

Europe heads into winter with a thinner energy buffer

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Key Points:

- Gas buffers are thin: EU storage is at a 15-year seasonal low, while Qatari LNG disruption has tightened global supply.
- Risks could compound: Low storage, cold weather, weak wind/hydro and constrained LNG supply are the key winter threat.
- Power volatility is rising: Growing renewable reliance increases exposure to Dunkelflaute, hydro weakness and nuclear outages.
- Important buffers remain: US LNG, lower gas demand and strong nuclear availability could help, while El Niño may deliver a milder winter.

Europe is approaching the coming winter with a considerably thinner energy cushion than in recent years. EU storage is currently around 66% full, the lowest level for this point in the year in roughly 15 years. Germany is particularly exposed: storage is only a little above 50%, compared with the government's objective of 70% by early November.

Meanwhile, the prolonged disruption to Qatari LNG exports through the Strait of Hormuz has removed roughly 20% of global LNG supply, tightening the global market while increasing competition for alternative cargoes. The scale of the disruption is extraordinary: Reuters reported recently that Qatar had exported only 18 LNG cargoes since the war began, compared with 509 during the same period last year.

The main risk is therefore not necessarily an outright shortage, but a combination of low inventories, a cold winter and periods of weak wind and hydro generation, which could sharply increase demand for gas-fired power at the same time as heating demand peaks. Continued disruption to Qatari LNG would amplify that risk by forcing Europe to compete more aggressively with Asia for flexible supply. The uncomfortable scenario is not any single one of these factors, but their combination: low storage + cold weather + weak wind/hydro + continued Qatari disruption.

Power markets add another layer of risk as electricity demand rises through electrification while Europe becomes increasingly reliant on weather-dependent renewable generation. The resulting volatility was evident during May and June, when average EU electricity prices before 09:00 and after 18:00 reached EUR 122/MWh versus EUR 90/MWh a year earlier, while daytime prices averaged just EUR 56/MWh as abundant solar generation depressed prices (Source: Euroelectric). Gas-fired generation rose 15% outside solar hours, highlighting the growing importance of flexible backup generation.

This challenge could become more pronounced during winter. Extended Dunkelflaute periods - cold, cloudy and low-wind conditions - can simultaneously lift electricity demand and sharply reduce renewable output, increasing reliance on gas-fired generation. Other risks include low hydro levels,

nuclear outages and insufficient grid, battery and interconnector capacity. Conversely, strong French nuclear availability, improved hydro conditions, additional storage and better cross-border transmission would reduce the call on gas.

Several factors could also mitigate the broader energy challenge. European gas demand remains structurally below pre-energy-crisis levels, while rising US LNG export capacity provides an increasingly important alternative source of supply. That is important because storage isn't merely an inventory number. The Oxford Institute for Energy Studies estimates that storage withdrawals typically provide 20–33% of EU net winter gas supply, highlighting the importance of continued imports.

Weather, however, may ultimately prove decisive. The developing El Niño could become the strongest on record and is expected to persist into early 2027. While potentially supportive for European energy balances if it contributes to a mild winter, the same phenomenon is increasing the risk of extreme weather elsewhere, potentially disrupting agricultural production and adding another layer of volatility across commodity markets.

Overall, Europe looks capable of managing the winter, but with less room for error. The growing interaction between gas and an increasingly weather-dependent power system means adverse conditions could quickly translate into higher and more volatile prices across both markets.

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