



Korea's Joe Kang (right) accepts the IGU presidency from former IGU president David Carroll at the close of the 2018 World Gas Conference.

# IGU'S FUTURE PATH

**A T THE CLOSE OF THE 2018 WORLD GAS** Conference on June 29 in Washington, DC, Joe M. Kang, co-chair of South Korea's Committee on Overseas Resource Development, took over as president of the International Gas Union (IGU). In 2021, he will host the next triennial WGC in Daegu, Korea. *NGW* caught up with him as the 2018 conference wound down.

***What will the work program for IGU look like over the next triennial period heading into WGC 2021? What themes do you envision for the conference?***

I am honoured to have the opportunity to serve and lead the IGU as its president. As the international voice of gas, the next three years will continue to build on our work promoting the important and sizeable role of gas in the global energy mix. To achieve this, our priorities for the next three years will rest on the three pillars of strong advocacy, transparent governance, and delivering value to members. These themes will be carried forward in our planning and organisation of the World Gas Conference in 2021 in Daegu. With the overall theme of A Sustainable Future – Powered by Gas, we intend to stage a →

PHOTO: WGC

*“With the overall theme of A Sustainable Future – Powered by Gas, we intend to stage a WGC that brings together government, thought leaders, key stakeholders, academics and NGOs to debate the most important and urgent issues faced by the industry.”*

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***Proposed LNG capacity projects taking FID today will meet demand in the post-2023 period. Do you anticipate another wave of liquefaction capacity waiting in the wings as 2021 approaches?***

As we noted in the 2018 World LNG Report that was released at the World Gas Conference in Washington, investment decisions on new LNG supply have come to a near standstill over the last two years. In 2017, only one large-scale LNG project reached FID – the 3.4mn metric tons/year (mt/yr) Coral South FLNG in Mozambique – marking the lowest volume of sanctioned LNG in nearly 20 years.

The slowdown in investments is partly a reflection of the wider trend of cutting back capital expenditure across the oil and gas industry during the commodity downturn, but can also be attributed

to the lack of contracting activity from buyers hesitant to sign long-term deals in the face of growing near-term LNG supply. Without long-term contracts, new liquefaction projects will find it challenging to proceed.

As demand and supply for LNG continues to grow, I am optimistic that we will see a rebound in investments for new facilities, both land-based and floating. In fact, our 2018 LNG report highlighted the fact that the industry had recorded 92mn mt/yr of liquefaction capacity under construction as of March 2018, with a further 875.5mn mt/yr of proposed capacity in the pipeline – all positive signs of future growth.

***Does the IGU have any concerns about the growing dominance of Russian gas in the European and Asian markets, with NS2 to Europe and Power of Siberia to China coming on-line soon?***

We view these as positive developments and, combined with the ever-increasing availability →



**Joe Kang will lead the International Gas Union as it heads to WGC 2021 in Korea.**

of LNG, security of supply and access to natural gas is greatly enhanced. In view of the increased investments in infrastructure, particularly in Europe, there should be less concern about where the gas is coming from as more robust networks are capable of moving gas around irrespective of where the gas is being supplied from.

***Despite the growth of natural gas in the last few years, coal still maintains a dominant position in***

***certain Asian and African economies, and indeed in some European markets. What steps will the IGU take to aid natural gas penetration into some of these markets?***

Natural gas offers the fastest and most economic path to reduced carbon emissions, helping to meet increasing energy demand while lowering greenhouse gas emissions and improving air quality.

Coal use is the largest source of global emissions of sulphur dioxide, a cause of respiratory illness and a precursor of acid rain, which has a major negative impact on forests, lakes and →

*“The use of natural gas instead of coal can dramatically reduce the sort of pollution that causes millions of premature deaths every year.”*

agricultural yields. Air pollution continues to be “the world’s single greatest environmental risk to health”, according to the World Health Organisation. The use of natural gas instead of coal can dramatically reduce the sort of pollution that causes millions of premature deaths every year.

We will continue to produce and provide credible evidence with which to engage policy makers, like the three case study reports that we have published that illustrate how a number of cities around the world have effectively improved the urban air quality through the greater use of natural gas and through fuel switching away from coal.

***In your view, what are the three most important barriers to increased natural gas consumption in non-producing economies?***

There are a number of critical barriers that must be overcome in order for these economies to enjoy the benefits that natural gas can bring. These include the lack of robust infrastructure, the establishment of appropriate regulatory and financial frameworks and, ultimately, the delivered price.

IGU members have told policy-makers that natural gas, with zero particulates, is healthier than coal and oil for the rising population of city dwellers. Where is that message succeeding, and where not?

At COP 21 in Paris, we took the bold decision to focus our efforts and raise the issue of urban air quality, while also highlighting the role of gas in reducing greenhouse gas emissions. Since then, a number of major publications from the IEA and the World Health Organisation have been published reinforcing that currently air pollution is the world’s biggest environmental health risk. Emissions of pollutants, including particulate matter, sulphur dioxide and nitrogen oxide, have major adverse impacts on human health – responsible for about 7mn deaths each year.

We hope that this focus has played some part in recent announcements from a number of countries around the world setting a timeline for a complete coal phase out. And nowhere have the efforts of switching from coal to natural gas in power generation been more focused and impressive than in China – a country in which air pollution has been a direct cause of around 4,000 deaths every day as recently as 2015.

***A shift from oil to gas-indexation in contracts seemed to slow in 2017, according to IGU’s Wholesale Gas Price Survey. Will it pick up →***

***again as 20-to 35-year Japanese LNG offtake deals are lapsed or unwound?***

The IGU's Wholesale Price Survey released at the World Gas Conference marks the 10th such report undertaken in a series that began 11 years ago. The 10 surveys have confirmed the significant changes in wholesale price formation mechanisms during a period of key developments and upheaval in the global gas market. Highlights of this year's survey include that gas-on-gas competition has the largest share in the world gas market. Out of total world consumption of 3.74 trillion m<sup>3</sup>, gas-on-gas competition has a share of 46%, totaling over 1.7 trillion m<sup>3</sup>, dominated by North America at 950bn m<sup>3</sup> followed by Europe at 380bn m<sup>3</sup> and the former Soviet Union at around 190bn m<sup>3</sup>. In all, gas-on-gas competition can now be found in 54 countries, in one form or another, and in all regions of the world. The share of gas-on-gas competition rose again between the 2016 and 2017 surveys and we expect this trend to continue.

***Under your mandate, will the IGU work to facilitate and promote the use of natural gas in Asia and in bridging the gap between consumer and production/exporting countries primarily in respect to LNG?***

IGU's more than 150 members are associations and corporations of the gas industry, representing over 97% of the global gas market. While we will put a greater focus on Asian markets and the role of LNG, our aim is to support the development and greater use of natural gas globally. As such, our efforts will remain global.

Although natural gas use is forecast to increase under various scenarios, natural gas is painted as a fuel of the past. What role does the IGU see for itself in addressing this not only to governments, but to the general global population?

I must admit that as an industry we must do a better job of presenting and explaining that natural gas is a modern fuel and vital to the environmental and economic sustainable energy future. We will aim to amplify this message through a number of activities and publications that are planned to be developed, and through an open and transparent dialogue with all stakeholders – including the general population. ■

