Developments in global gas markets and implications for Europe

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Golden prospects for natural gas

- Advances in technology have led to a surge in unconventional gas supply in North America.

- Many countries are lining up to emulate this success; notably in China, Australia, Europe & Latin America.

- But concerns remain that production might involve unacceptable environmental & social damage.
  - Major implications for local communities, land use & water resources
  - Serious hazards include the potential for air & water pollution

- Improperly addressed, these concerns threaten to hold back & perhaps halt, the unconventional gas revolution.
Fracturing the status quo

Natural gas supply growth in the Golden Rules Case, 2010-2035

Combined unconventional gas output growth from the United States, China & Australia surpasses that of all conventional producers - mainly the MENA region & Russia
Over the past 5 years, natural gas & renewables were the leading sources of incremental electricity generation in the United States.
The graph shows the global CO₂ emissions growth from 2006 to 2011, with the United States, European Union, China, India, and Rest of the World as the main regions. CO₂ emissions in the United States have now fallen by 430 Mt (7.7%) since 2006, the largest reduction of all countries or regions.
European Union coal demand rose by a historical 7% in 2011, driven by cheap US imports.
How will the unconventional gas boom affect prices in other markets?

Average natural gas prices by region, May 2012

Unconventional gas boom will spur a degree of convergence in global prices by putting pressure on oil-price indexation of gas contracts in Europe & Asia.
Key messages

- The “Golden Rules" can address the environmental & social impacts of unconventional gas – making the golden age of gas a reality

- Unconventional gas can transform energy markets by:
  - putting downward pressure on prices
  - broadening diversity & security of gas supply

- Europe’s unconventional gas prospects remain uncertain, but in any case it gains as global markets become more liquid & competitive

- Natural gas has a role to play in a low-carbon energy economy, but increased use in itself is not sufficient to reach the 2°C goal

- For a truly sustainable energy system, we need radical changes to energy efficiency, more renewables & greater deployment of new technologies