2nd IEF-IGU Ministerial Gas Forum

Doha, Qatar, 30 November 2010

Concluding Statement by Secretariats of IEF and IGU

The 2nd IEF-IGU Ministerial Gas Forum was held in Doha, Qatar, 30 November 2010, with the participation of H.E Abdulla Bin Hamad Al-Attiyah, Deputy Premier, Minister of Energy and Industry, Qatar, hosting the event, Government representatives, gas industry leaders from gas producing and consuming countries, from developed and developing countries, as well as international organizations". The Role of Natural Gas in a Sustainable Energy Future" was the central theme.

Government representatives and industry leaders discussed key challenges facing the natural gas industry and how it can help develop a sustainable response to climate change. They emphasized the need to create predictable rules and regulations in order for the industry to act efficiently in their operations and investments, for a sustainable use of resources and a sound use of available human capital. The discussion focused on the following major areas.

1 - Gas markets

1. Natural gas consumption and trade have been growing steadily over the past two decades and gas has strengthened its position in the world energy mix. Natural gas markets were affected by a confluence of major forces during the past two years; a surge in supply volumes coupled with weak demand resulted in a global gas over-supply. However gas demand is expected to resume growth in both emerging and traditional markets in the coming years and decades.

2. The structure of global gas demand has changed as developing countries have begun to use more natural gas and the traditional markets have seen their demand level off or decline. The projected increase in natural gas demand in the next decades is expected to come primarily from non-OECD countries, with Asia and the Middle East playing a leading role.

3. The surprising development of unconventional gas resources in the US has dramatically altered the global market and is expected to have a significant impact on the gas outlook not only in North America but in other parts of the world as well. However, outside the US, it is still very uncertain how much shale gas can be developed.

4. Gas demand in many producing countries has been growing sharply over the past two decades and will continue to grow. This trend has implications for producing countries as well as energy markets globally, as increasing domestic demand impacts exports and reduces

5. There is an urgent need to ramp up energy efficiency and energy saving, in particular in developing countries, to curb demand growth and also tackle the issue of phasing out, over the medium term and in a socially acceptable way, unsustainable fossil fuel subsidies.

6. The global spot market is gaining maturity leading to a more liquid market with greater potential for narrowing regional price differences. However in 2009, the increase in shale gas production has reduced imports of LNG in the US, with adverse impacts globalizing trends of the gas markets. Is this temporary or permanent?

7. Spot gas prices have fallen in the world's two major spot markets, widening the gap between gas prices in long-term oil-indexed contracts and spot gas prices. Adjustments are being introduced in long-term contracts to reflect spot market conditions and hybrid spot/oil indexed formulas are included in long term contracts. However, long-term oil-indexed contracts are likely to remain predominant as they underpin huge upstream and infrastructure investments.

2 - Natural gas: A responsible choice for a sustainable future

8. For many decades to come future fossil fuels will continue to account for a substantial share of the global future energy composition and natural gas will continue to play a significant role in global energy demand; its share will increase substantially, as demand will continue to increase especially for power generation sector, in particular in emerging and developing countries.

9. Given its availability, environmental qualities and advances in technology, natural gas is an essential part of the global solution to climate change. The natural gas industry has the scale, technology, and resources to reduce CO_2 emissions. This positive contribution that natural gas is making in climate change mitigation and delivering a sustainable energy future should be highlighted much more strongly in international fora and debates.

10. Due to a number of political, technical, economic and market related factors, the expected period leading to a substantial renewable energy base will be lengthy and will require significant subsidies. Natural gas can be an "enabling fuel". It can play a role of a "dual" fuel to renewables by enabling increased deployment of energy supply from intermittent renewable technologies. Natural gas is abundant, affordable and environmentally acceptable. Hence, towards a sustainable energy future, natural gas is more than a bridge, it's a destination fuel.

11. The importance of communication and cooperation between policy makers and the gas industry to reach common goals of a sustainable energy future was acknowledged. To further emphasize this importance, IGU will in 5 December 2010, during COP 16 in Cancun, Mexico, together with Worldwatch Institute organize an event under the title "The role of natural gas in a low carbon economy".

12. The need to reduce gas flaring was underlined as an issue for the industry to address so as to better communicate the strong potential of the role of gas in a sustainable energy future.

3 - Investment

13. Worldwide, gas resources are more than sufficient to meet projected demand for the next decades, subject to adequate investments. The gas industry is capital-intensive and huge investments through the entire value chain are needed to compensate for the natural decline of existing gas fields. The cumulative investment required over the period 2010-2035 is projected to amount to $7.1 trillion or around $ 270 billion per year (IEA, WEO 2010).

14. The challenge facing the industry is to take the long-term view and continue to invest in the gas value chain despite uncertainties surrounding the economic downturn and current market conditions characterized by a gas glut and relatively low prices.

4 - Transparency of the gas market

15. The first IEF-IGU Ministerial Gas Forum held in Vienna in 2008 echoed and welcomed IEF Ministers call to extend JODI to natural gas. The IEF, in cooperation with its JODI partner organizations and GECF have initiated the extension work in 2009 and are looking for a launch of the Gas-JODI Database in 2011. It will provide more accurate picture of market conditions and hence will benefit to gas market players.

5 - Natural gas: A vector for cooperation and dialogue

16. Multilateral agreements and intergovernmental solutions will be increasingly needed to support or bring forward new infrastructure, to jointly explore and exploit new gas reserves, and to help establish robust and secure markets to the benefit of all parties. This will require long term cooperation between gas producers and consumers, and transit countries.

17. Driven by long-term economic considerations, the interests of NOCs and IOCs are more likely to converge in the natural gas business. Stronger partnerships, multifaceted cooperation and innovative arrangements between NOCs, IOCs, and services companies will be needed particularly for the challenges of developing remote and difficult gas resources. In this regard, the 2nd IEF NOC-IOC Forum in Paris, 7-8 April 2011 was recognized as an important platform to facilitate this cooperation.

18. Continuation of the IEF-IGU Ministerial Gas Forum is a very useful tool for discussion among all stakeholders and the offer by France to host the 3rd IEF-IGU Ministerial Gas Forum in 2012 was welcomed.