



IGU

INTERNATIONAL GAS UNION
UNION INTERNATIONALE DU GAZ

Wholesale Gas Price Survey

2021 Edition

Press Release

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IGU 2020 Wholesale Gas Price Survey: 2021 continues liberalisation trend, gas continues its journey towards true global commodity market

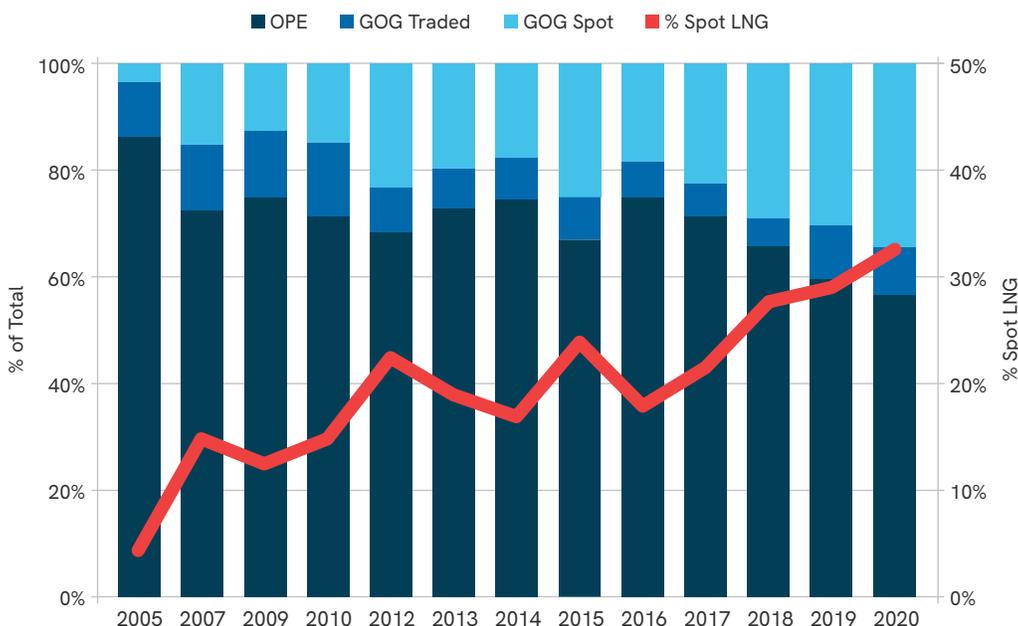
The International Gas Union (IGU) today releases its 2021 Wholesale Gas Price Survey Report. The survey is the [13th] to be undertaken in a series that began in 2005. It is now undeniable that we have been witnessing a long-term trend toward market-based pricing for natural gas across the world. 2020 marks another year on this journey.

Gas on gas pricing as % of global volumes is now 49.3%, rising from just 31.3% in 2005 - or a remarkable change of almost 60% .

Key findings of the Report – the continued rise of market-based pricing share.

Global gas markets saw a continuation of the strong trend toward competitive gas-on-gas pricing in 2020. Gas-on-gas competition (GOG) reached 49.3% – one percentage point more than the year before. Between 2005 to 2020, the GOG share of global gas consumption rose from 31.3% to 49.3%, with the OPE (oil price escalation / linked) share falling from 24.4% to 18.6%.

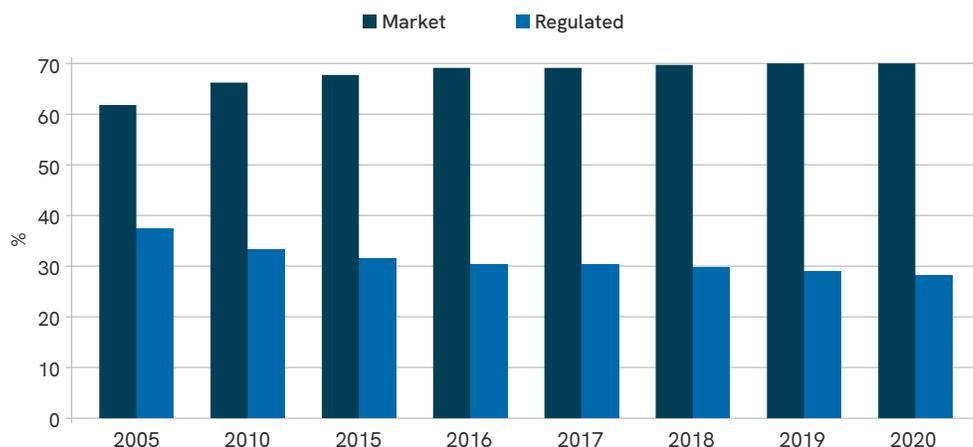
WORLD PRICE FORMATION 2005 TO 2020 – SPOT LNG IMPORTS



LNG’s market pricing % grew faster than pipeline. LNG’s inherent flexibility when combined with significant global demand for gas drove the move towards greater GOG pricing. The total GOG pricing share of LNG imports has nearly doubled in the last five years, having risen from 25% in 2016, to 44% in 2020.

China was the largest spot LNG market in 2020, closely followed by Japan, with India in third place, Turkey fourth and South Korea fifth. Italy, Pakistan, Chinese Taipei and Spain also imported significant spot LNG cargoes, and **these nine markets comprised 75% of all spot LNG cargoes in 2020**, which by then were over one-third of total LNG imports.

MARKET AND REGULATED PRICING 2005 TO 2020

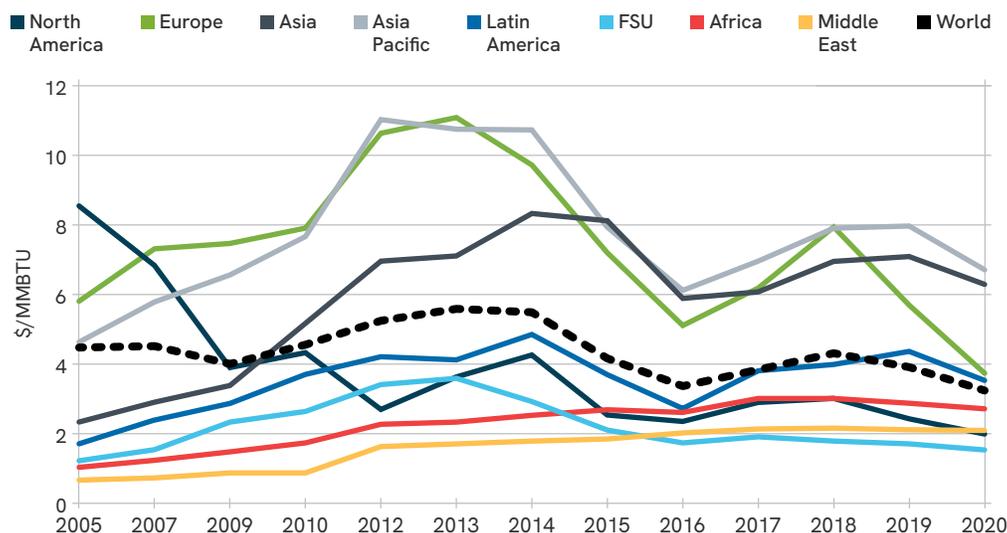


The same trend can be seen in the **pipeline imports sector**. **GOG represents 65%** of pricing, OPE is around 25% of all pipeline imports, BIM has the balance of 10%.

Finally, the narrative is consistent when considered market vs regulated pricing. Since the IGU started collecting data in 2005, the total “market” pricing share rose from 62% in 2005 to 71.5% in 2020, mirrored by a decline in “regulated” pricing, from 38% in 2005 to 28.5% in 2019.

A clear trend towards global price convergence

WHOLESALE PRICE LEVELS 2005 TO 2020 BY REGION



Even though the Asia price divergence, from the rest of the world, was more pronounced in 2020, European prices are now much closer to the World average than they have ever been, breaking decisively from Asia and Asia Pacific prices. Prices in North America in 2020 were below the average for Latin America and even Africa. Prices in the Former Soviet Union, in \$ terms, continued to be lower than in the Middle East.

Global wholesale prices declined again overall in 2020, with an already abundantly supplied market being further hit by the pandemic, leading to very sharp falls in spot prices around the world, to an average of \$3.24 per MMBTU – the lowest global average in all the surveys since 2005

The overall long-term picture shows that global gas prices have been on a consistent convergence path since 2005, indicating further globalisation of the gas markets

Andy Calitz, Secretary General Elect of the International Gas Union, commented:

“The Global Wholesale Gas Price survey is a rich depository of data and analysis. The direction of travel is clear. Gas is a global market. Greater pricing flexibility and market mechanism optionality means there is more choice and market tools available to consumers, potentially enhancing the role of gas across the global energy system and contributing to energy security.

However, it is a market with tight liquidity. The record low prices of 2020 are now matched by significant highs today. In the developing global gas markets, it is clear that enhanced up & midstream investment will be vital to ensure that energy security is not compromised, and supply continues to be available to meet demand of heating and cooling homes, supplying power systems flexibility, providing efficient and safe industrial fuel, and cleaning up the air and water around the world by replacing polluting coal and oil.”

For further information, please contact IGU Public Affairs:

Tatiana Khanberg

Manager, Public Affairs

Tatiana.Khanberg@igu.org

Paddy Blewer

Director, Public Affairs

Paddy.Blewer@igu.org



International Gas Union (IGU)

Att: Naturgy,
Plaça del Gas, 1,
Building A 2nd floor,
08003 Barcelona,
Spain

Telephone: + 34 93 412 97 89

Fax: + 34 93 402 54 26

E-mail: info@igu.org

Website: www.igu.org

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