

## Introductory remarks of the Moderator (Session 3: Sakhalin Oil & Gas 2018)

### Panel debate – Global Gas Markets of the Future:

#### Will Gas Take the Lead in the Transition from Coal to Renewables?

1. “**Global Gas Markets of the Future**”. Global gas markets (plural) *OR* global gas market (singular).
  - a. From regional (mostly pipeline-based: ) gas markets to global gas (pipeline + LNG) market => LNG as integrator
    - i. LNG as “*second* gas revolution” (IEA) => revolutionary changes + “domino effects” as with “*first* gas (US shale gas) revolution”
  - b. Changing institutional structure of **globalized (global?) LNG market**
    - i. From historical base-load LNG demand (Japan, Korea, Taiwan – “energy islands”) to increased flexible demand (semi-peaks (competitive demand), SoS/supply diversity)
    - ii. from “economy of scale” of large-scale projects with LTC & fixed destination to:
      1. flexibility (from DES to FOB) & portfolio purchases =>
      2. dual LNG pricing => what future of LNG pricing models? => today’s Asia-Pacific: oil-indexed (JCC-based) vs Henry-Hub-based LNG pricing
      3. “small-scale economy” (technical progress): floating (FSRU/FSLU) & small-scale LNG
    - iii. Diminishment of contract duration & unit volumes, company size for entering LNG market, but also of their credit ratings => increased LNG market volatility & risks => demand for hedging risks => stipulate development of “paper” (financial segment of) LNG market from *hedger’s-side*
    - iv. Due to LNG, regional gas price *differences* become “spreads” (W.Peters) (*differentials*) => price arbitrage deals as driver of trades => appetite to risk stipulate development of “paper” (financial segment of) LNG market from *speculator’s-side* =>

1. at which stage of development LNG paper market is now? (no standard LNG contract yet – prerequisite for financial trades, etc.)
  - c. Changing institutional structure of **consolidated global gas market**: whether it will be *same as OR different from global oil market* in its institutional structure (contracts? pricing? Etc.)
2. “...**Transition from Coal to Renewables**”. Gas has been long victimized by climate-change-oriented consumers as being a fossil fuel (though the cleanest among them all) => thus gas has been considered as “transition fuel” to decarbonized energy future (digital, electrical, renewable => carbon-free RES only) => whether gas is still a “transition fuel” now or it becomes a “destination fuel” ?
  - a. i.e. CEC vision (major promoter of steadily increased environmental targets) is changing: from “RES-only-based” to “RES plus decarbonized gas-based” EU energy future (as a stated concept) => whether this is only a EU phenomenon or a characteristic feature of the “Global Gas Markets of the Future”
  - b. New potential for additional gas supplies: pipeline & LTC cross-border gas supplies are immanently more appropriate for decarbonization (from economic standpoint) than spot and/or LNG supplies
3. China & India – two global emerging gas markets => as in early 2000-ies they provide half on incremental global oil demand, now they play similar role in gas => two our Keynotes

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