Energy, Oil and Gas: A Macroeconomic Perspective in the Eastern Mediterranean Region

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East Mediterranean countries energy balances: strong oil and coal dominance with minor share of gas

Sources: ERI RAS, IEA
Recent discoveries and exploration activities create new expectations

Source: OIES
Possible export monetization routes for East Mediterranean gas: pipeline to Greece or to Turkey or LNG (5 mtpa in Cyprus and 2-3 mtpa Israeli FLNG)?

Source: OIES
Export options face many challenges

EXTERNAL

- **Stagnant European demand** (crises, structural changes, energy efficiency) and **shrinking market niches** (shale revolution, new market participants).

- **Growing supply and increasing competition** with LNG newcomers - Australia, Brazil, East Africa and North America and with alternative pipeline projects – South Stream and Southern Corridor pipelines

- **Stagnant or decreasing prices** (moving from oil to spot indexation)

INTERNAL

- **Unsolvable political conflicts in the region**: Israeli-Palestinian, Israeli-Lebanese border dispute, unresolved Northern Cyprus question

- **High upstream costs** for offshore development without visible economy of scale

- Growing domestic demand (“Egyptian paradox”)

- Lack of trust (Most economically viable options are not regarded. Competition on who will operate the projects. Aggregation of feed gas for LNG plant needed, but not decided).
Market niche in Europe: strong competition in the future

Sources: WEO2011, IEA; Cedigaz; SKOLKOVO Business school Energy Centre
Global LNG supply is expected to boom by the end of this decade.

Global liquefaction capacities (existing and planed)

Mln. tonnes

Source: ERI RAS
Macroeconomic development prospects in the East Mediterranean

GDP of the new potential hydrocarbon producers in East Mediterranean

Source: ERI RAS
High electricity demand growth rates are projected in the region.

Average growth in real GDP and net electricity consumption in 5 (2000-2009)

Sources: IMF, EIA, OIES
Regional gas demand is supposed to boom: most likely new gas will become game-changer more locally then for European or global markets

Sources: OIES, ERI RAS
Contacts

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