

Data and transparency: challenges to growth for global gas markets

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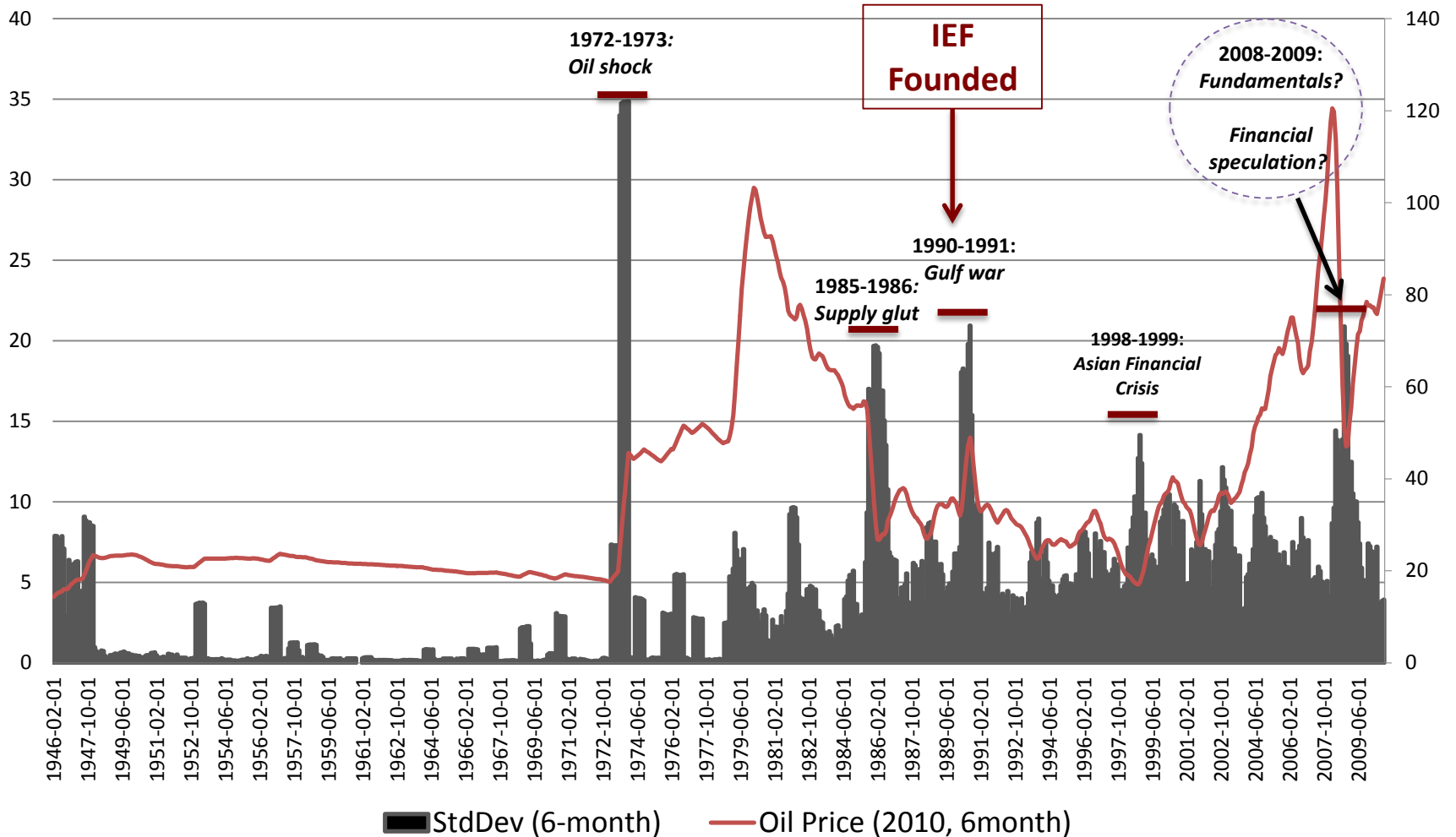
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When and why was the IEF founded?



What the IEF does

Helps manage complex **interdependence** .1

Builds **trust** and **understanding** between energy consumers and producers .2

Promotes market **data transparency** .3

Promotes **energy security** .4

The IEF is about



Dialogue & Data

The IEF membership: neutrality means inclusion



89 countries

6 continents

90% of global oil & gas markets

IEA, OPEC, BRICs, MIST

An Industry Advisory Committee of global companies participates in the IEF



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market challenge

What we (seem to) know

Gas demand growth will be largely driven by the economic expansion of non-OECD economies, most notably China and India .1

Power generation .a

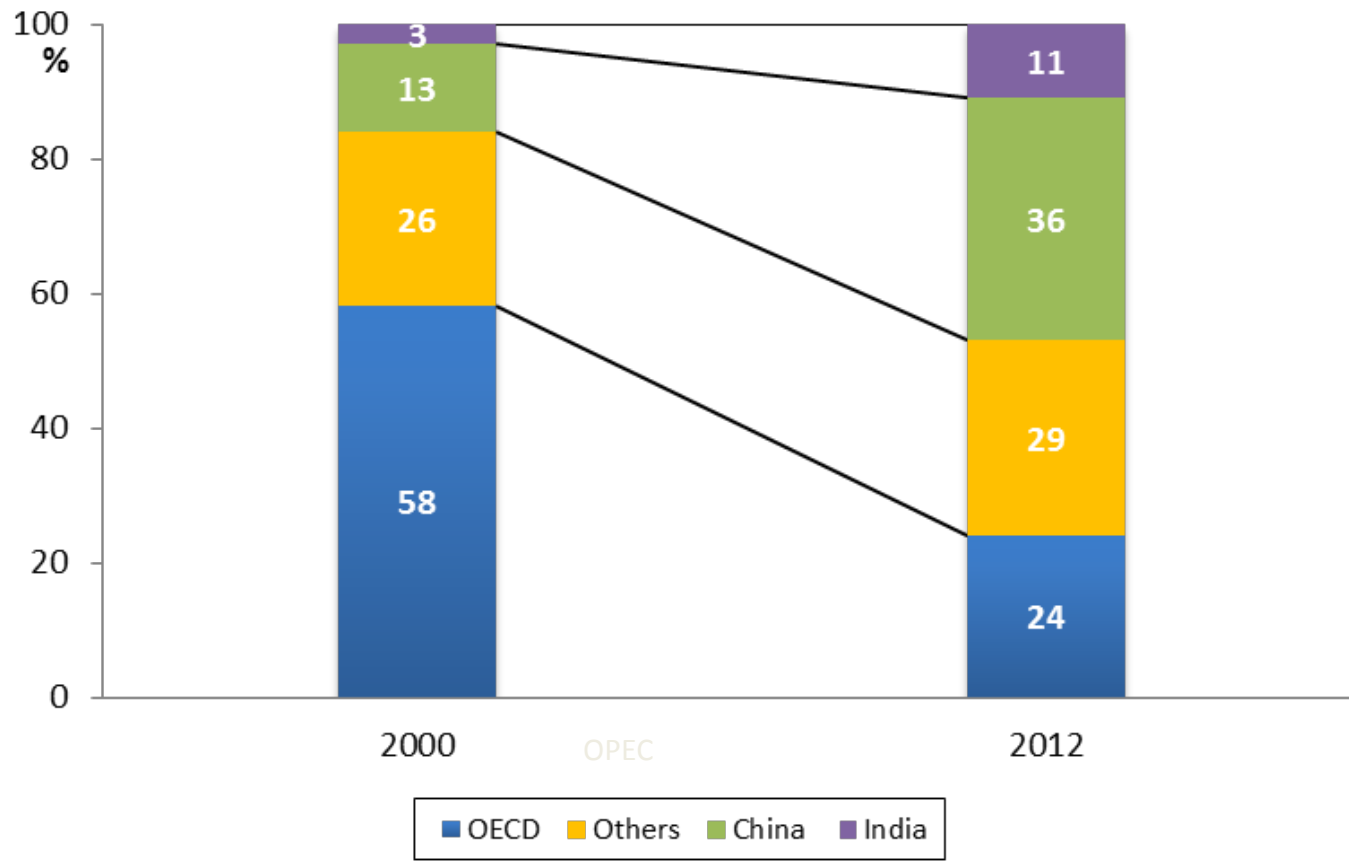
Transportation .b

Gas supply growth can increase in all world regions, mainly from unconventional sources, provided the right conditions are in place .1

The **share of gas in the global energy mix** is set to increase, most likely replacing coal .2

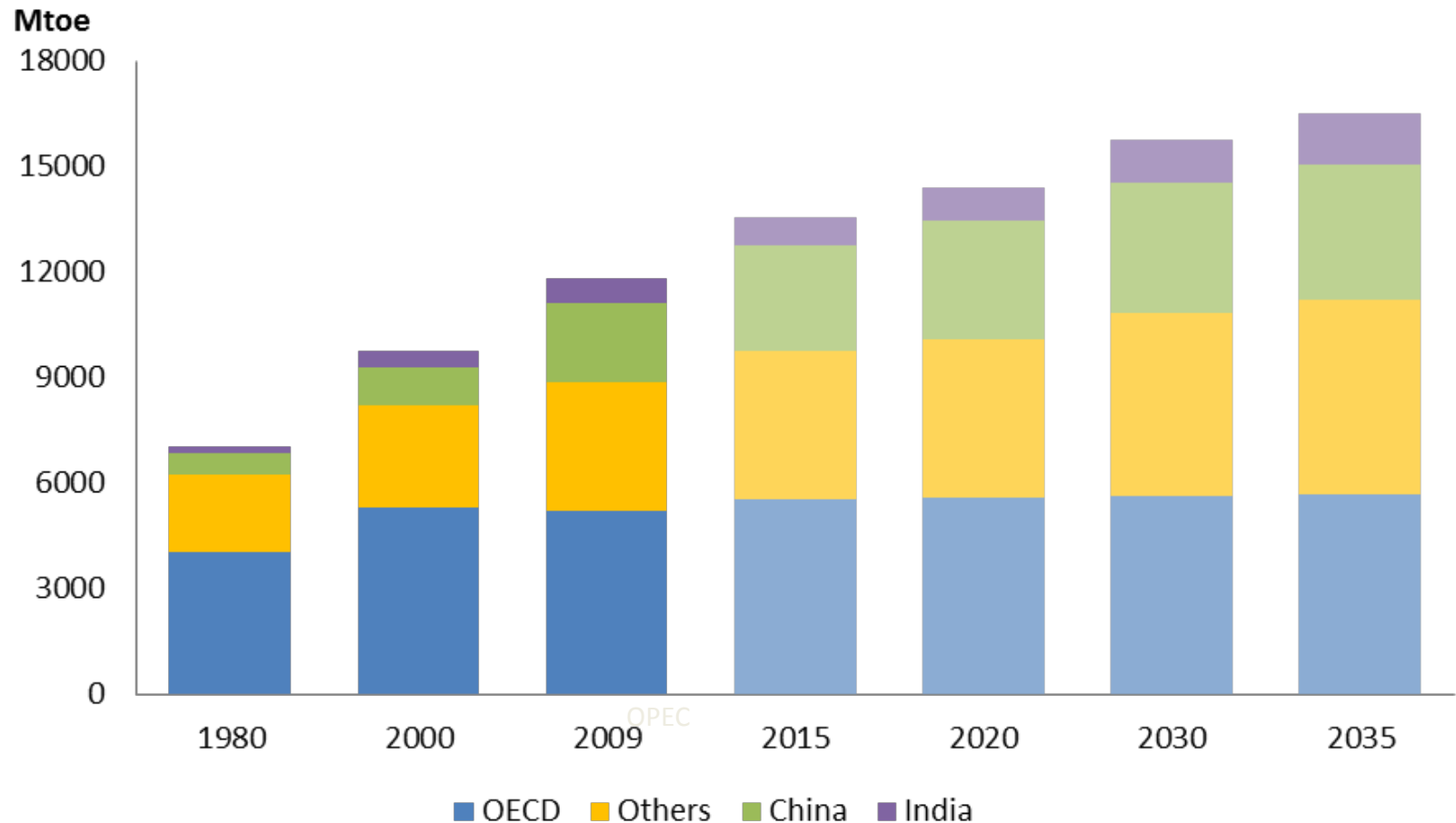
Expanded **LNG trade** will add flexibility to gas systems that to date rely on **pipeline trade**, as in Europe. .1

Global **GDP growth drivers** are steadily shifting from OECD to developing and emerging economies, likely to demand increasing amounts of gas



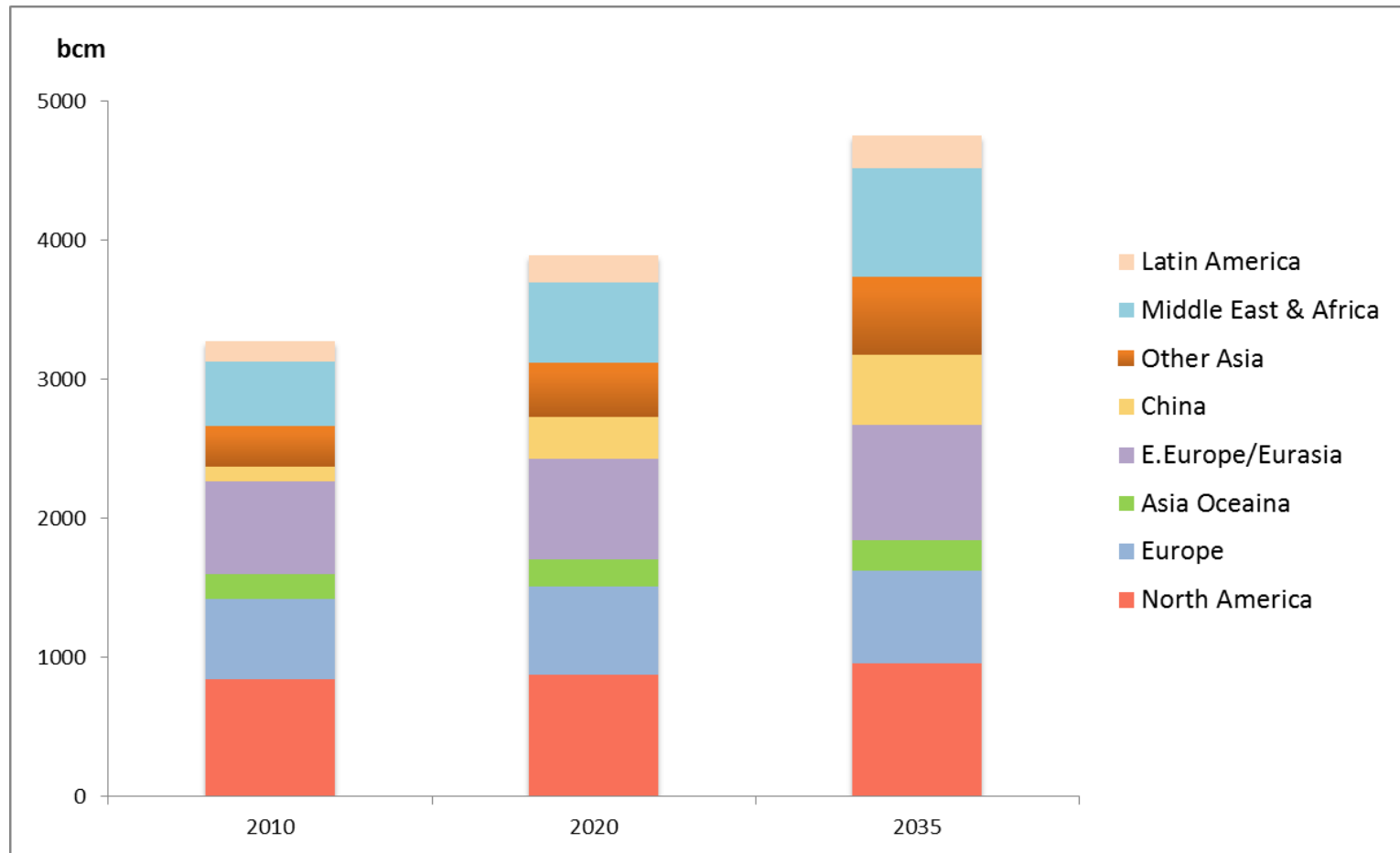
Source: IMF

Nearly 90% of **global energy demand growth** is forecast to come from non-OECD nations

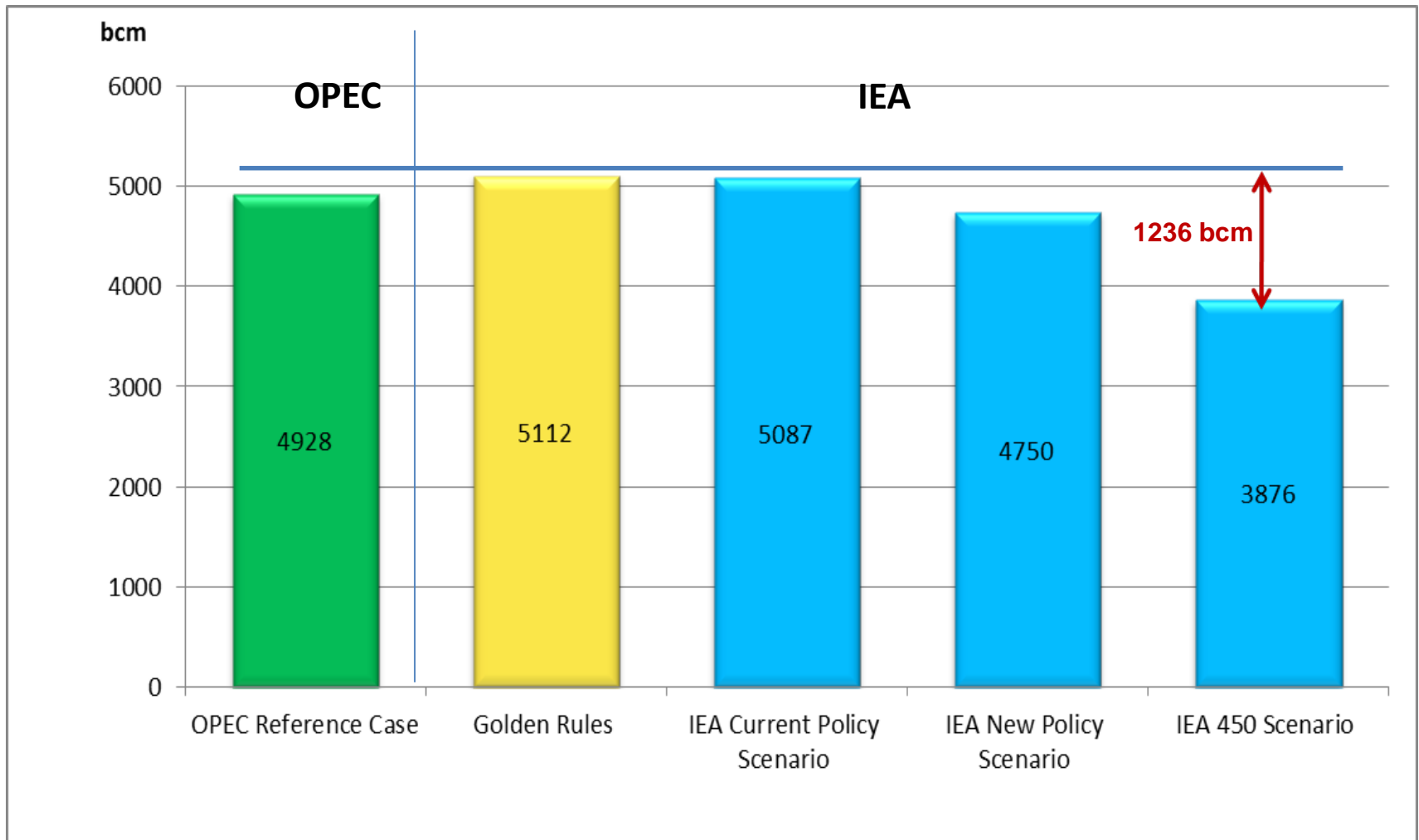


Source: IEA WEO 2011, New Policies Scenario

Non-OECD countries account for 81 of demand growth, while gas use in China pushes its gas consumption by 5-folds by 2035



But how much gas will be actually needed by 2035?



Gas availability is **not** the issue

200 years of available reserves –conventional and unconventional- at current rates of consumption .1

All regions of the world have ample gas resources .2

So what are the issues?

Will **policies** enable a “golden age of gas”? .1

Demand growth .a

Technological development .b

Environmental sustainability .c

Efficient price formation .d

Financial support .e

How far and how fast will interregional gas **market integration** go? .2

LNG growth is a precondition .a

So what are the issues?

Which mechanism will be more popular for **pricing gas**? .3

Competition on the spot through **hubs**? .a

Long-term **contracts** linked to oil? .b

How will the **geopolitics of gas** and **international energy cooperation** develop? .4

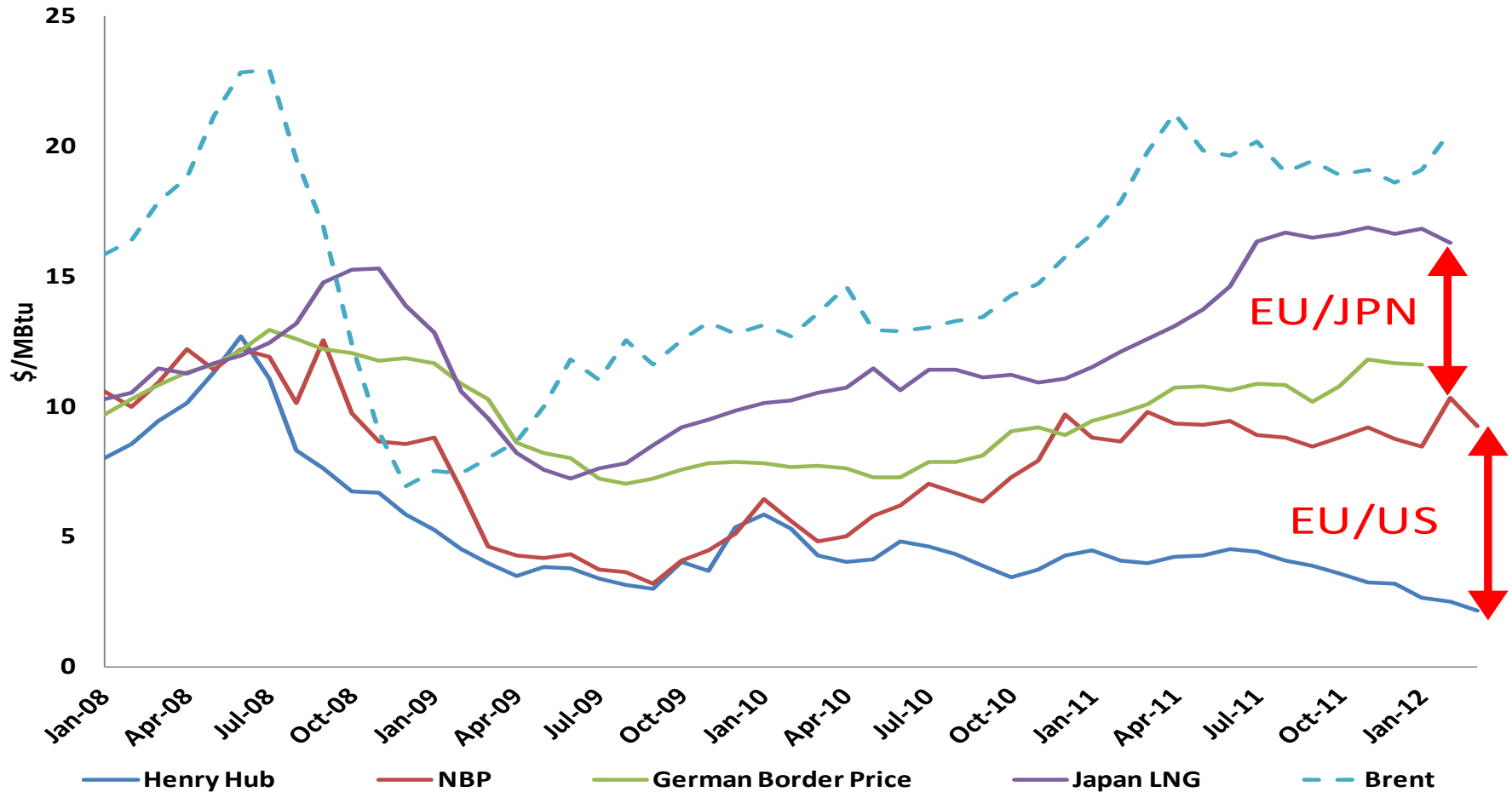
Europe and Asia are net importers .a

The Americas and Asia-Pacific are in relative balance .b

Africa and the Middle East are net exporters .c

Will enough and high quality data be available to structure more efficient gas markets? .5

Compounding the challenge: Three main regions, three sets of fundamentals, three pricing methods, and three trends for prices



Source: ICE, IEA, Japanese Customs, German Customs

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challenge of global gas markets**

Better data and more transparency will be required to meet the challenges to growth for gas

To assess the **evolution of balances** in gas markets .1

To understand the **dynamics of short-term price fluctuations** .2

To facilitate **strategic planning and investments** .3

Gas data are helpful in the **short-term** for **understanding prices**

Market disruptions require **quick access to information** to .1
understand price behavior

Lack of **transparency** around natural gas tends to create a .1
degree of anxiety in the marketplace

30% of gas demand is linked to household consumption, .2
affected by changes in weather conditions

Gas data are needed for **long-term strategic planning**

Making upstream **investment decisions** .1

Structuring long-term **contracts** .2

Building the right type of **infrastructure** .3

For every \$1 spend on a gas fired power plant, \$2 must be spend on upstream infrastructure investment

Why share information?

Producers can help consumers have a good idea about **.1**
expected supply levels, to build infrastructure
accordingly

Consumers can help producers have a good idea of **.2**
expected demand, to prepare investments accordingly

The **problem** and the **paradox**

Problem

You can have **fast data or accurate data, but not both** at the same time

Paradox

Everyone wants more and better data, but not everyone is willing to provide to **a common pool of information**

*Market data: a **public good***

The IEF is working with its partners in the **Joint Organisations Data Initiative** to improve the quality and availability of gas market data

Challenges	Countermeasures
Confidentiality	Working toward formalizing JODI-Gas
Political will	Beta testing of JODI-Gas
Lack of trained personnel	Ongoing JODI Training sessions
Need for data harmonization	Development of JODI-Gas training manual

Providing gas market transparency involves coordinating many steps and actors

**National statistics offices collect information
from natural gas companies**



**National statistics offices fill the JODI-Gas questionnaire
and pass this information to the JODI partner organization**



**JODI partner reviews the data, checks for outliers,
compares with secondary sources, and sends data to IEF**



**IEF rechecks, integrates, and publishes the information
it receives from partner organisations**

Conclusion

The healthy development of world gas markets will .1
require increased market data transparency

The IEF and its JODI partners are working to provide .2
this transparency

Companies and governments have yet much to .3
contribute