Russian gas: between Europe and Asia

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Russia in the World: a real pantry of power resources

Russian Energy Sector in the world
1st place in gas extraction and gas stock
1st place in oil extraction
1st place in gas export
2nd place in oil export

Resources | Share in world indicators, %
--- | --- | --- | ---
| Stock | Extraction | Trade |
Oil | 12 (6,1*) | 12,8 | 10,6 |
Gas | 45 (26,7*) | 21,5 | 25,0 |
Coal | 24,9 | 5,1 | 15,2 |

* - prouved reserves
Energy Sector in Russian Economy: a real basis

- 30% of GDP
- 65% of total Export
- 50% of Budget Incomes
State Energy Policy in Russia

**MECHANISMS**

- Rational market environment
- Advanced standards and regulations
- Strategic initiatives
- Management of state property

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**Key priorities' realization**

- Energy security
- Energy efficiency of economy
- Economic efficiency of FEC
- Ecological security of FEC

**Prospective state of Russian FEC**

1 STAGE  2 STAGE  3 STAGE

**KEY PRIORITIES**

POLITICS
Energy Strategy (ES-2030) is a key document for Russian Energy Policy.

- Conception of the long-term development of the Russian Federation for the year 2020
- Long-term forecast of the development of Russian economy for the years 2009-2030
- General scheme of development of the oil industry for the year 2030
- General scheme of development of the gas industry for the year 2030
- General scheme of allocation of power generating facilities for the year 2020
- State program of energy saving
- Eastern Gas Program
- Conception of the state program for exploration and exploitation of the continental shelf of the Russian Federation
- Program of long-term development of the fuel and energy complex of the Russian Far East
- Strategy of development of the power generation in the Russian Far East

Investment programs of energy companies
Russian priorities in the natural gas export: diversification & safety

Long-term stability and reliability of deliveries

Entering the new markets (China, South Korea, India etc.)

Access to the final buyers of natural gas and electricity produced by gas generation

Decrease of the dependence on transit countries (Ukraine, Byelorussia etc.)
Russian gas production up to 2030

Potential gas production is sufficient to meet any demand
New areas (Yamal, Eastern Siberia and Far East) will provide more than 40% of Russian gas production up to 2030.
Targets of gas export: shift to the East

![Graph showing targets of gas export to different regions with 2005, 2015, 2020, and 2030 projections. The regions are CIS, Europe, and Asia-Pacific. The y-axis represents bcm per annum, and the x-axis represents years with min and max projections.]
Western gas policy in ES-2030: key projects & goals

• Preservation of the occupied share in the European gas market (more than 30% in EU-27)

• Increase of gas export revenues (275 bln USD in 2010)

• Security of Russian gas deliveries to Europe, including transit questions

• Maintenance of status quo in Caspian Region

• Using of Russian gas infrastructure to export Caspian gas to EU-27
Eastern gas policy in ES-2030: key projects & goals

• Share of Eastern Siberia and the Far East in gas production – 14-15%

• LNG share in gas export – 14-15%

• Share of the countries of the Asia-Pacific Region in the structure of gas export – 20%

Natural gas Export to China

LNG Projects in Sakhalin
Export expectations vs. reality

Russian Gas Export forecast up to period 2030

Factors of decrease in export expectations

Europe:
➢ Competition growth

US:
➢ refuse of future Russian LNG (the boom of shale gas production)

Asia-Pacific:
➢ competition growth (Central Asia)

Risk of decrease in export on 15-20%
European market stagnates…
The excess of imports share of 40% led to a stagnation of the demand in the EU-27. The deficit was not considered deliveries from Norway.

Increase in the share of imports - key threat to the energy security of many countries.
Russian share in EU gas market is declined...
Russia loses price competition in Europe...

But spot prices will grow, also limiting demand
North Stream and South Stream instead of Ukraine?

North Stream – 55 bln cub m

South Stream - 63 bln cub m

118 bln cub m – average volume of Ukrainian gas transit to Europe
South Stream against Nabucco?

Trans-Caspian pipeline is a key issue for both projects
Resource pause inevitable and in new markets

Resource pause in China 2020-ies

The threshold of import 40%

The expected volume of own production by 2020

Bcm per annum
Conclusions

Main goals
- Reduce dependence on European imports, while preserving the leading role on the European gas market
- The increased trust between Gazprom and its customers in Europe and CIS
- Take more than 10% of the Asia-Pacific gas market
- Get into the LNG market of South Asia and South America

Main risks
- Stabilization of demand for Russian gas in Europe
- The high investment and price risks in China
- The high level of competition on the LNG market

Main opportunities
- The quality of presence on the market is more important than quantity
- Exit on new level of relations with the EU (US-Canada, EU-Norway etc.)
- The aggressive policy in the LNG market
The Energy of the Future in our Hands

Thank you for your attention

www.energystrategy.ru

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