



INTERNATIONAL ENERGY FORUM SECRETARIAT

UNION INTERNATIONALE DE L'INDUSTRIE DU GAZ
INTERNATIONAL GAS UNION

UNE ORGANISATION MONDIALE
A WORLD-WIDE ORGANIZATION



IEF-IGU 1st Ministerial Gas Forum

Vienna, Austria 24 November 2008

Concluding Statement by Secretariat of IEF and IGU

The IEF-IGU 1st Ministerial Gas Forum was held in Vienna, 24 November 2008, with the participation of ministerial delegations, international organizations and gas industry leaders from gas producing and consuming countries, from developed and developing countries. “The world gas markets going from regional to global” was the central theme.

Ministers and industry leaders discussed the changing dynamics of the gas markets and the key challenges facing the natural gas industry.

The discussion focused on the following major areas.

Investments

- Ministers and industry leaders stressed that, subject to adequate and timely investment, natural gas reserves are sufficient to meet future demand in the coming decades. They discussed the role for natural gas in a “low-carbon emissions” energy-mix scenario and noted that natural gas demand is expected to continue growing in the future, mainly driven by power generation, at an average annual rate of 1.8 % up to 2030. Demand growth is projected to be largest in newly emerging consuming countries (5.8 % in China and 4.8 % in India) as well as in the Middle East (3.8 %).
- While acknowledging that natural gas reserves are amply available, Ministers and industry leaders noted that timely and accurate investments are needed to deliver gas to the markets. The most recent figures estimate the accumulated worldwide investment required in the gas industry to \$ 5.5 trillion up to 2030, or about \$ 230 billion annually - a staggering amount against the background of a global financial crisis, huge uncertainties and extremely volatile oil prices which combine to cause investors to pause for thought. The current hesitation in gas investment may lead to bottlenecks, in particular in

liquefaction capacity, as large gas projects are capital intensive and require long lead times, particularly in a context of a huge cost escalation in recent years and a persisting shortage of skilled labour.

- Considering the uncertainty surrounding the estimates of the investment needed and the related risks, Ministers and industry leaders discussed impediments to investment and underlined the need for a frank and open dialogue between producing and consuming countries to improve understanding and reduce uncertainties that hamper investment.

Globalization of the gas markets

- There was a wide-ranging discussion between Ministers and industry leaders on the globalization of the gas markets and global energy security. They observed that inter-regional gas trade is likely to increase significantly in the coming decades with the Middle East emerging as a major exporting region alongside Russia and Central Asia.
- The bulk of the increase in gas trade is in LNG, which is witnessing rapid changes, becoming increasingly flexible, with greater market access and increased volumes, increased short-term and spot trade. The LNG trade is growing and globalizing, with new consumers and producers continuing to enter the game.
- Ministers noted that, besides traditional LNG projects, underpinned by long-term contracts, recent projects have been endorsed with new business models and more flexible deals based on spot/short-term sales. From a straight-line-chain model, LNG trade is evolving to a multiple-destination or flexible network model.
- As LNG trade is now increasingly linking the regional gas markets, Ministers and industry leaders discussed how this will develop and underlined that, although it is unlikely to see a global gas price in the near future, connectivity and thus convergence of prices between regions will increase.
- While the trend to globalization will continue, Ministers and industry leaders noted that long-term contracts will remain a dominant commercial tool to link supply and demand on capital intensive projects as they enable an acceptable sharing of risk and guarantee security of supply to the buyer and security of demand to the seller.

Increased interdependence

Among other issues of importance, Ministers and industry leaders noted the growing interdependence between producing and consuming countries. They advocated all parties to find ways and means to translate this higher interdependence into a vector of cooperation and effective action-oriented dialogue through the IEF.

- Ministers and industry leaders encouraged more cross-investment and cooperation between gas consumers and producers, building positively on the interdependence between them. Natural gas exporters are entering ventures in consuming countries such

as receiving terminals and distribution networks, while gas importers are involved in upstream gas field development, natural gas transportation and liquefaction plants.

- Going beyond the buyer-seller relationship, enables the two parties to jointly explore and develop new opportunities for partnership and cooperation and to identify potential synergies, Ministers and industry leaders said.
- Ministers and industry leaders affirmed that human resources and technology are key drivers for energy security and encouraged NOCs and IOCs to enhance cooperation and partnership to develop human resources and encourage R & D efforts in pursuit of efficiency and cost improvements through technological advances.
- Discussing the issue of gas transport and the role of transit countries, Ministers and industry leaders noted that the development of transport and transit infrastructures will enhance interdependence between producing, transit and consuming countries and called for regional agreements and a better coordination between governments and companies to reduce uncertainties and thus encourage investment.
- Ministers and industry leaders also emphasized the need to improve energy efficiency and energy conservation across the board in both gas consuming and producing countries to curb global CO2 emissions and increase export potential of gas producing countries.

Transparency

- Recognizing that investment decisions can be facilitated by stable and transparent economic, fiscal, legal and regulatory framework, Ministers and industry leaders advocated all parties to focus on practical ways to improve the transparency of oil and gas markets.

While acclaiming the role of JODI in improving transparency in the oil market, Ministers and industry leaders noted that improving transparency on gas market information such as prices and flows will contribute to the reduction of uncertainties, improve predictability and project planning and leads to better allocation of gas resources across the globe.

- Ministers and industry leaders discussed the relevant issue whether a mechanism of gas data reporting similar to JODI would enhance gas market transparency and encouraged the IEF Secretariat to assess with other relevant international organizations possible extension of JODI to cover natural gas data.

A sustained and enhanced global dialogue

- The shared understanding is that through an enhanced and sustained dialogue natural gas stakeholders can better address key challenges facing the gas industry such as market transparency, investment, interdependence, transit and contractual frameworks.

- Expanding markets, their globalization and the development of capital intensive infrastructures require enhanced cooperation and a global and sustained dialogue between the energy industry and governments.
- Ministers and industry leaders affirmed that this IEF-IGU First Ministerial Gas Forum is an important step forward in promoting and strengthening a global dialogue between natural gas producing and consuming countries, and welcomed the invitation of Qatar to host the second IEF-IGU Ministerial Gas Forum in 2010.