Overlooking 15 years of gas deregulation process in the EU: consequences on security of supply, infrastructures and pricing

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IGU is the voice of 95% of the Global Gas Market
Major Natural Gas and LNG Trade Flows in 2013 (Bcm)

Source: BP Statistical Review 2014
Stages of development of gas-to-gas competition

Source: IEA
Netback Pricing of Natural Gas

Incumbent fuel

Market price

Depot price

+ delivery cost + taxes

= Factory gate price

= burner tip price

Natural gas

Import price

Netback to trunk line

Netback to city gate

Netback to factory gate

= burner tip price
Major steps towards opening of the EU gas market

1988
- Internal Energy Market
  - Policy target

1994
- Dir 94/22/EEC
  - Upstream competition

1998
- Dir 98/30/EC
  - Regulated or negotiated TPA

2003
- Dir 2003/55/EC and Reg 1775/2005
  - Cost calculation
  - Regulators

2004
- Dir 67/EC
  - Security of supply target

2005
- Dir 2009/73/EC
  - Stricter unbundling
  - Network planning

2009
- Reg 994/2010
  - Enhanced supply security

2010

Source: IEA
Natural gas prices in Asia, Europe and the USA

Wholesale gas prices in Asia, Europe and America

Source: Platts and Reuters

- NBP (Platt's)
- Henry Hub (Platt's)
- LNG Asia (Reuters)
Regional Contract Pricing Prevailing Structure

Source: Poten & Partners Inc New York
EU LNG imports have fallen by half in the past 3 years

Source: IEA October 2014
Europe’s large LNG import idle capacity

- Only 24% of LNG terminal capacity across Europe was utilised in 2013, leaving about 150 bcm available for additional purchase of LNG

Source: IEA October 2014
Main gas hubs and trading places in the EU

Source: IFP
The 2015 EU’s Gas Target Model

**Situation actuelle**

- Principaux gazoducs
- Terminaux GNL existants et en projet
- Principaux hubs gaziers
- Capacité de sortie et d’entrée entre zones de marché

**Organisation cible**

- Approvisionnement en gaz à la frontière de l'Europe
- Capacité de transport groupées

Source: CRE
Gas Prices comparisons for long-term (LT) contracts (EU) and spot markets (UK NBP and US HH), 2009-2014

Source: DGEC France
Concentration of participants on the EU and US markets

Source: Shell’s presentation at the EU Madrid Forum 2014
Comparison of traded gas volumes in the US and EU, in 2013

Source: Shell’s presentation at the EU Madrid Forum 2014
Structural ongoing Changes in Gas Pricing in Asia

Source: OIES

GASEX 2014, November 18th, 2014, Hong Kong
Asian Future LNG pricing trends to 2025

Remaining Contestable Demand
- Spot Transactions
- Short Term Contracts
- US Sourced - Unknown
- US Sourced - Asian Buyers
- US Sourced - Agregators
- Existing LT Contracts - JCC
- Historic LT Contract Imports
- LNG Demand

Source: Oxford Institute for Energy Studies

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