

ORGANISED GAS MARKET ANNUAL REPORT 2021

EXECUTIVE SUMMARY

One of the main milestones in the development of the organised market in 2021 was the launch of trading in natural gas products with physical delivery at the so-called Virtual Trading Point (VTP) in Portugal after the approval of ERSE Directive No. 14/2020 of 30 September 2020. Now that products are trading in Portugal, the Iberian side of MIBGAS is complete, a decisive step towards its consolidation as a hub of reference in south-western Europe.

Another key aspect of the development of the Iberian gas market in 2021 was the impetus provided by public information to stakeholders and to society at large. Daily, monthly and annual reports on market developments and relevant aspects were issued, as well as a quarterly newsletter containing brief, educational summaries of relevant aspects of global natural gas markets and their leading players.

There is no question that 2021 was also marked by the MIBGAS group's commitment to sustainability reflected in its own plan, ratified by the Board of Directors, to strengthen its corporate governance strategy based on the ethical and environmental pillars on which the group is built.

The global gas market was extremely volatile in 2021. Natural gas prices recovered well in the main regions in 2021, reaching more than ten-year highs in North America and record highs in Asia and Europe in the last quarter of the year. The Iberian market was not immune to this high price variability, and has behaved increasingly similarly to other, more highly developed markets, such as the Dutch TTF.

A combination of several supply and demand factors were responsible for the scenario observed in 2021, such as the cold snap in Asia and the United States, a lack of availability in gas liquefying plants and Japanese electric power plants, congestion in the Panama Canal and soaring costs of transport in LNG vessels. The rigidity and tension that has led to the price explosion on the international market is more pronounced on the supply side. The huge price variations observed in Europe were mainly due to the behaviour of the major pipeline gas suppliers: Norway, Russia and Algeria.

Focusing on the behaviour of the Iberian gas market and MIBGAS throughout 2021, there was a steady, progressive recovery in the level of trading, which was clearly affected during 2020 by the COVID-19 pandemic. Total trading of MIBGAS Spot and Prompt products was 68,793 GWh, the equivalent to 18.9% of national demand, representing an increase of 72.9% over 2020, resuming the path to liquidity observed in the 2016-2019 period. Likewise, trading of products with delivery in the Portuguese VTP commenced in March, with a total traded volume of 431 GWh. It is noteworthy that in 2021, in addition to the increase in the volume traded on the platform, the number of registered agents also increased, closing the year with 169, with a daily average of 102 active participants on the platform.

With respect to prices, 2021 was marked by strong volatility, not only in MIBGAS, but in all European markets, with which it has shown a high degree of correlation. In fact, it should be noted that, taking as a reference the MIBGAS D+1 product with delivery in the PVB, with an average annual price of €47.31/MWh during 2021, its price ranged from a minimum of €14.92/MWh to a maximum of €183/MWh.

With regard to trading in forward products, increasing price volatility throughout the year, coupled with uncertainty in the world markets due to an exponential growth in demand not matched by a corresponding increase in supply and varying geostrategic movements, have led to a decrease in

liquidity in the forward market. As a consequence, 2021 closed with 15.8% less trading than the previous year. Despite all this, the number of agents in MIBGAS Derivatives increased by 14%, rising to a total of 49 at the end of the year.

Finally, with regard to OTC registration, there was a notable increase in the use of this service by agents, reaching a total annual trading of 3,075 GWh, compared to 1,836 GWh in 2020 (an increase of 67.5%); showing constant growth since this service was launched in 2019, when 220 GWh were registered.