Global Gas Markets – trends & discontinuities
Implications for GB and Europe

Kong CHYONG
EPRG, Cambridge Judge Business School,
University of Cambridge

05 May 2017
EPRG-FTI/CL Spring Seminar, Cambridge
Gas Glut Reverses Lucrative 2016 Trade

Natural-gas futures have fallen 25% in the oversupplied market, hurting plans to grow U.S. exports
Tanker's U-Turn Shows How Shale Is Changing World Gas Trade

by Naureen Malik
2017 M03 8 00:00 GMT  Updated on 2017 M03 8 20:53 GMT

- In new world order, China and Mexico vie for a tanker of gas
- LNG market more fragmented with a spot market akin to oil
Sharp Turn
A tanker carrying U.S. LNG from Asia to Mexico in January suddenly changed course.
Tanker's U-Turn Shows How Shale Is Changing World Gas Trade

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Gazprom Not Planning Price War Against U.S. Liquefied Natural Gas Exports

Gazprom ‘very relaxed about U.S. LNG,’ says Gazprom’s deputy chairman Alexander Medvedev
Gazprom and LNG markets

Global gas market braced for price war

FEBRUARY 3, 2016 by Jack Farchy
Gazprom and LNG markets

Global gas market braced for price war

Gazprom has the lowest production costs

US$ per mmbtu

- Gazprom full cost
- Gazprom average short run marginal cost
- US LNG long run marginal cost*
- US LNG short run marginal cost*
- Gazprom 2015 price
- UK NBP (Jan 2016)

* Assumes US spot Henry Hub prices of $2.50/mmbtu

Source: The Oxford Institute for Energy Studies
Should Gazprom defend its market share in Europe?

- Gazprom can profitably raise prices in Europe
- A mix of fixed price long-term contracts and free (strategic) trading volumes will ensure it can game the market
- With lower forward selling coverage (anything less than 75% of the 2015 ACQ level) Gazprom’s profit begins to fall
Should Gazprom defend its market share in Europe?
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Trading and profits are to be made during days when systems are tight – winter period
Will US LNG respond?

Short-term perspective

Prices under defending market share scenario
Will US LNG respond?

Short-term perspective

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Prices under defending market share scenario

JKT price increase means US LNG is directed to Europe
Will US LNG respond?  
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71.5 bcm for 1.5 years, or 54%
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**Short-term perspective**

- 71.5 bcm for 1.5 years, or 54%
- 84 bcm for 1.5 years, or 64% utilization
Will US LNG respond?

Long-term perspective

Export Price @Liquefaction site =

Henry Hub +

15% to cover var. cost + Congestion rent (if capacity is saturated)
Will US LNG respond?

Long-term perspective
Will US LNG respond?

Long-term perspective

- Investment signal for new LNG export capacity
- ‘congestion rent’ ca. $1/mmbtu
- Capacity cost for Cheniere is ca. $3/mmbtu
- Thus, NO new investment even if Gazprom defend prices in Europe
Conclusions

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• Is it enough for US LNG to run at full capacity? – No
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• What is the problem then? – Australia and lower than expected demand in Asia
Conclusions

• What is the outlook for 2025?
Conclusions

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• What is going to happen if Australian projects are delayed or Asian demand recovers?
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• Implications of all of these for your business?
Thank you for your attention

Questions & comments are welcomed

k.chyong@jbs.cam.ac.uk