

The Impact of Lower Gas and Oil Prices on Global Gas and LNG Markets

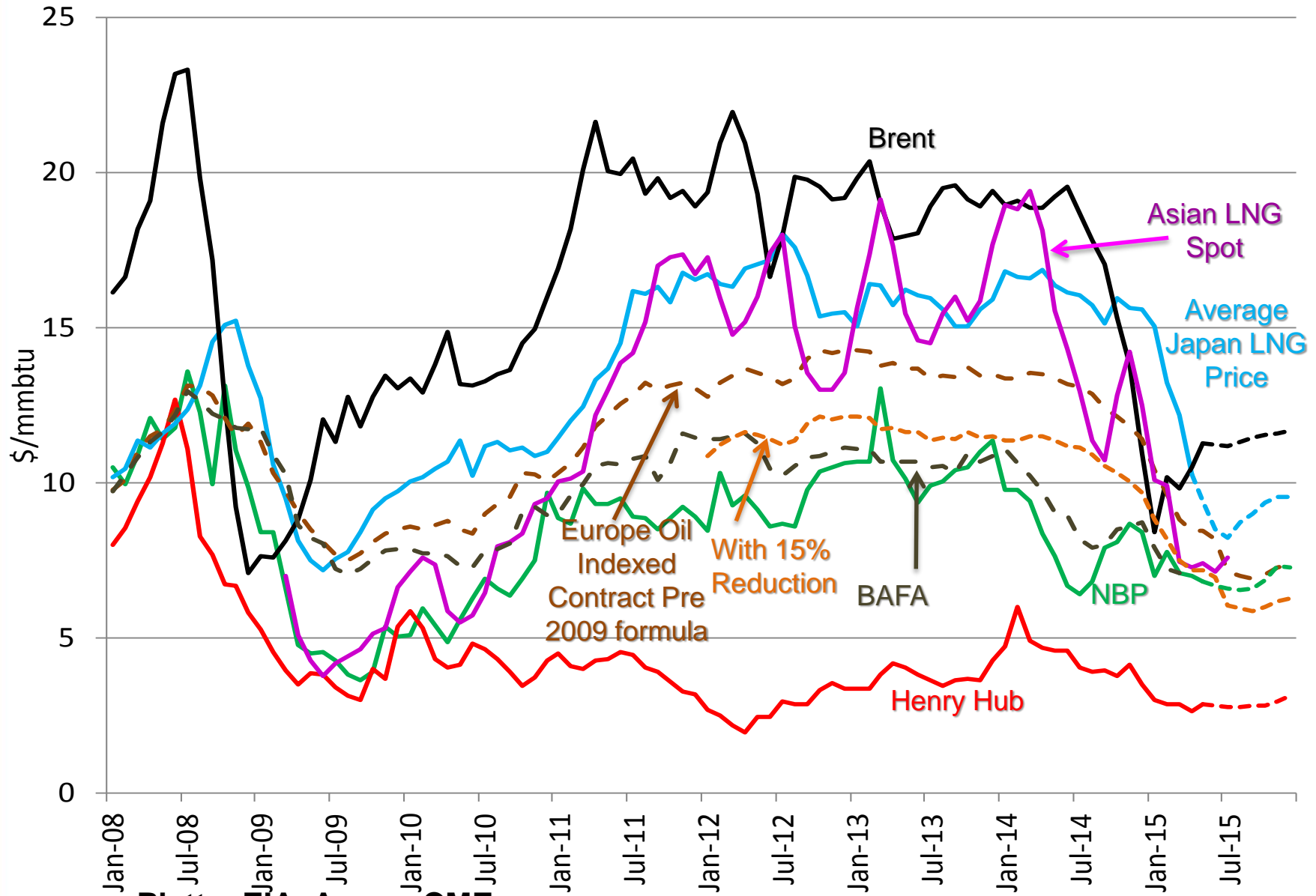
Howard Rogers

July 10 th 2015





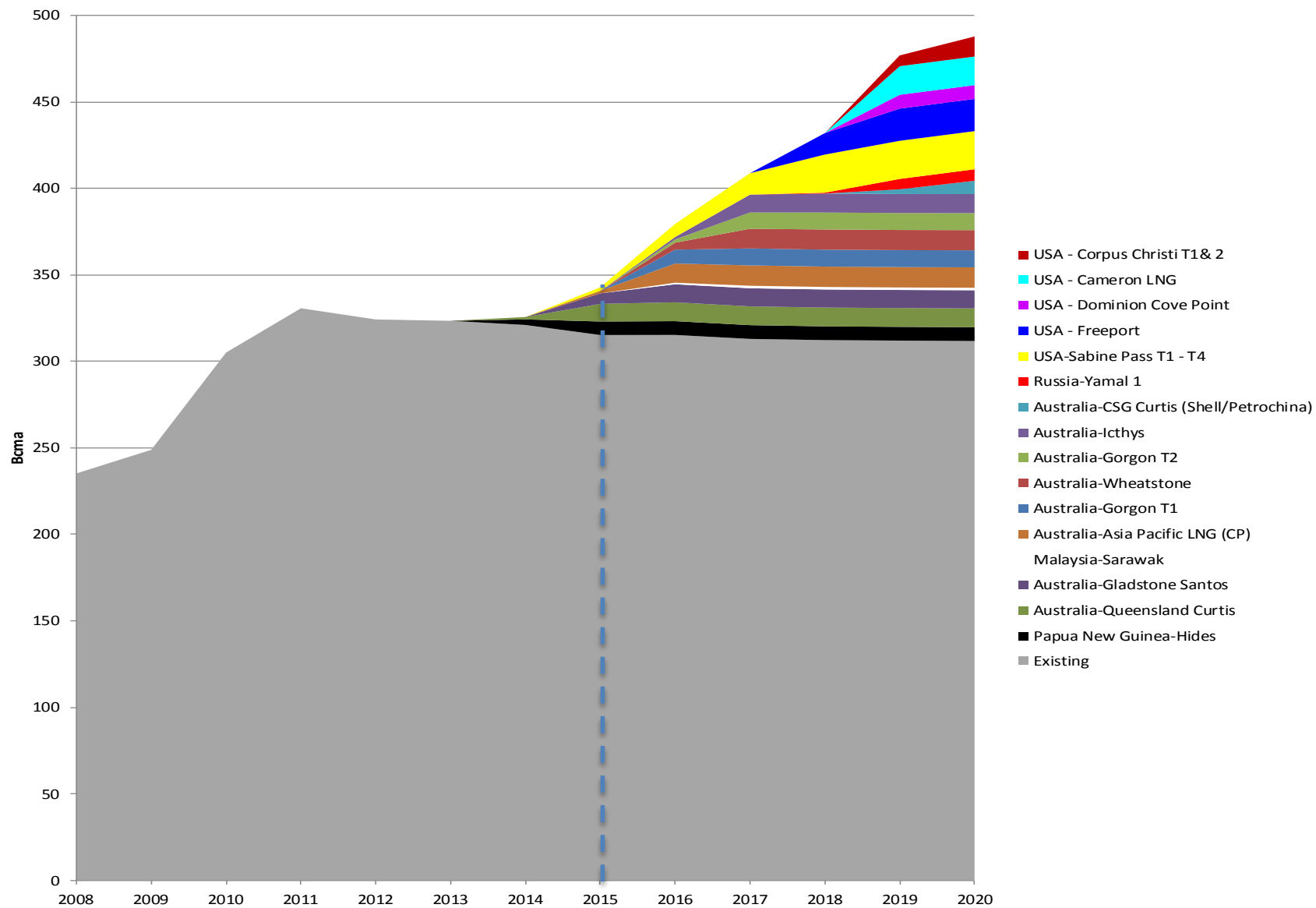
Regional Gas Prices – 2008 to Present



SOURCES: Platts, EIA, Argus, CME

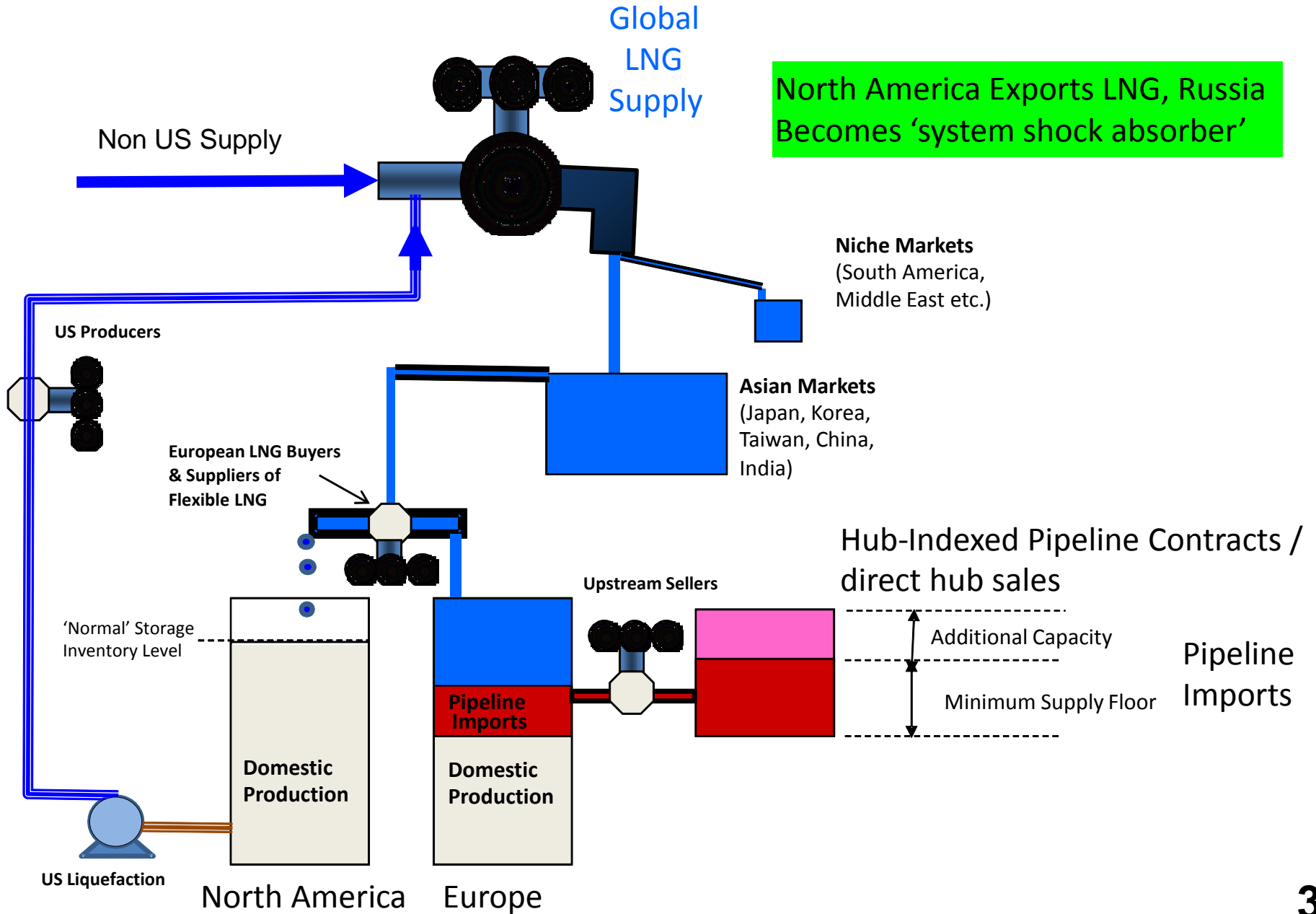


Existing and New LNG Projects Under Construction



Source: Company Reports

Global LNG System



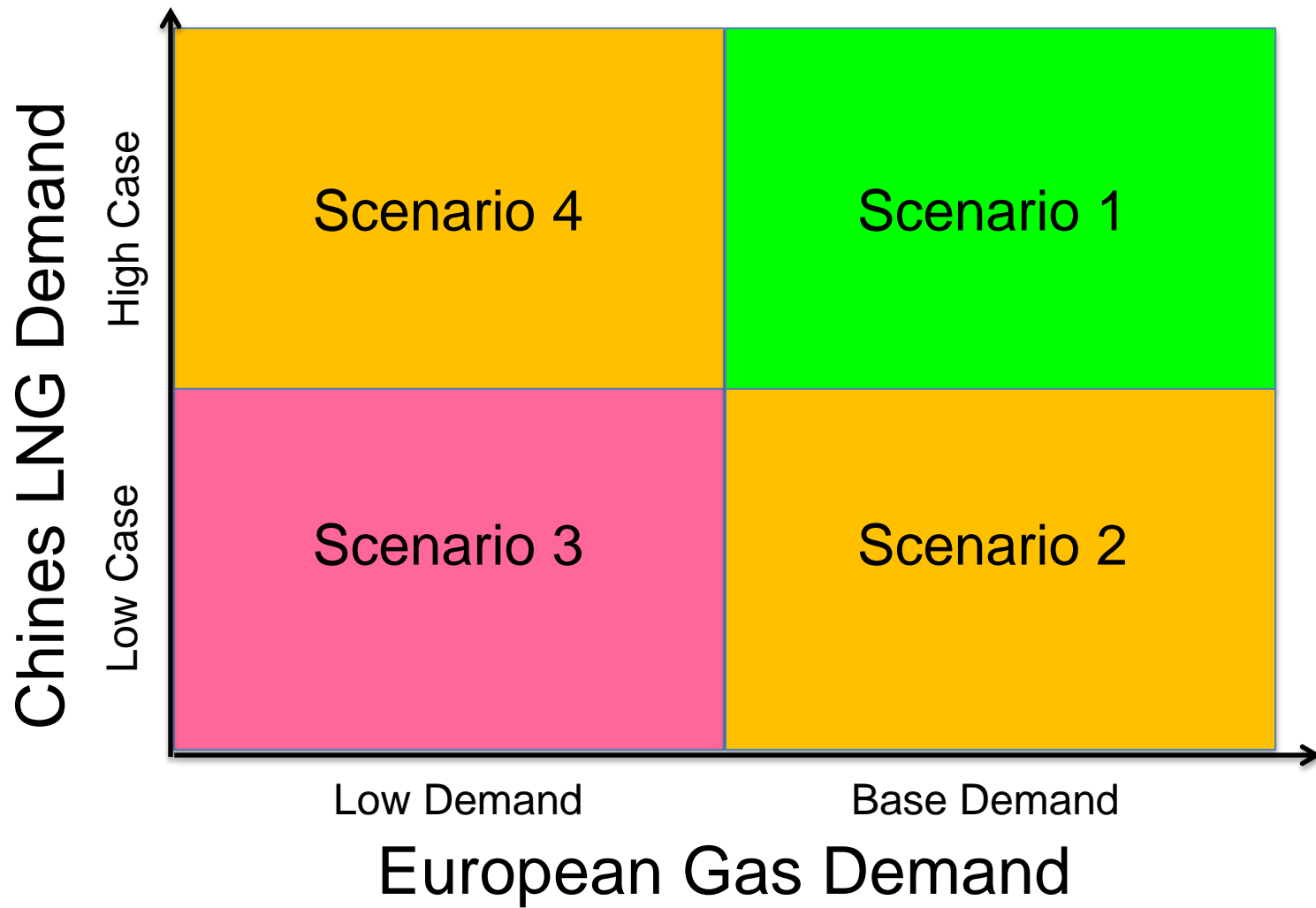


Beyond 2015 – The ‘Big Six’ Uncertainties

- **Demand for Natural Gas and LNG in Asia, particularly (short term) speed of Japanese Nuclear re-start and longer term – Chinese LNG demand.**
- **New LNG Markets, including Bunkers**
- **European Demand Recovery.**
- **Scale and pace of US LNG export approvals and construction (production response to price).**
- **Scale of LNG supply ramp-up from non-US suppliers, especially Australia, East Africa, Canada, Russia (and potentially Qatar post moratorium).**
- **Response by Russia to ‘overspill’ of excess LNG into European market in 2018 – 2023 period.**



Scenarios – Combination of Chinese and European Demand

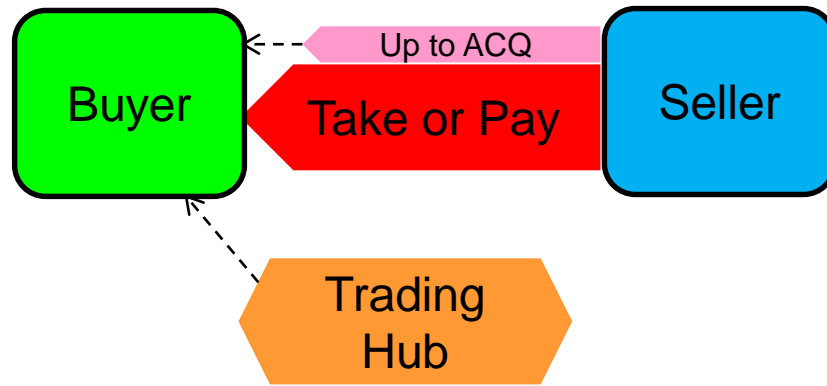




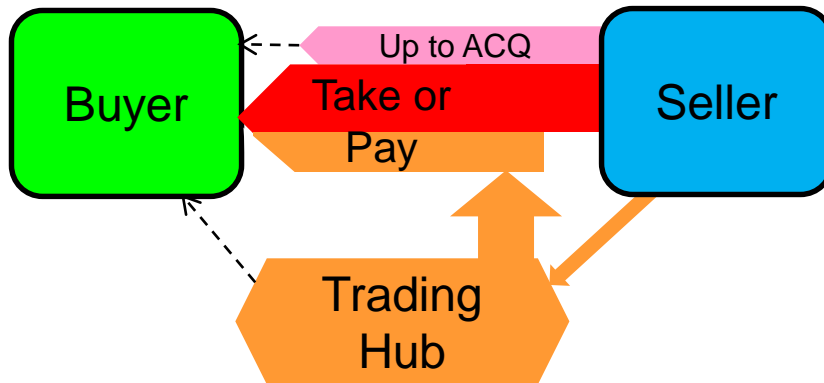
Strategic Behaviour

– Russia Pipeline Exports to Europe

Status Quo



Hub Re-Delivery Model



- Buyer prefers to buy cheaper gas on hubs.
 - Strives to meet Take or Pay volume but End-Users will only accept hub prices and demand low.
 - Hence price renegotiation and arbitrations between Buyers and Seller.
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- LT Contracts priced off hub.
 - High buyer nominations would reduce hub price.
 - Seller negotiates right to meet a portion of nominations from gas bought off hub and re-delivered.
 - This plus ability to sell directly onto hub gives Seller significant market power to influence hub prices.



Thank You
for your attention.

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