

Russia's Changing Role in the Global Gas Market

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CHANGING GLOBAL GAS MARKET: DEMAND

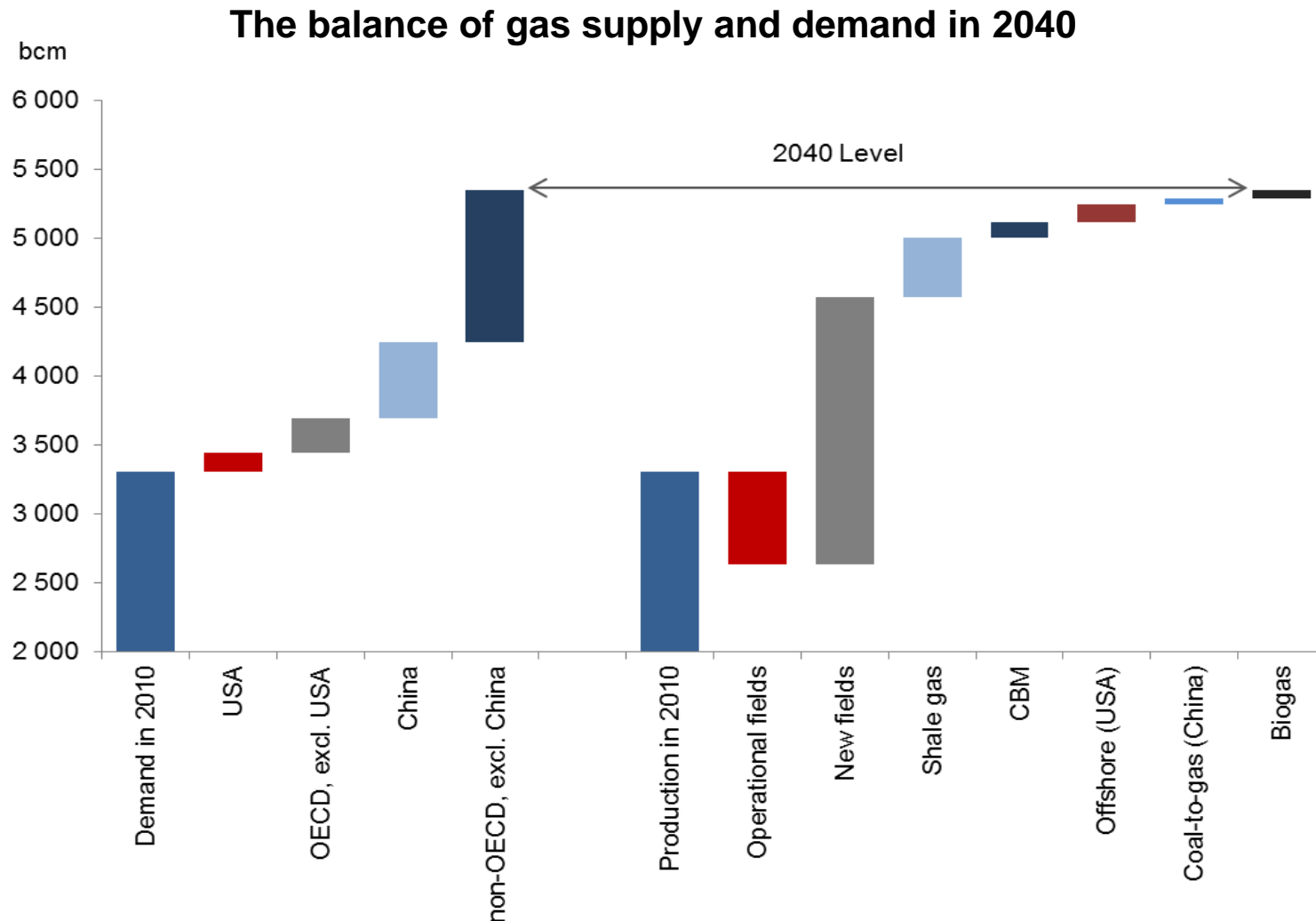
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CHANGING GLOBAL GAS MARKET: SUPPLY

3

SO WHAT IS THE RUSSIA`S RESPONSE?

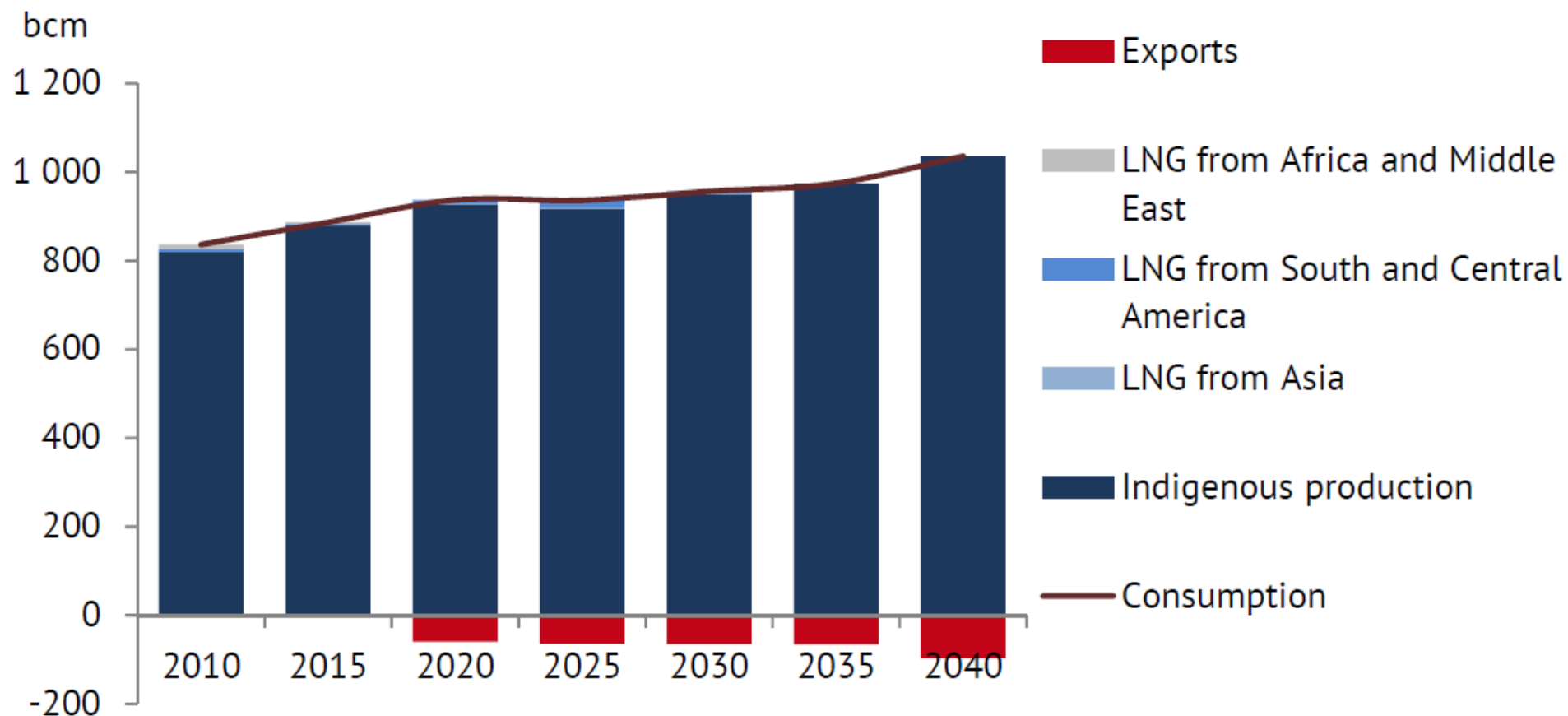
Global gas market development: less demand and more supply



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

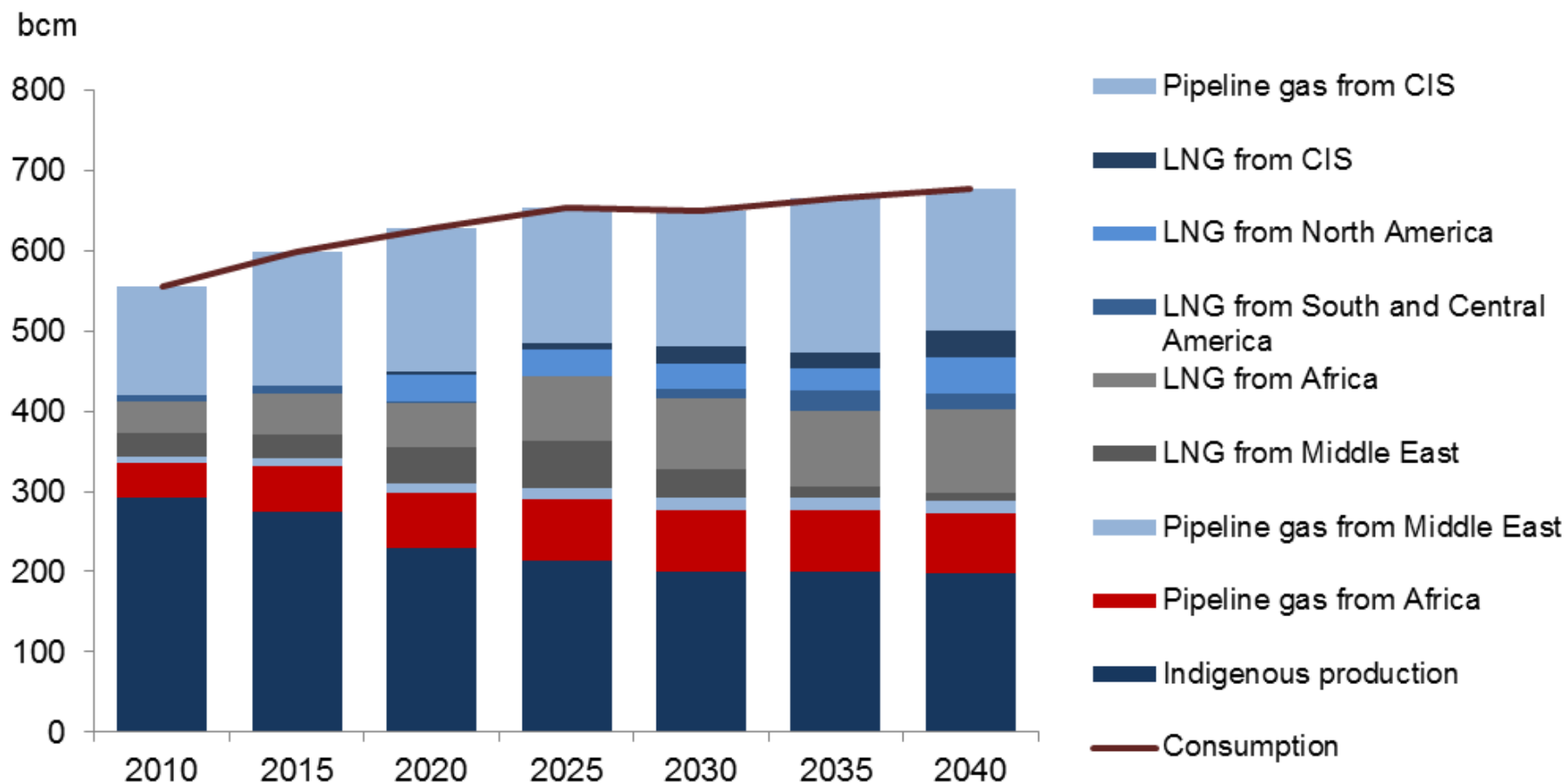
No market niche in North America any more

Gas balance in North America

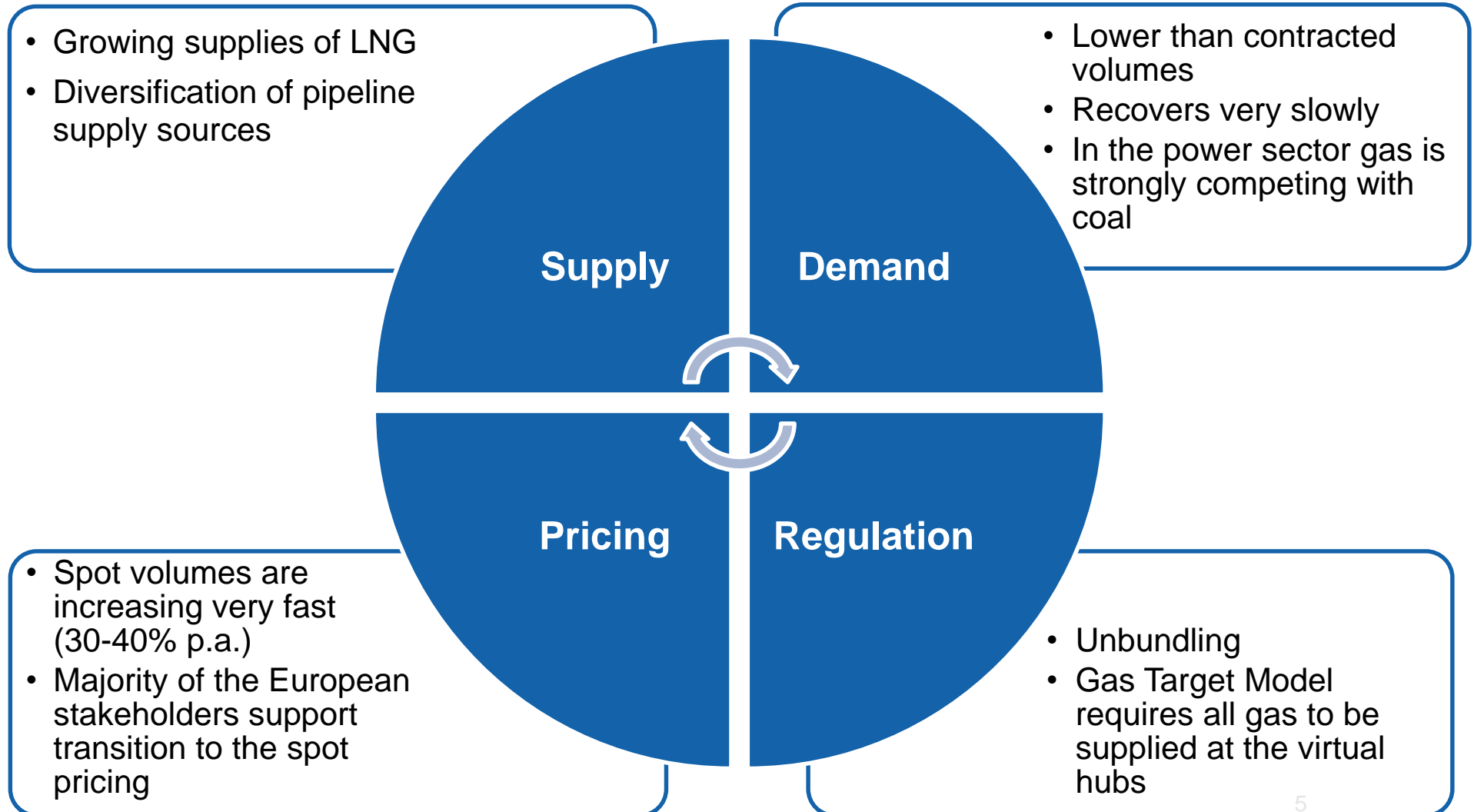


Market niche in Europe: strong competition in the future

Gas balance in Europe

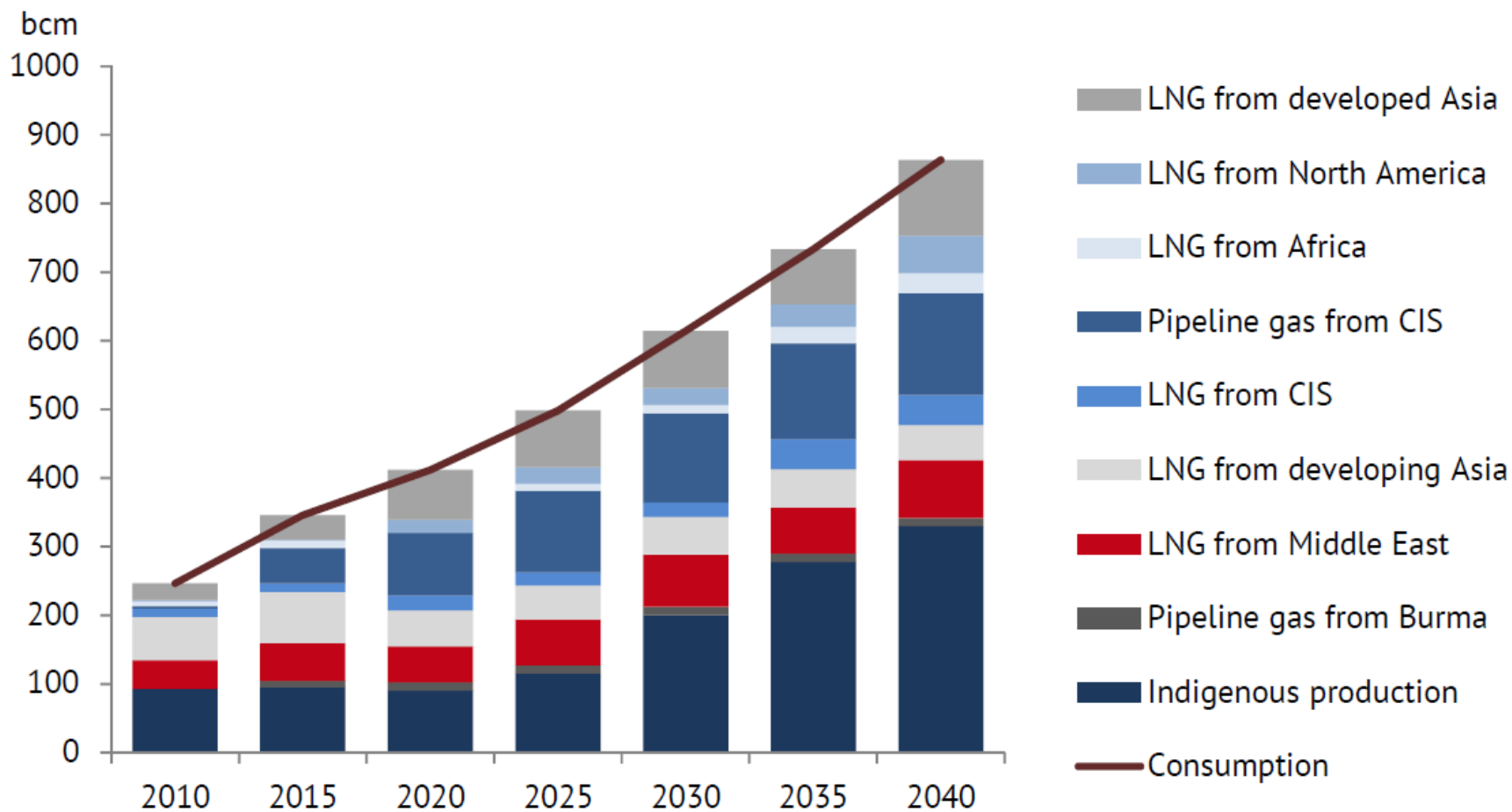


Situation on the European gas market does not favor Russian exports

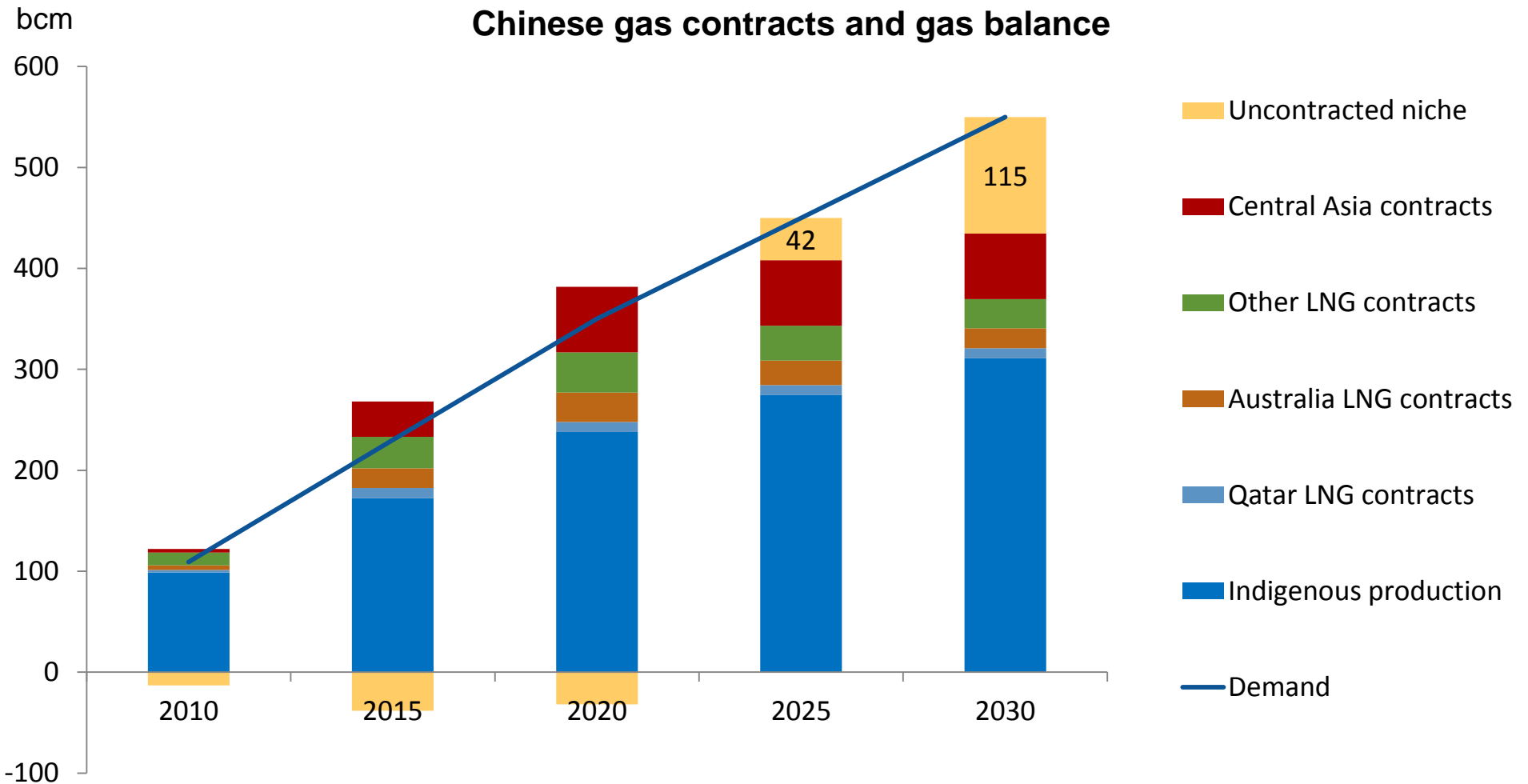


Growing market in Asia, but...

Gas balance in North-East Asia

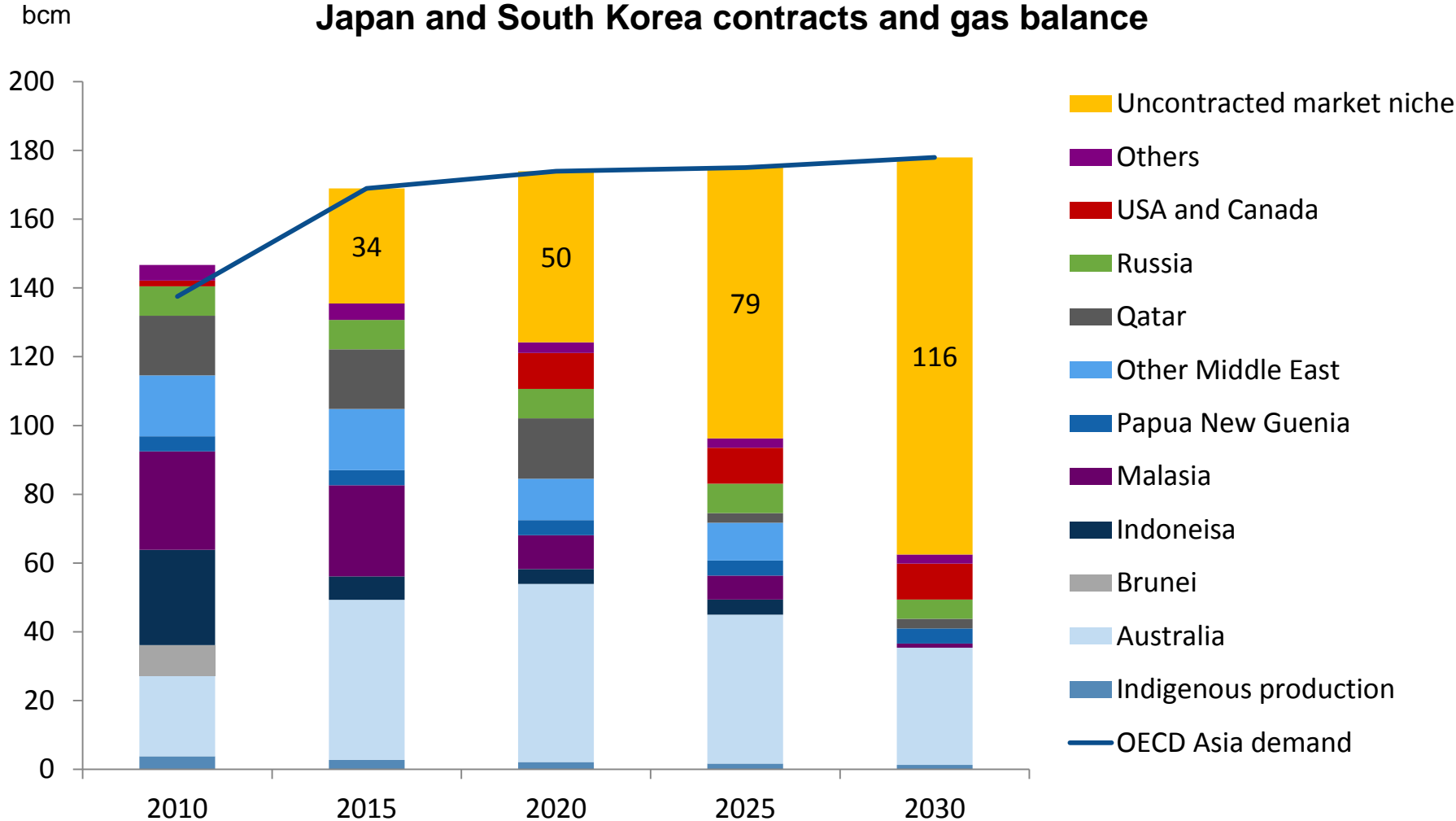


By 2020 there is no market niche in China, by 2030 the niche might reach 66 bcm



Source: ERI RAS

OECD Asia is already contracting the North American LNG



Source: ERI RAS

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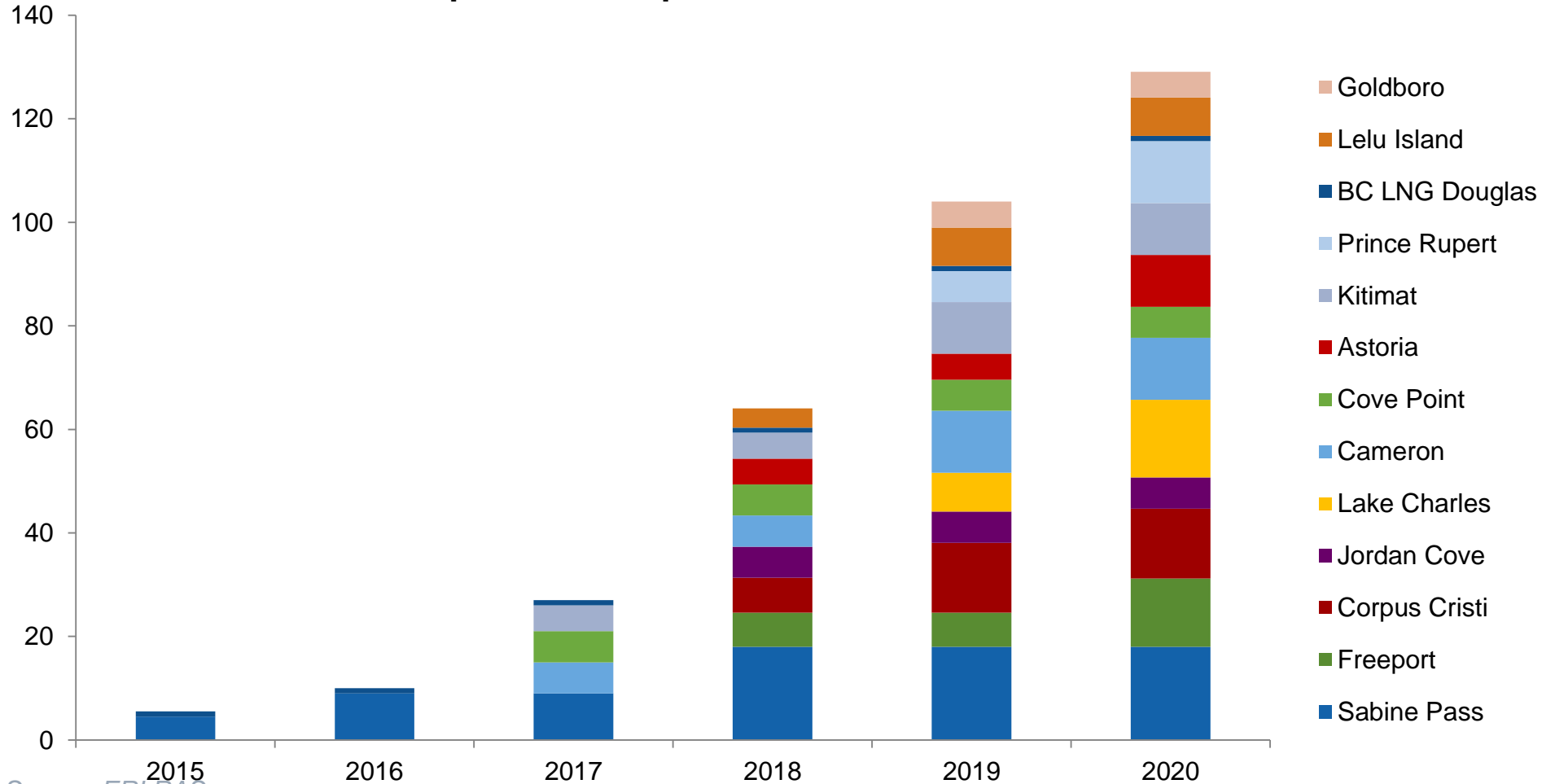
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SO WHAT IS THE RUSSIA`S RESPONSE?

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

Mln. tonnes

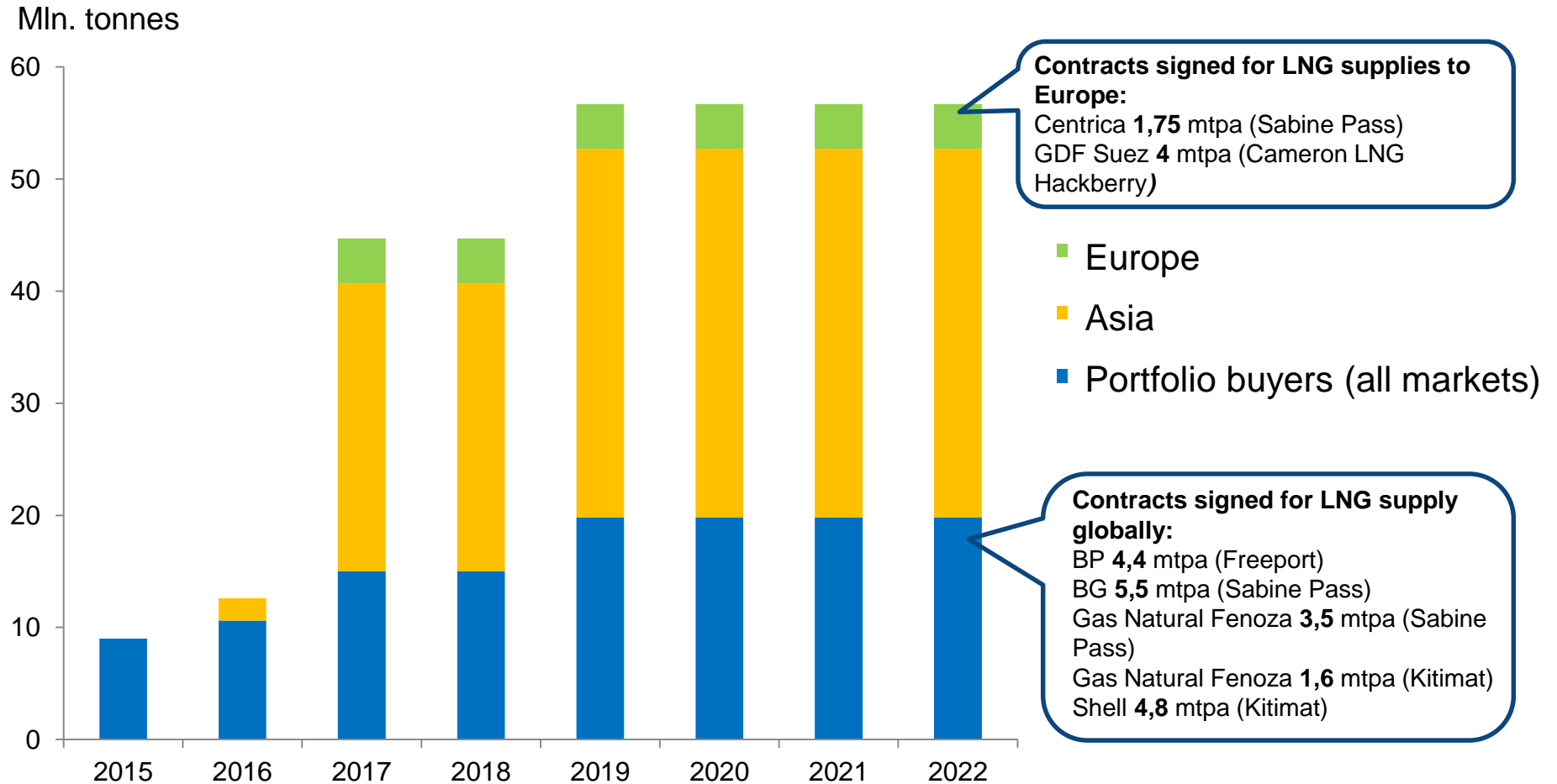
Potential liquefaction capacities additions in the US and Canada



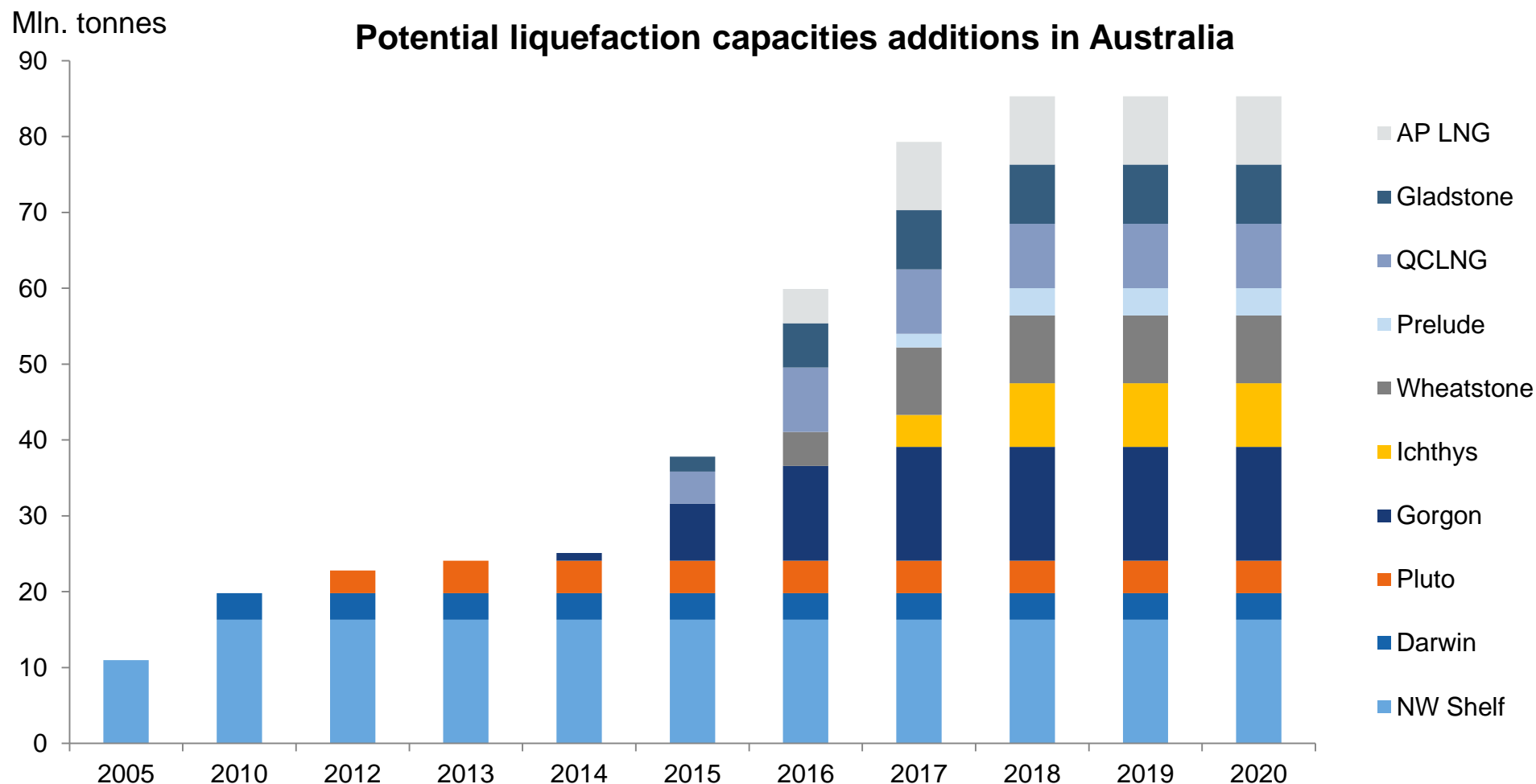
Source: ERI RAS

US and Canada are already signing contracts for their LNG

Signed contracts for LNG supply from North America

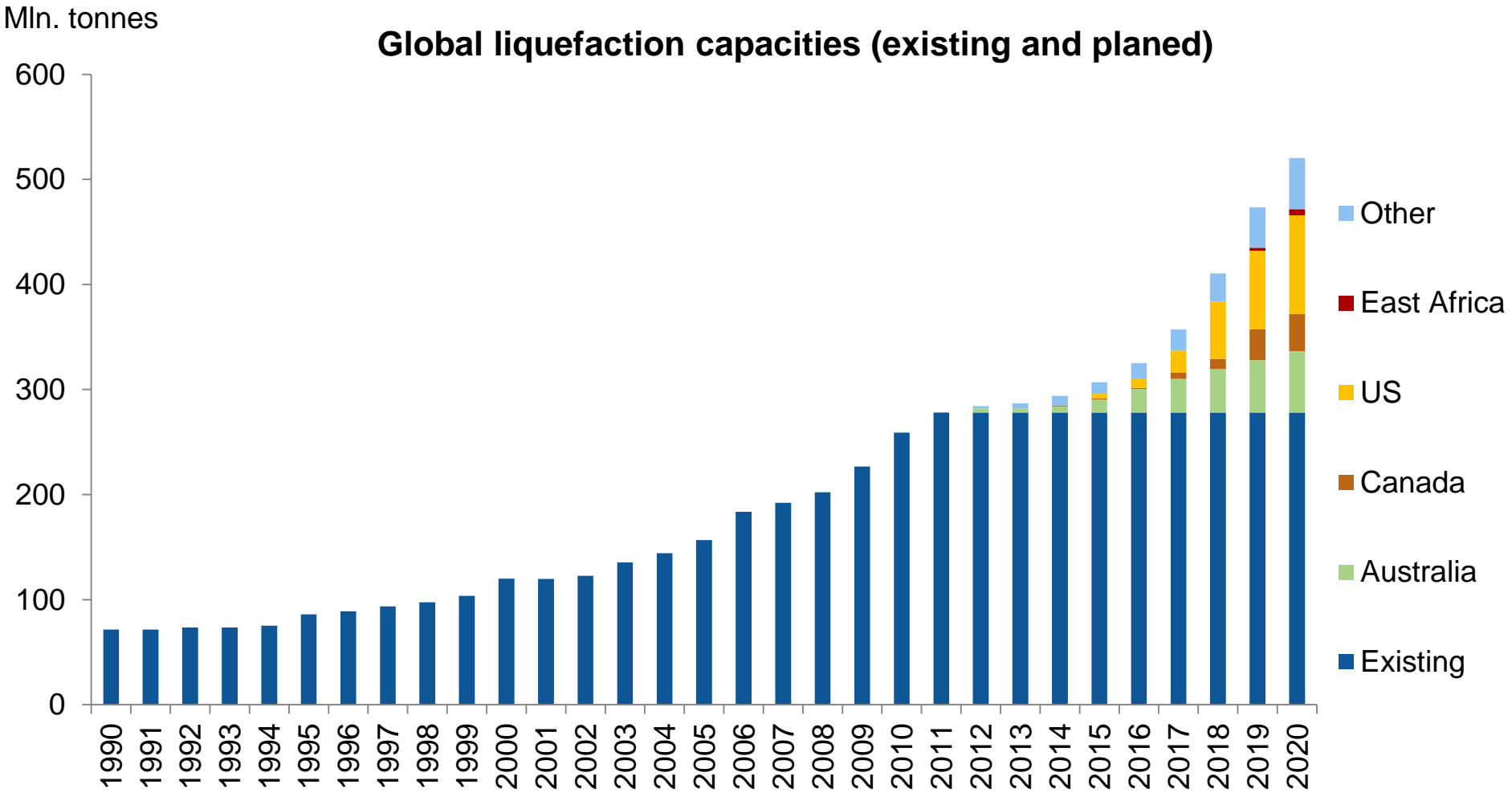


New projects will make Australia LNG producer #1 by 2018



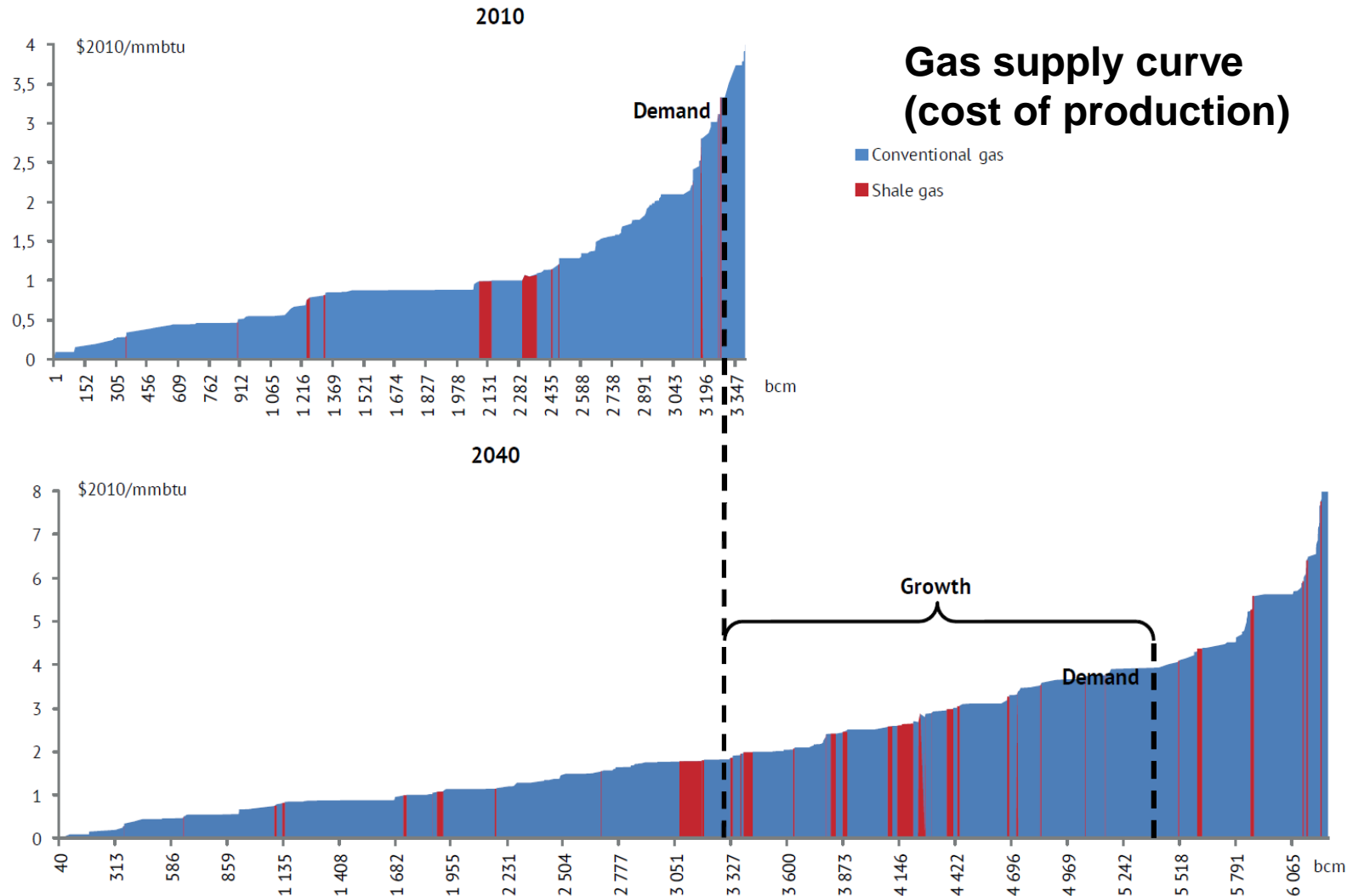
Source: ERI RAS

Global LNG supply is expected to boom during the next decade



Source: ERI RAS

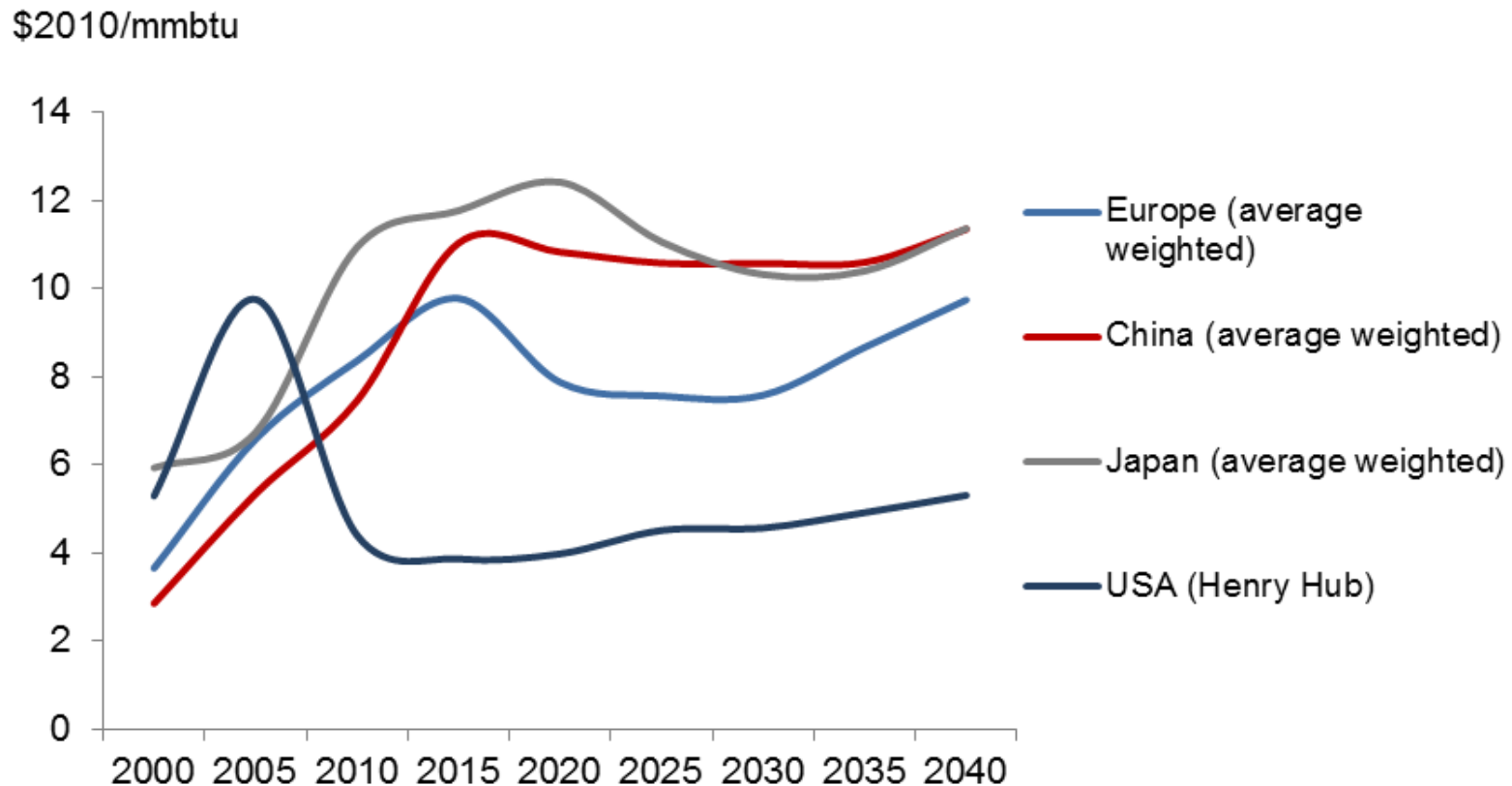
There is enough gas to expand gas production by 2 tcm by 2040 at the production costs below 4 \$/MBtu



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

Regional equilibrium gas prices are expected decline, moving down average regional prices

Average weighted regional prices* of gas



* Weighted average price between the prices of long-term contracts linked to alternative fuels, and spot prices.

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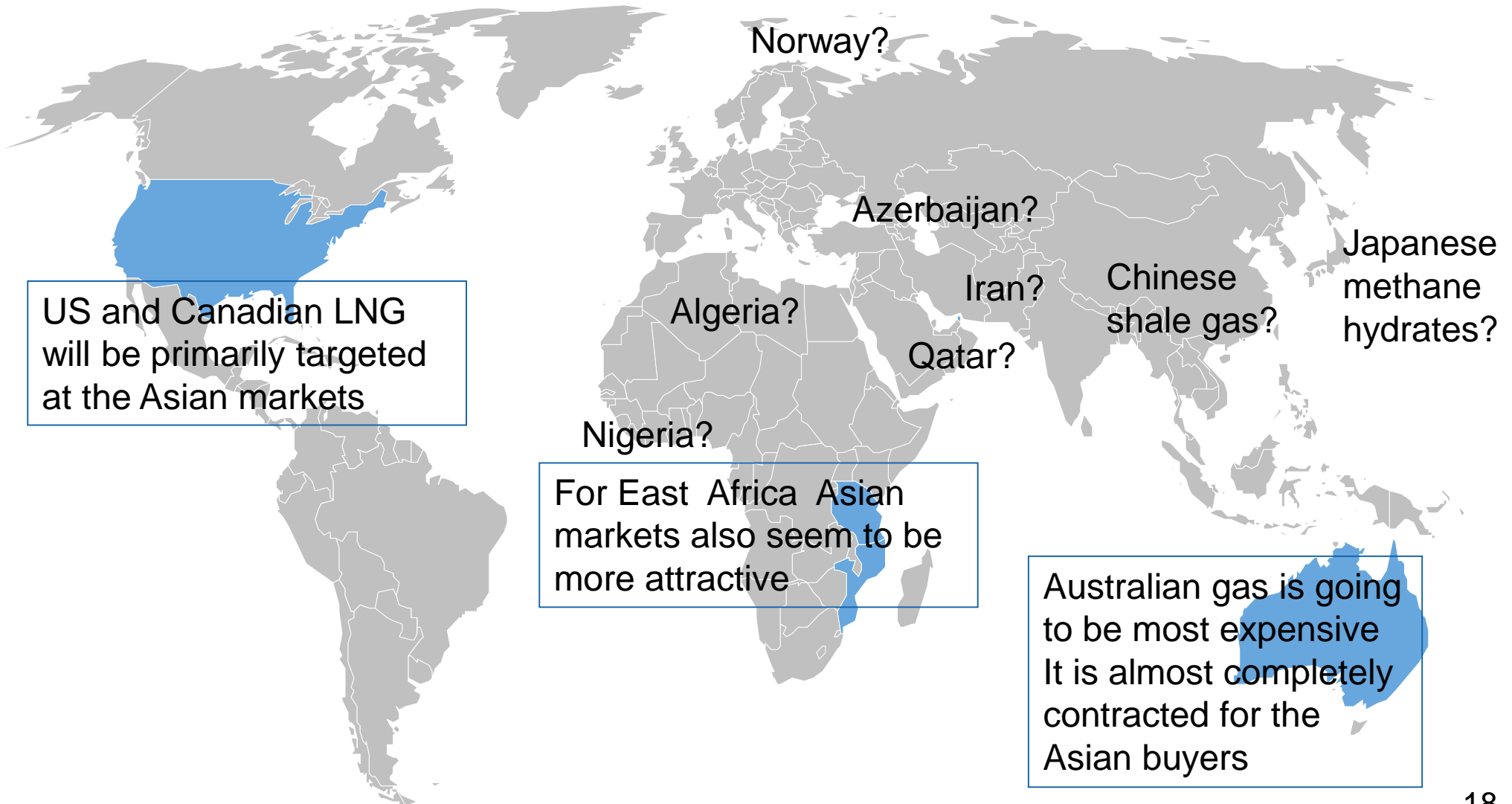
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SO WHAT IS THE RUSSIAN'S RESPONSE?

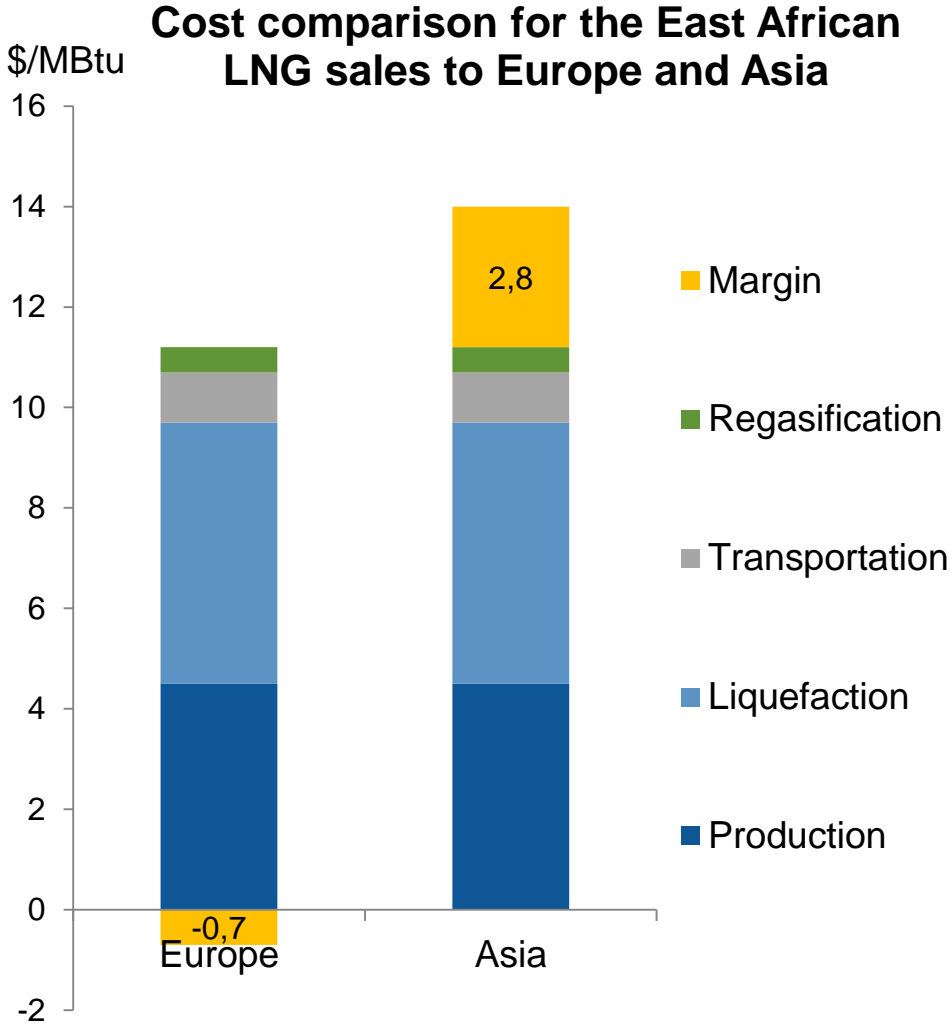
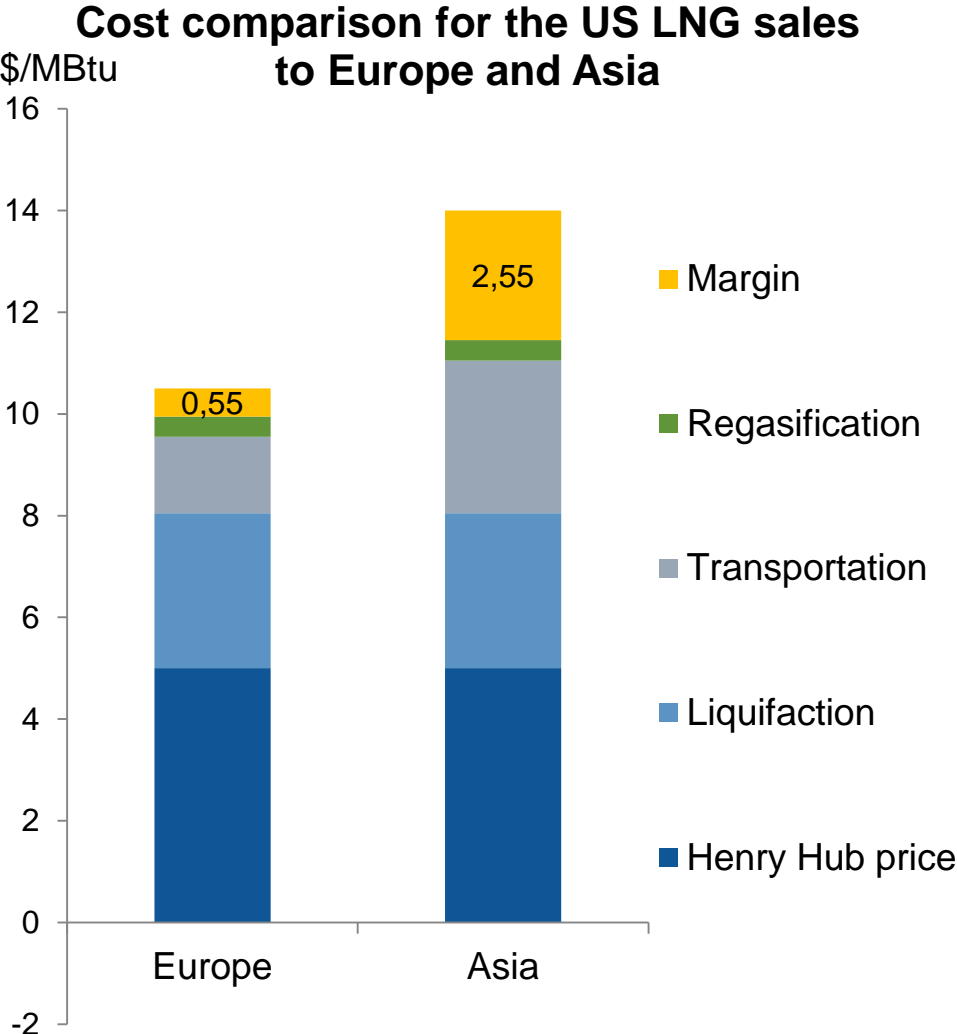
Evolution of the Russian gas export strategy: what will be the Russian response?



Devil is in the details: new additional gas to Europe - where will it come from?

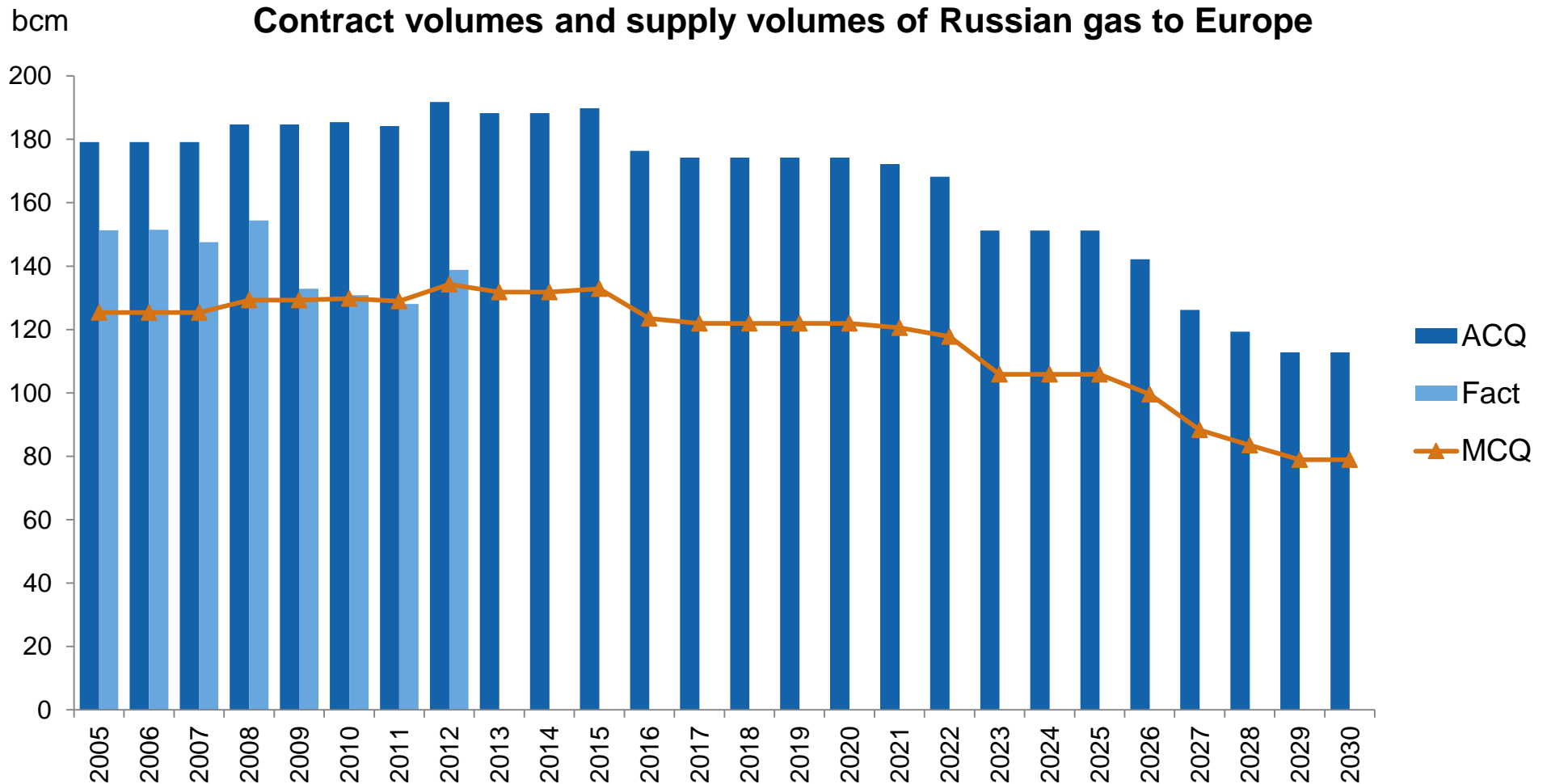


Both for the North American and for East African LNG Asia seems to be much more attractive market



Source: ERI RAS

Existing long-term contracts guarantee stable sales volumes for Russia until at least 2022



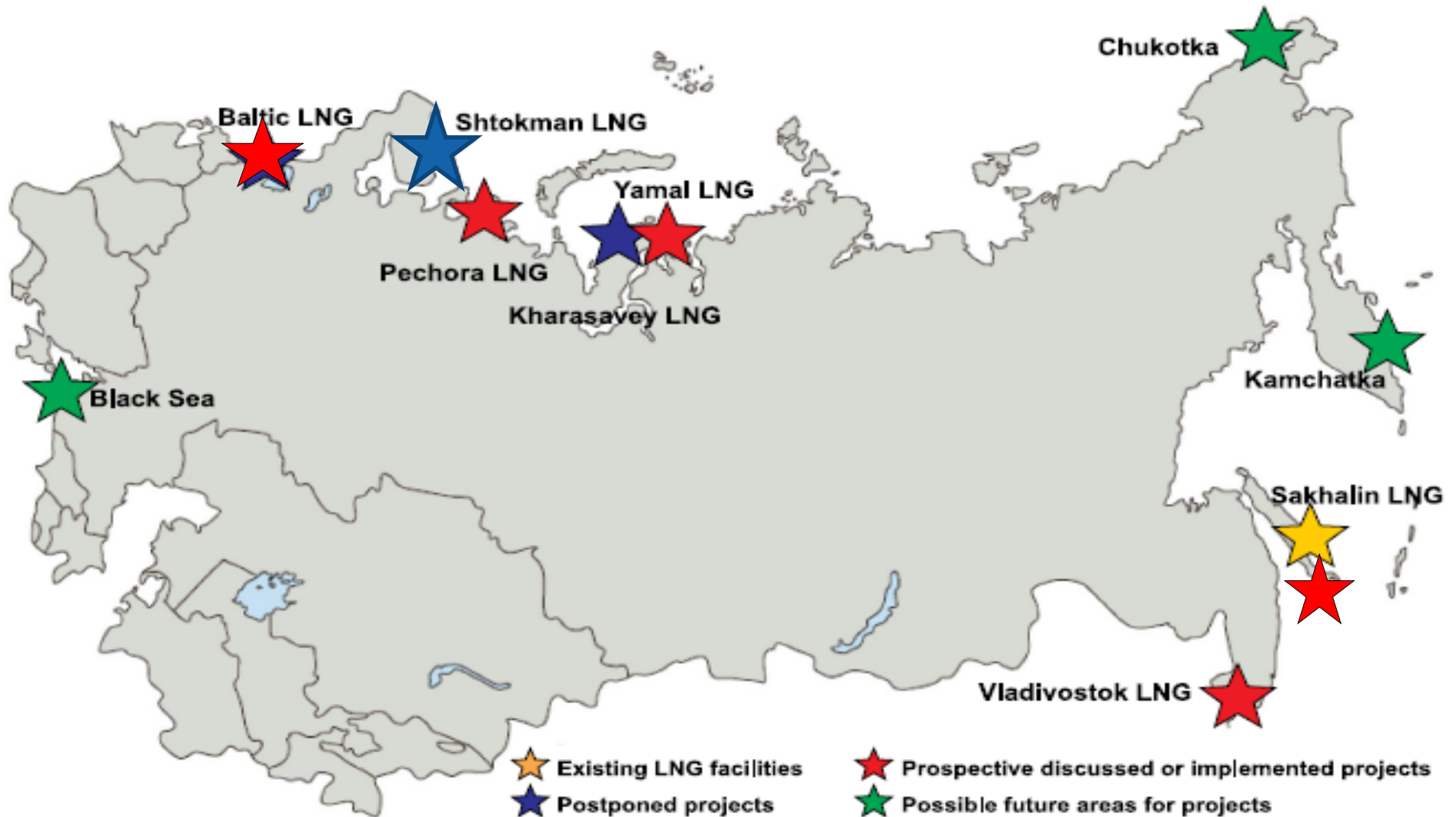
Sources: Cedigaz, Gazprom, ERI RAS.

Eastern Gas Program: from discussion to the real investments



Sources: Gazprom

Russian LNG projects: challenges and increasing competition



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
- » There are strong commercial reasons for Gazprom to protect the oil indexation at least during the next 3 years, and there is strong political will to protect oil linkage
- » Russia will have to market more expensive gas from the new projects, revenue maximization seems to be more attractive
- » Russian gas export policy response so far includes three pillars:
 - Price reviews with minor adjustments (remaining oil indexation as a basis)
 - Eastern development
 - LNG
- » Discussion on gas exports liberalization might be only for special cases and only under very strict control of the State

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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