

# MEDIUM-TERM OIL & GAS MARKETS

# 2010

GIE Annual Conference  
Vienna, 24-25 June 2010

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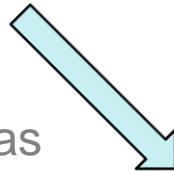
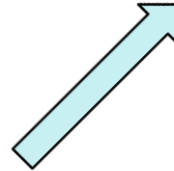
# Gas oversupply

*Short and long-term consequences...*

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2009-10 – Fundamentals

- Demand is falling
- Available supplies increasing:  
Unconventional gas + LNG
- Spot prices half oil-linked gas prices



## Short-term consequences

- Uncertainty on demand recovery and infrastructure investments
- Difficulty to respect TOP
- Decoupling between gas and oil prices?

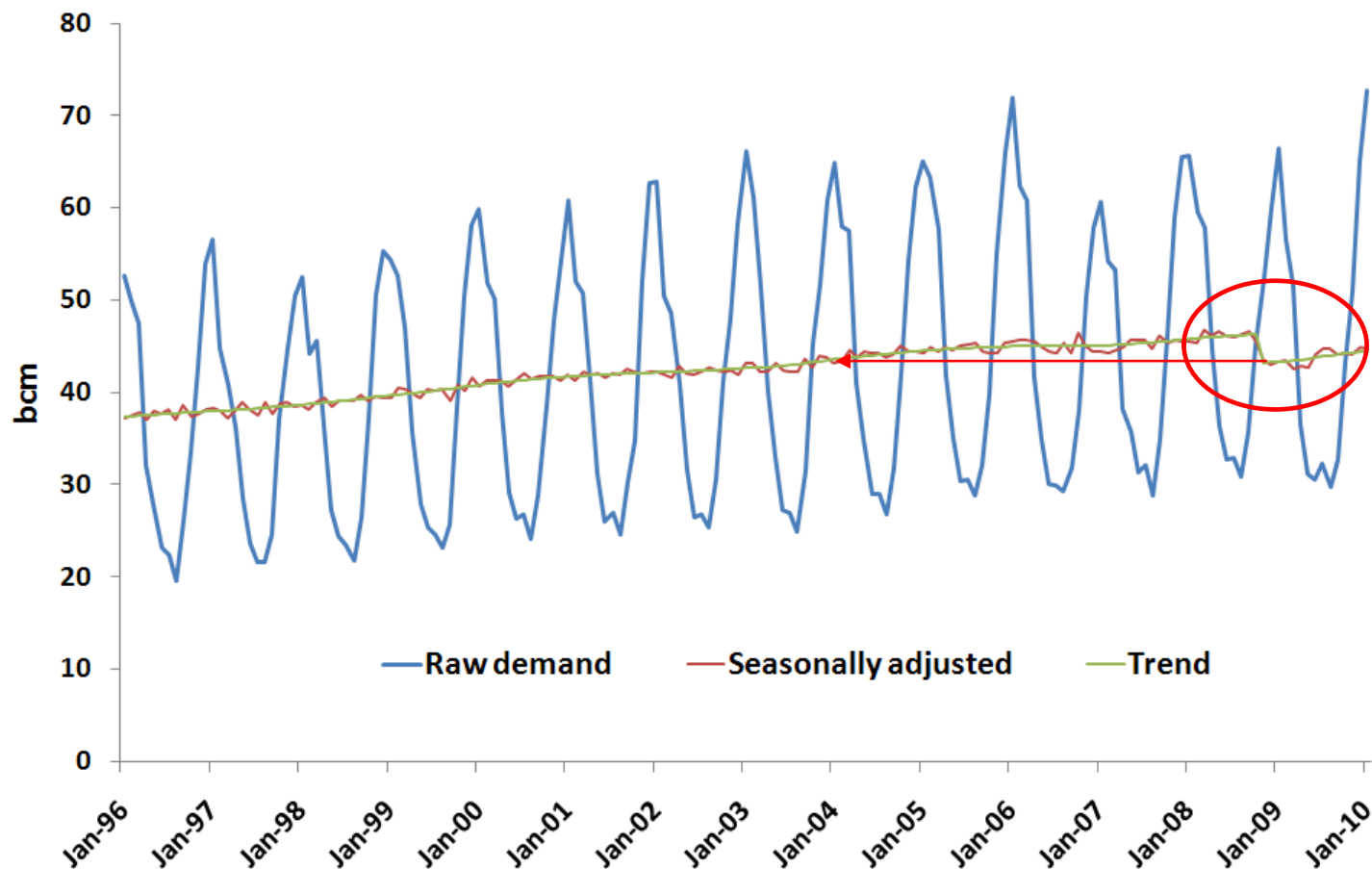
## Long-term consequences

- What is the role of gas in the energy mix?
- Where should companies invest?
- Gas glut or supply crunch?

# Demand drop was impressive in Europe

*When you look at seasonally-adjusted data*

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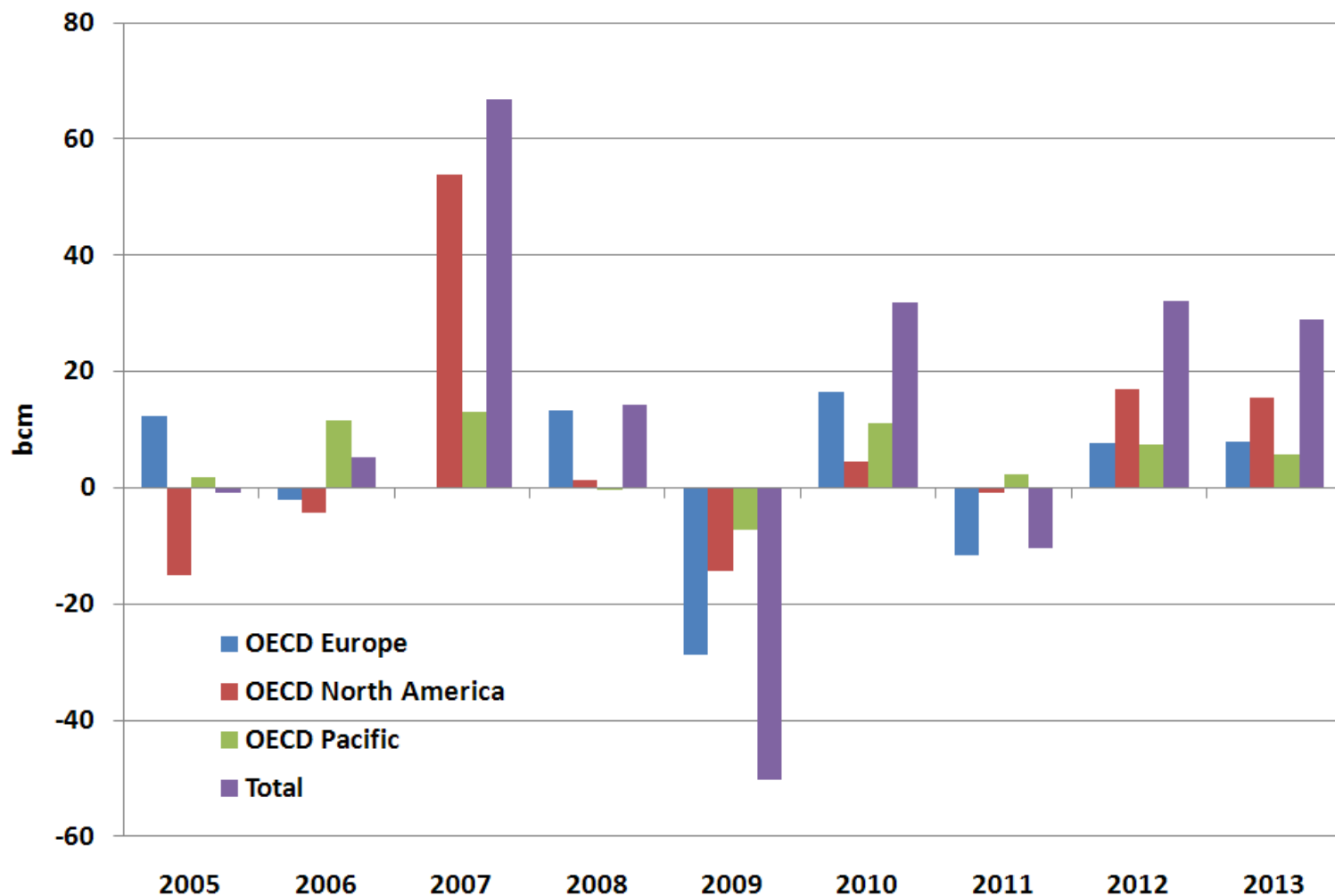
Source: IEA, MTOGM 2010

# Recovery is in sight

*Faster in North America and Pacific than in Europe*

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**OIL & GAS**  
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Source: IEA, MTOGM 2010



# A key uncertainty for future demand is the power generation sector

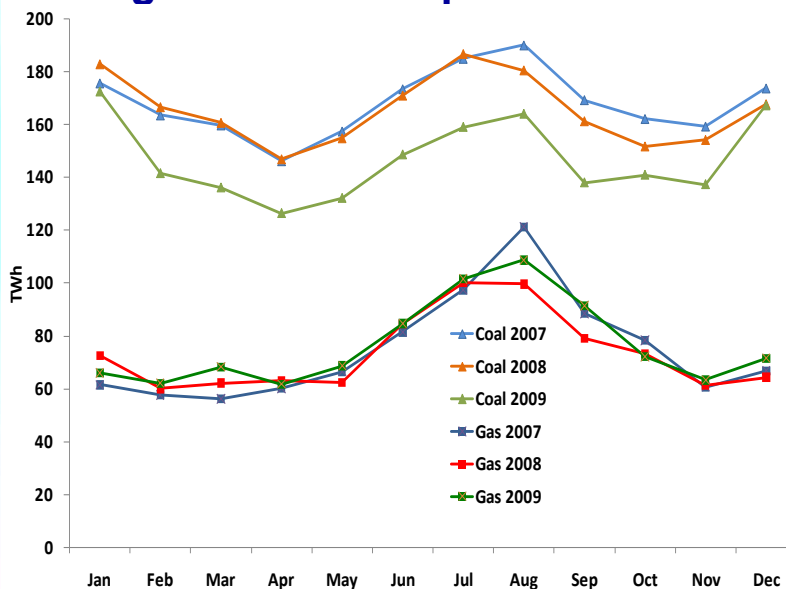
## The US picture

- Electricity demand declines
- Coal-fired plants displaced by gas fired plants

## The European picture

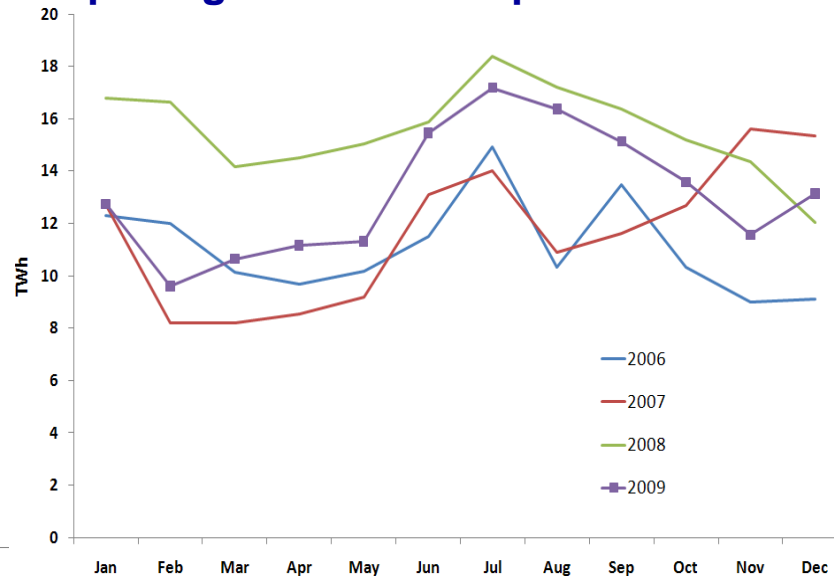
- Electricity demand declines
- Gas-fired plants at the margin, dispatched after nuclear, wind

### US: gas demand in power sector



Source: EIA

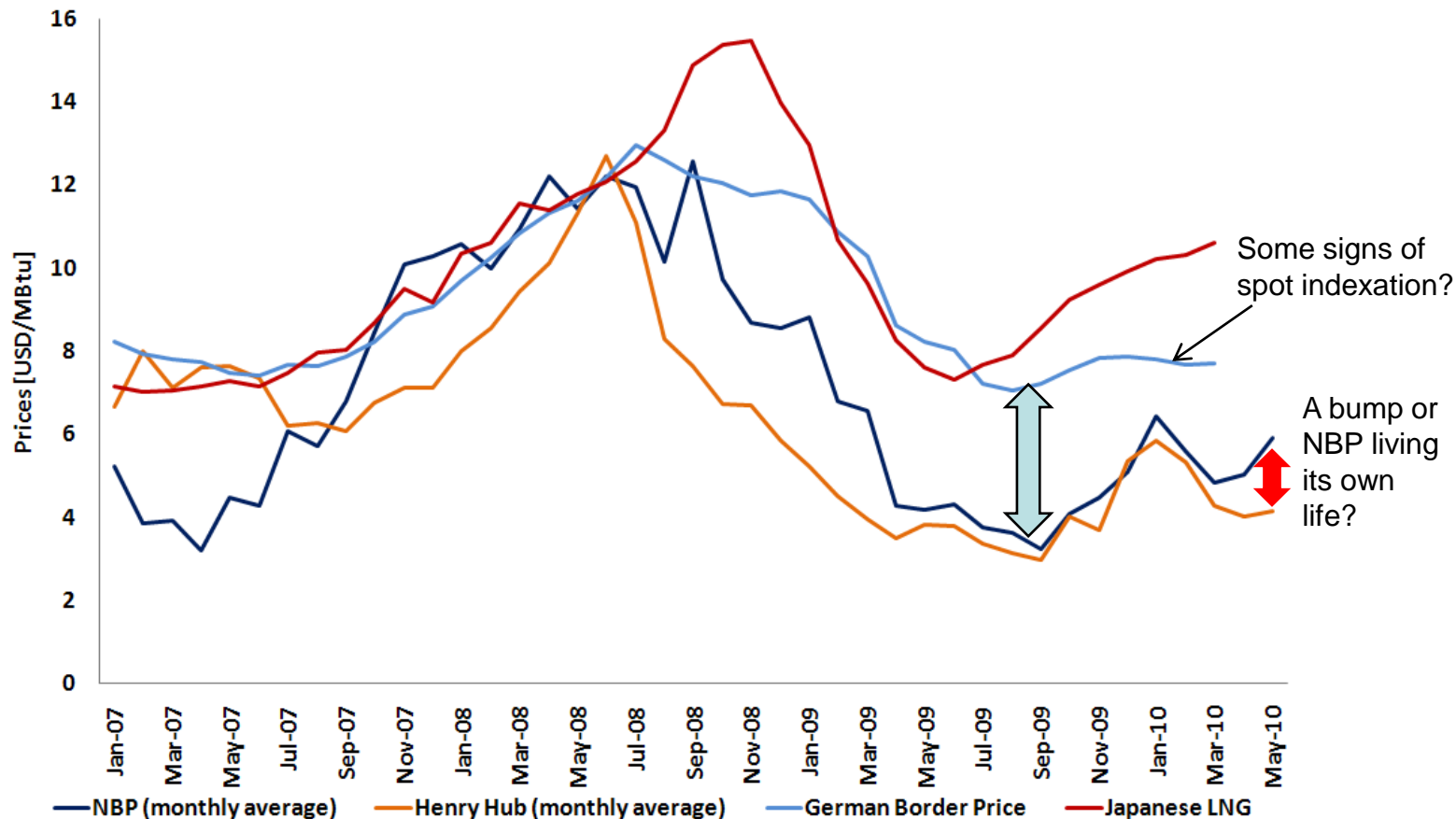
### Spain: gas demand in power sector



Source: cores

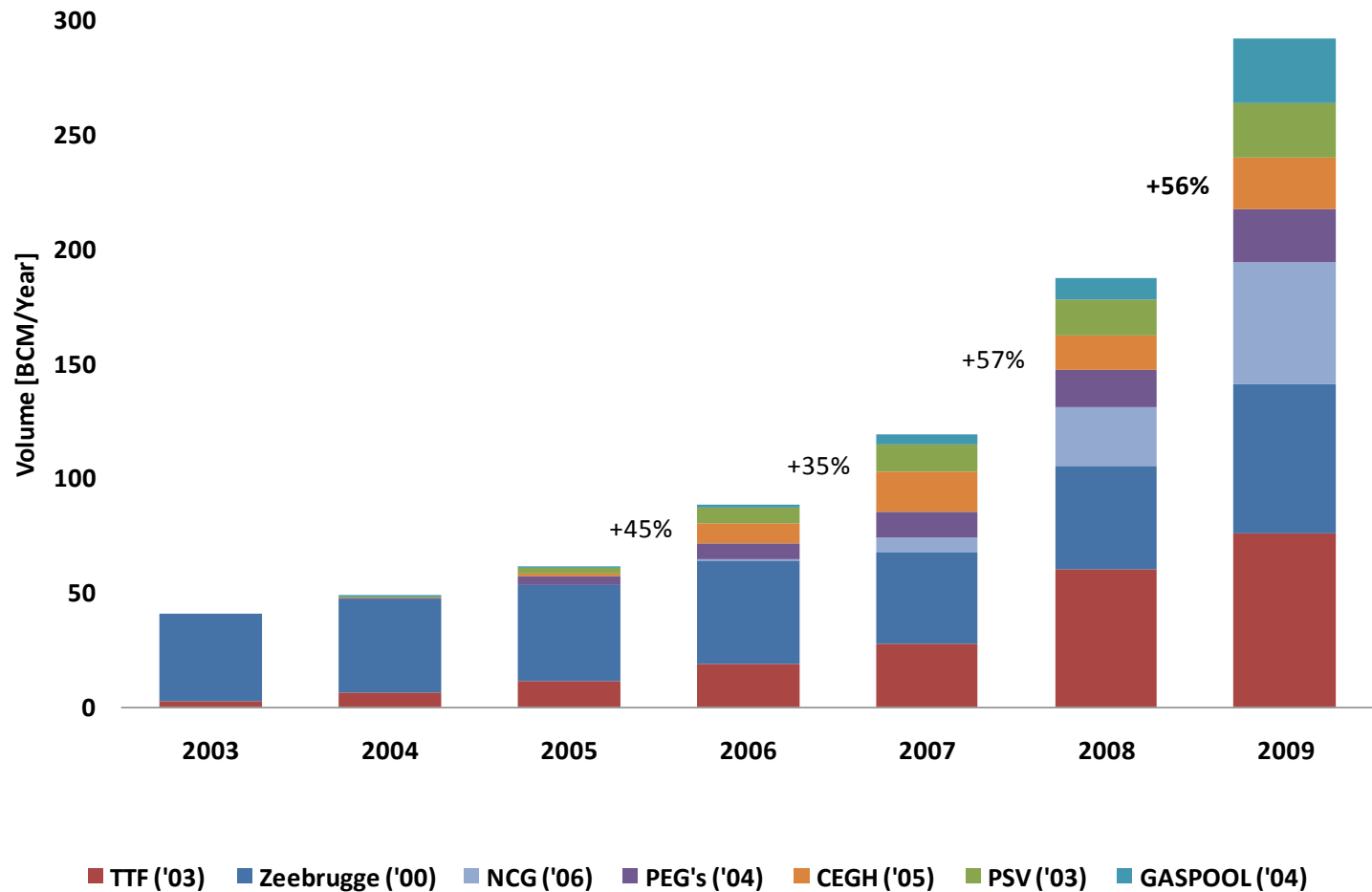
# Price decoupling and convergence

*Price levels are critical for future gas demand*



Source: IEA, MTOGM 2010 based on ICE, German ministry of economics, Japanese customs.

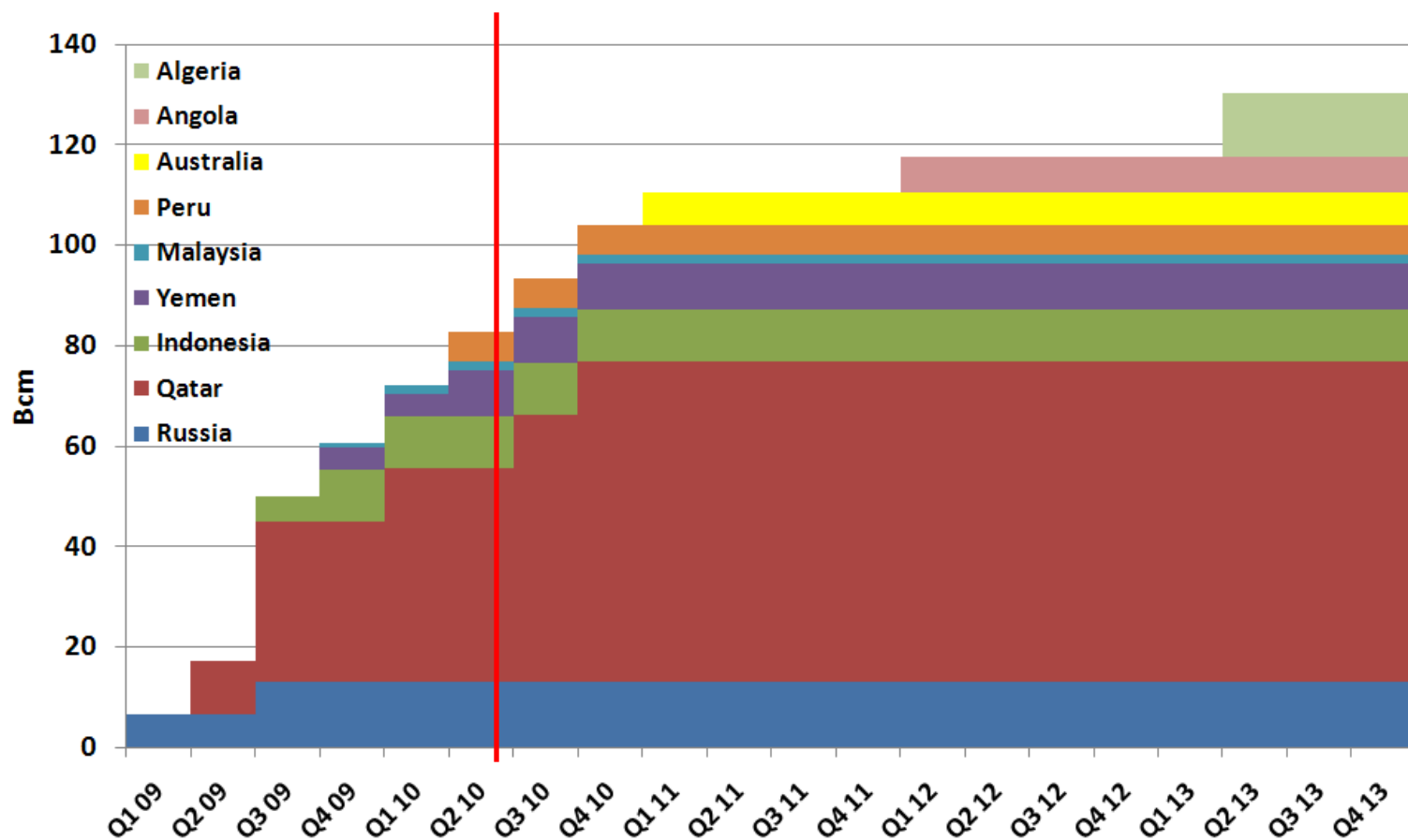
# Trading is growing quickly on Continental European markets



Source: IEA, MTOGM 2010 based on transmission systems operators' data.

# Massive new LNG supply in sight

*Despite a slow start, this LNG will arrive on markets...*

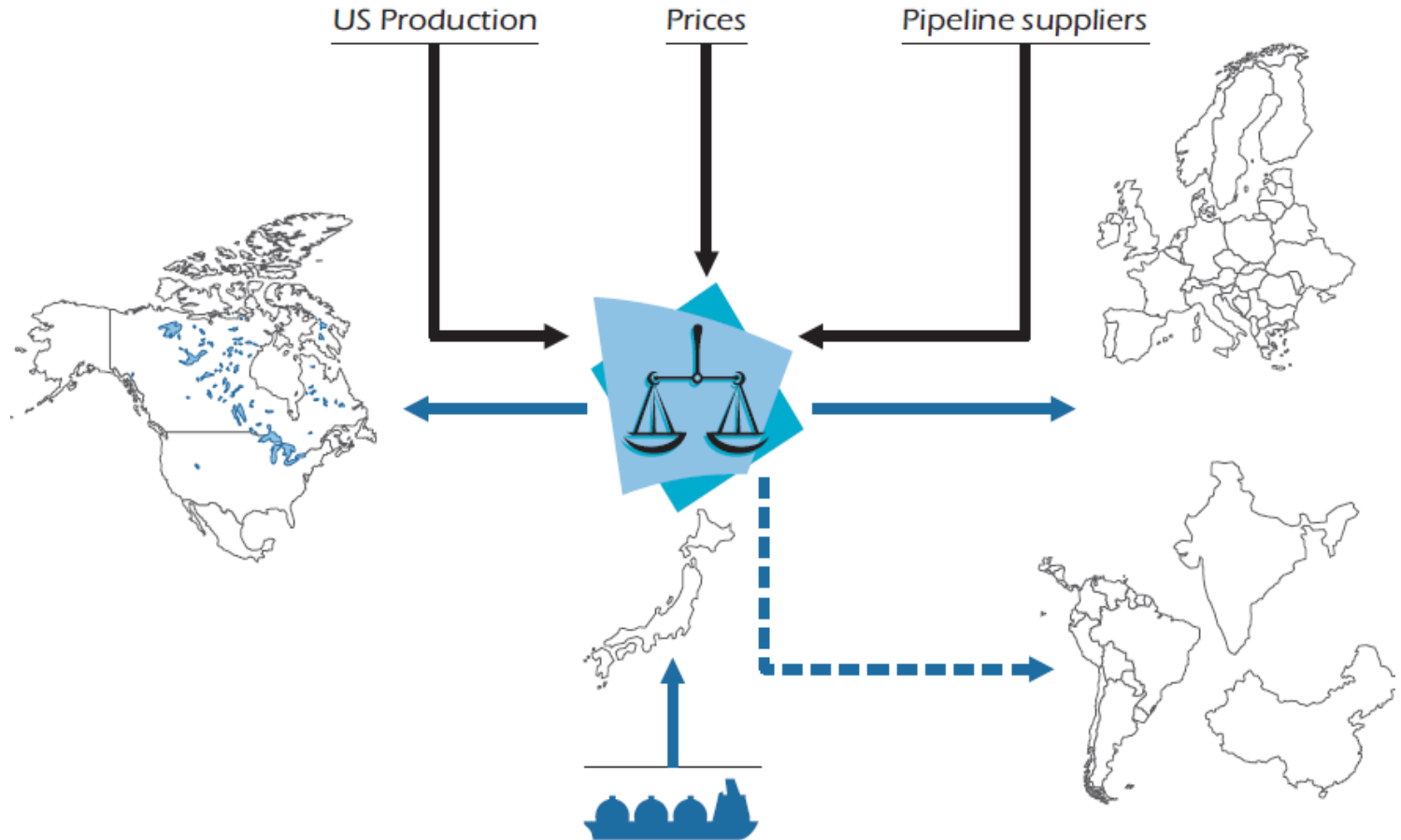


Source: IEA, MTOGM 2010

# Gas market is not global

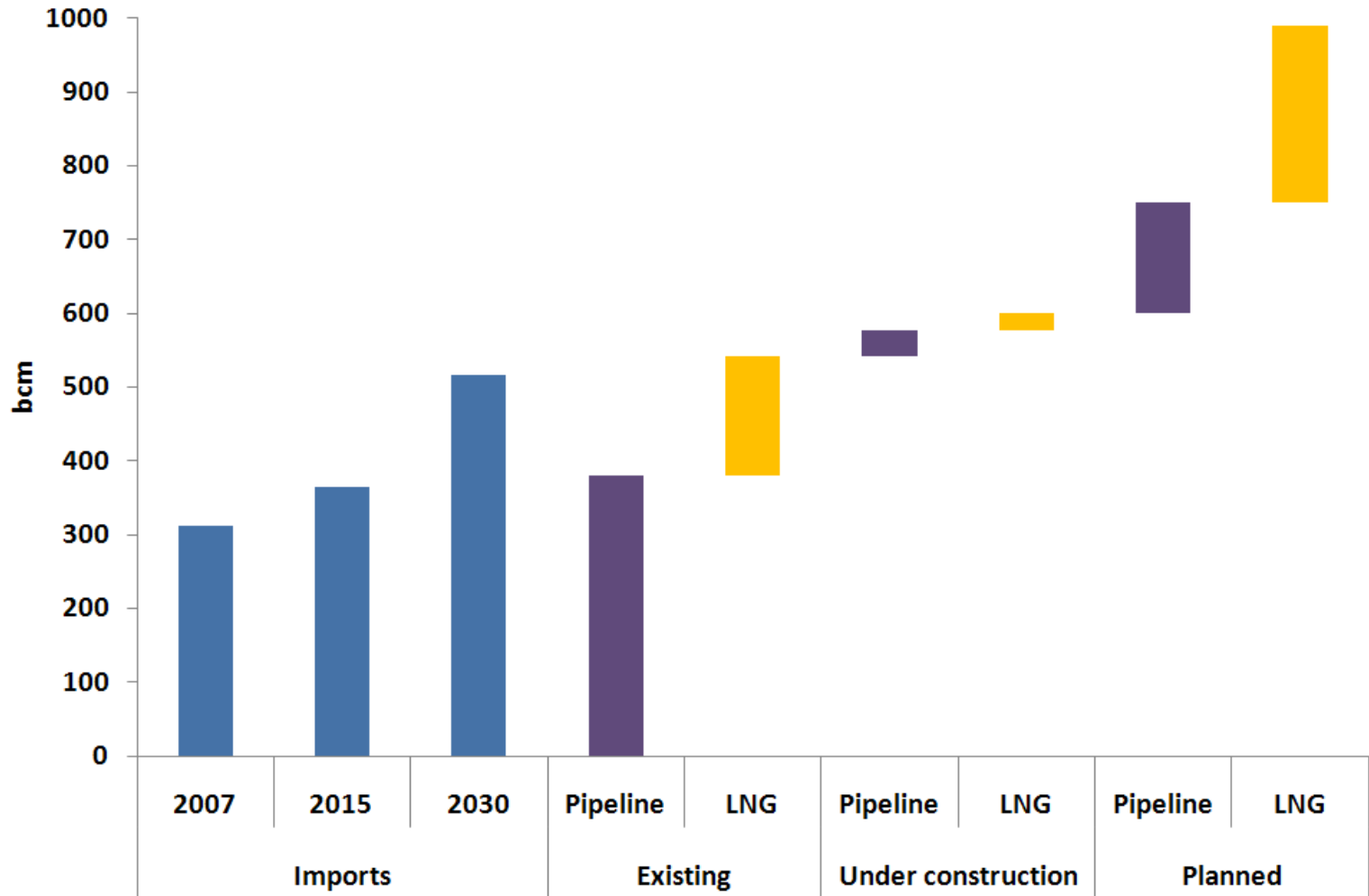
*New markets are competing to have access to LNG*

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Source: IEA, MTOGM 2010

# Existing and new infrastructure to Europe



Source: IEA, MTOGM 2010

# Investments along the gas value chain

- Investments in European infrastructure will be needed in a timely and sufficient manner
  - In each part of the value chain (import, transmission, storage)
  - Need for diversification of supply routes and sources to ensure security of gas supplies
  - Need for a clear and stable regulatory framework, and shorter regulatory processes
  - Better interconnections between markets
- Adaptation to changing trends
  - Increasing variability of gas-fired plants, requiring more flexibility
    - Fast cycling storage, CCGTs near LNG import terminals
  - Change in intra-European flows
    - Decline of North Sea gas production, construction of new pipelines and LNG terminals

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Thank you for your attention