



IGU Newsletter - November 2015

THE CARTAGENA COUNCIL MEETING SPECIAL EDITION



Spectacular hospitality, timely and topical debates, discussions and engagement sum up the first Council meeting of the new Triennium



The first Executive Committee and Council meetings of the new Triennium were held from 20-23 October in the beautiful city of Cartagena, Colombia.

The event was spectacularly hosted by the ***Asociación Colombiana de Gas Natural - Naturgas***. Delegates were treated to the warm Colombian hospitality and were provided with glimpses of the history, culture and food that make Colombia such a special place to visit.

The IGU expresses its full appreciation to the many local sponsors that made this event such a success and particularly thanks IGU Executive Committee member Eduardo Pizano, **President, Asociación Colombiana de Gas Natural - Naturgas** for his relentless drive and effort to organize a world-class event.



Latin America and the Caribbean - Regional Member's meeting

Starting in Cartagena, the IGU launched the first in what will be a series of regional IGU member luncheons. This first luncheon brought together members from Colombia, Brazil, Argentina and Bolivia, for the purpose of focusing on key gas industry issues in the region and possible opportunities for greater IGU support and involvement. The IGU leadership looks forward to connecting similarly with many Charter and Associate members at future regional meetings.

Council Workshop

The Council Workshop kicked off with an excellent overview of the Colombian Natural Gas Industry presented by Mr Tomás González, Colombian Minister of Mines.

Quick Colombian Gas Industry facts:

- In 2014 produced 11.8 billion cubic metres (Bcm) of dry natural gas and consumed 10.9 Bcm.
- Natural gas consumption has grown, rising by more than 54% in the past decade.
- 4,774 miles of natural gas pipelines.
- In 2013 generated 62,196.6 Gigawatt hours (GWh) of electricity. Of the electricity generated, hydroelectric plants provided 68%, natural gas accounted for 18%, coal accounted for 8%, oil accounted for less than 1%, and the remaining electricity was from other sources.
- Over 500,000 CNG vehicles in operation.



Executive Committee and Council Approvals

The Executive Committee and Council approved the following:

Appointment of IGU Wise Persons for 2015-2018

Mr Nobuo Tanaka, Global Associate for Energy Security and Sustainability
Institute of Energy Economics, Japan;

Prof. Dr. Coby van der Linde, Head of Clingendael International Energy
Programme, The Netherlands;

Dr Daniel Yergin, Vice Chairman of IHS CERA, USA

Dr Kandeh K. Yumkella, Special Representative of the UN Secretary General and
CEO, Sustainable Energy for All

Approval of new Associate Members

COM-therm, s.r.o, Slovak Republic

Energodiagnostika LLC, Russia

Regas SRL, Italy

Appointment of Regional Coordinators for 2015-2018

Regional Coordinator for Europe: **Mr Gertjan Lankhorst**, President Royal Dutch
Gas Association and CEO Gas Terra B.V, the Netherlands

Regional Coordinator for Asia and Asia Pacific: **Ms Li Yalan**, Chairperson of the
Board of Directors, Beijing Gas Group Co., Ltd., China

Regional Coordinator for the Middle East and Africa: **Mr Khaled AbuBakr**,
Chairman of TAQA Arabia, Egypt

Regional Coordinator for North America: **Mr Timothy M. Egan**, CEO Canadian Gas
Association, Canada

Regional Coordinator for Latin America and the Caribbean: **Mr Javier Gremes
Cordero**, Executive Director General, Transportadora de Gas del Sur S.A.,
Argentina

Regional Coordinator for Russia, the Black Sea and the Caspian: **Mr Marcel
Kramer**, President of Energy Delta Institute (EDI), The Netherlands

Council Workshop - Outlook for the Natural Gas Industry

Following the remarks from the Minister, a panel discussion was facilitated by Timothy M. Egan, President and CEO of the Canadian Gas Association on the Outlook for the Natural Gas Industry.

Luis Oscar Herrera from BTG Pactual Andean Region & Argentina provided remarks with respect to the global economy through his presentation "Global Economic Outlook and Latin America".

Highlights from his presentations include,

- Latin America is stuck in the middle of the transition from the post-financial crisis. Between the US recovery and Fed interest-rate liftoff and China's slowdown, deleverage and demand rebalancing

Five takeaways from the 2015 Lima World Bank meetings

- Global growth rotation and the "new mediocrity" commodities glut to drag on
- Risk rotation and capital retrenchment from EME's Latin America's "golden years" are over
- 2016 is at the crossroads – smooth normalization or going from mediocre to miserable

Bassam Fattouh from the Oxford Institute of Energy Studies presented an excellent and thought provoking presentation entitled "The Fall in the Oil Prices and Its Implications on Gas and LNG Markets".

Major conclusions included,

- Supply and demand imbalances will continue to put downward pressure on oil price Until stocks are drawn-down, price recovery will be capped
- The supply response is yet to come, but with the advent of US Shale the timing and magnitude of response more uncertain
- The \$100 + oil price environment unlikely in the foreseeable future (unless there is a big supply disruption)
- Low oil prices are already having implications for the LNG market
 - Accelerated convergence of prices across basins
 - Henry Hub is less competitive in Asia reducing incentive to move away from JCC to HH based contracts
 - Until 2020, waves of LNG will keep prices low accelerating convergence across markets
 - Unwanted LNG from the US and Qatar will likely be diverted to Europe competing with Russian gas
 - Russia's strategic response will be key to price outcomes and price formations

Ed Kelly from IHS Energy, followed with an equally insightful presentation entitled “Natural Gas Markets – Growth and Challenges”.

Major conclusions included,

- Supply and demand drivers are moving in opposite directions
 - If WTI stays below \$45/bbl level as we expect, then US production will slow sharply in the next few months
 - Market opportunity gap; can new projects compete with existing contract extensions?
 - IHS LNG supply and demand outlook to 2025 suggests that there is only room for one in 15 projects
 - Future supply additions likely to come from the US and floating projects
 - Demand growth supports higher natural gas prices, but still under \$4 MMBtu until late 2021
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Global Spotlight Workshop - *What does COP 21 mean for the Role of Gas?*

Regional Spotlight Outlook - *What are the Key Gas Industry Issues and Opportunities?*

Following the first panel discussion, two excellent and informative panels discussed the role of gas in terms of COP 21 and any potential outcome from the Paris conference as well as the key regional issues and opportunities.

The COP 21 panel was moderated by Dave McCurdy, President and CEO of the American Gas Association and panelists presented the Intended Nationally Determined Contributions (INDC's) of a number of countries including the USA, Japan, South Korea, China and Australia. An excellent presentation on Statoil's 2 C Pathway was also presented. The final discussion centred around the contribution gas can make in cleaning up the polluted and dirty air of the mega-cities of the world, the major focus of IGU's contribution to COP 21.

The Regional panel discussion was moderated by Eduardo Pizano and very insightful presentations were made highlighting the extremely important role that gas plays in improving the quality of life in South America. Great opportunities exist for expanded use of gas as presented by panelists from Mexico, Venezuela and Colombia.

The informative presentations can be accessed by clicking on the following [link](#)

IGU Influence



David Carroll and Alexei Miller, Chairman of the Management Committee, Gazprom, 6 October 2015



Aldo Flores-Quiroga, Secretary General of IEF, Fatih Birol, Executive Director of IEA and Pål Rasmussen at the G20 Energy Ministers meeting in Istanbul, 2 October 2015



David Carroll, Menelaos (Mel) Ydreos and President Juan Manuel Santos, President of Colombia, 15 October 2015



Preliminary Program Now Available
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