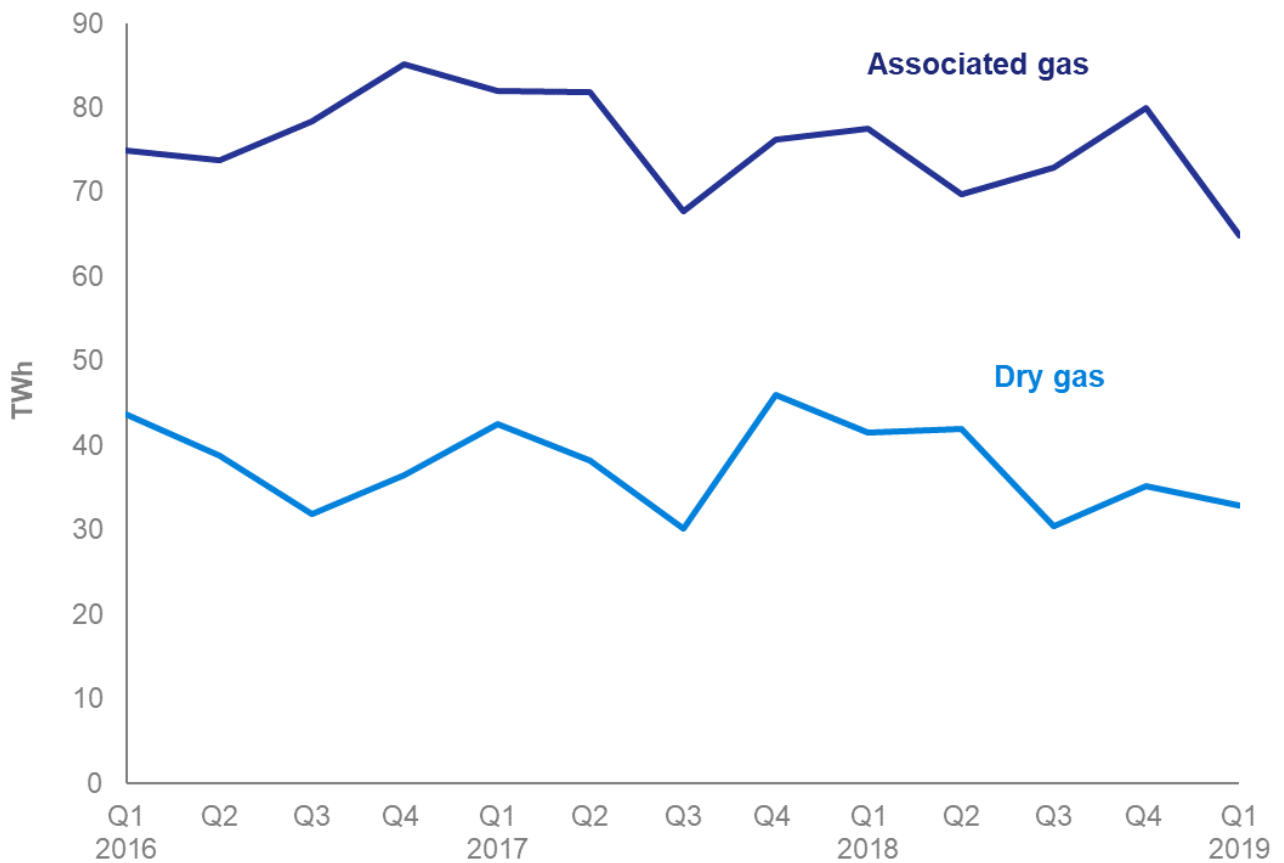
On a nominated flow basis¹, imports in Q1 2019 were down 14 per cent on the same quarter in 2018, driven by the decrease in gas demand due to the significantly higher temperatures across the quarter. Meanwhile, exports increased by 15 per cent in the same period, resulting in an overall reduction in net imports by 15 per cent.

For more detail on trade, see Charts 4.4 and 4.5.

¹ Nominated flows include some trade with Belgium whereby gas has been traded between companies, but then 'sold back' before the gas has been physically transferred. Table 4.3 shows physical flows.

Gas

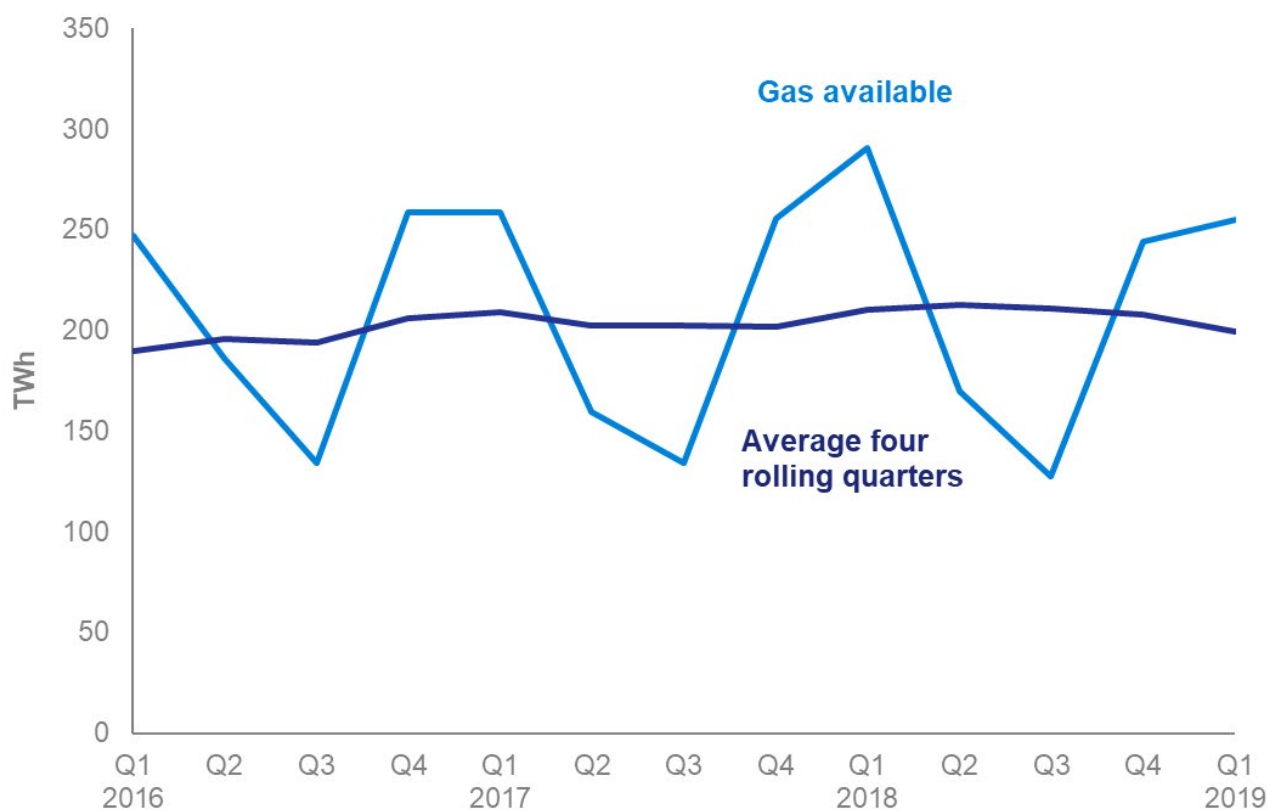
Chart 4.2 Production of dry gas and associated gas (not shown in published tables)



Production of associated gas (natural gas produced from oil fields) in Q1 2019 fell by 16 per cent against Q1 2018, from 78 TWh to 65 TWh.

Compared to the same quarter in 2018 dry gas production (natural gas composed mainly of methane) decreased by 21 per cent to 33 TWh.

Chart 4.3 Gas availability (Table 4.2)



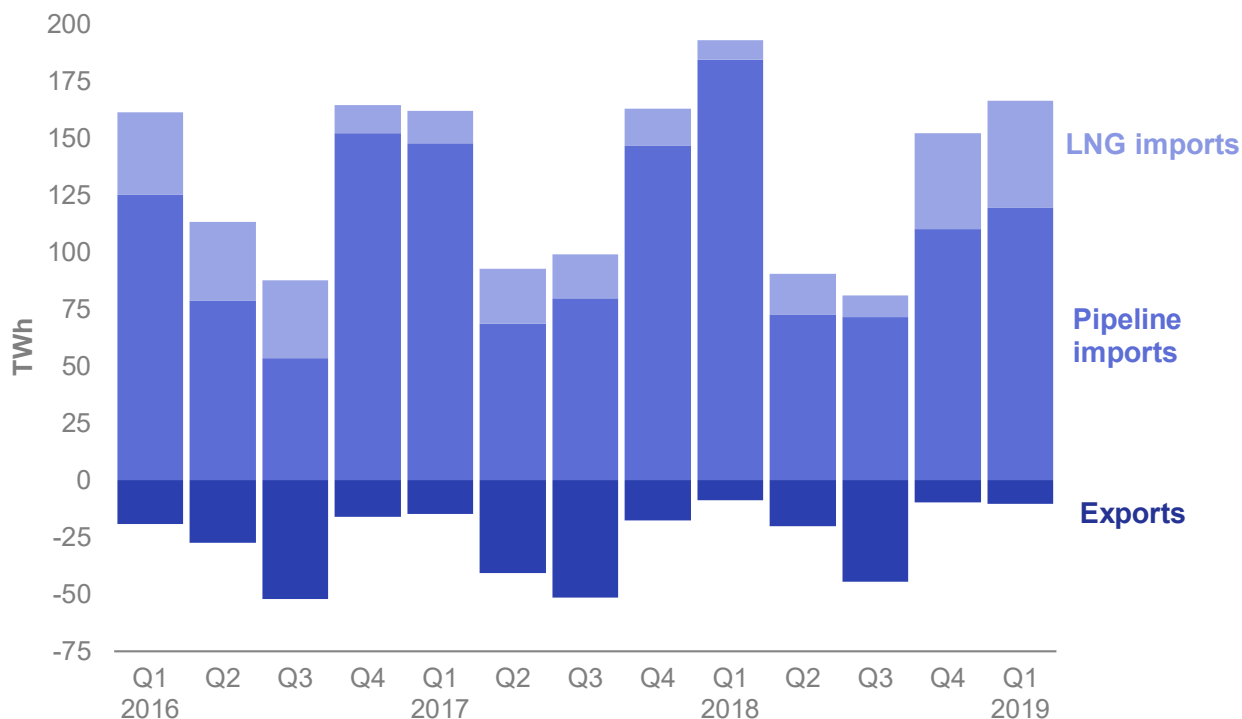
Gas available at terminals is equal to the gross gas production minus producers' own use, plus net imports. Gas availability is seasonal, mirroring gas demand, and peaks during Q1 and Q4 each year associated with the colder temperatures over the winter months.

High temperatures in February and March this year, contrasted by notably colder temperatures brought over during the 'Beast from the East' in the same period of 2018, meant gas availability decreased by 12 per cent to 256 TWh in the first three months of 2019 compared with Q1 2018.

The average availability of gas over four rolling quarters remains above average for Q1 2019 although it is the first decrease seen in the last five years.

Gas

Chart 4.4: Physical imports and exports of natural gas (Table 4.3 and Table 4.4)



As shown in Map 4.1, the UK imports natural gas primarily from Norway (predominantly via the SAGE, FLAGS and Vesterled pipelines). Smaller volumes are imported from Belgium (via the UK-Belgium Interconnector) and the Netherlands (via the Balgzand to Bacton line).

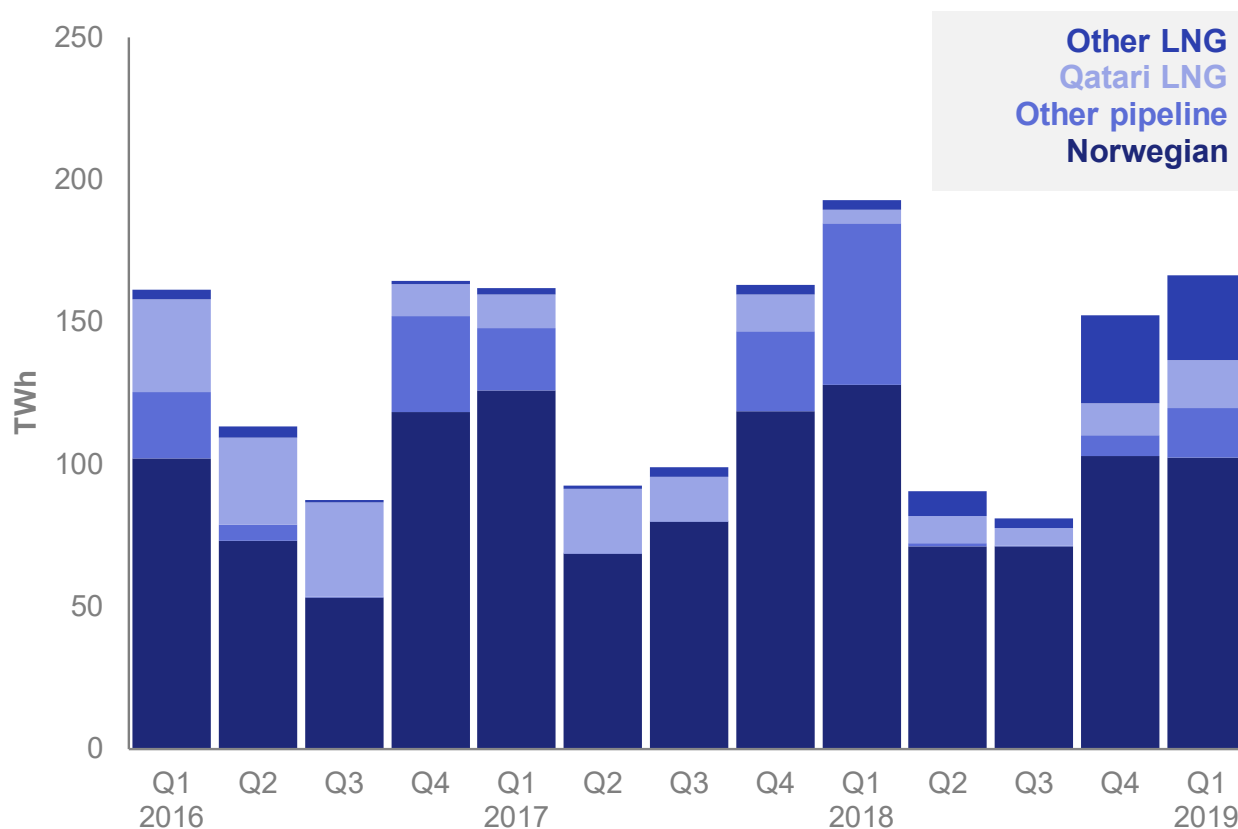
After a record level of net imports during Q1 2018, with both the lowest quarterly exports since 1998 and highest quarterly import levels in our time series, net imports fell by 15 per cent in Q1 2019. This was the result of a drop in total physical imports by 14 per cent whilst physical exports² increased by 17 per cent, reflecting the lower UK demand across the quarter.

Pipeline imports were down by 35 per cent, with decreases from all sources, especially from Belgium and the Frigg/Vesterled pipeline from Norway. Imports of LNG opposed this trend, increasing five-fold to 47 TWh and accounting for 28 per cent of total imports, after dropping considerably in the last two years. Decreased demand in Asia and the increased availability from the diversification of the LNG market was a significant factor for this increase.

Over this quarter, the 17 per cent increase in total exports was driven by the 44 per cent increase in trade with the Republic of Ireland. Meanwhile exports to the Netherlands decreased to 2 TWh, which is the lowest volume in the first quarter of the year since 2007. Exports to Belgium have generally been reduced since October 2018 due to the termination of the Bacton Zeebrugge Interconnector long term capacity contract.

² The export total in Tables 4.3 only includes gas that has physically flowed through pipeline border points, and is lower compared to the nominated flows in Tables 4.1 and 4.2.

Chart 4.5 Imports by origin ([Table 4.4](#))



Following record pipeline imports at the start of the year in 2018, over the first quarter of 2019 pipeline imports fell sharply, by 35 per cent, with a decrease in imports through all pipelines bringing gas into the UK. Imports from Belgium decreased significantly due to the Bacton Zeebrugge Interconnector long term capacity contract terminating at the beginning of October 2018. Although Norway pipeline imports were 20 per cent lower than last year, Norway remained the largest single source of imported gas to the UK at 62 per cent (including LNG contribution).

The LNG share of imports increased to 28 per cent in the first quarter of 2019 with LNG imports increasing five-fold to 47 TWh. Like last year, Qatar remained the biggest source of LNG imports to the UK across the quarter, although its share of LNG imports fell to 36 per cent compared with 59 per cent in Q1 2018 and 89 per cent for total LNG imports between 2010 and 2017. A considerable increase in LNG imports from both Russia and the USA, along with the further diversification of the LNG market, including the first imports from Cameroon, contributed to this reduction in the Qatari share.

A complete country breakdown for physical pipeline and LNG imports is provided in Energy Trends Table 4.4 - [Supplementary information on the origin of UK gas imports](#).

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Map 4.1: UK physical imports and exports of gas Q1 2019

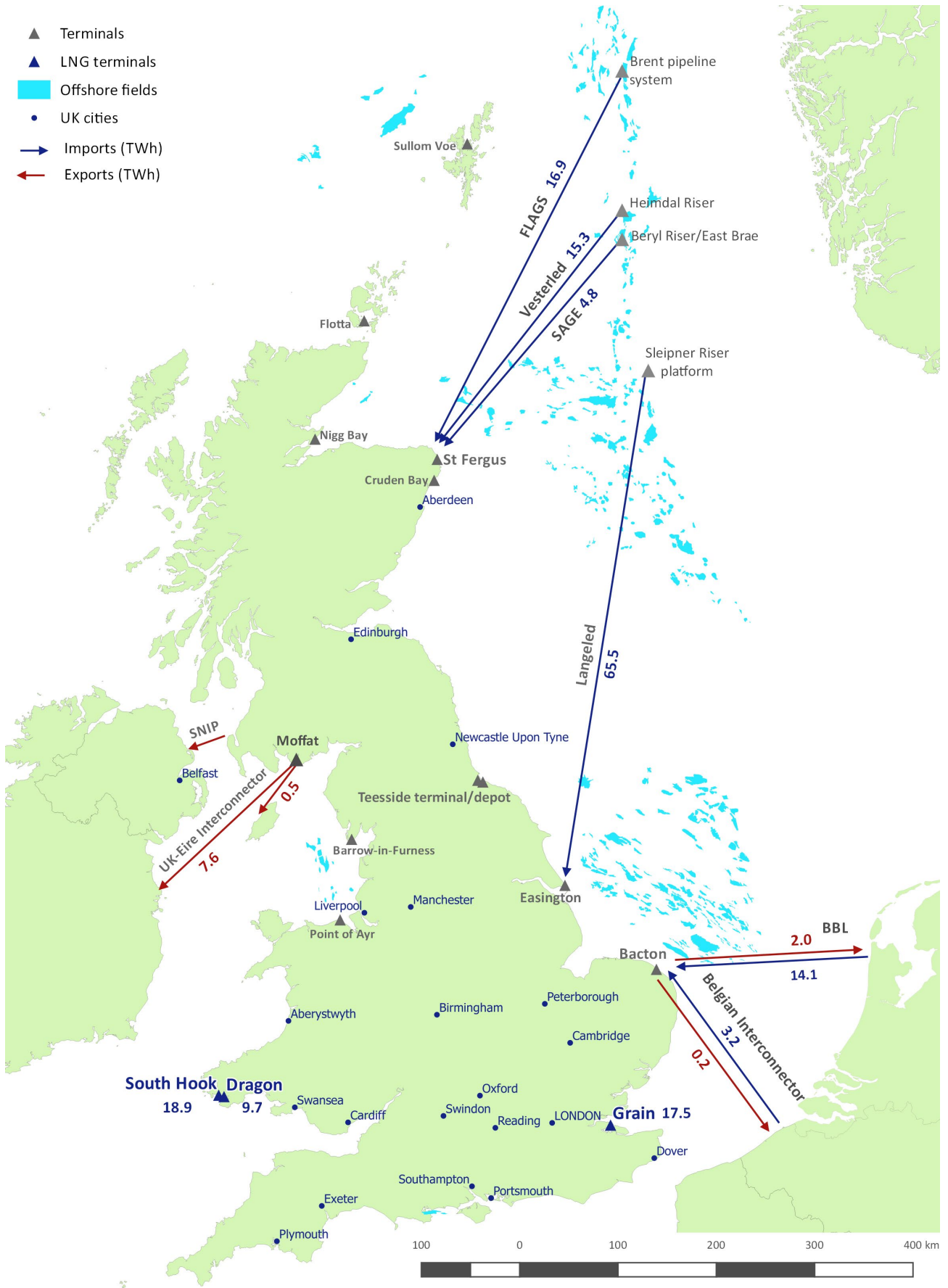
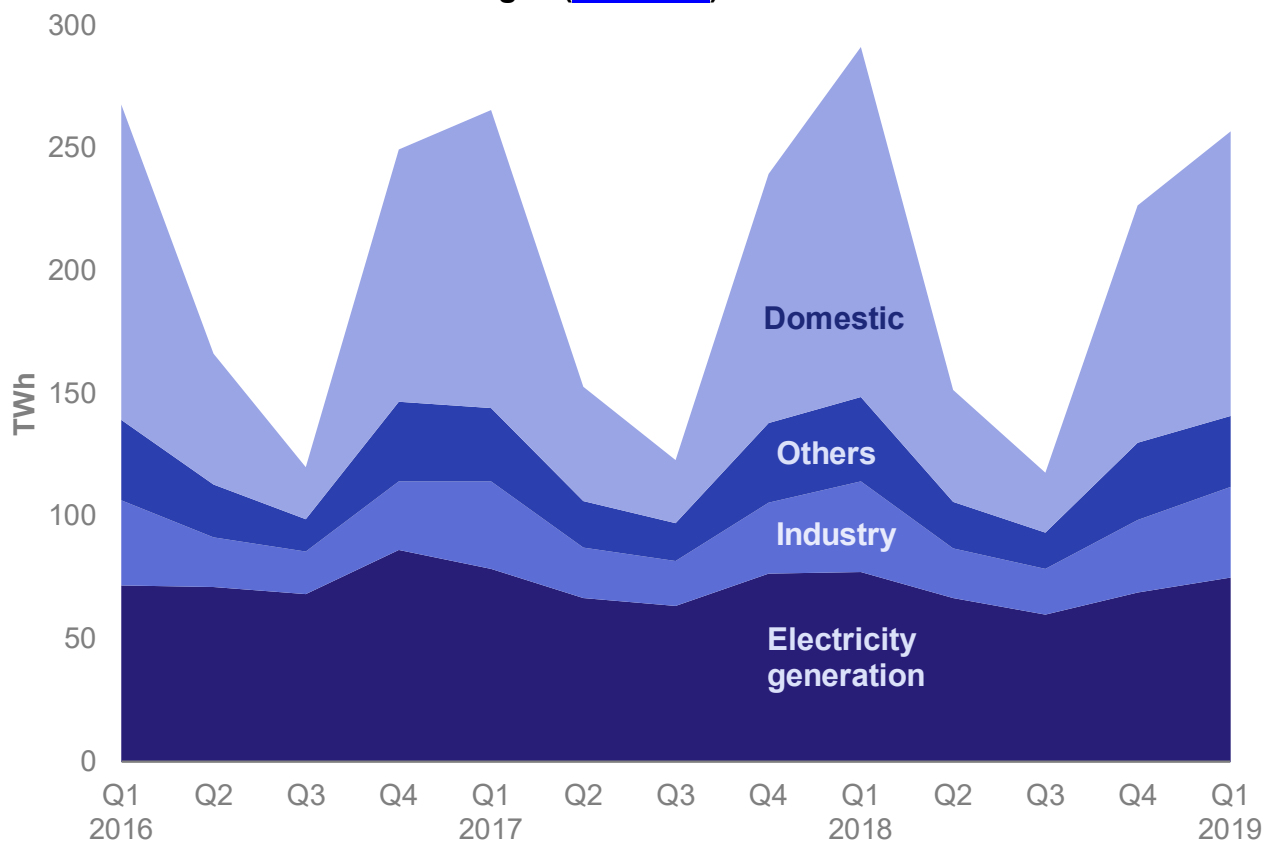


Chart 4.6 UK demand for natural gas (Table 4.1)

Temperatures during the last three months were substantially higher than the same period last year when colder temperatures brought over by 'Beast from the East' resulted in more heating degree days and a subsequent increase in demand for gas in the domestic sectors. As a result, UK demand for natural gas in Q1 2019 decreased by 10 per cent with domestic use and final users down by 19 and 17 per cent respectively. This underpinned a 15 per cent reduction in total final consumption.

Demand for gas used for electricity generation was down 2.9 per cent in Q1 2019 compared to the same quarter in 2018 as the increased output from renewable energy continues to displace the demand for gas used for electricity generation.

A complete breakdown for gas demand is provided in Energy Trends table 4.1 - [Natural gas supply and consumption](#).