Insights into Dialogue and Data in Gas Markets

Second IEA-IEF-OPEC Symposium on Gas and Coal Market Outlooks

Paris | 30 October 2014

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International Energy Forum
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1. A look back at the Global Energy Dialogue on Natural Gas in October 2012

2. Then and Now: What Has Changed in the Global Energy Dialogue on Natural Gas?

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Facilitating dialogue on gas at the Third IEF-IGU Ministerial Gas Forum | November 2012

Selected Key Insights

• Markets remain interdependent despite the recent ‘re-regionalisation’ of gas markets. Coal to gas switching in the US engendered gas to coal switching in the EU.

• Long-term contracts help ensure security of supply and demand, but there may be room for contracts to reflect more short-to long-term market signals.
Selected Key Insights

• When analysing the potential of US unconventionals production at the national level, one must remember to focus on the unique aspects of each individual state.
• Only in America? If so many nations have been able to develop conventional oil and gas, is it so implausible to think that they will eventually target unconventionals?
Facilitating dialogue on gas at the Fifth Asian Ministerial Energy Roundtable | November 2012

Selected Key Insights

• Future gas demand levels for transportation, notably in China and India, remain a “known unknown”, or a identified variable that warrants close monitoring and more analysis.

• Regional gas prices may converge as a function of future trade volumes and policies.
Facilitating dialogue on gas at an IEF-Gastech Roundtable on Unconventional Gas | March 2014

Selected Key Insights

• By some accounts, destination clauses are already becoming a thing of the past. New LNG contracts between Middle Eastern suppliers and Asia buyers appear to incorporate more flexibility.

• Recent requests from some Asian LNG importers to renegotiate the terms of their contracts signal a need for more dialogue between buyers and sellers. Through dialogue, both sides may well increase the upside to each deal.
Facilitating dialogue on gas at the 14th IEF Ministerial
May 2014

Selected Key Insights

• Controversy around unconventional gas persists, and requires additional dialogue among various stakeholders.

• We need to keep inventing and developing technology before we can say that the unconventionals story can change the world.

Results of the IEF14 Interactive Survey...
Facilitating dialogue on gas at the 14th IEF Ministerial
May 2014

The main constraint to the global expansion of unconventional oil and gas production is:

1. Land rights 7.8%
2. Water 9.4%
3. Technology 26.6%
4. Human capital 7.8%
5. Geology 7.8%
6. Policy 14.1%
7. Public opinion 26.6%
Facilitating dialogue on gas at the 14th IEF Ministerial
May 2014

Shale gas and tight oil will be produced in significant amounts outside North America in:

1. 5 years 6.6%
2. 10 years 44.3%
3. 15 years 24.6%
4. 20 years 18%
5. Never 6.6%
Facilitating dialogue on gas at the 14th IEF Ministerial May 2014

Renewable energies will compete on equal terms with non-renewable energies in:

1. 10 years 13.5%
2. 20 years 43.2%
3. 30 years 24.3%
4. A parallel universe 18.9%
Selected Key Insights

- Concerns of an LNG supply glut appear exaggerated, given the fact that virtually all of the new LNG coming on stream has already been purchased.

- Rather than focusing on concerns of over supply, it may well be more likely that there will not be enough supply to meet the expected rise in LNG demand from China, Japan and Korea.
Facilitating dialogue on gas: Upcoming Events

First-ever G20-IEF Gas Dialogue
11 November | Acapulco, Mexico

Fourth IEF-IGU Ministerial Gas Forum
11-12 November | Acapulco, Mexico
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## Then and Now: What Has Changed in the Global Energy Dialogue on Natural Gas?

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<td><strong>1)</strong> Unchanged.</td>
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<td><strong>2)</strong> An integrated global gas market is not likely in the near term.</td>
<td><strong>2)</strong> Unchanged, though talk has begun of a possible LNG spot price.</td>
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<td><strong>3)</strong> The logic for establishing a regional gas-pricing hub in Asia is questionable.</td>
<td><strong>3)</strong> Unchanged, though several countries continue to push for this.</td>
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<td><strong>4)</strong> Oil-indexation of gas prices has clear merits, but some sellers have won business by applying a more flexible formula.</td>
<td><strong>4)</strong> Unchanged, with the trend towards greater flexibility on the part of LNG exporters.</td>
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<td><strong>5)</strong> It is difficult to talk about gas in isolation because of its links to electricity, coal and renewables.</td>
<td><strong>5)</strong> Unchanged, though gas is more a complement than a competitor.</td>
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<td><strong>6)</strong> Destination clauses in LNG contracts are ironclad and non-negotiable.</td>
<td><strong>6)</strong> Changed: European Commission ruling, greater exporter flexibility.</td>
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<td><strong>7)</strong> There are conflicting messages about gas in the marketplace (clean fuel versus fracking concerns).</td>
<td><strong>7)</strong> Changed: gas has gained prominence as a clean fossil fuel.</td>
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<td><strong>8)</strong> Companies entering into joint ventures with US-based unconventional players will benefit from technology transfer, accelerating the spread of the unconventionals revolution.</td>
<td><strong>8)</strong> Changed: geology is so different from play to play within the US that the transfer of knowledge to China and beyond is not so straightforward.</td>
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<td><strong>9)</strong> In the wake of the Fukushima disaster, Japan will cease using nuclear power indefinitely.</td>
<td><strong>9)</strong> Changed: Japan likely to bring some nuclear back on line in 2015.</td>
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Progress on JODI-Gas as of October 2012

• JODI-Gas was an exercise, not a permanent initiative.

• 55 countries/economies were submitting data on an irregular basis.

• Two Gas Data Transparency Conferences had been organised, gathering key stakeholders and discuss challenges to enhanced data transparency and related countermeasures.
Shared Progress on JODI-Gas since October 2012

JODI-Gas became a permanent initiative October 2012

- **68 countries/economies** participating in JODI-Gas January 2013
- **Access to the JODI-Gas database granted** for participating countries January 2013
- **JODI-Gas Regional Training Workshop** for Asia-Pacific Region October 2013
- **JODI-Gas Regional Training Workshop** Central Asia & MENA February 2014
- The **Gas Exporting Countries Forum (GECF)** became the 8th JODI Partner March 2014
- **JODI-Gas Manual** prepared and published April 2014
- **Public launch** of the JODI-Gas database at the IEF14 May 2014
- **New JODI website** unveiled May 2014
- **77 countries/economies** participating in JODI-Gas October 2014
- Continue to enhance the JODI-Gas database and increase participation On-Going