Overlooking 15 years of gas deregulation process in the EU: consequences on security of supply, infrastructures and pricing

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IGU is the voice of 95% of the Global Gas Market

GASEX 2014, November 18th, 2014, Hong Kong
Stages of development of gas-to-gas competition

Source: IEA
Netback Pricing of Natural Gas

**Incumbent fuel**
- Market price
- Depot price
  - + delivery cost + taxes
  - = Factory gate price
  - = burner tip price

**Natural gas**
- Import price
  - Netback to trunk line
  - Netback to city gate
  - Netback to factory gate
  - = burner tip price
Major steps towards opening of the EU gas market

- **Dir 94/22/EEC**
  - Upstream competition

- **Dir 98/30/EC**
  - Regulated or negotiated TPA

- **Dir 67/EC**
  - Security of supply target

- **Reg 994/2010**
  - Enhanced supply security

- **Internal Energy Market**
  - Policy target

- **Dir 2003/55/EC and Reg 1775/2005**
  - Cost calculation
  - Regulators

- **Dir 2009/73/EC**
  - Stricter unbundling
  - Network planning

Source: IEA
Natural gas prices in Asia, Europe and the USA

Wholesale gas prices in Asia, Europe and America

Source: Platts and Reuters

GASEX 2014, November 18th, 2014, Hong Kong
Regional Contract Pricing Prevailing Structure
EU LNG imports have fallen by half in the past 3 years

Source: IEA October 2014
Europe’s large LNG import idle capacity

- Only 24% of LNG terminal capacity across Europe was utilised in 2013, leaving about 150 bcm available for additional purchase of LNG

Source: IEA October 2014

Source: GIEGNI, IEA
Main gas hubs and trading places in the EU

Source: IFP
The 2015 EU’s Gas Target Model

Situation actuelle

Principaux gazoducs
Terminaux GNL existants et en projet
Principaux hubs gaziers
Capacité de sortie et d’entrée entre zones de marché

Organisation cible

Source: CRE

Approvisionnement en gaz à la frontière de l’Europe
Capacité de transport groupées
Gas Prices comparisons for long-term (LT) contracts (EU) and spot markets (UK NBP and US HH), 2009-2014

Source: DGEC France
Concentration of participants in the EU and US markets

2012 Gas Market Structure

Source: Shell’s presentation at the EU Madrid Forum 2014
Comparison of traded gas volumes in the US and EU, in 2013

Source: Shell’s presentation at the EU Madrid Forum 2014
Structural ongoing Changes in Gas Pricing in Asia

Current Situation
End-Users of LNG
- Mid-Stream Incumbent
  - Blended Import Price
  - Incumbent-owned LNG Import Terminal
    - Spot LNG Imports
      - JCC-indexed LNG Contract

Situation Post 2016
End-Users of LNG
- Mid-Stream Incumbent
  - Blended Import Price
  - Incumbent-owned LNG Import Terminal
    - Spot LNG Imports
      - HH plus margin-indexed LNG Contract
      - JCC-indexed LNG Contract

Situation Post 2020?
End-Users of LNG
- Mid-Stream Incumbent
  - Blended Import Price
  - Hub-based price
  - LNG Import Terminal with 3rd Party Access
    - Spot LNG Imports
      - HH plus margin-indexed LNG Contract
      - JCC-indexed LNG Contract

Source: OIES
Asian Future LNG pricing trends to 2025

Source: Oxford Institute for Energy Studies