

Producer-consumer cooperation in international gas markets: recent trends and prospects



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Contents

- 1. Global natural gas markets: issues and questions**
- 1. International cooperation on natural gas**
- 2. Natural gas market data transparency**

Contents

1. Global natural gas markets: issues and questions

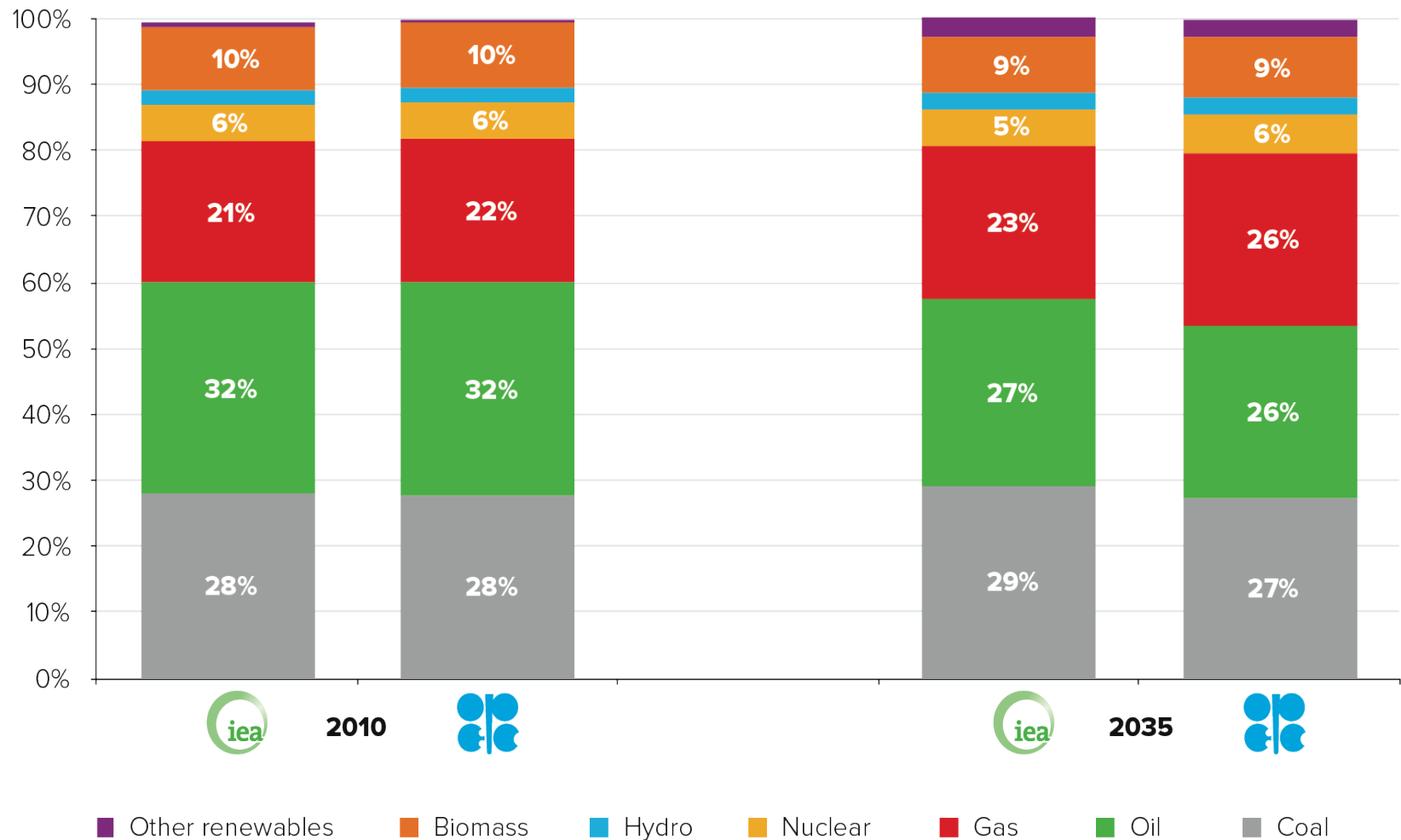
1. International cooperation on natural gas

2. Natural gas market data transparency

What we (seem to) know

1. **Gas demand** growth will be largely driven by the economic expansion of **non-OECD economies**, most notably China and India
1. **Gas supply** growth can increase in **all regions** provided the right conditions are in place
2. **LNG trade** is likely to increase and to **add flexibility** to gas systems that to date rely on pipeline trade, as in Europe

4. Gas will play a larger role in the global energy mix



Gas availability is **not** the issue

1. **200 years of available reserves** –conventional and unconventional- at current rates of consumption
2. **All regions of the world have ample gas resources**, even if specific countries do not
3. **Available excess capacity is adequate** to meet market fluctuations and disruptions

So what are the issues?

1. Will **policies** enable a “golden age of gas”?
2. How far and how fast will interregional gas **market integration** go?
3. Which mechanism will prevail for **pricing** gas?
4. How will the **geopolitics** of gas and **international energy cooperation** develop?
5. Will **enough and high-quality data** be available to structure more efficient gas markets?

Compounding the challenge

Three main **regions**

Three sets of **fundamentals**

Three mechanisms for **price formation**

Three trends for **prices**

Contents

1. Global natural gas markets: issues and questions

1. International cooperation on natural gas

2. Natural gas market data transparency

International cooperation on natural gas: Key initiatives

Dialogue

- International Energy Forum (**IEF**)
- Gas Exporting Countries Forum (**GECF**)
- LNG Producer-Consumer Conference

Transparency

- Joint Organisations Data Initiative (JODI)

Treaties and agreements

- Bilateral and multilateral trade and investment agreements
- Energy Charter

Research, experience sharing, advocacy

- Multi-country studies
- International Gas Union (IGU)

Industry partnerships

- NOC-IOC

Asia: examples of consumer and producer strategies

	Consumers	Producers
Size and composition of market	<ul style="list-style-type: none">• Improve operational capability to receive all LNG grades• Develop various gas demand types• Procure through a single aggregator	<ul style="list-style-type: none">• Improve operational capability to provide all LNG grades• Develop various gas supply types
Vertical integration	<ul style="list-style-type: none">• Expand participation in upstream segment• Expand participation throughout LNG value chain	<ul style="list-style-type: none">• Expand participation in downstream segment• Expand participation throughout LNG value chain
Competition and contracts	<ul style="list-style-type: none">• Diversify supply sources by geography and substitutes• Remove destination restrictions• Review and diversify contract types• Develop spot markets	<ul style="list-style-type: none">• Diversify demand sources by geography• Keep destination restrictions• Keep long-term contracts
Cooperation and partnerships	<ul style="list-style-type: none">• Create multilateral study group	<ul style="list-style-type: none">• Experience sharing through GECF• Signaling and awareness campaigns

The IEF is enhancing the producer-consumer dialogue on gas

14th IEF Ministerial

4th IEF-IGU Gas Ministerial

5th Asian Ministerial Energy Roundtable

IEF Thought Leaders Roundtables on Gas

Contents

1. Global gas markets: issues and questions

1. International cooperation on natural gas

2. Gas market data transparency

Extension of JODI to gas: A process that dates back to 2006

2006

Ministers called for the extension of JODI to other fuels at the **IEF10** in Doha, Qatar

2009

Calls for JODI Gas at the **G8 Summit** in L'Aquila and at the G20 Summit in Pittsburgh; JODI-Gas exercise launched.

2011

JODI-Gas supported at the **G20 Summit** in Cannes.

2013

The IEF and JODI Partners receive on-going feedback and improve the platform as necessary

IEF10

IEF11

**PITTSBURGH
SUMMIT 2009**

IEF12



IEF13



2008

Ministers called for the extension of JODI to natural gas at the **IEF11**, and at the Extraordinary Energy Ministerial Meetings of Jeddah and London

2010

JODI-Gas supported by Ministers at the **IEF12** in Mexico

2012

Strong support for JODI-Gas shown by Ministers at the **IEF13** in Kuwait; in October, JODI-Gas became a permanent reporting initiative

2014

Public launch of JODI-Gas scheduled during the 14th IEF, Moscow, May 15-16

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

1. To assess the **evolution of balances** in gas markets
2. To understand the **dynamics of short-term price fluctuations**
3. To facilitate **strategic planning** and **investments**

JODI-Gas has been gas been providing training to improve and increase reporting

1. As of last month, **72 countries participate in JODI-Gas**, representing around 80% of global natural gas supply and demand.
2. Last October, the IEF, together with the JODI Partners, organised the **first-ever Regional JODI Training that featured a module on JODI-Gas**.
3. Later this month, the **second JODI-Gas training will be held in Azerbaijan**.

Final remarks

1. The development of world gas markets will require increased market data **transparency** and **JODI-Gas is a key instrument**
2. Data transparency will enhance the **efficiency of price signals**, whether they are developed on **spot markets** or through **long-term, indexed contracts**
3. **Cooperation** between producers and consumers will deliver results, especially in natural gas markets, where **interdependence, complexity** and high costs are key characteristics.