Security of Gas Supplies into Europe
Global Natural Gas Prices

Source: IHS CERA
Different Structure in US and European gas market
US competitive gas market results in higher security of supplies.

* Major 4 European incumbent utilities based on financial accounts of EON, ENI, RWE and GDF

Source: Shell, May 2014
If Gazprom stops supplies to Ukraine and continue to supply to EU, will then Ukraine accept or will they ‘steal’ the gas?

Gazprom could route more gas through Nord Stream. This will help NW Europe, but not Central Europe (Baltic states & Bulgaria is 100% dependent on Russian supplies)
Russian deliveries to Europe

Source: Argus European Natural Gas
LNG could be a back up, but there are challenges

- It takes time to reroute LNG to Europe

- Spain utilized only 20% of the regasification capacity in 2013. 60 bcm capacity was not used, but the interconnection to France has only capacity of 5 bcm

- Prices for LNG has to be competitive with Europe
A competitive, liberalized market will give the players the right signals to act in a rational way.

Oil indexation does not give the right price signals in an emergency situation.
European natural gas storages

Working gas storage capacity: 97 bcm

Source: IHS CERA
No short term solution for EU to increase security of supply

- The present situation shows that Europe should diversify its supplies
  - Pipeline gas from new markets
  - More LNG terminals
  - Increase domestic production.
  - Encourage shale gas production
  - Fast implementation of the 3rd Energy Package

- Large industrial consumers may offer to stop or reduce production if the financial terms are right.