

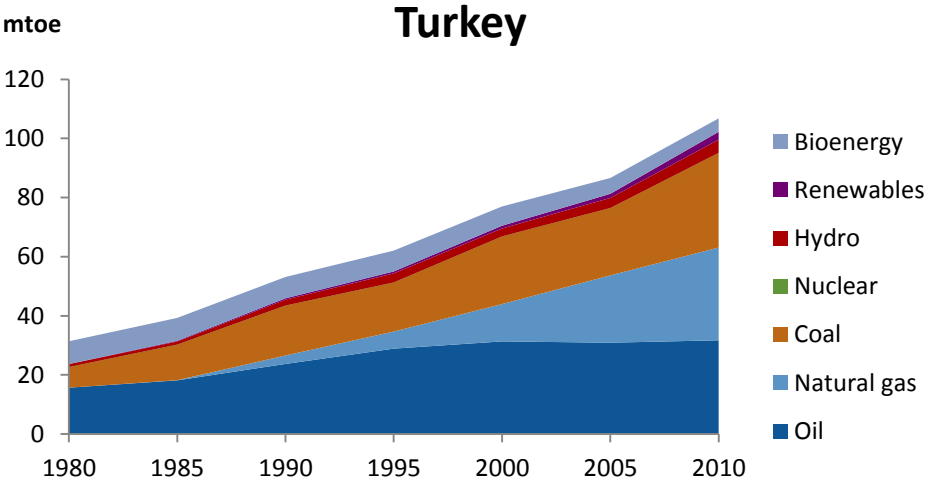
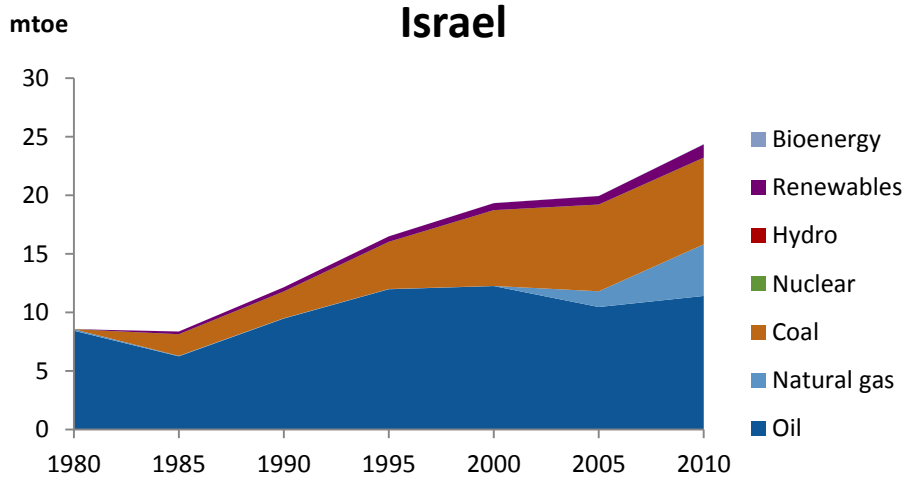
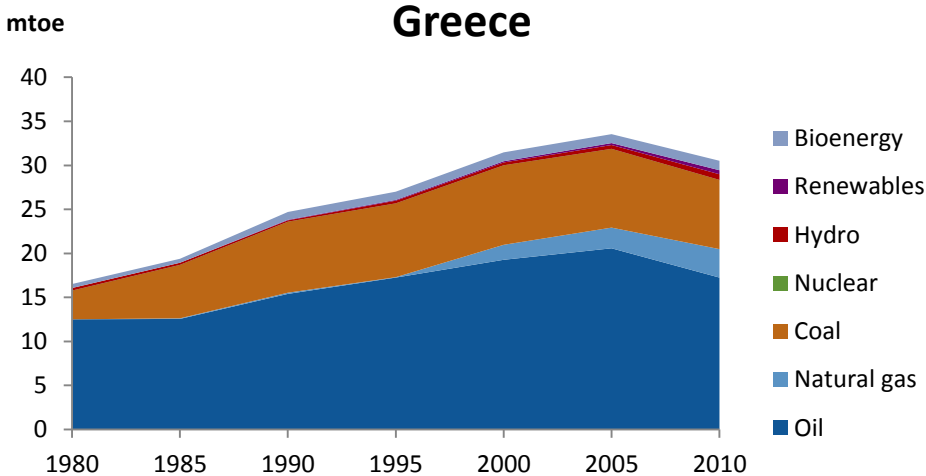
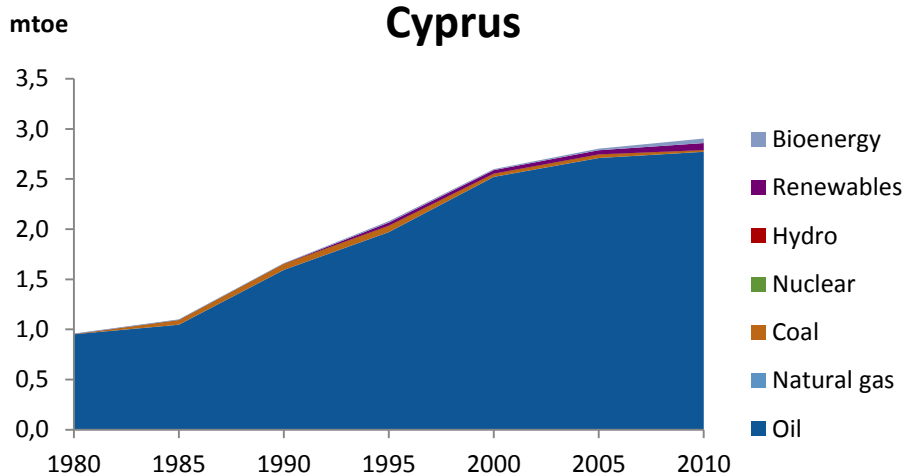
Energy, Oil and Gas: A Macroeconomic Perspective in the Eastern Mediterranean Region

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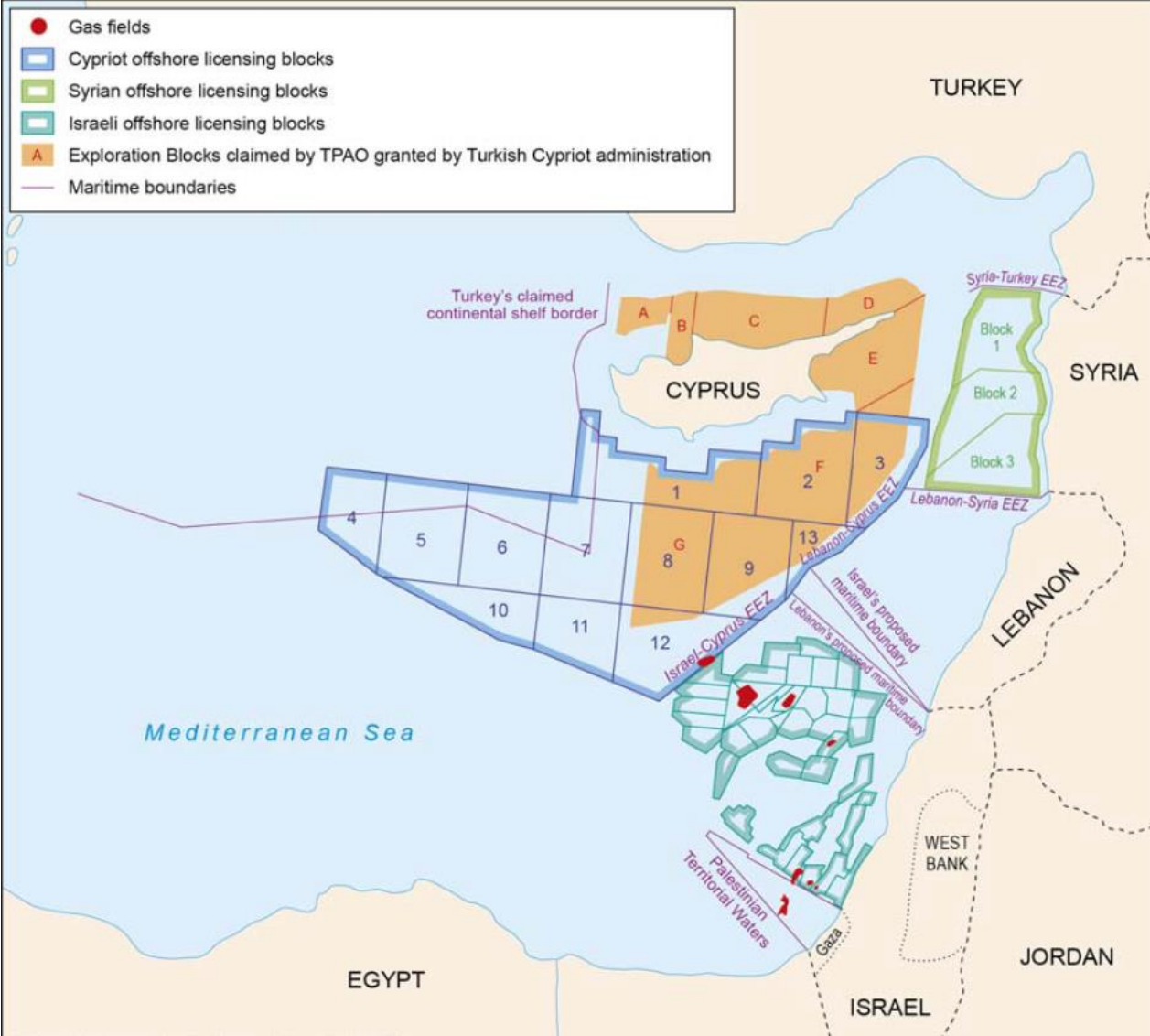
London
20 September, 2013

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



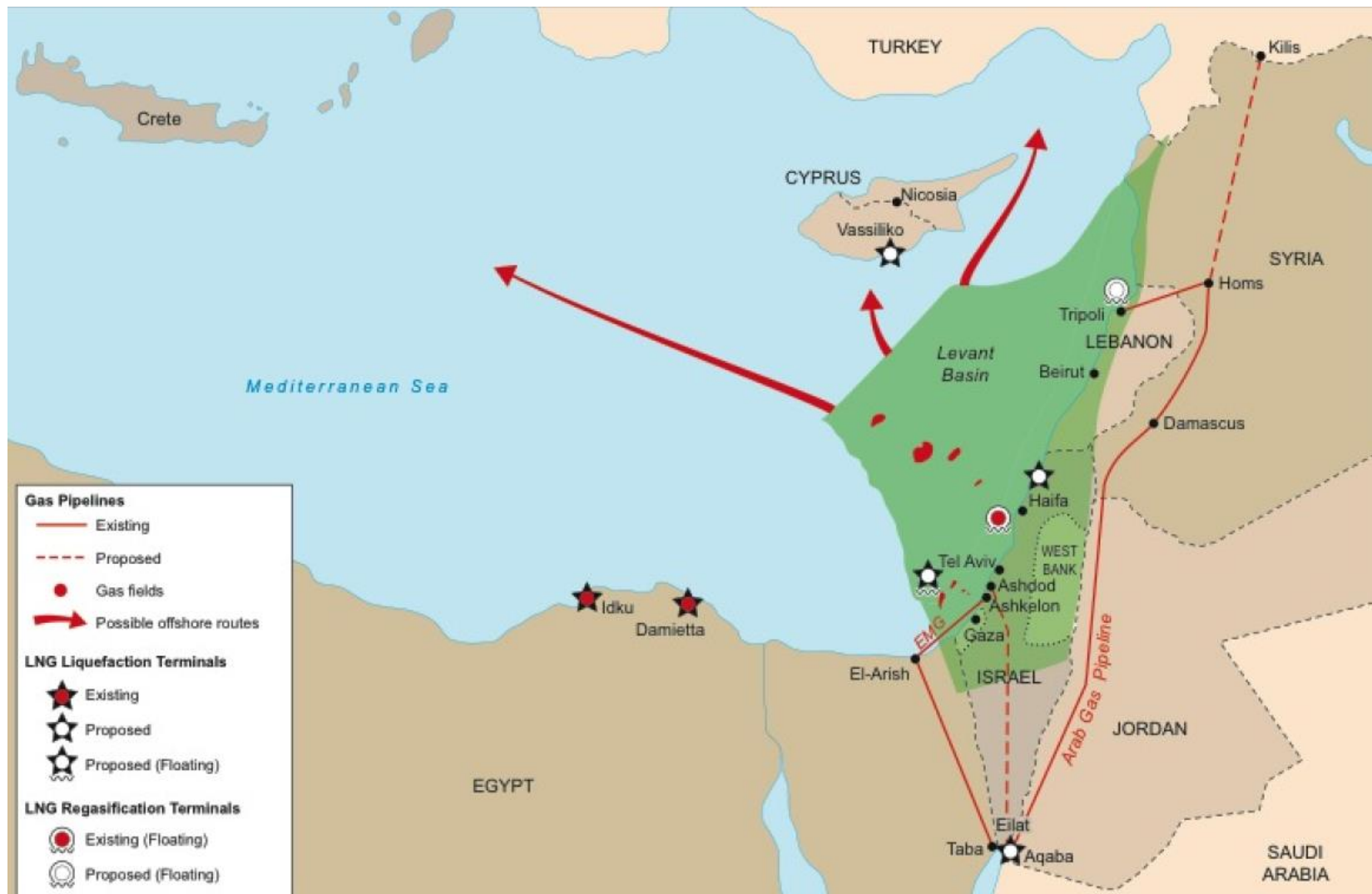
Sources: ERI RAS, IEA

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

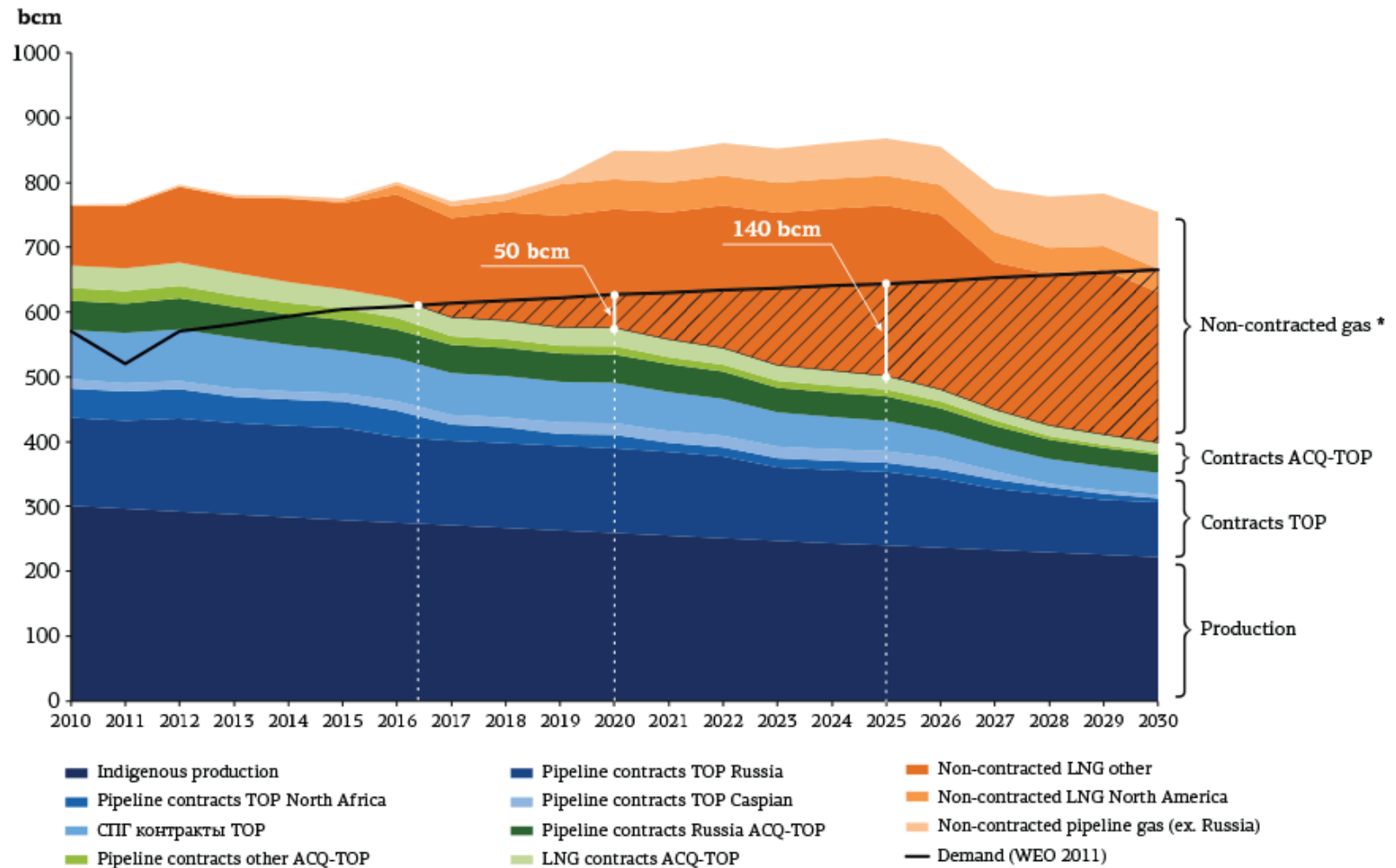
EXTERNAL

- **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

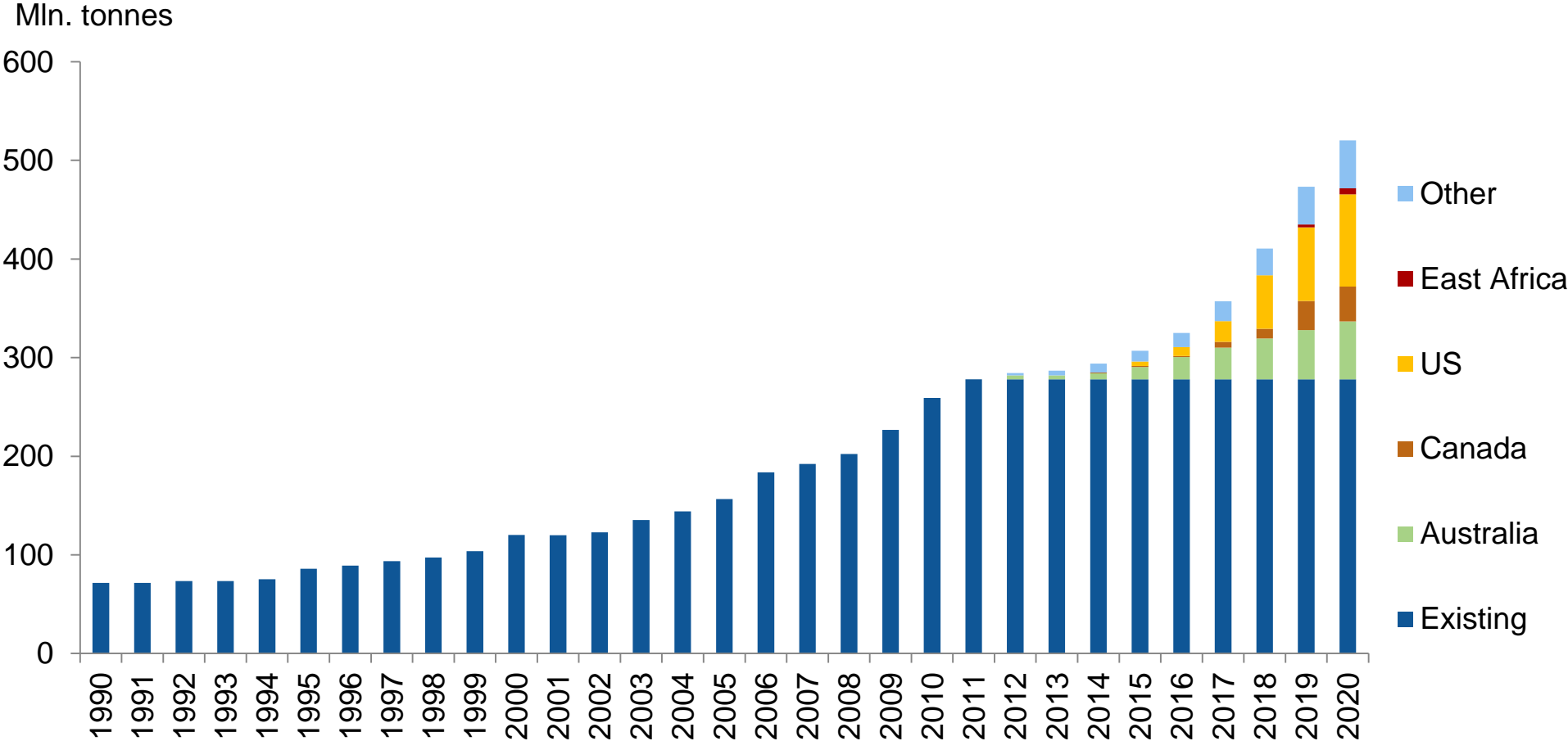


* with supply cost below \$9/MBtu

Sources: WEO2011, IEA; Cedigaz; SKOLKOVO Business school Energy Centre

Global LNG supply is expected to boom by the end of this decade

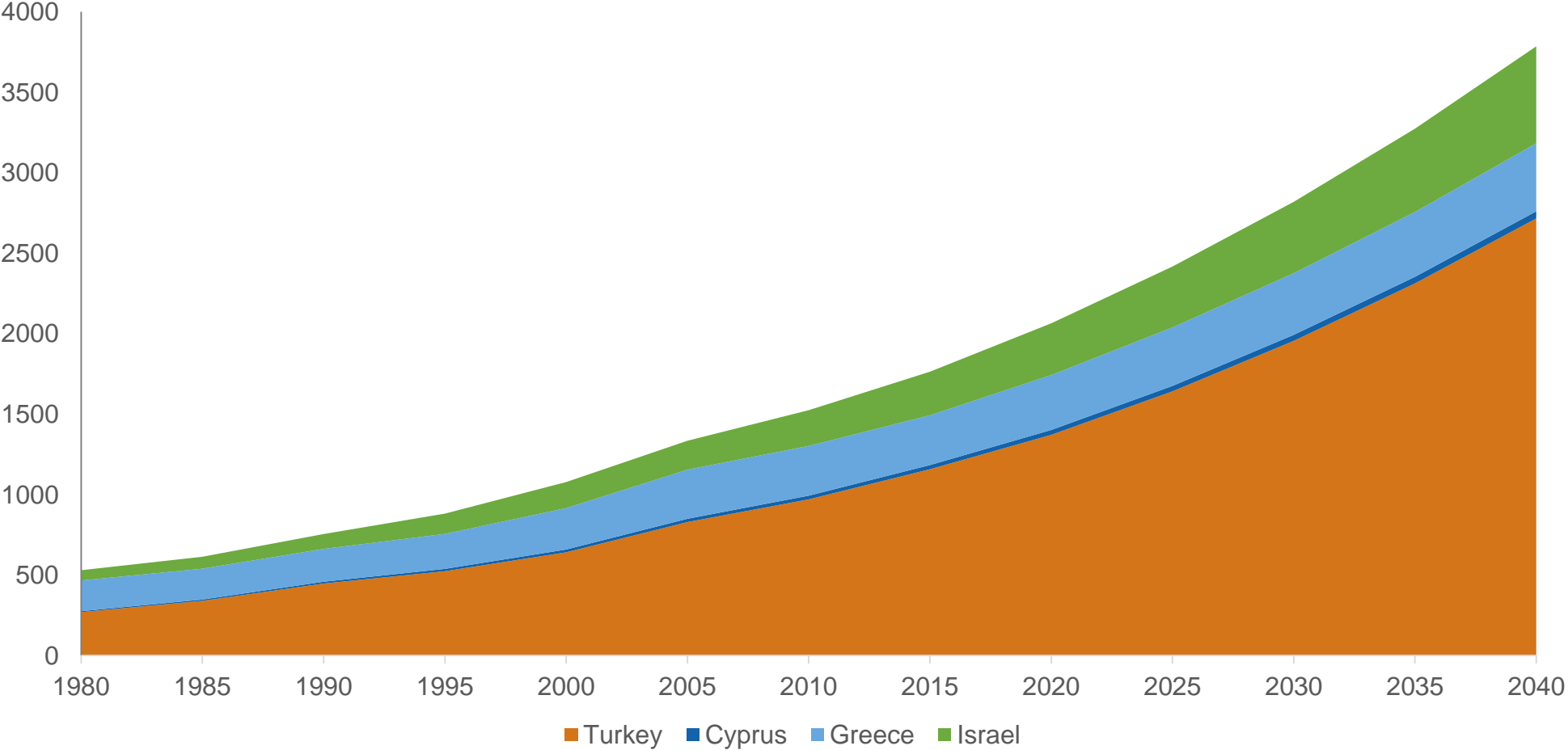
Global liquefaction capacities (existing and planned)



Source: ERI RAS

Macroeconomic development prospects in the East Mediterranean

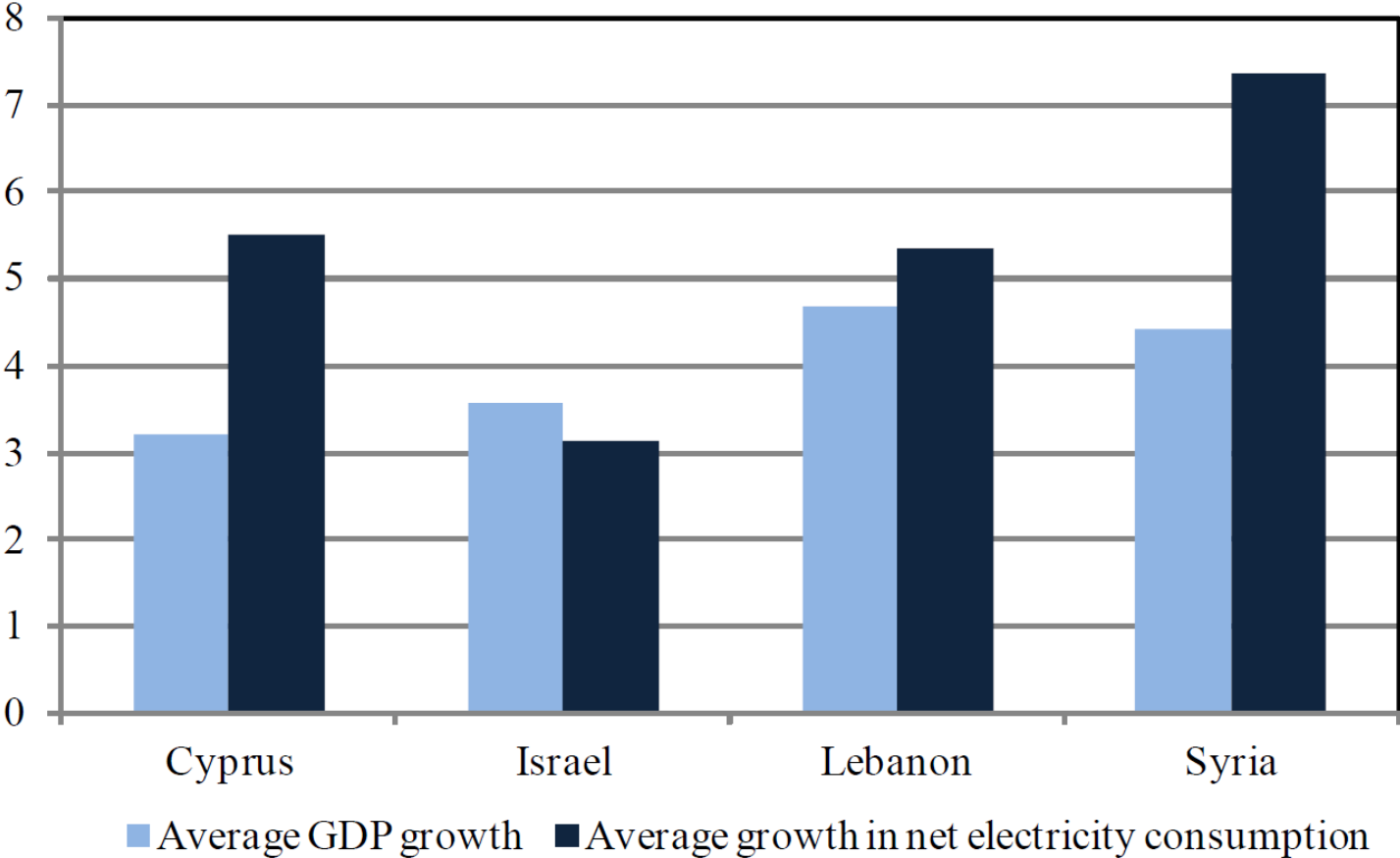
GDP of the new potential hydrocarbon producers in East Mediterranean



Source: ERI RAS

High electricity demand growth rates are projected in the region

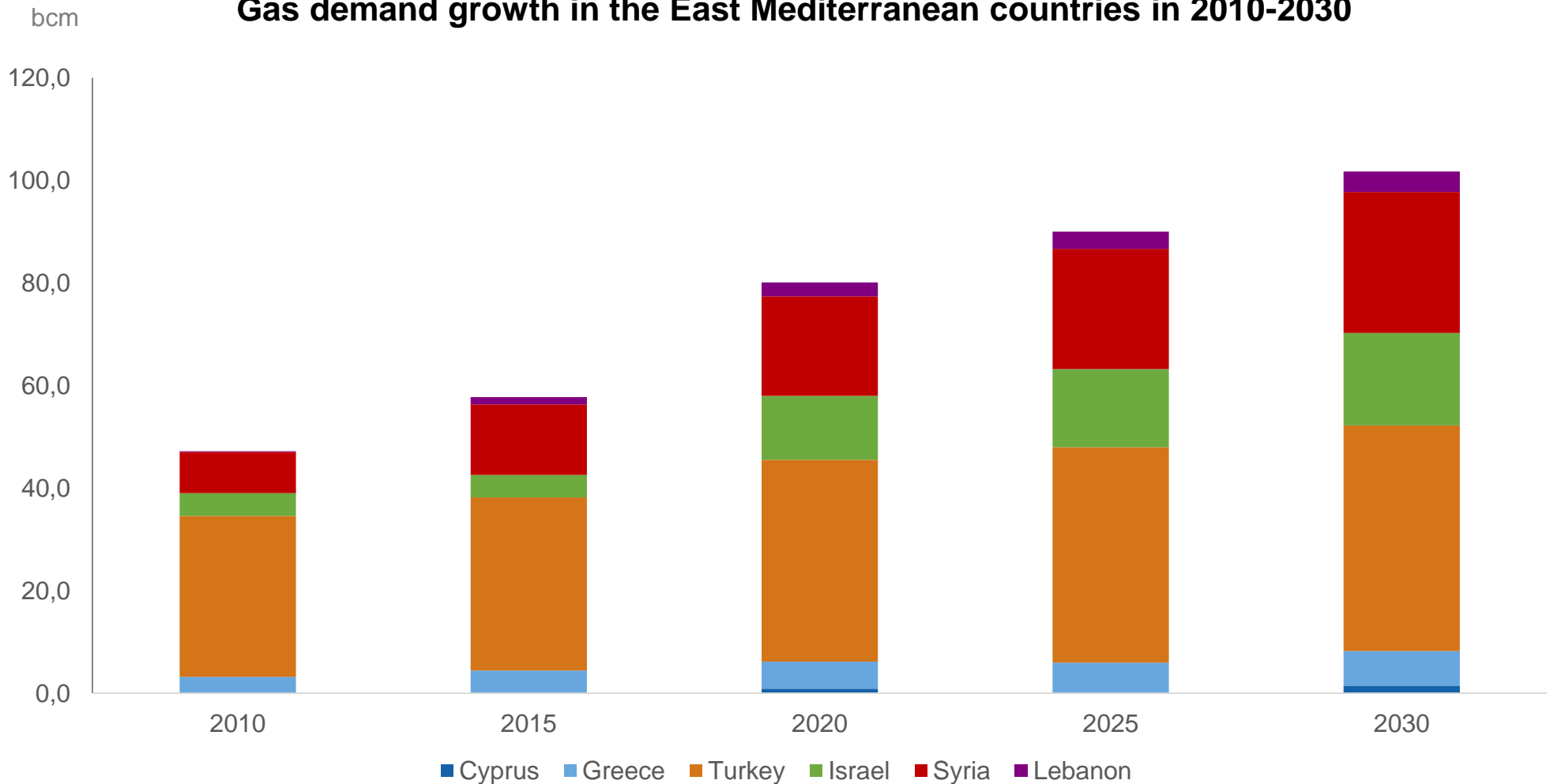
Average growth in real GDP and net electricity consumption in 5 (2000-2009)



Sources: IMF, EIA, OIES

Regional gas demand is supposed to boom: most likely new gas will become game-changer more locally than for European or global markets

Gas demand growth in the East Mediterranean countries in 2010-2030



Sources: OIES, ERI RAS

Contacts

Energy Research Institute of the Russian Academy of Sciences

"Global and Russian Energy Outlook up to 2040"

http://www.eriras.ru/files/Global_and_Russian_energy_outlook_up_to_2040.pdf

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