

**NATURAL
GAS MARKET
REVIEW 2006**

*Towards
a Global
Gas Market*



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Recent Experience with Gas Supply Disruptions

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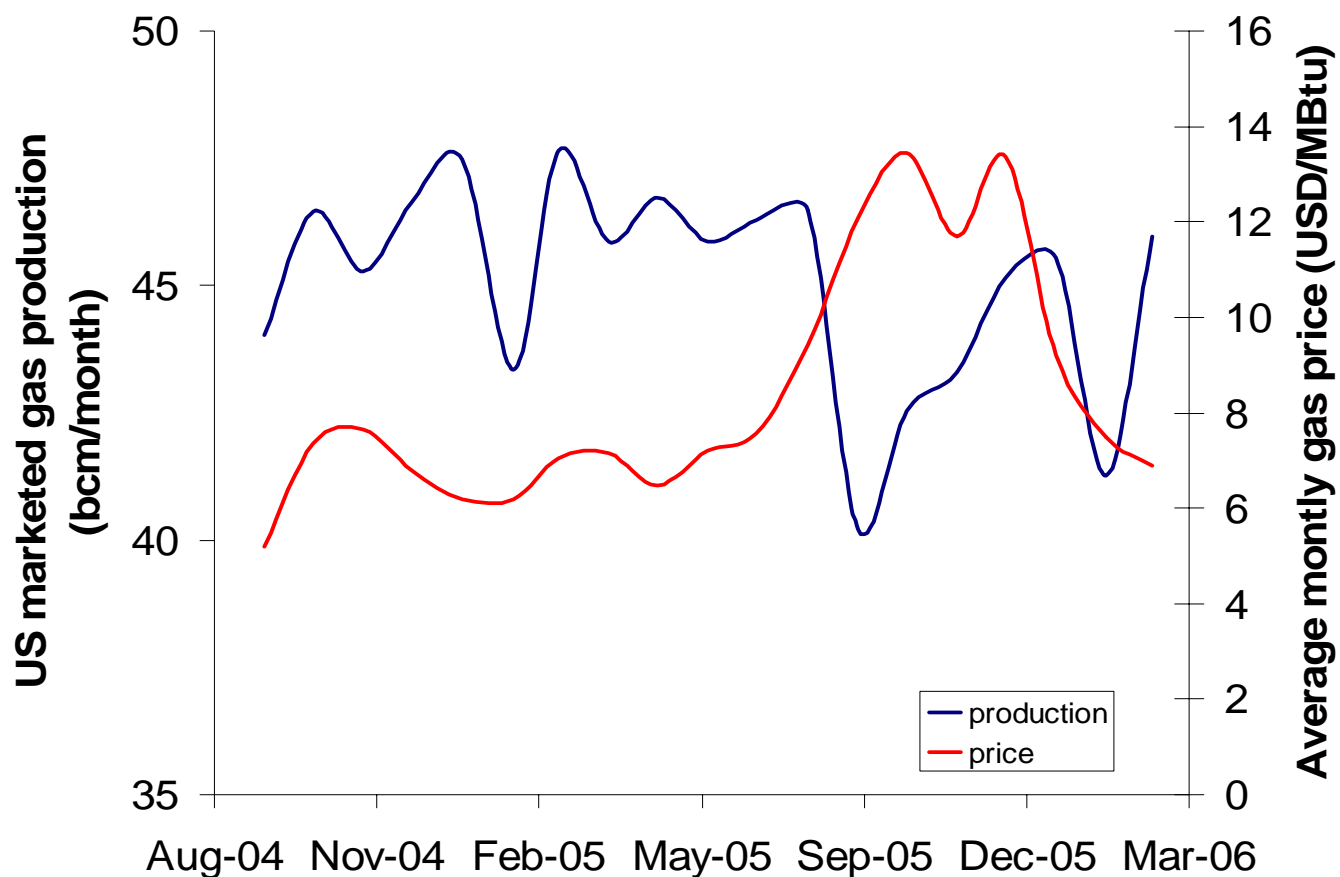
Office of Long-Term Cooperation & Policy Analysis

What has happened

- **Hurricanes**
- **Accidents**
- **Intentional disruptions**
- **Unexpected weather conditions**



Response in liberalised market (US)



LNG scarce and costly → demand response

Some European markets

**Unexpected gas demand from the
power sector**



**Sourcing of (expensive) extra gas on
the international market**



**Government imposed demand
response**

Limited gas transit Ukraine

- **Fuel switching**
- **Draw on stocks**
- **Imports from other sources**

How to enhance security of supply?

- **Improve market functioning**
- **Do not put all eggs in one basket**
 - **Diversify**
 - Ideally:**
 - **Multiple fuels**
 - **Multiple supplying countries**
 - **Multiple supplying companies**
 - **LNG and piped gas**
 - **Multiple supply routes**
- **Have an emergency plan**

What is the role of storage?

- **Commercial storage offers some flexibility in emergency situations**
- ***Strategic* storage is expensive and has physical limitations**
- ***Strategic* storage should be part of a wider range of measures (fuel switching, interruptible contracts)**

Be prepared...

■ Risk analysis

- What can happen?
- What are the consequences?
- What is the likelihood?
- How can it be prevented?
- What preparations are to be taken?
- Who needs to be involved?

■ Availability of information is **ESSENTIAL**