

# Gas Markets for Russia: Global Context

Dr. Tatiana Mitrova  
Head of Oil and Gas Department  
Energy Research Institute of the Russian Academy of Sciences



**1**

**CHANGING GLOBAL GAS MARKET: DEMAND**

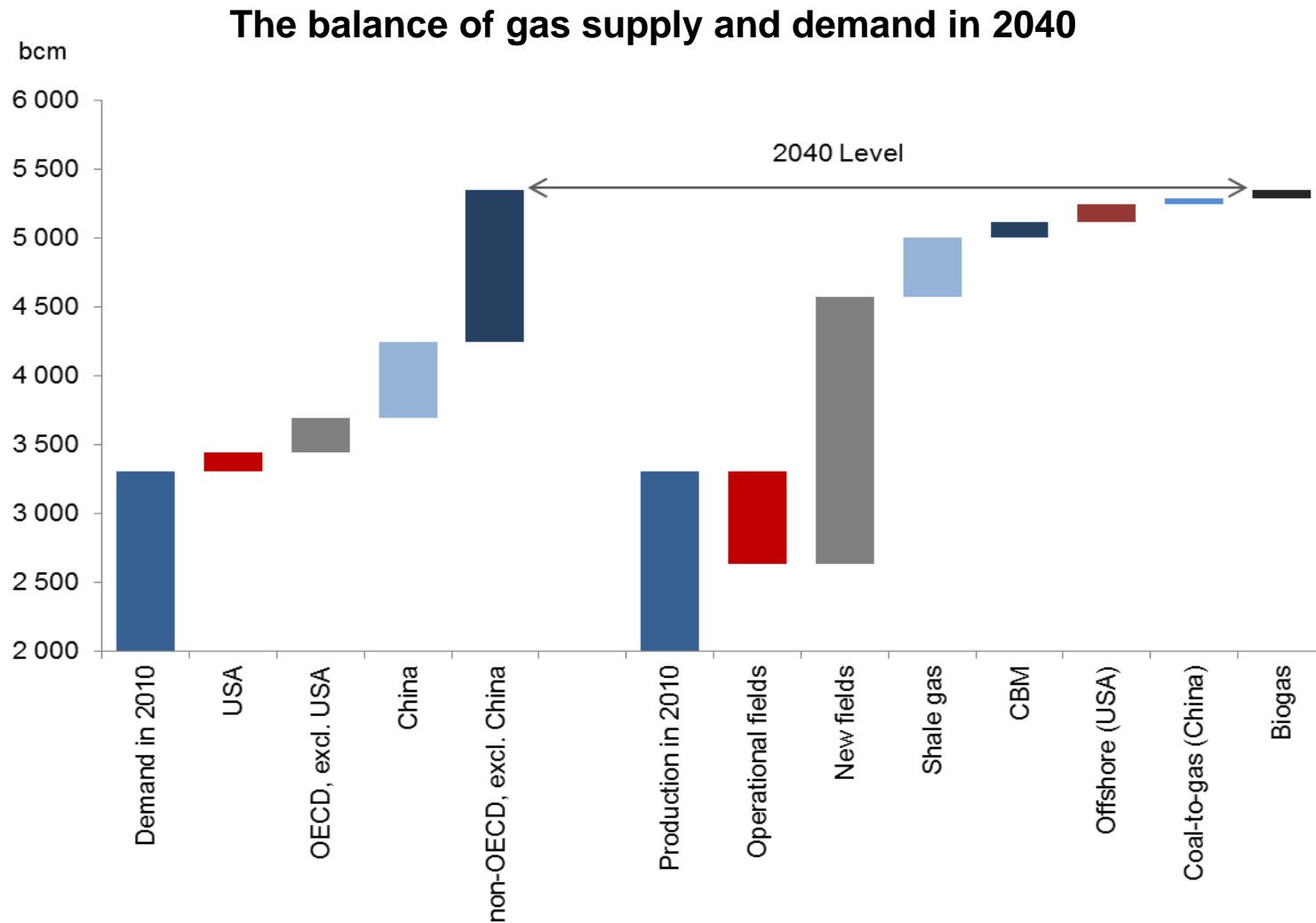
**2**

**CHANGING GLOBAL GAS MARKET: SUPPLY**

**3**

**GAS PRICING**

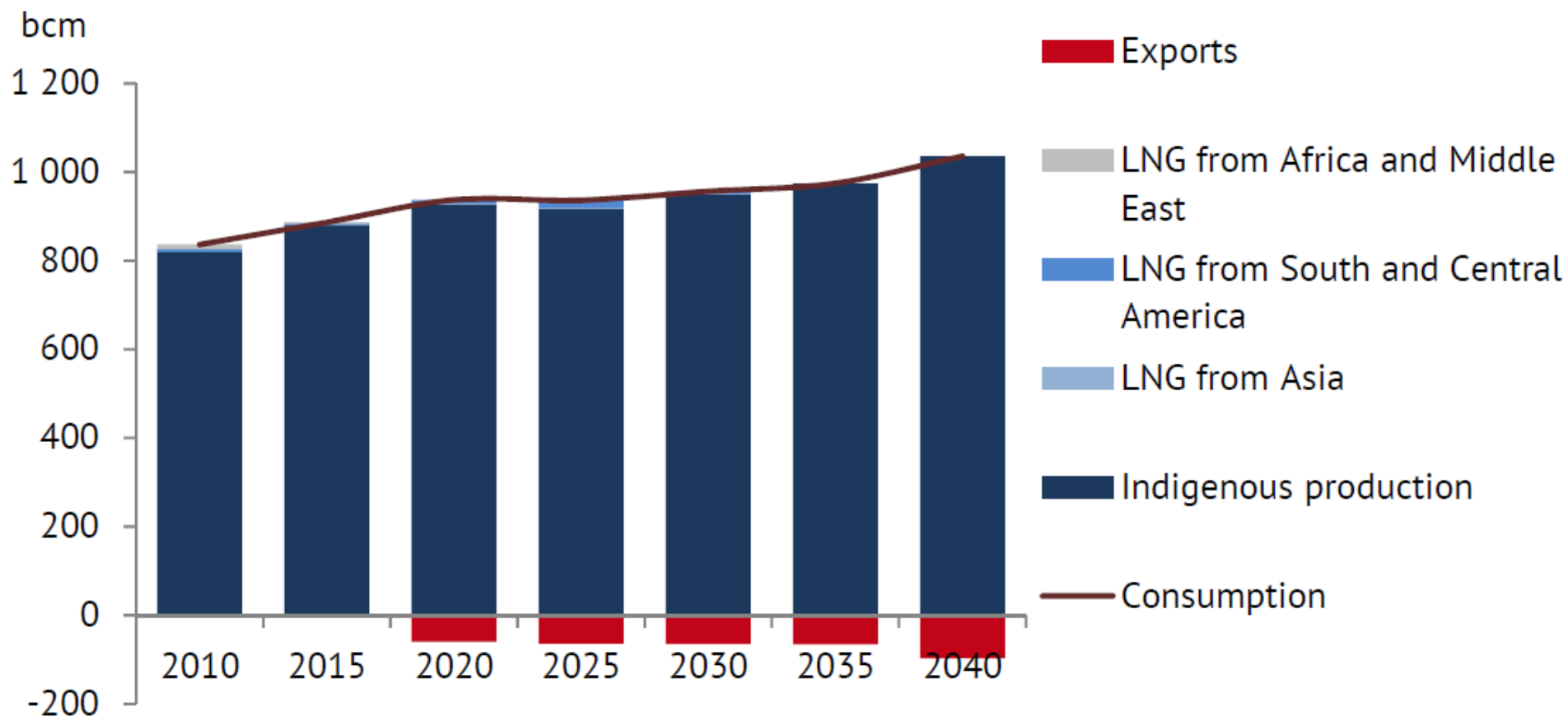
# Global gas market development



Source: Global and Russian Energy Outlook up to 2040. ERI RAS-AC. 2013.

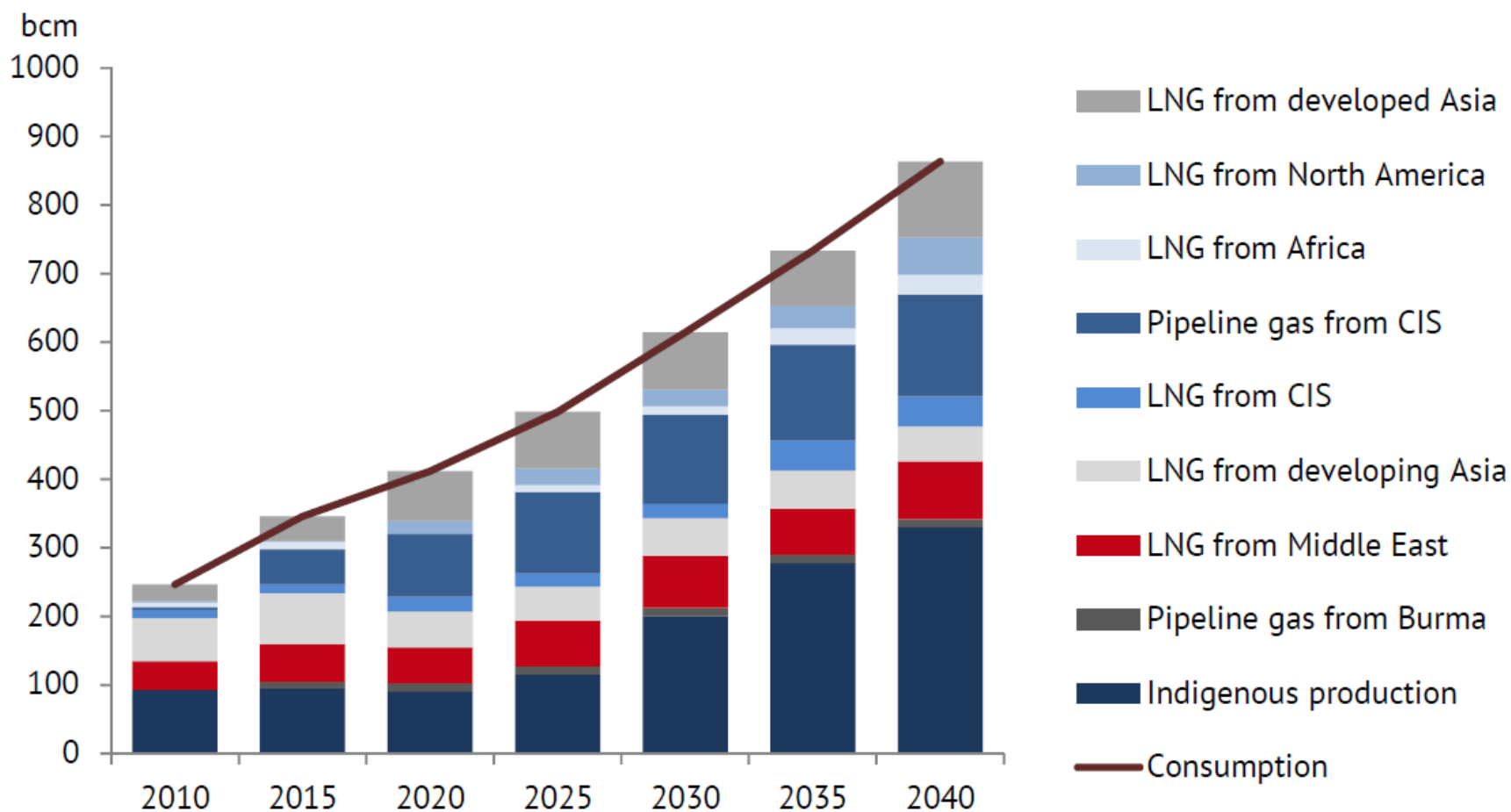
## There is no market niche in North America any more

Gas balance in North America



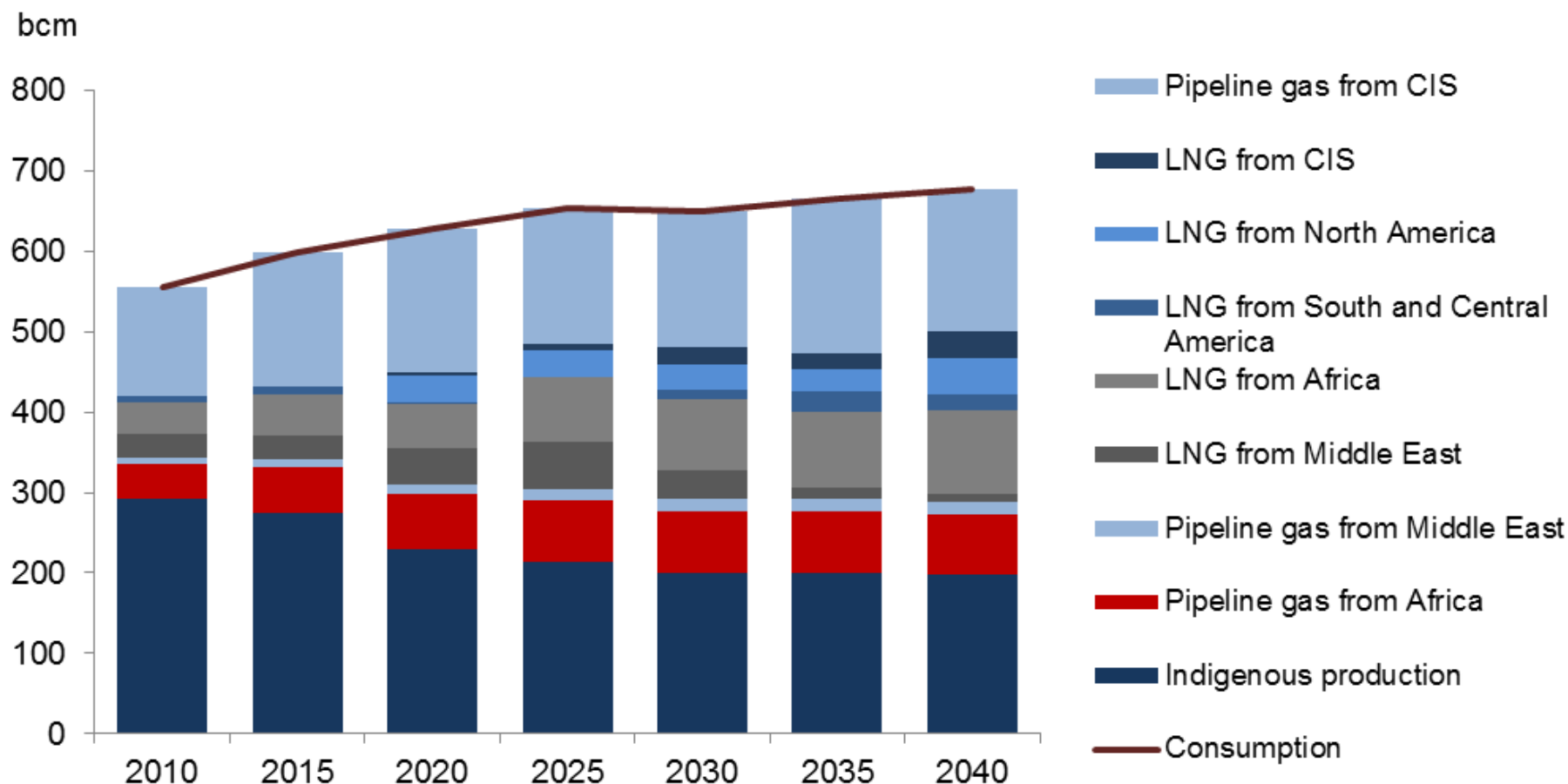
## Growing market in Asia

Gas balance in North-East Asia

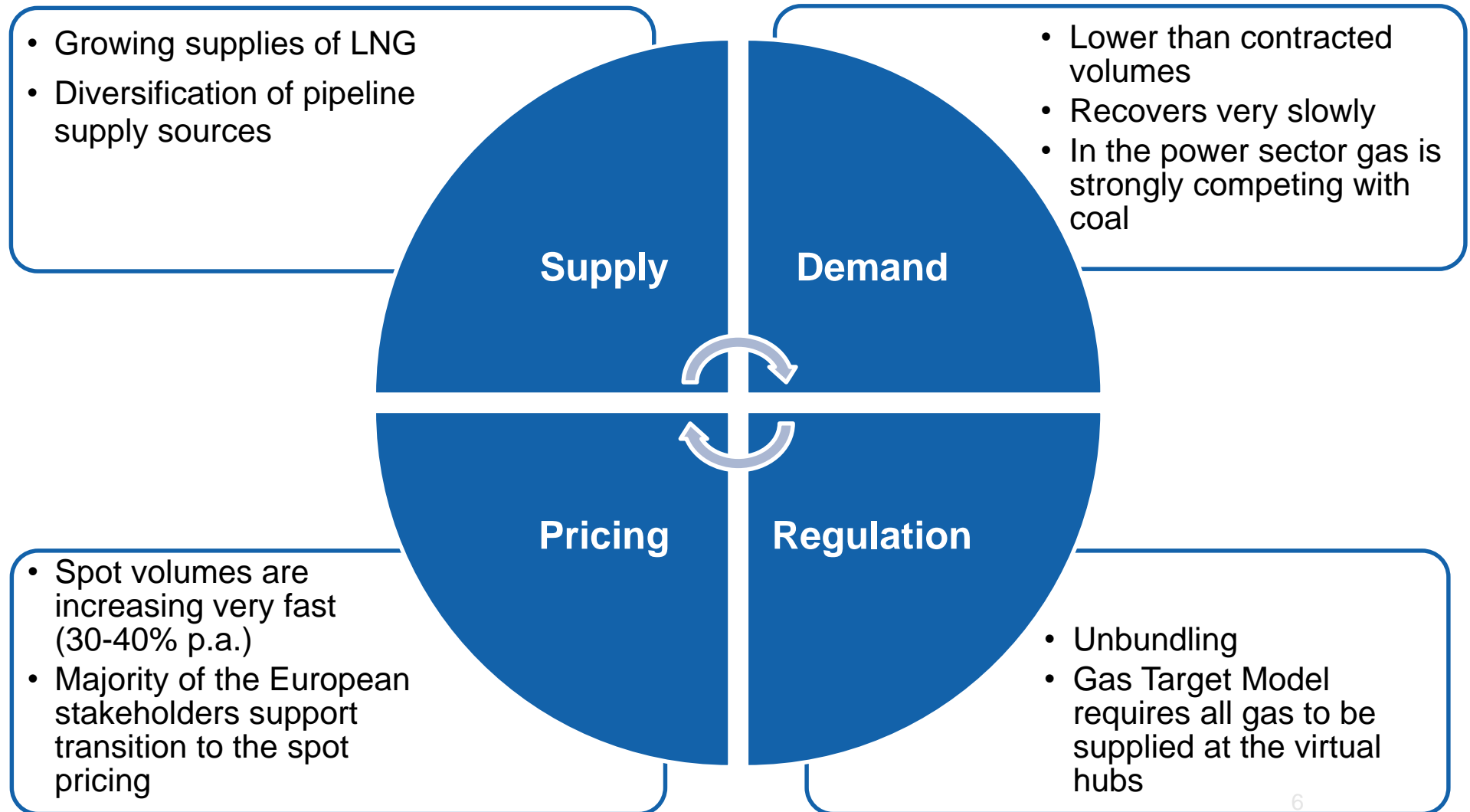


## Market niche in Europe: strong competition in the future

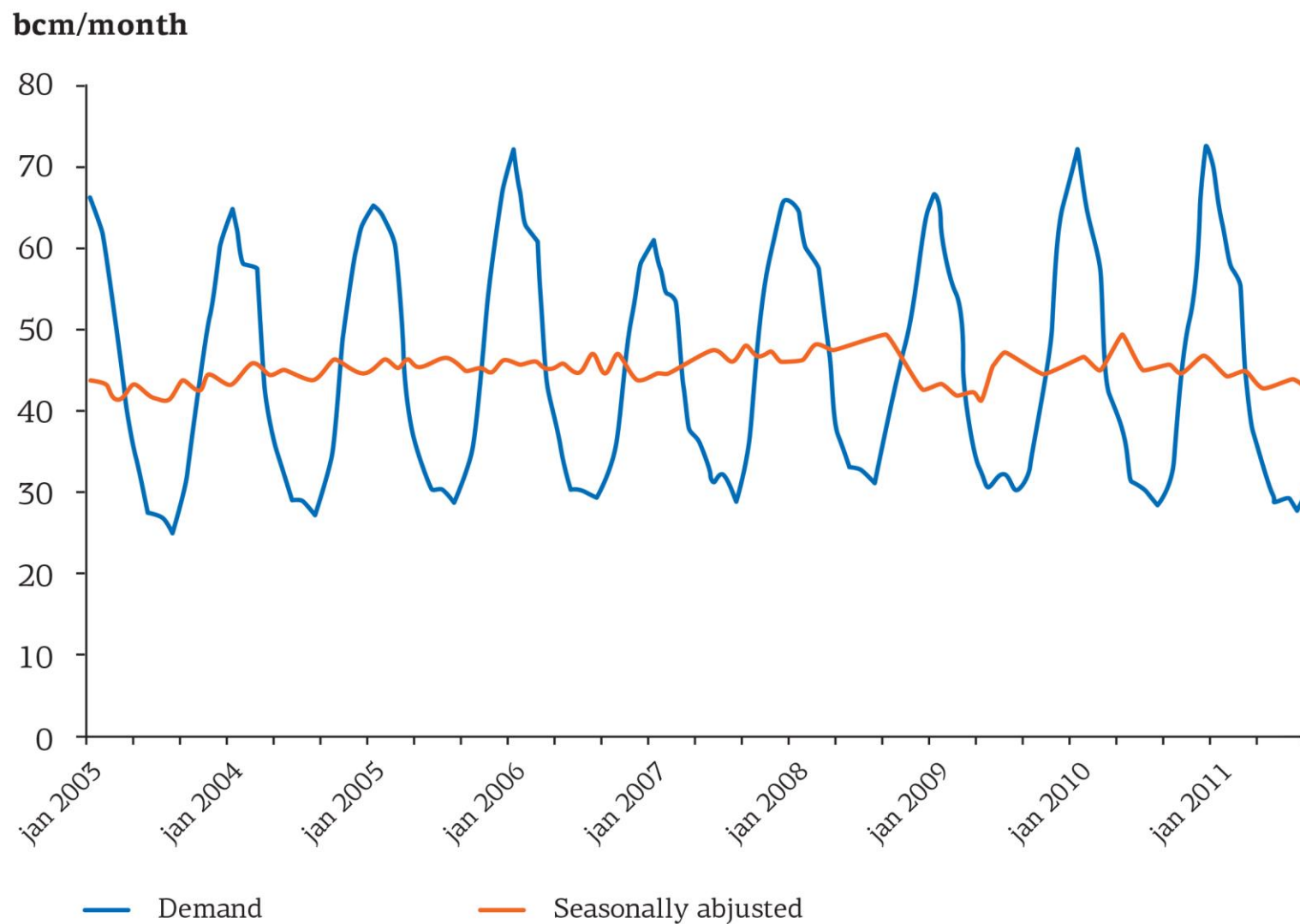
Gas balance in Europe



# Situation on the European gas market does not favor suppliers



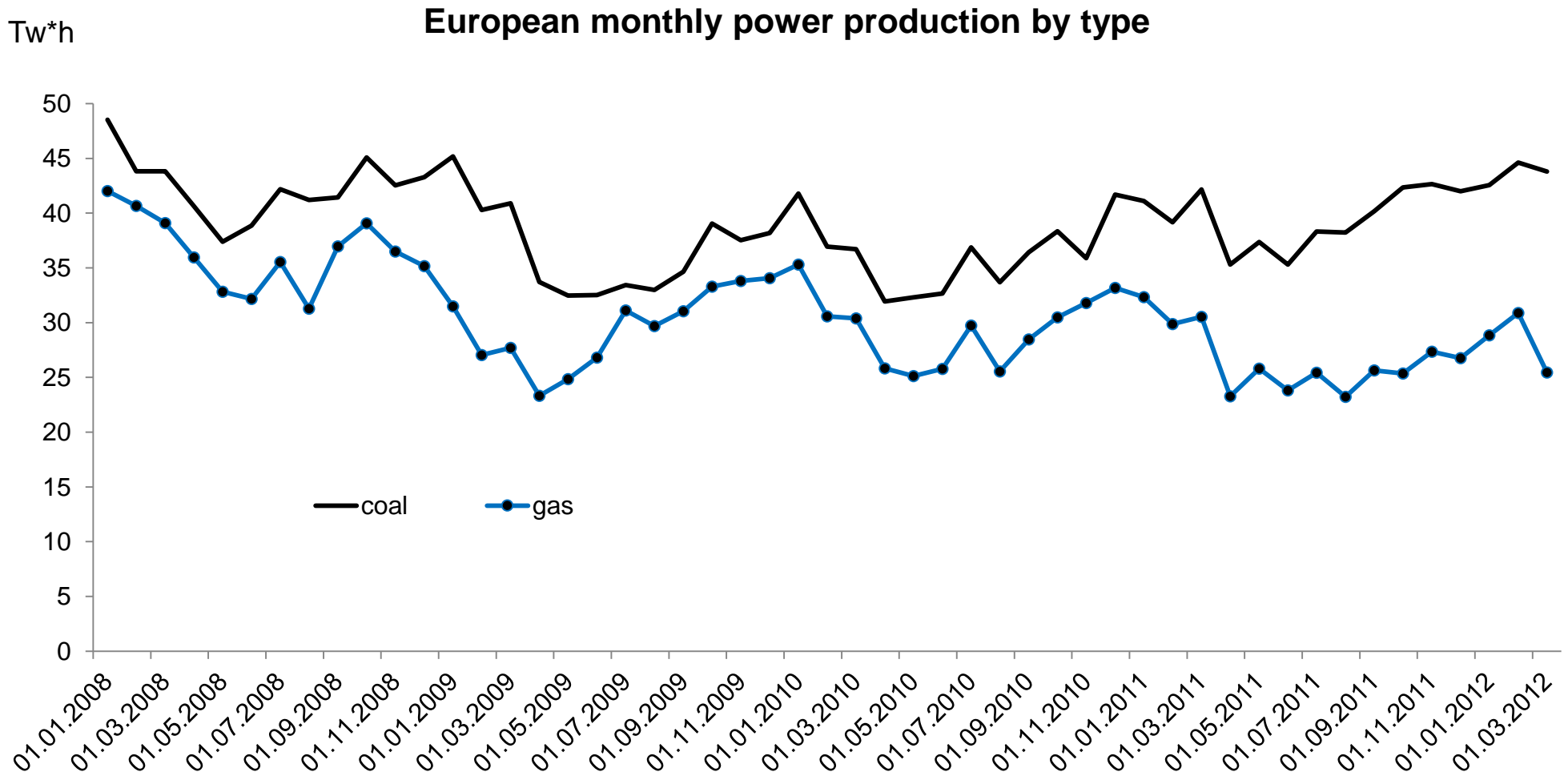
## European gas demand is stagnating during the last decade



Source: Gas Medium-Term Market Report 2012. IEA.



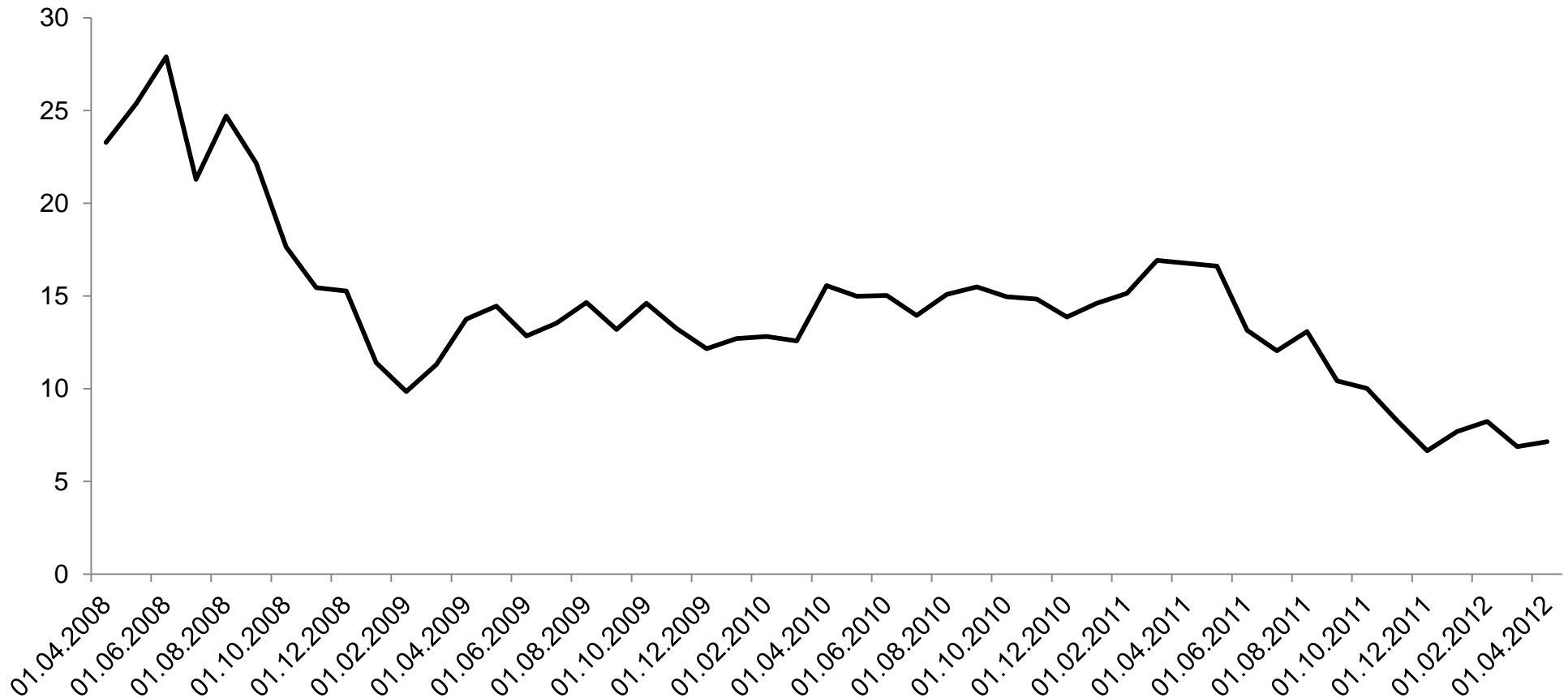
# Cheap American coal is squeezing gas from the European thermal generation



Source: ENTSO-E

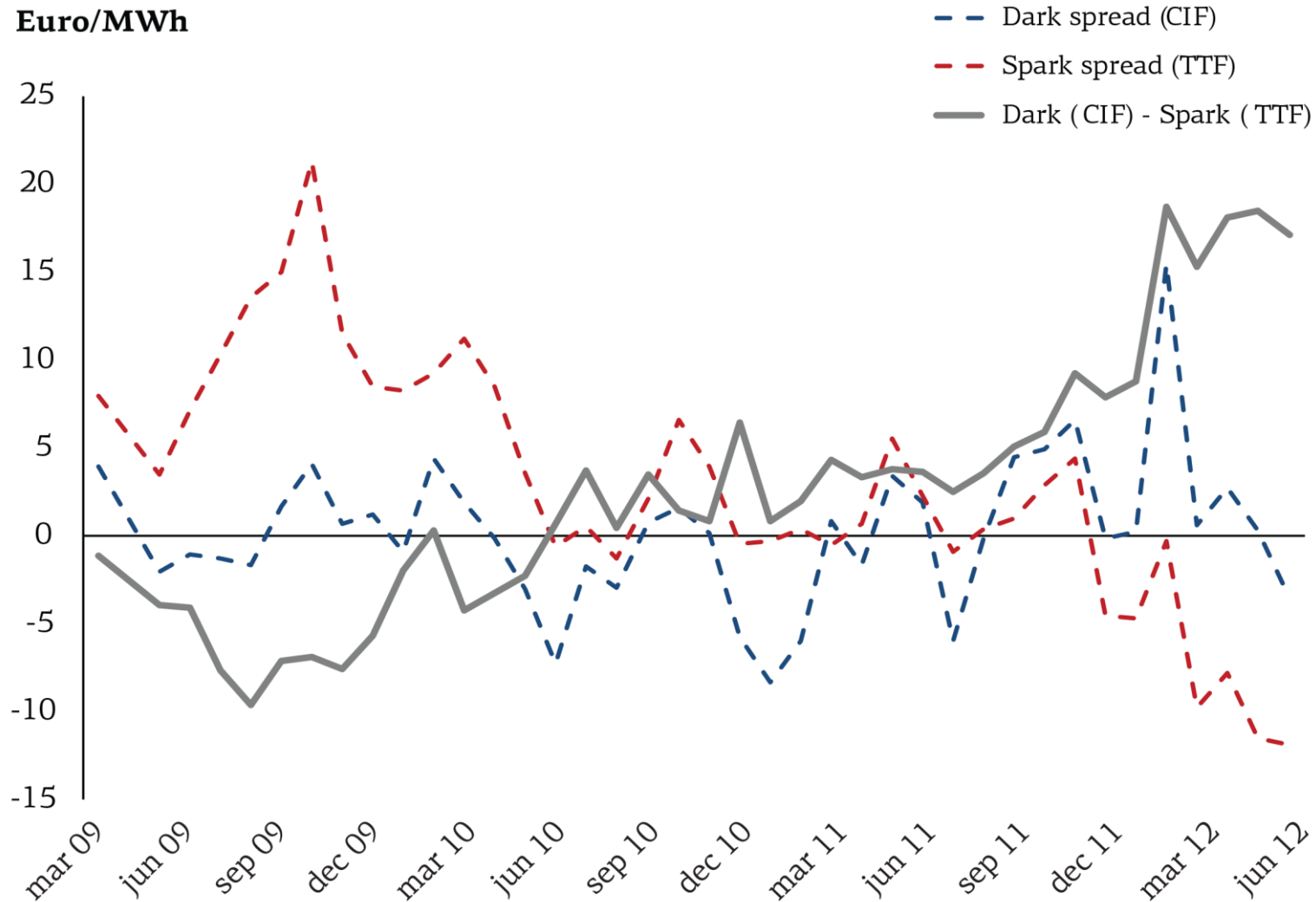
# CO2 prices are extremely low and cannot support gas demand

**EUA spot prices, Euro/ton CO2 - (EU allowances)**



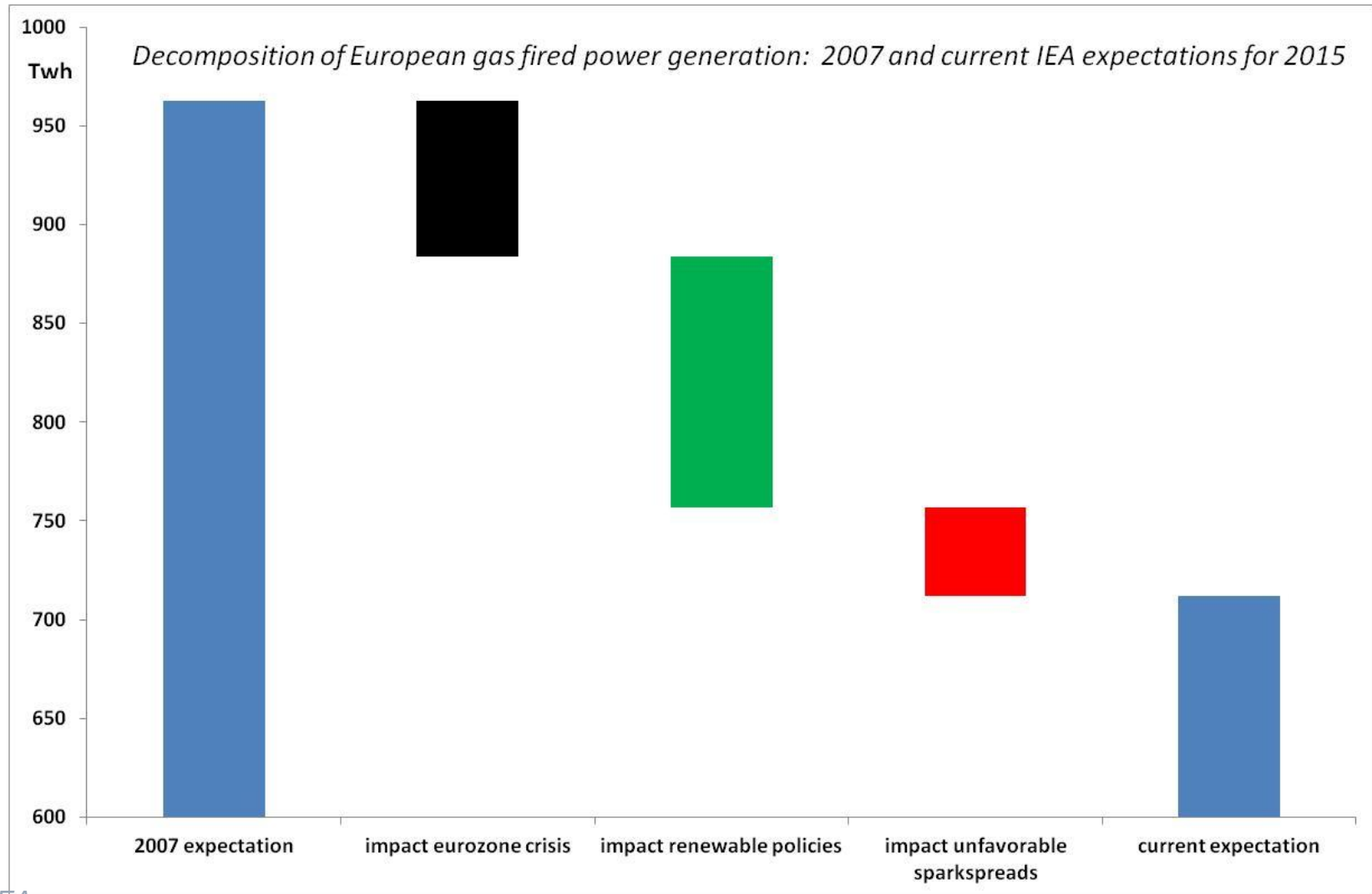
Source: Bloomberg

# High price of gas doesn't support gas use in power sector



Source: Bloomberg.

# The factors leading to low gas plant utilization are largely irreversible



Source: IEA

1

CHANGING GLOBAL GAS MARKET: DEMAND

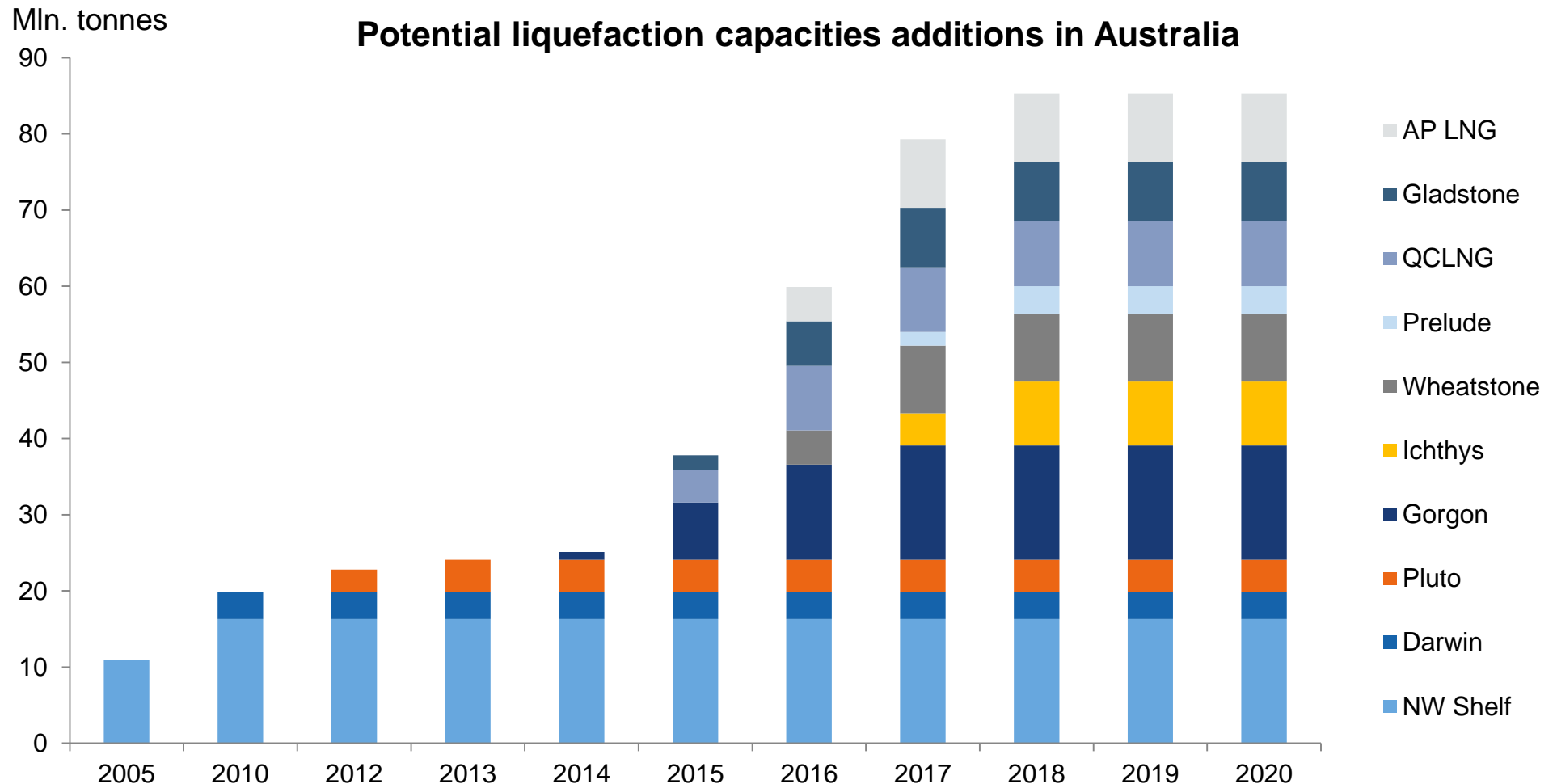
2

CHANGING GLOBAL GAS MARKET: SUPPLY

3

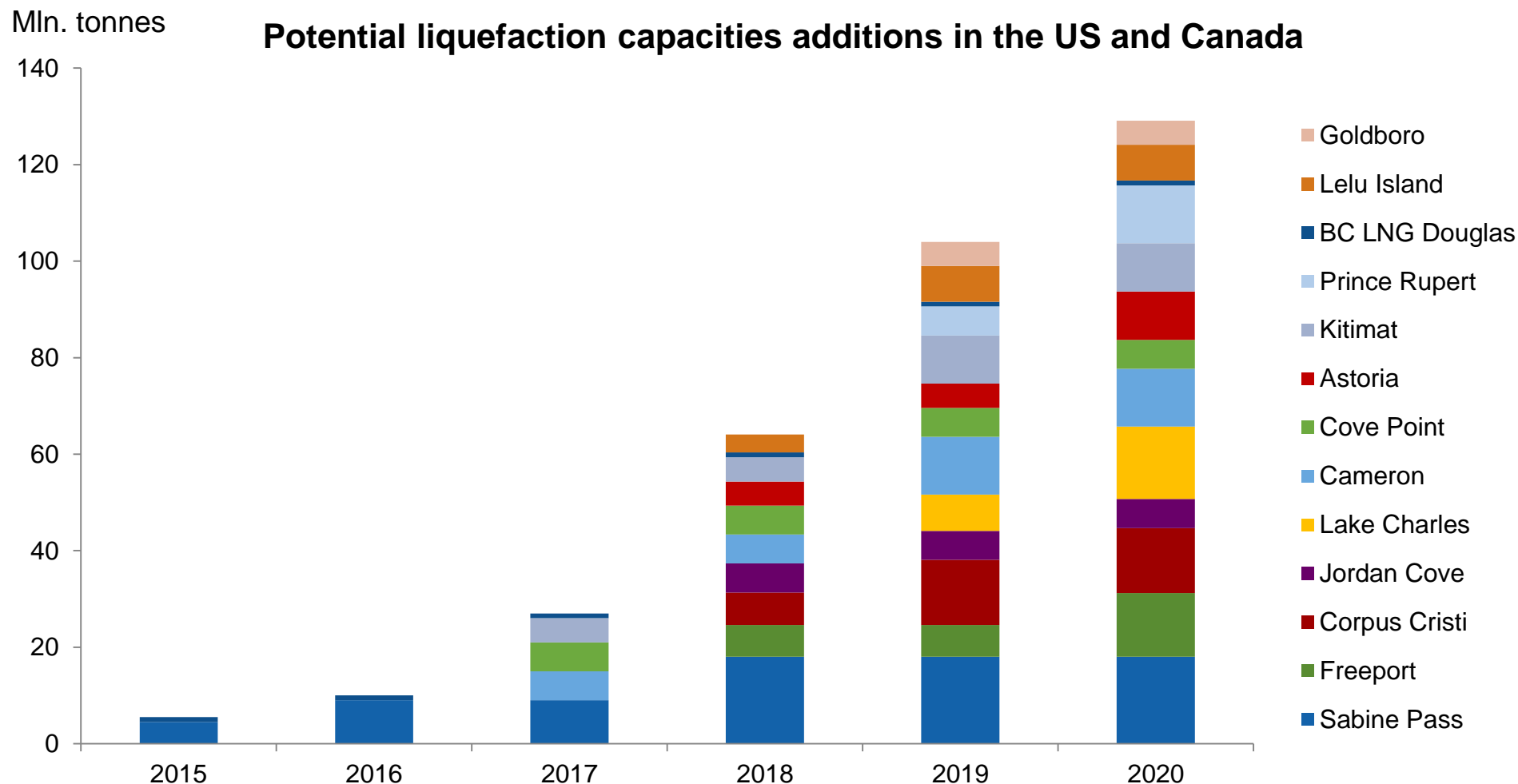
GAS PRICING

# New projects will make Australia LNG producer #1 by 2018



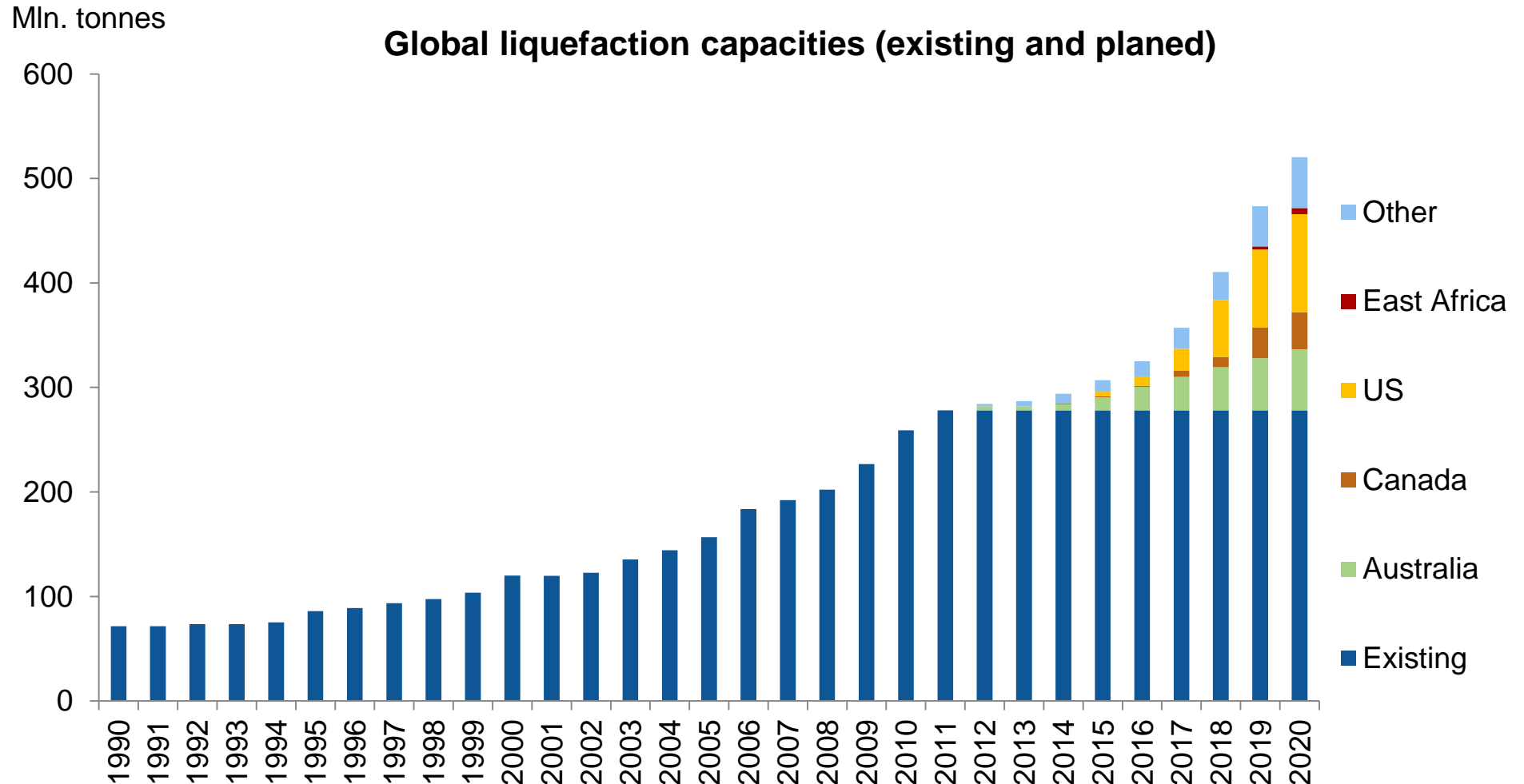
Source: ERI RAS

# We don't know the future US (and Canadian) LNG export volumes



Source: ERI RAS

# Global LNG supply is expected to boom during the next decade

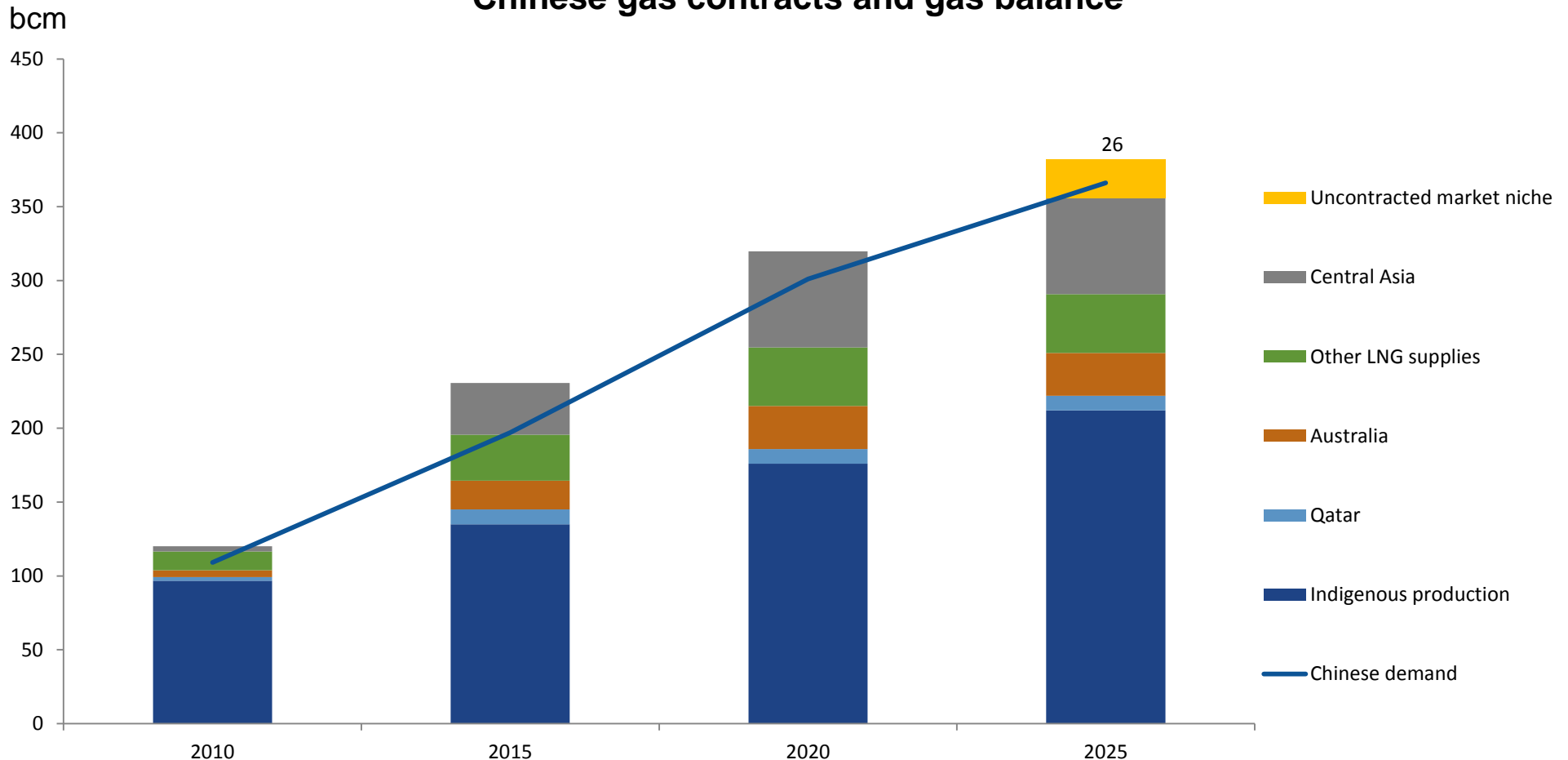


Source: ERI RAS



Everybody is expecting new opportunities on the booming Asian gas markets, but by 2020 there is already no market niche in China...

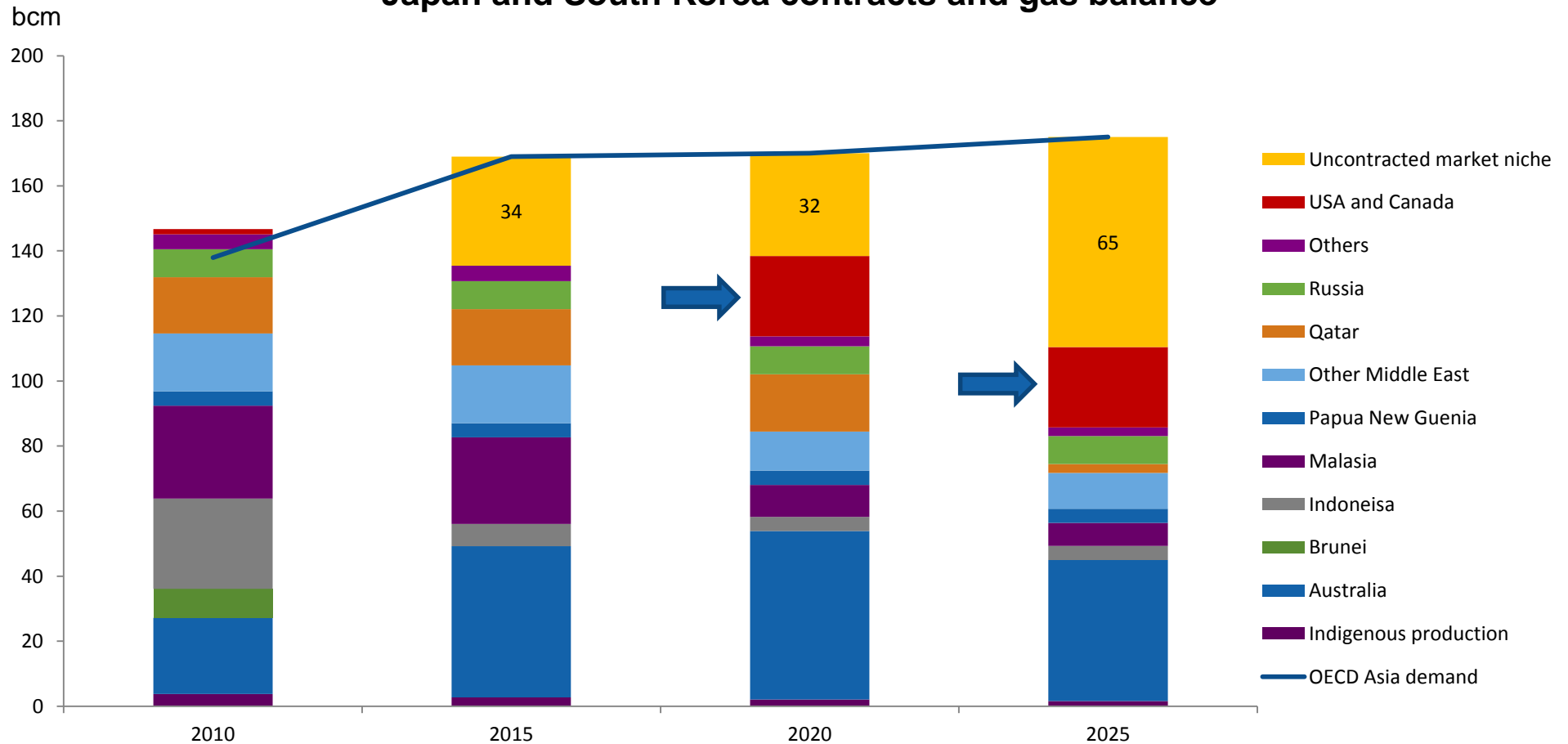
Chinese gas contracts and gas balance



Sources: IEA, Cedigaz, Enerdata, ERI RAS.

# ...and OECD Asia is quickly contracting the North American LNG

Japan and South Korea contracts and gas balance



Sources: IEA, Cedigaz, Enerdata, ERI RAS.

1

CHANGING GLOBAL GAS MARKET: DEMAND

2

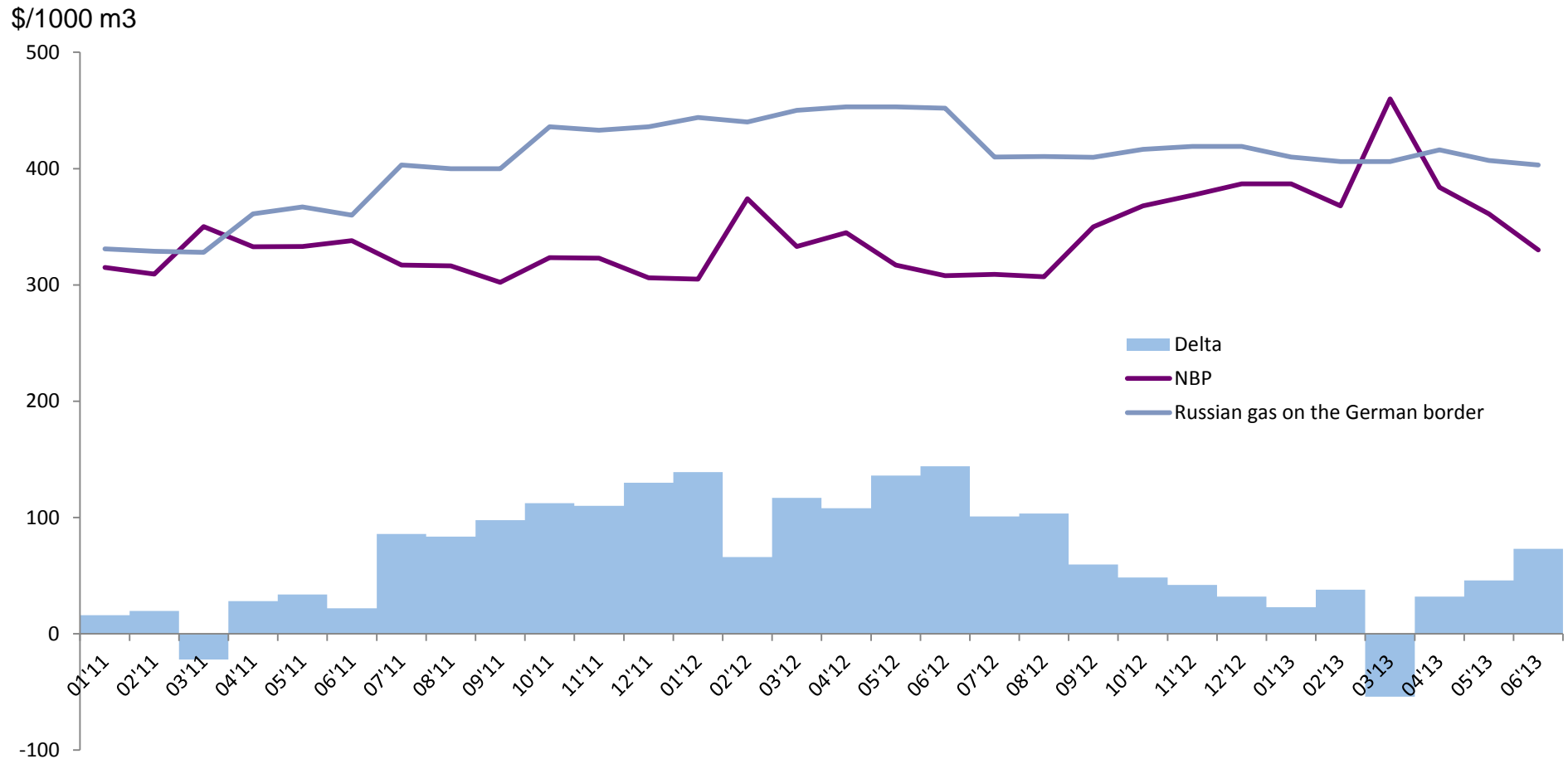
CHANGING GLOBAL GAS MARKET: SUPPLY

3

**GAS PRICING**

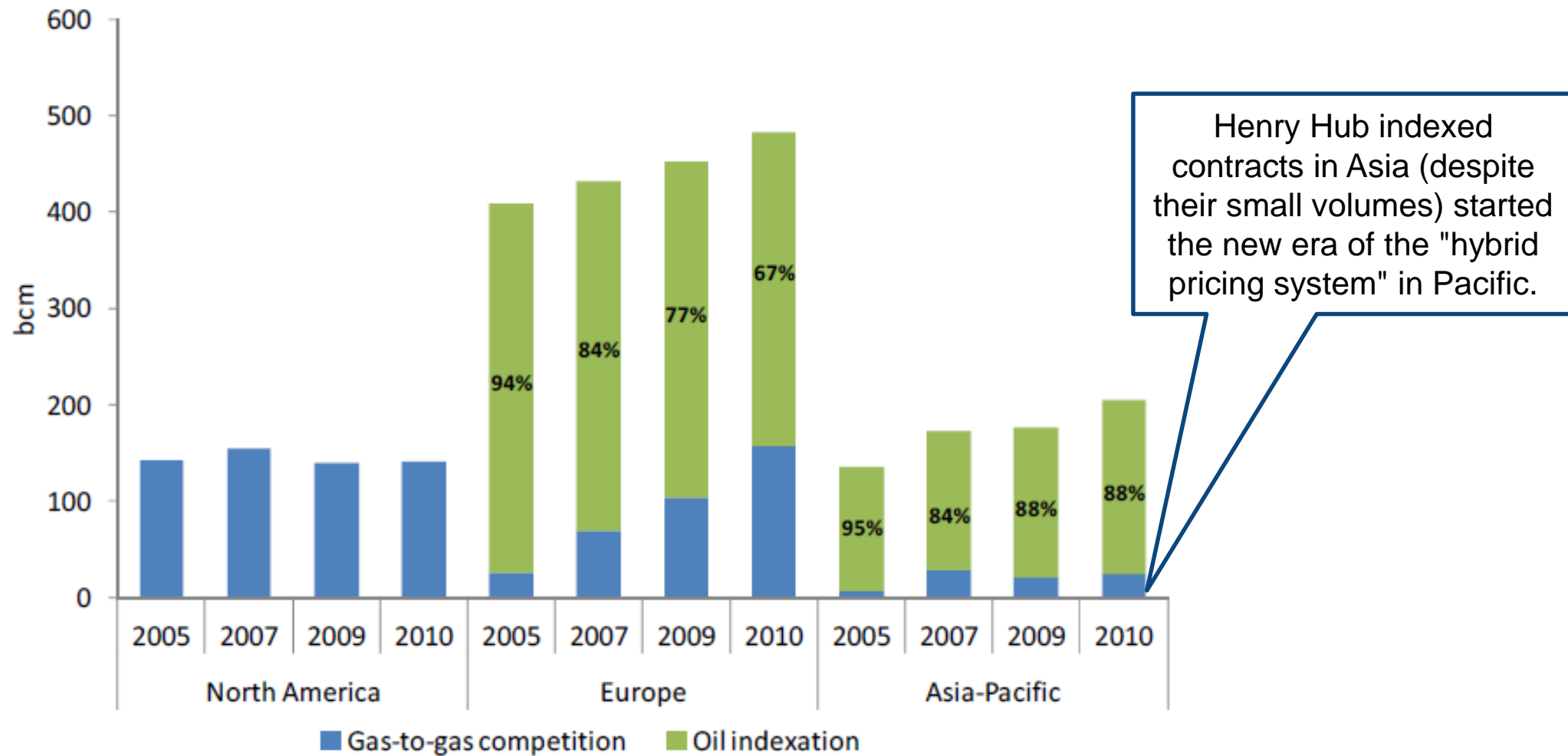
# Traditional “Groningen” model is questioned now, as even renegotiated oil-linked contract prices are higher than spot-based

European spot and oil-linked gas prices



Source: Bloomberg; ERI RAS.

## Market-based pricing in gas trade in North America affects already pricing system in Asia-Pacific



Sources: IGU, 2006; IGU, 2008; IGU, 2010; IGU 2012.

## Conclusion: Russian response

- » Russia is for the first time facing demand constraints on its export markets
- » European policy and market situation create no incentives to invest in additional gas supplies to Europe
- » Russia will have to market more expensive gas from the new projects
- » Russian gas export policy response so far includes three pillars:
  - Price reviews with minor adjustments (protecting oil indexation as a basis)
  - Eastern development
  - LNG
- » Strict cost control and flexible marketing policy are becoming the must in this new environment

# 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](http://www.eriras.ru/files/Global_and_Russian_energy_outlook_up_to_2040.pdf)

Nagornaya st., 31, k.2, 117186, Moscow,  
Russian Federation

phone: +7 985 368 39 75

fax: +7 499 135 88 70

web: [www.eriras.ru](http://www.eriras.ru)

e-mail: [mitrovat@rambler.ru](mailto:mitrovat@rambler.ru)