2ND IEA-IEF-OPEC SYMPOSIUM ON GAS AND COAL MARKET OUTLOOKS

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KEY INSIGHTS

- There is an apparent disconnect between some prominent **short- and medium-term natural gas demand outlooks**, which expect gas to face stiff competition from coal, and **longer-term outlooks**, which paint a relatively more optimistic picture for gas demand. One way to explain this difference is through assumptions related to new or expanded use of natural gas, for example in the transportation sector.

- Economic facts are stubborn, and a **bright outlook for gas is not guaranteed**. Policy and pricing barriers can be difficult to shift.

- **Cheap coal, competition from renewable energy sources and robust gas prices in Europe** help explain the negative spark spread some European utilities are currently facing. Natural gas and renewables may be allies where capacity is concerned, but in electricity generation they can be competitors.

- **Natural gas is being crowded out of use in power generation by renewables** in countries like Germany, in part because carbon prices are weak. It remains unclear whether or not Europeans will accept carbon prices, and at what level.

- **The future of natural gas is not linked to the future of unconventional gas**. But if unconventional gas production is to come on stream in Europe and elsewhere, market actors must gain a much better understanding of the geology, which will not be possible without drilling more holes.

- Given the magnitude of **China's gas demand, the path of its domestic gas production is a critical variable in the global outlook for gas**. China's domestic production levels will significantly impact both regional pipeline trade and global LNG markets.

- One **important risk that coal faces is that of pending regulation** that might affect its use. Yet whatever may be on the cards for future coal-related policy, the reality is that the world is going to continue burning coal.

- A **key variable to watch is the technology that will be selected for use in new power plants**, especially in Europe, which will come on line to replace aging plants. Will coal be the fuel of choice?

- In a scenario where **financing for coal-fired power plants is restricted or proscribed**, four outcomes may result: people will go without sufficient power, countries will build sub-optimal plants (below the latest technological standards), China will step in to finance and build the plants in nations that desire them, or countries will opt for cleaner burning fuels.

- The recently-unveiled **Boundary Dam Integrated Carbon Capture and Storage (CCS) Project merits close monitoring.** While CCS is still not feasible from a cost perspective, this plant and others could represent significant breakthroughs. On a related note, some experts believe policy-makers should reduce or end subsidies for renewables, and instead redirect those funds to subsidise CCS.