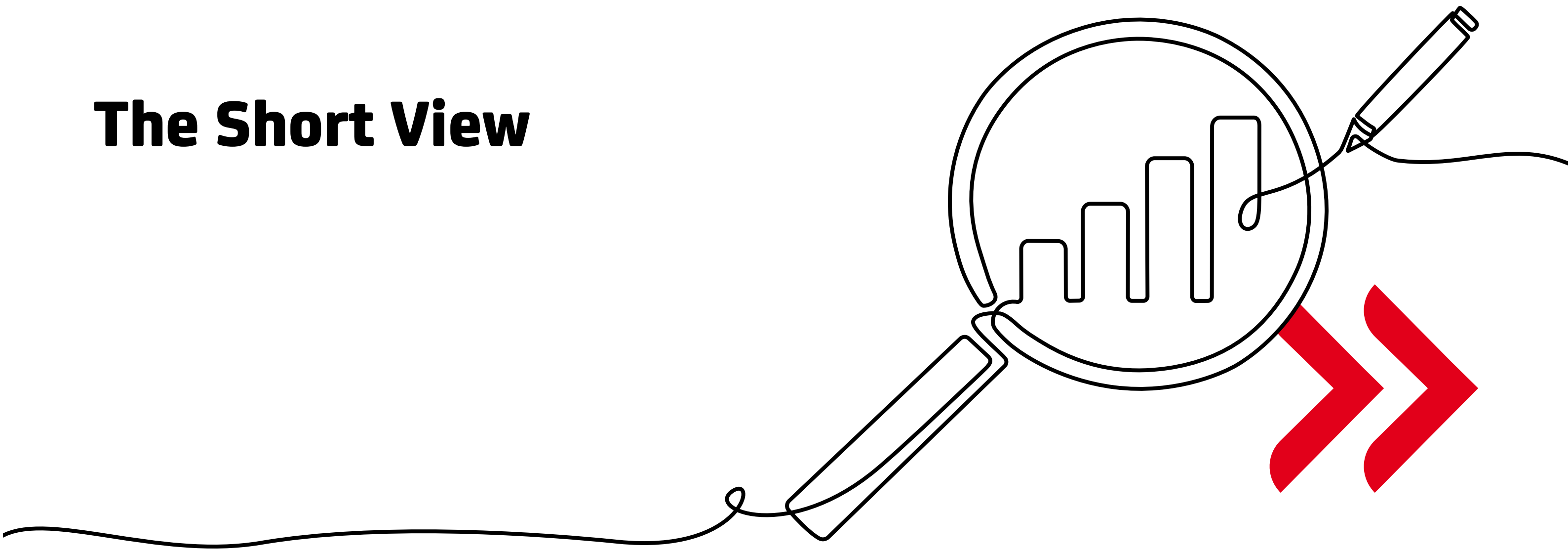
The Short View



The Short View offers insights on key macro and market stories
and is designed to promote discussion and debate.

Time's up: Europe's winter gas restocking reaches crunch time

10 September 2026

Although Europe's winter gas restocking remains behind schedule, enough bad news is already priced in that TTF could ease from its recent peaks – if hostilities in Iran pull back from the brink.

1. **The Middle East situation:** The war in Iran has further complicated what was already going to be a challenging summer gas-restocking season in Europe. Pricing volatility driven by geopolitical headlines has made business planning difficult and has caused importers to delay purchases as they wait for greater stability and more attractive pricing.
2. **Competing for LNG:** Since Qatari exports have been largely prevented from exiting the Strait of Hormuz, competition between Asian and European gas importers for LNG has become increasingly intense. The hot summer has stimulated power demand and put upward pressure on gas prices.
3. **Our price forecasts:** The current TTF price has reached a level not seen since 2022, as numerous concerns about the supply and demand balance have intensified concurrently. If military activity calms down and at least enters a frozen phase, we see potential for modest easing in the price towards the end of 2026.

Europe's summer gas restocking faces formidable challenges

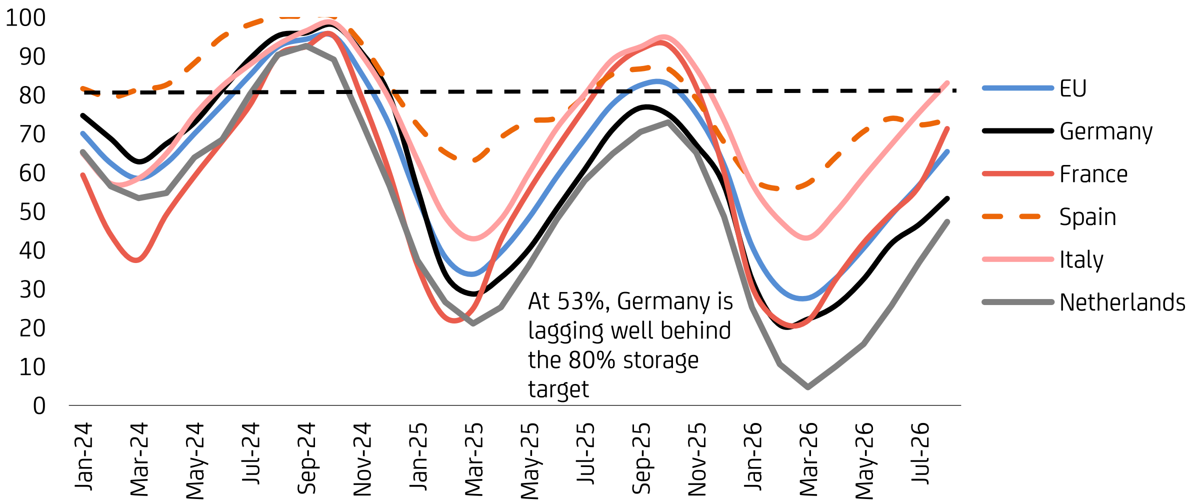
Although Europe's looming gas crisis has been well flagged for months, the outlook for restocking reserves before the beginning of the winter peak-usage season has deteriorated. At the end of March, EU27 gas reserves were 27% full, which was 6pp lower than where they were at the same point in 2025. In both 2025 and 2026, relatively cold winters depleted reserves below where they had typically been since Europe reoriented its supplies away from Russian pipeline gas toward LNG. Despite the challenges, reserves were successfully restocked in 2025, reaching the 80% target already in September and making the experience in that year a useful benchmark for 2026. Although refilling LNG storage has been challenging in recent years, the difficulties do not compare with the market stresses of 2022, when Europe received around 45% of its gas from Russian pipelines. Greater diversity of supply, energy efficiency programs and significant investments in renewable power have reduced some of the stresses that created the energy crisis of 2022.

The more difficult geopolitical backdrop this year has complicated restocking efforts and has led to a growing shortfall in 2026 when comparing reserves to 2025 levels. Not only was the average TTF price 46% higher from April to August 2026 than in the comparable period of 2025, but the volatility has been more extreme. From April to August 2025, TTF ranged from EUR 31/MWh to 42/MWh, while in the same period of 2026 prices ranged from EUR 39/MWh to EUR 70/MWh. The vagaries of the war in Iran have kept gas pricing unpredictable, which creates a difficult backdrop for gas purchasers when planning a stock buildup that will not be used for months. Unstable pricing has dampened their incentive to accelerate restocking and has led to a widening gap in European gas reserves relative to 2025 levels. By the end of August, gas storage was at 65% and therefore already 12pp lower than at the same point in 2025. Low gas inventories continue to raise concerns about Europe's ability to adequately prepare for the upcoming winter heating season by reaching the targeted 80% threshold by 1 November.

Despite the concerning outlook for gas restocking in Europe, the picture is nuanced when looking at the individual countries. Some of Europe's largest importers have already reached or are close to reaching the 80% target. At the end of August, Italy's reserves were already 83% full, while Spain's were 73% full and France's were 71% full. However, Germany and the Netherlands are laggards with stocks only 53% and 47% full, respectively. It is also notable that neither of these countries met the 80% target in 2025. Since Germany accounts for around 22% of European gas storage and the Netherlands for 13%, this drags down the average for the whole bloc, making them the focus of attention for the winter 2026-27 outlook.

GERMANY AND THE NETHERLANDS ARE KEY CONCERNS AS GAS RESTOCKING PROGRESSES

GAS STORAGE FILL RATE BY COUNTRY



Source: Gas Infrastructure Europe, LSEG, The Investment Institute by UniCredit

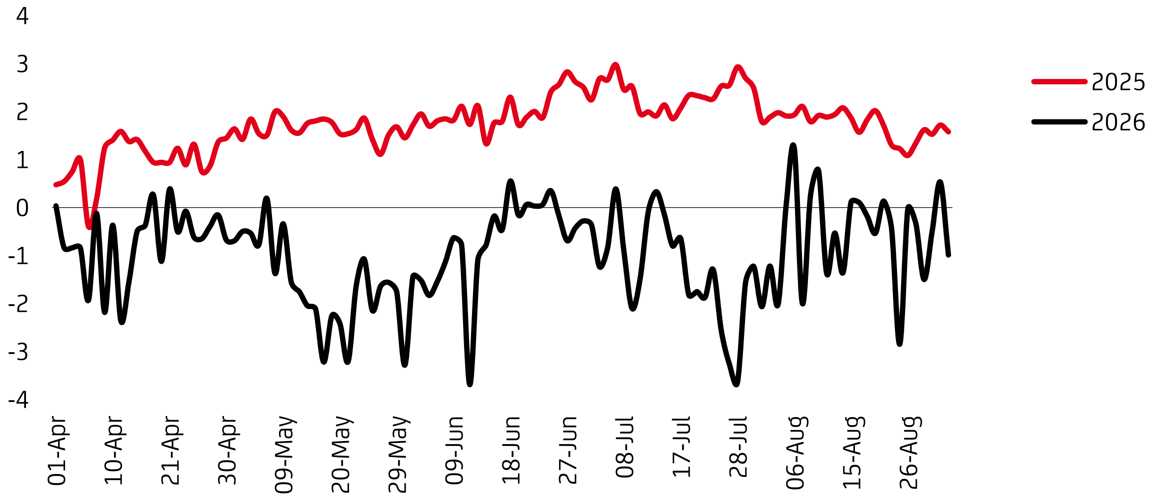
There are clear differences in how the various European countries approach gas restocking, based largely on geography and their regulatory frameworks. Italy and Spain receive significant amounts of gas from pipeline connections to North Africa, making them less dependent on global LNG flows. Italy, Spain and France also regulate their markets to backstop pricing, which incentivises restocking in difficult market phases. Germany and the Netherlands use a more competitive auctioning process, which limits operators' incentives to buy gas in summer if summer prices are not lower than winter prices.

However, there are other incentives to make sure that storage operators meet their capacity requirements, including transferring unused capacity to the broader market. If it appears that the restocking targets will not be met, the market regulators will need to step in more forcefully to ensure compliance. So far, Germany's regulator has declined to take action and assumes that the targets will be met. It has acknowledged that regulatory interference could be perceived by the market as an emergency signal that could drive gas prices much higher.

The emphasis in Germany and the Netherlands on using market pricing to incentivise gas restocking is at the heart of the discrepancy in the slower refilling of storage capacity in those markets relative to the better-supplied markets of France, Spain and Italy. The typical financial incentives to replenish stocks have been in disarray since the war in Iran started. First, TTF pricing has been much more volatile than in 2025 as news about the direction of the war has been the main price driver. In contrast, in 2025, price trends were mainly driven by considerations about supply and demand for natural gas. Storage operators have been reluctant to purchase gas at high prices knowing that a cessation of hostilities or even a temporary ceasefire would lead to meaningfully lower prices, which gives them an incentive to delay purchases when hostilities are high. This is linked to the second major financial disincentive to restock in that the seasonal spread has not provided enough margin to encourage operators to step up purchases. Typically, gas purchased in the summer low-usage season is cheaper than gas purchased in winter during the peak heating season, creating a margin for operators that restock in summer. This summer, the TTF forward curve has been in backwardation, making summer contracts more expensive than winter contracts due to the tense geopolitical situation and potential for easing if the Iran conflict stabilises. A comparison of the price spread between TTF summer contracts in 2025 and 2026 relative to the January contract illustrates how unattractive the seasonal spread has been in recent months.

SEASONAL SPREAD IN 2026 FAILS TO INCENTIVISE RESTOCKING

SPREAD BETWEEN JANUARY TTF CONTRACT AND TTF 1M FORWARD IN EUR



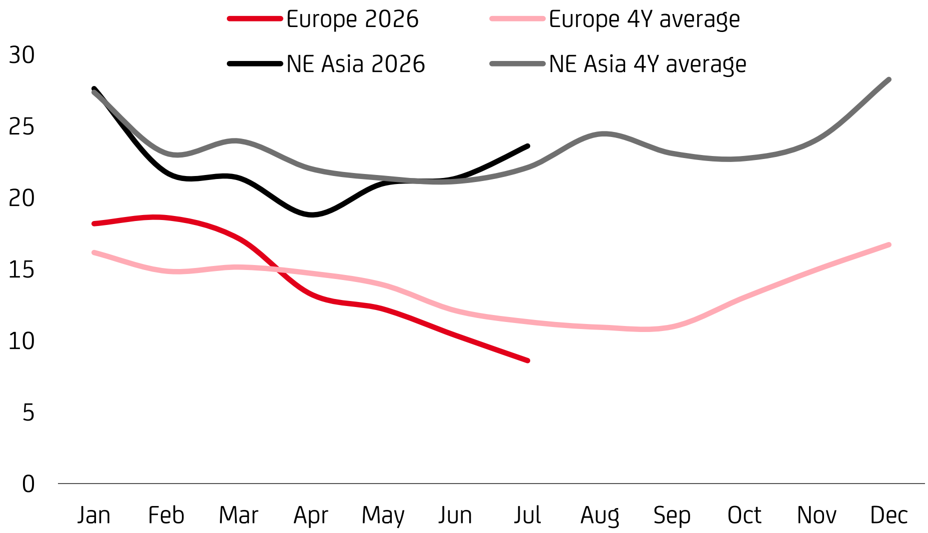
Source: LSEG, The Investment Institute by UniCredit

Asia and Europe are competing for shrinking gas supplies

Another factor that has discouraged European restocking over the summer has been increased competition for spot LNG cargos from Asia. Above-average temperatures this summer – boosted by El Niño – have spurred demand for power to run air conditioning and have led to an increase in LNG imports into key Asian markets. In addition, drought has limited electricity generation from nuclear and hydropower plants. The LNG import trends of Europe and Asia have, to a degree, been mirror images in 2026. While Europe's LNG imports were above recent averages in the months before the Iran war and Asia's were below, due to the cold winter in Europe, the situation reversed in recent months, as Asia's imports accelerated above recent trends and Europe's declined. Europe's importers appear to be waiting to boost imports in the hope that prices could fall as temperatures cool off or if hostilities in the Iran war calm down. However, each month that Europe delays restocking raises pressure on prices as peak winter usage approaches.

EUROPE HAS DELAYED LNG IMPORTS AS ASIAN DEMAND RAMPED UP

LNG IMPORTS IN BCM



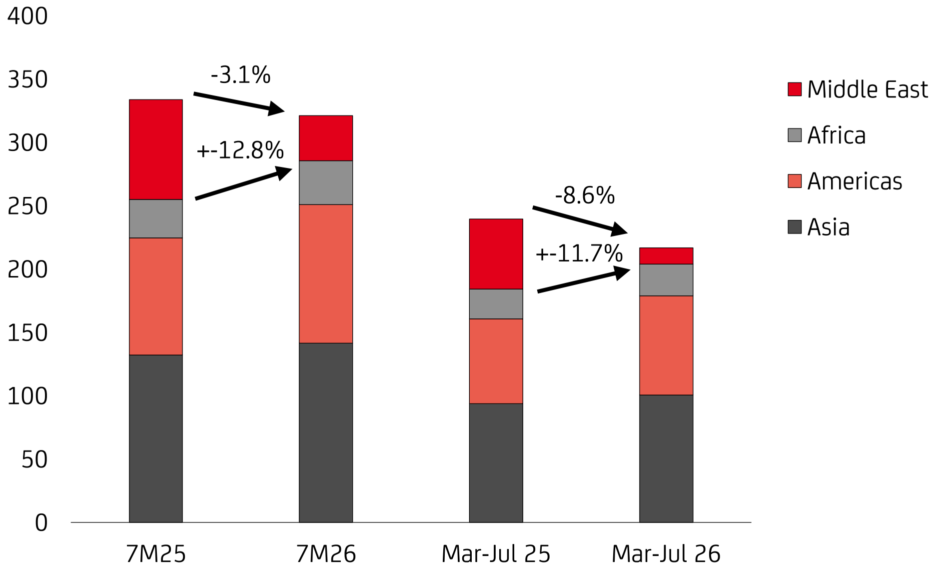
Source: LSEG, The Investment Institute by UniCredit

Europe's gas storage was 28% full as of 31 March, according to Gas Infrastructure Europe, or 6pp below where it was at the same time in 2025. This means that the EU needs to inject 55bcm of gas from 1 April through 1 November to reach the 80% threshold, compared to 49bcm in 2025. However, due to the better market conditions in 2025, the EU had already filled storage to 78% of the total by the end of August, compared to 65% currently. The EU therefore needs to acquire 16bcm of LNG (or 15% of total storage) in the coming two months to reach this goal. Europe also has flexibility to lower the target to 75% and delay the goal for a month in the event of adverse market conditions, which looks likely. This would lower the necessary volume to acquire to 11bcm. Availing itself of this flexibility, the EU should be able to avoid a gas crisis or the need for regulatory intervention before the heating season begins, considering that it has been adding 8-9% of total storage capacity to its stocks monthly despite adverse market conditions. However, the need to accelerate buying into the coldest months and the prospect for even lower storage levels at the end of the 2026-27 winter raise tensions that are likely to keep upside pressure on gas prices in the near term.

This challenging demand outlook comes in an environment of an impaired supply backdrop. Before the war in Iran, Qatar was supplying around 20% of global LNG. At the end of 2025, the expectation for 2026 was that new supplies from North America would become available and would put downward pressure on global gas prices. In the last quarter of 2025, TTF averaged EUR 30/MWh and even fell below EUR 30/MWh at the start of the year. These new supplies continue to come online and have helped to prevent the price outlook from deteriorating even further. However, with around 42bcm of new supply expected to come online in 2026 and 52bcm in 2027, based on IEA calculations, this new capacity only partially replaces the missing Qatari production of 110bcm in 2025.

LOSS OF HORMUZ VOLUMES DRAGS DOWN AN OTHERWISE POSITIVE LNG SUPPLY OUTLOOK

LNG EXPORTS IN BCM



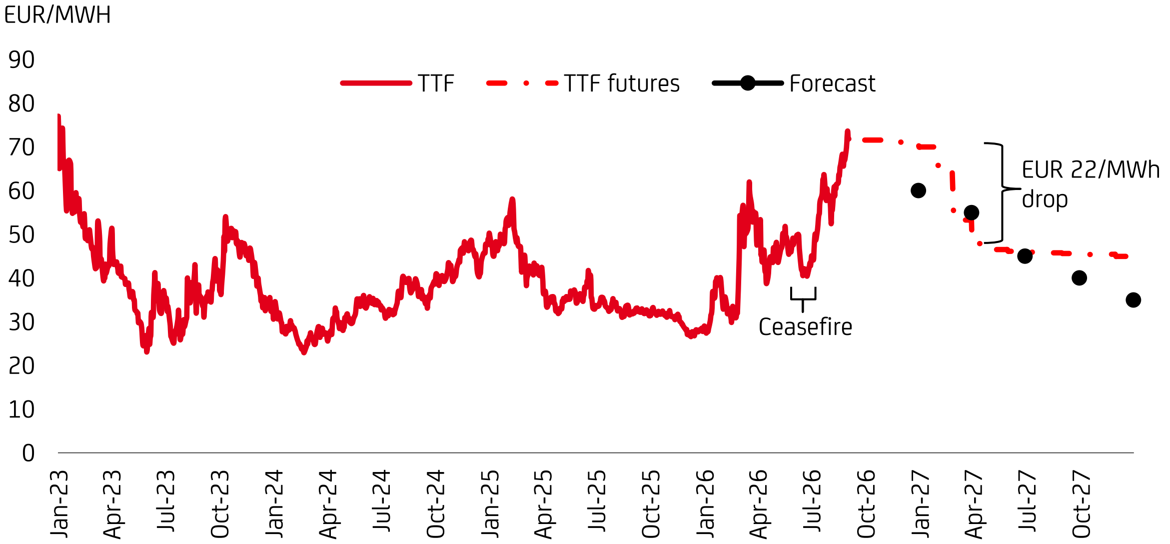
Source: LSEG, The Investment Institute by UniCredit

The chart above shows how export capacity has expanded in all regions significantly in the first seven months of this year but the reduction of Qatari exports after March has eliminated this surplus and turned the supply situation negative. Excluding the Middle East (88% of which comes from Qatar), LNG exports were up 12.8% globally through 7M26 and 11.7% after the war in Iran started in March. However, due to a 55% drop in LNG exports from the Middle East in 7M26, and 77% since March, overall exports are down 3.1% in 7M26 and 8.6% since March. This illustrates how a favourable supply situation at the start of the war has reversed and made supplies tighter. A production increase of 33bcm excluding the Middle East in the first seven months of 2026 has therefore turned into a decline of 10bcm due to the collapse of Qatari exports.

What are the implications for the TTF price outlook?

Given the deterioration in the supply and demand relations for gas since the outbreak of war in Iran, the TTF price outlook is becoming increasingly challenging throughout the winter 2026-27 season. TTF has recently exceeded EUR 70/MWh, a level not seen since early 2023, when Europe was still reorienting its gas infrastructure away from Russian pipeline delivery toward LNG. The two key unknowns that will impact the price trend are the direction of the war and weather. Developments in the hostilities between the US and Iran remain the clearest driver of near-term gas prices. Our forecast for the coming quarters assumes a frozen conflict, with limited LNG flows transited out of the Strait of Hormuz. The recent resumption of kinetic military action, which entails a threat to energy infrastructure and is not factored into a frozen-conflict scenario, has led to an increase in the price level beyond what we had factored into our forecast.

TTF IS DRIVEN BY DYNAMICS OF THE WAR AGAINST A TIGHT SUPPLY AND DEMAND BALANCE



Source: LSEG, The Investment Institute by UniCredit

If there were a sustained pause in hostilities that allows supply and demand fundamentals to reassert themselves as the main price driver for gas, we see potential for a near-term decline in the TTF price. The strongly backwardated forward curve, showing a EUR 22/MWh price drop from the January to the April TTF contract, reflects the challenges that are already priced into the near-term outlook. We think that most of the price relief would be driven from the demand side, with the supply side seeing only a modest increase in volumes, assuming that Qatar's exports remain largely trapped.

More moderate temperatures in Asia and Europe together with demand destruction from the high price level that would encourage switching from gas to coal or renewable power generation would lead to softer near-term demand. We also expect Europe to refill gas stocks to the minimum level required, implying similar levels of gas purchasing than in the restocking season of 2025. However, the situation will remain tense as Europe's inventories are still lagging behind last year's, even with a more relaxed 75% target. The need for accelerated stock rebuilding is likely to keep the TTF price elevated even if there is a pullback in military action.

The other key unknown for the near-term TTF price will be weather. If winter temperatures are again below average, as they have been the last two years, then prices could rise, while a return to average – or a continuation of the current above-average temperatures – could put downside pressure on prices. We think that the current elevated TTF price is factoring in the potential for a sustained challenging supply-and-demand balance and sustained military conflict. While the months ahead will remain tense, we see potential for an easing of the current price level if reaching the minimum stock levels appears realistic and if Asia's demand softens as autumn temperatures bring relief and cool demand for power.

Author
Jonathan Schroer CFA, Energy and ESG Strategist (UniCredit, Munich), jonathan.schroer@unicredit.de

Editors
Edoardo Campanella, Director and Chief Editor of The Investment Institute (UniCredit Milan), edoardo.campanella@unicredit.eu
Francesco Maria Di Bella, FI Strategist (UniCredit, Milan), francescomaria.dibella@unicredit.eu

UniCredit S.p.A
The Investment Institute by UniCredit, Piazza Gae Aulenti, 4, I-20154 Milan
www.the-investment-institute.unicredit.eu

Legal Notices

Glossary

Terms used in the report are available on our website: Our glossary.

Marketing Communication

This publication/video constitutes a marketing communication of UniCredit S.p.A., UniCredit Bank Austria AG, Schoellerbank AG and UniCredit Bank GmbH (hereinafter jointly referred to as the "UniCredit Group") is addressed to the general public and is provided free of charge for information only. It does not constitute investment recommendation or consultancy activity by the UniCredit Group or, even less, an offer to the public of any kind nor an invitation to buy or sell securities. The information contained herein does not constitute an investment research or financial analysis since, in addition to the lack of content, it has not been prepared in accordance with legal requirements designed to promote the independence of investment research, and it is not subject to any prohibition on dealing ahead of the dissemination of investment research.

UniCredit Group, including all its group companies may have a specific interest in relation to the issuers, financial instruments or transactions detailed herein. Relevant disclosures of interests and positions held by UniCredit Group are available at: Conflicts of interest. Any estimates and/or assessments contained in this publication represent the independent opinion of the UniCredit Group and, like all the information contained therein, are given in good faith on the basis of the data available at the date of publication, taken from reliable sources, but having a purely indicative value and subject to change at any time after publication, on the completeness, correctness and truthfulness of which the UniCredit Group makes no guarantees and assumes no responsibility. Interested parties must therefore carry out their own investment assessments in a completely autonomous and independent manner, relying exclusively on their own considerations of the market conditions and the information available overall, also in line with their risk profile and economic situation. Investment involves risk. Before any transaction in financial instruments please refer to the relevant offering documents. It should also be noted that:

4. Information relating to the past performance of a financial instrument, index or investment service is not indicative of future results.
5. If the investment is denominated in a currency other than the investor's currency, the value of the investment can fluctuate strongly according to changes in exchange rates and have an undesirable effect on the profitability of the investment.
6. Investments that offer high returns can undergo significant price fluctuations following any downgrading of creditworthiness. In the event of bankruptcy of the issuer, the investor may lose the entire capital.
7. High volatility investments can be subject to sudden and significant decreases in value, being able to generate significant losses at the time of sale up to the entire capital invested.
8. In the presence of extraordinary events, it may be difficult for the investor to sell or liquidate certain investments or obtain reliable information on their value.
9. If the information refers to a specific tax treatment, it should be noted that the tax treatment depends on the individual situation of the customer and may be subject to change in the future.
10. If the information refers to future results, it should be noted that they do not constitute a reliable indicator of these results.
11. Diversification does not guarantee a profit or protect against a loss.