

Strategic investment and international spillovers in natural gas markets

EPRG Working Paper 1505

Cambridge Working Paper in Economics 1510

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Abstract This paper presents a game-theoretic analysis of multimarket competition with capacity investments, applied to international gas markets. It identifies a strategic advantage of «focused» pipeline gas producers (e.g., Gazprom) over «diversified» multimarket exporters of liquefied natural gas (e.g., Qatar). Based on this, the paper examines the spillover impacts of the Fukushima nuclear accident onto European gas markets, both in the short- and longer-term. It also discusses Russia's gas export strategy, especially the 2014 deals with China. More generally, the analysis shows how a less efficient oligopolist can be more profitable, and speaks to policy discussions about «security of supply» in energy markets.

Keywords Competitive advantage, corporate diversification, liquefied natural gas (LNG), supply security, strategic investment

JEL Classification D43, F12, L25, L95

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Publication February 2015
Financial Support Enel Foundation