14th International Gas and Electricity Summit

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Closing Comments

by

Nordine Ait-Laoussine

1. In spite of the dramatic worldwide collapse in gas demand, driven mostly by lower industrial consumption and power generation as a result of the economic downturn, there was some measured optimism regarding future demand levels for the short to medium term, albeit at a lower pace than observed in recent years. Global demand will, however, take three to four years to return to the 2008 level.

2. Regarding the mid to long-term outlook, the general expectation is for gas demand to rebound with the return of economic growth. There was a widely shared view that the fundamental drivers of gas demand are still present, but future gas demand forecasts will now be affected by a far

greater degree of uncertainty in view of the potentially negative implications of climate change regulations.

3. In this respect, there was a broad agreement within the gas and electricity industry that natural gas should not be seen as part of the problem, but as part of the solution for a cleaner energy future. "Gas should not merely be considered as a transition fuel, but a fuel of destination".

4. There were some references to the fact that governments' objectives and targets to reduce carbon emissions are mostly unrealistic and appear to be justified by exaggerated gas supply security considerations.

5. The prevailing gas surplus bubble resulting from the development of non-conventional resources in the US and the recent commissioning of new liquefaction projects, combined with anticipated moderate demand growth, is expected to persist for a few years. As a result, gas prices are expected to remain depressed, particularly in the liberalized markets and the spot LNG trade.

6. The substantial disconnect between oil and gas prices are changing the conventional business model and will require innovative solutions to mitigate the potentially destabilizing influence on the market of the prevailing dual price-situation.

7. The disconnect between oil and gas prices was considered by some speakers as a normal development as the rationale of linking gas to oil prices is losing its relevance. There is no reason why short-term spot and contract term prices should be equal or comparable as both trades do not provide the same degree of continuity and supply security.

8. One suggestion was that the international gas trade is moving towards a global spot LNG market, centred in the Atlantic Basin, and two regional term markets, Europe and Asia.

9. The major operators continue to support the concept of long-term take-or-pay contracts, but not necessarily on the basis of an indexation of gas prices to oil and product price levels. This is a clear departure from our past conclusions which may not be welcomed by the major gas exporting countries.

10. There was a broad consensus that the LNG market will tighten up again by 2013-2015 when the current excess capacity will be absorbed by renewed market expansion, expected likely delays in infrastructure developments and inadequate timely investments. In this respect, several speakers have underlined the necessity of not repeating the "mistakes of the past". Their repeated advice was "don't relax and don't be complacent".

11. The various electricity sources have been largely debated this morning. The general feeling is that all sources are needed to meet growing demand, including an increased contribution from renewable energy. But nuclear energy is no "panacea" and renewables are not the "silver bullet". With the exception of hydroelectricity, all other sources such as solar, wind, etc. have questionable economics. All in all, it will take considerable time to resolve the residual political constraints of nuclear energy and to ensure the competitiveness of other renewable sources. Meanwhile, coal and gas will preserve and probably increase market share in proportions that will largely depend on climate change regulation.

12. Finally, some speakers expressed the hope that the forthcoming Copenhagen meeting on climate change will show pragmatism and realism, and agree on a clearly defined binding process rather than setting ambitious targets for 2030 or 2050.

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