



Third IEF- IGU Ministerial Gas Forum

Paris, France, 16 November 2012

Concluding Statement by the Secretariats of the IEF and IGU

The third IEF-IGU Ministerial Gas Forum was held in Paris, France, 16 November 2012, with the participation of Ministers, Government representatives, industry leaders from gas producing, consuming and transit countries, international organisations and experts from developed and developing countries. The central theme of the Forum was “Call for sustainable energy policies and improved cooperation – Enhancing the role of natural gas”.

Government representatives and industry leaders reviewed recent developments in the gas sector and discussed the increased importance of sustained energy policies, long-term partnerships and enhanced cooperation in helping to address the complex challenges facing the natural gas industry.

The discussions focused on the following topics:

1 - Recent developments and long-term prospects in gas markets

1. Global natural gas consumption and trade have been growing steadily over the past two decades and gas has strengthened its position in the world energy mix, supported by its attractive economic and environmental characteristics and the development of gas infrastructure.
2. With Asian economies on the rise, gas demand is undergoing structural change tipping the global trade balance away from traditional OECD demand centres and towards Asia.
3. The rapid growth of unconventional gas production in the US has altered gas market dynamics and is expected to impact the outlook for gas markets worldwide.
4. In the US the low price of natural gas has made gas preferable to coal for use in power generation and at the same time in Europe coal has been displacing gas-fired power generation in spite of EU climate policies

5. The Fukushima accident has given cause for many countries to review their energy policies. The potential adverse impact on the development prospects of nuclear power around the world may have significant implications for gas demand.
6. Under all forecast scenarios, gas demand is projected to grow significantly and the volume of gas traded internationally is set to increase. Natural gas reserves are abundant and the industry has a solid track record of continuing to discover, develop and produce natural gas reserves.
7. More than 80% of the projected increase in natural gas demand by 2035 is expected to come primarily from non-OECD countries, mainly Asia and the Middle East.

2 – Investment and energy policies

8. Worldwide gas resources are sufficient to meet projected demand for the coming decades, however huge investments are required throughout the entire value chain to produce and deliver natural gas to end-consumers.
9. According to recent estimates, the cumulative investment needed to meet projected gas demand for the period 2011-2035 amounts to US\$ 9.5 trillion, or an annual average of US\$ 380 billion. Making those huge investments a reality represents a major challenge for the gas sector, especially in light of the numerous uncertainties that impact investment decisions.
10. Sustained energy policies and stable fiscal regimes contribute toward reducing uncertainties in the investment framework, and enable the gas industry to plan and invest in new capacity.
11. Improved communication and cooperation within the industry and with other stakeholders, including governments, and the general public should help to ensure the on-going development of natural gas, and global energy security.
12. More than one billion people live without access to electricity. This is both the result and cause of poverty. Natural gas is well positioned to play a more important role in mitigating global energy poverty and to support the “Sustainable Energy for All” initiative launched in 2012 by UN Secretary General Ban Ki-Moon.

3 - Improved market transparency

13. Transparency and availability of data are increasingly important factors in determining the smooth functioning of gas markets. Improving the availability, quality and timeliness of gas market data will contribute toward reducing uncertainties, improving predictability and facilitating project planning.
14. The efforts made by the IEF and partner organisations to extend the Joint Organisations Data Initiative (JODI) to cover natural gas data were strongly encouraged.

4 – Regional gas markets and pricing mechanisms

15. Regional markets are still disconnected and the prospect for a global gas market has not yet materialised - despite increased LNG trade. There are still significant variations among regional market structures and gas prices are still determined by their respective regional dynamics.
16. Trading at Europe's hubs increased over the past decade, however hub-based spot prices currently suffer from a lack of liquidity and excessive volatility.
17. Long-term contracts continue to be an integral component of well-functioning gas markets, as they deliver long term visibility and security to both gas suppliers and consumers. Gas suppliers benefit from long-term contracts which help to justify the significant burden of financing the development, processing and transportation infrastructure. Gas consumers also benefit from a security of supply standpoint.

5 - Intergovernmental cooperation and industry partnership

18. As global gas trade and interdependence among producing and consuming countries increases, there is a need for enhanced cooperation and dialogue between producers and consumers. Multilateral agreements and intergovernmental solutions will be needed to support new infrastructure developments, to jointly explore and exploit new gas reserves, and to help establish robust and secure markets to the benefit of all parties.
19. As natural gas demand rises, NOC-IOC partnerships based on gas are expected to grow. Stronger partnerships, multifaceted cooperation and innovative arrangements between NOCs and IOCs are expected to deepen particularly in the face of challenges related to the development of remote and difficult gas resources.
20. Integrated gas projects provide examples of successful long-term relationships between NOCs and IOCs. The relationship covers the whole value chain: from resource development to gas transportation and transformation to downstream, marketing and development of local skills.
21. NOCs and IOCs may explore new models of cooperation that go beyond simple resource development and involve integrating a host nation's expectations, such as economic development, environmental protection, development of infrastructure, technology, NOC capabilities and the local workforce.
22. Access to markets, technology, capital and resources can offer mutually beneficial opportunities for cooperation. Cross-investment throughout the gas value chain, based on mutual trust and respect, and vertical and horizontal integration may serve to strengthen long-term relationships between NOCs and IOCs.