TRIENNIAL WORK PROGRAMME 2009 - 2012

gas:
sustaining future global growth

INTERNATIONAL GAS UNION
UNION INTERNATIONALE DE L'INDUSTRIE DU GAZ

KUALA LUMPUR
2012
WORLD GAS CONFERENCE

programme committee b:
strategy

INTRODUCTION

PGC B is responsible for analysis of gas supply, demand, international trade, price formation and regulation, as key factors related to Corporate Strategies.

Our new activities will carry forward the strategic challenges identified in the IGU 2030 Gas Industry Study (presented at Buenos Aires, October 2009).

The last few years have brought about significant changes affecting our industry:

- Natural gas demand responded to strong economic growth and investment, commodity prices reached all-time highs while environmental concerns also increased.
- Regional gas markets expanded, international trade and global price interactions increased, bringing gas onto the political agenda through concerns about gas price volatility and security of supply and demand.
- Unconventional gas sources experienced an upsurge in some developed markets, influencing regional wholesale prices and global LNG trade patterns.

Then, from summer 2008, commodity prices fell sharply with the impact of the global economic downturn. Lower industrial output reduced gas demand. In 2009 it is unclear how long the world will remain in recession, what further intervention Governments will make in the financial and energy markets, and if there will be a new global deal on climate change.

- What are the regional and global implications for the supply/demand balance and gas price formation?
- Which Government policies and regulations will most influence company strategies in each part of the gas chain?
- How can gas companies support economic growth at a time of environmental challenges and economic uncertainties?

To tackle questions like these, PGC-B will work in three Study Groups, building on our output from the Argentine triennium:

STUDY GROUP 1 (SG B.1)
World gas supply, demand and trade

SG B.1 will analyse regional scenarios and levels of uncertainty in gas supply, demand and trade. Our focus will be the drivers in different regions during 2000 – 2030, and will include a low CO_2 case. We will consider developing an IGU global gas policy model up to 2050, possibly linking this with the work of SG B2.

We aim to identify current government policies and company strategies that affect indigenous gas supply and demand, local market development and inter-regional trade.

SG B.1 will build and maintain existing relations with the IEA and other external energy institutions and forecasting entities, as well as working with IGU colleagues in WOC-1, PGC-A, PGC-C and TF Geopolitics.

STUDY GROUP 2 (SG B.2)

Wholesale gas price formation

SG B.2 will study the level and implications of gas market globalisation in terms of the effect on wholesale gas price formation and the potential for price convergence across established and new gas hubs.

Our study of the price drivers will develop from the last triennium to include, on the one hand, the political requirements for "affordability" of gas, and on the other, more advanced trading concepts of price elasticity and volatility. How would carbon tax or 'cap and trade' policies affect gas price formation? We will investigate regional pricing models, both for indigenous and international supplies, and examine 'whether or not gas can be subject to the same rules as other commodities?'

We will take forward the IGU global survey of national wholesale prices and gas price formation methods. Our aim will be to include two more years of data, share lessons learned and identify future trends.

Interaction is expected with colleagues in PGC-C, PGC-D and PGC-E.

STUDY GROUP 3 (SG B.3)

Corporate strategy and regulation

Changes in gas regulatory frameworks are increasingly a major aspect of corporate strategy and risk management, leading to adjustments in the valuation, traditional structure, and services of the gas industry in several regions.

SG B.3 will share and study such industry experiences over the last ten years and strategic plans for the next decade. We will identify business models that have been used to mitigate regulatory risk or develop new commercial opportunities. This may include, for example, the effects of unbundling on the value of transmission, storage and distribution assets as well as local and international responses to globalisation.

The analysis of regulatory models around the world, carried out during the last triennium, highlighted the regulatory driving forces for structural change. Our study will take this further with a series of case studies that illustrate company responses to technical, commercial and regulatory changes throughout all parts of the gas business.

Together we aim to summarise the lessons learnt, and the key issues for corporate strategy under current and future regulatory regimes. In short, we will seek an answer to the question "How should companies along the whole gas chain respond in the changing business environment?"

To this purpose we look forward to a productive interaction with all the Working Committees, as well as with PGC-C (Gas Markets).

Dr Colin Lyle
Chairman, PGC-B