

WORLD ENERGY CODE AND THE GLOBAL NATURAL GAS MARKET

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DEAR COLLEAGUES!

The world natural gas market has been dynamically developed despite the periodic crisis and temporary recession. The mid-term and long-term forecasts show a favourable trend – increasing demand and adequate supply.

Commencing this century the highest producing growth was shown by gas generation stations. Since this trend will continue, by 2030 the natural gas demand will increase in 1.5 times (to compare with 2006). 3/4th of this increasing demand will fall on the countries which are not-members of the OECD (Organisation for Economic Cooperation and Development).

Growing supply by the gas suppliers across all the continents (excluding Antarctica) at the acceptable prices will balance the gas demand growing. Although the gas production is reduced in Europe, Africa, Australia, China, India, Brazil will show the higher growth rate. The major contribution will be made by the Russian Federation, the Central Asia and the Middle East countries. USA is rapidly increasing their non-conventional gas producing. The non-conventional natural gas along with the gas hydrates increase substantially the offer potential. At the same time resources of the conventional gas will be available at least for a

century. Russia, Iran and Qatar collocate 60% of the world conventional natural gas resources. This century Russia will remain the stable gas supplier. By 2030 according to the new Energy Strategy the Russian internal and external supply proposal may increase in 1.5 times, and probably may exceed 900 billion cm per year (currently 664 billion cm). Up till now the Western Siberia region has produced 95% of the Russian gas. It is expected a 30-per cent- accession to the further growth of the Russian gas resources will be contributed by the Arctic shelf in the future.

The International LNG producing and transmission cooperation in Arctic will be worked out by developing the unique Yamal Peninsula field. A new depth extraction run in Western and Eastern Siberia will increase a rate of the high condensed crude gas. That will create favourable conditions for the gas industry development.

At the same time there are intacted deepwater gas and the Antarctic shelf fields and the Antarctic fields in the world natural resources larder. So, there are longer enough of the world gas resources to provide supply and demand sustained for further stabilized development.

Obviously it is a forecast, but how accurate it is – that is a question. International energy statistics and energy forecast matrix are very progressive, although forecasts for a 10-year period and longer shall be more accurate to minimize risks, and new fields development and transportation infrastructure cost. A range of the forecast figures is spread widely than the borders beyond which serious economic crisis starts. To effectively regulate the natural gas market and resources

investment planning/ transmitting/ distribution infrastructure, the united world natural gas database is required – likewise JODI (Joint Oil Data Initiative) as well as an official world energy matrix with unified national modules. Basing on the forecasts a joint activity planning for governments and business becomes feasible. The target of such planning is updating of our kinesis to the optimum energy parameters. We will get also an accounting algorithm for the basic balanced prices for the natural gas. That will let us decline extremely volatile prices dovetailing with the time-lag.

Dear Colleagues,

The natural gas market has becoming global. Therefore along with the regional systems, it is required to establish a global regulative system. Such system shall:

- unite all regional markets basing on the common regulative principles;
- eliminate «legal asymmetry» between natural gas producers and users. It is easy to observe that some gas exporters expand their markets when some importers wish to influence on the state policy of the suppliers.

A customer is always right – it is a well-known saying, but it does not mean that the supplier is always wrong. Accordingly through unification of the world energy regulatory practice into the World Energy Code, we suppose that such Code will contain general diligent answerable rules, providing the interests balance for all involved parties acting in the competitive market. And not a Code dictated by importers to exporters as a «sacred text».

Due to the globalization of the gas market the role of the state bodies and the international unions has becoming more significant. The market competition is

displaced by the political one both at the internal and international levels; it becomes poignant. Only solidarity of producers and consumers basing on observing general rules and regulations for business and government and transparency, may put an end to it. Any prerequisites and trials for a political blackmail by the involved parties – energy producers, transmitters and consumers – shall be eliminated at the very beginning.

Importers believe that the core condition of their energy security is diversification of supplying sources and energy transmission schemes. That is true only for the completely independent suppliers - who are independent from other suppliers and importers. However, globalization leaves no independence. World trade market is a single trade site. «Couloir» policy in respect of the natural resources, for example, in the Central Asia may be construed as improvident, if interests of the actual and potential suppliers and users are not taken into account. That may lead to instability in this region.

The other side of this problem is trans-continental pipeline transits. In case of LNG transportation – this matter is regulated by the universal International Law. Regarding the legislation for natural gas pipeline transit, it shall be developed. A term of the «strategic pipeline systems» including their status definition, investment order, exploitation and deliveries security shall be added as a key provision to the International Energy Law.

Dear Participants of the WG Conference,

To achieve the above mentioned targets the Russian Federation is prepared for the open multi-dimensional cooperation. Our successful International gas

cooperation have been proving our wide practice for decades. We have got the disputes settlement experience too. «Conceptual Approach to a New Legal Framework for the International Energy Cooperation» represented by the Russian President in April, 2009, may be considered as a basis for a new World Energy Code, which may conglomerate the positive legal practice for the energy market regulation. Definitely, some International institutes under UN aegis are required.

That will provide sustainable development for all countries, eliminate reasons for the unnecessary political debates, and avoid legal systems conflicts arising in the global natural gas market.

Thank you for your kind attention.