

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

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GECF

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- 1. International cooperation on natural gas**
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## **1. Global natural gas markets: issues and questions**

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# What we (seem to) know about demand

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

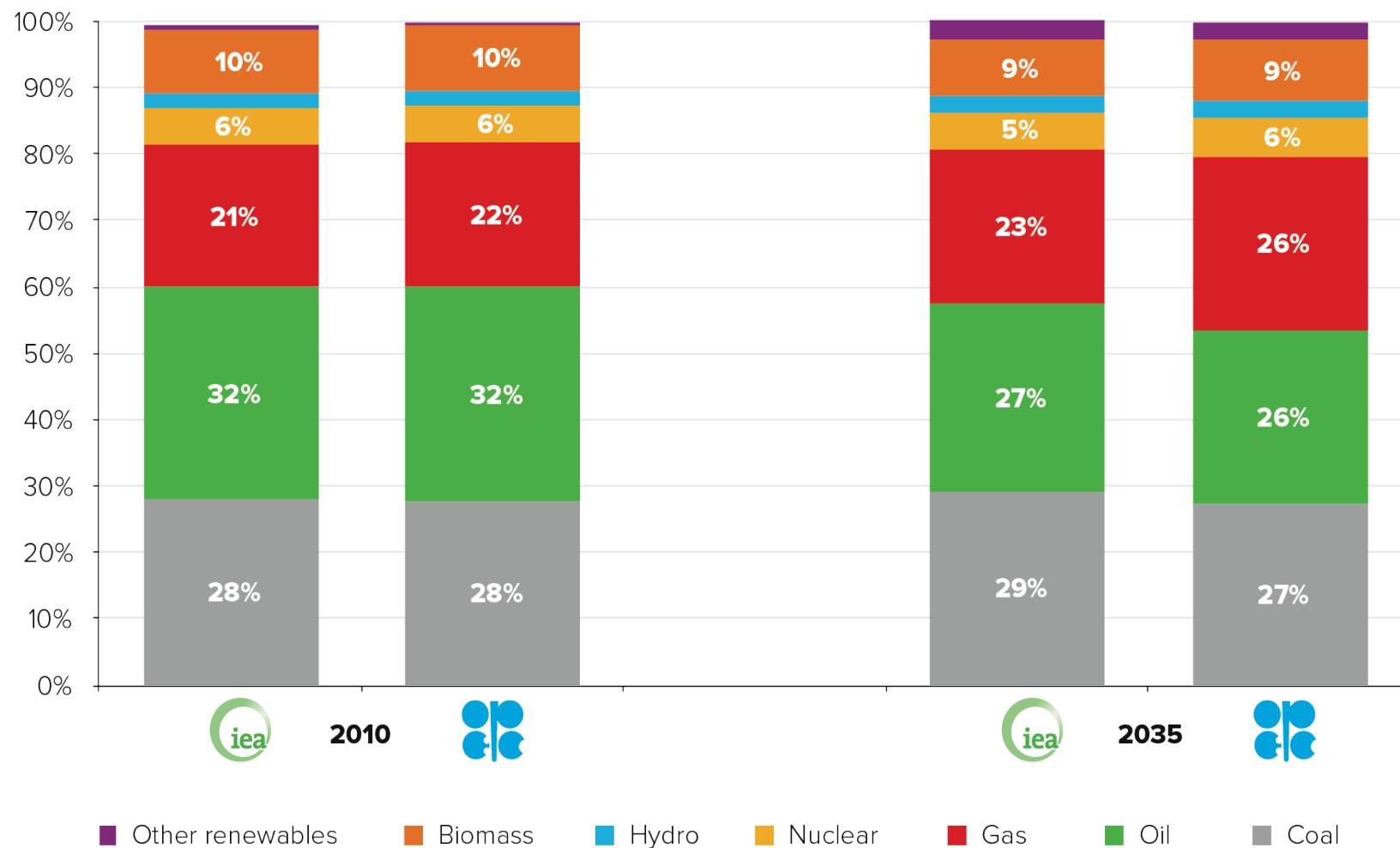
# What we (seem to) know about supply

**Gas supply growth** can increase in **all regions** provided the right conditions are in place

# What we (seem to) know about gas trade

**LNG trade** is likely to increase and to **add flexibility** to gas systems that to date rely on pipeline trade, as in Europe

# Gas will play a greater role in the global energy mix



# Gas availability is **not** the issue

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



# So what are the issues?

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1. Will policies enable a “golden age of gas”?
2. How far and how fast will interregional gas market integration go?
3. What 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

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Three main **regions**

Three sets of **fundamentals**

Three mechanisms for **price formation**

Three trends for **prices**

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# International cooperation on natural gas: Key initiatives

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## **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

# Four main consumer and producer strategies

Consumers	Producers
1. Size and composition of market	
2. Vertical integration	
3. Competition and contracts	
4. Cooperation and partnerships	

# Asia: examples of consumer and producer strategies

	Consumers	Producers
<b>1. Size and composition of market</b>	<ul style="list-style-type: none"><li>• Improve operational capability to receive all LNG grades</li><li>• Develop various gas demand types</li><li>• Procure through a single aggregator</li></ul>	<ul style="list-style-type: none"><li>• Improve operational capability to provide all LNG grades</li><li>• Develop various gas supply types</li></ul>
2. Vertical integration	<ul style="list-style-type: none"><li>• Expand participation in upstream segment</li><li>• Expand participation throughout LNG value chain</li></ul>	<ul style="list-style-type: none"><li>• Expand participation in downstream segment</li><li>• Expand participation throughout LNG value chain</li></ul>
3. Competition and contracts	<ul style="list-style-type: none"><li>• Diversify supply sources by geography and substitutes</li><li>• Remove destination restrictions</li><li>• Review and diversify contract types</li><li>• Develop spot markets</li></ul>	<ul style="list-style-type: none"><li>• Diversify demand sources by geography</li><li>• Keep destination restrictions</li><li>• Keep long-term contracts</li></ul>
4. Cooperation and partnerships	<ul style="list-style-type: none"><li>• Create multilateral study group</li></ul>	<ul style="list-style-type: none"><li>• Experience sharing through GECF</li><li>• Signaling and awareness campaigns</li></ul>

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# The IEF is enhancing the producer-consumer dialogue on gas

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14<sup>th</sup> IEF Ministerial

4<sup>th</sup> IEF-IGU Gas Ministerial

5<sup>th</sup> Asian Ministerial Energy Roundtable

IEF Thought Leaders Roundtables on Gas

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

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

# JODI-Gas will be an important contribution to market data transparency

**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 14<sup>th</sup> IEF, Moscow, May 15-16**

# Final remarks

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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.