



European Gas Markets: Adjusting to a New Reality

UNECE Working Party on Gas

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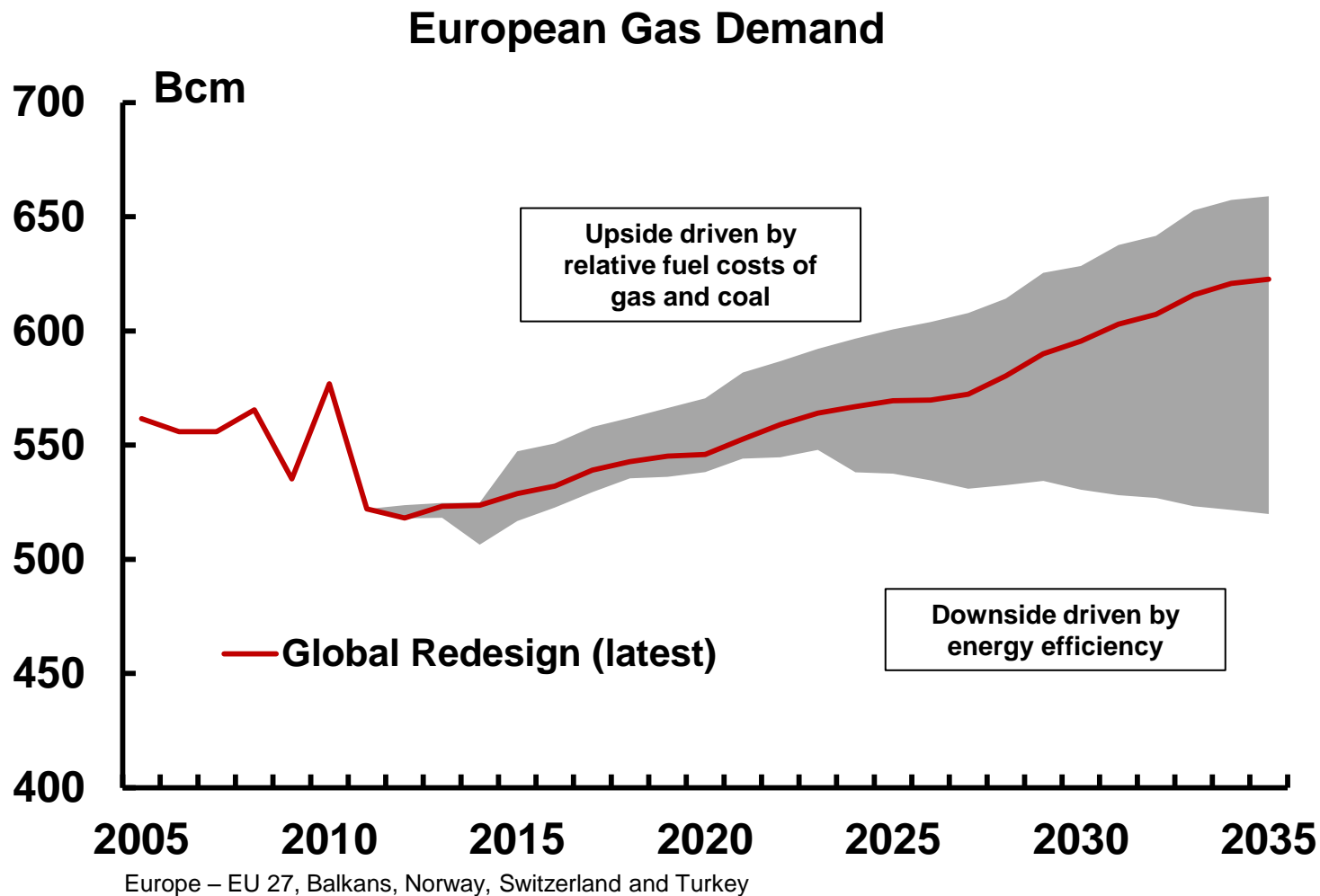
Geneva



Key European natural gas messages

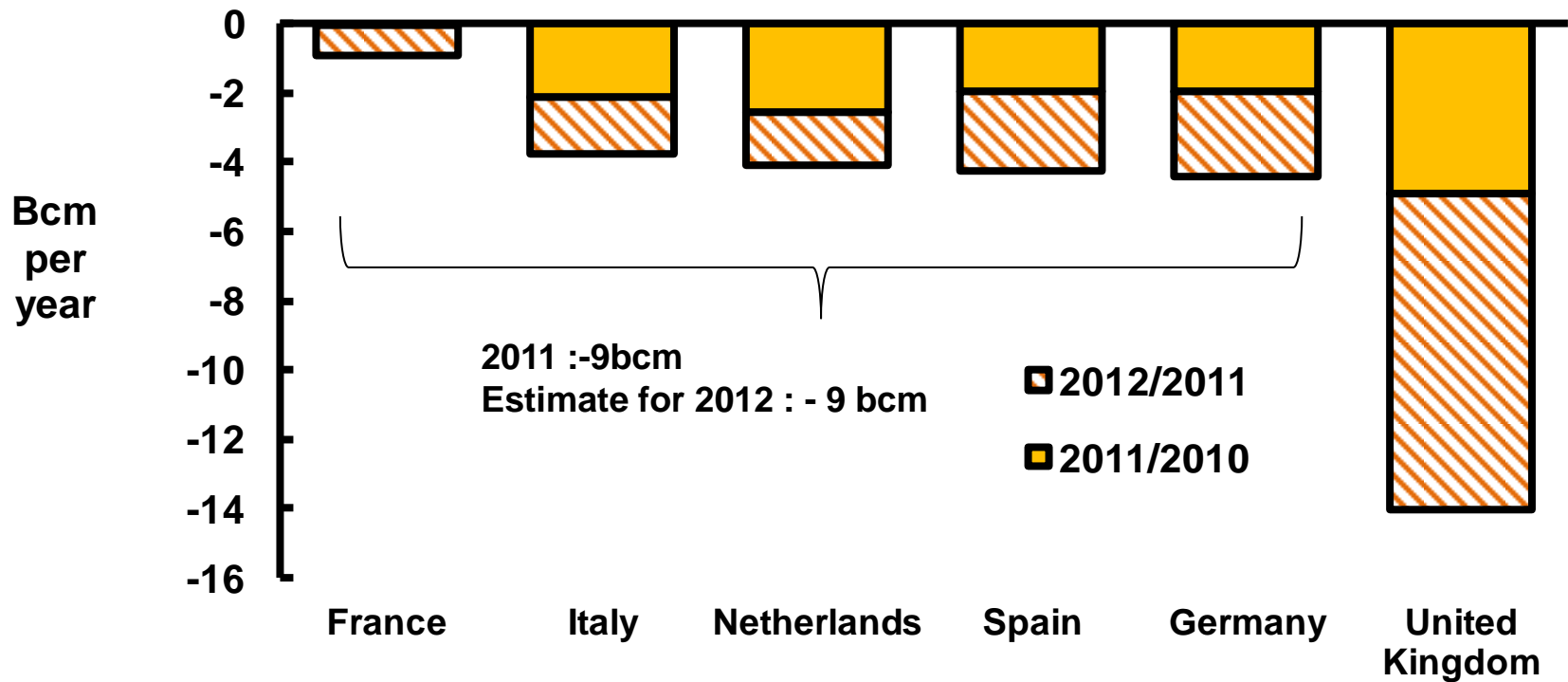
- European gas and power prospects have deteriorated alongside economic performance
- Growth in the power sector is being limited by weak power demand, growing renewables and high gas prices vs coal
- European energy policy will be the key determinant of demand in the long-term
- However, declining indigenous supply still underpins need for increased gas imports
- International pricing will influence European prices due to ongoing import requirement

The Two “Rs”—recession and renewables—have reduced our outlook for European gas demand



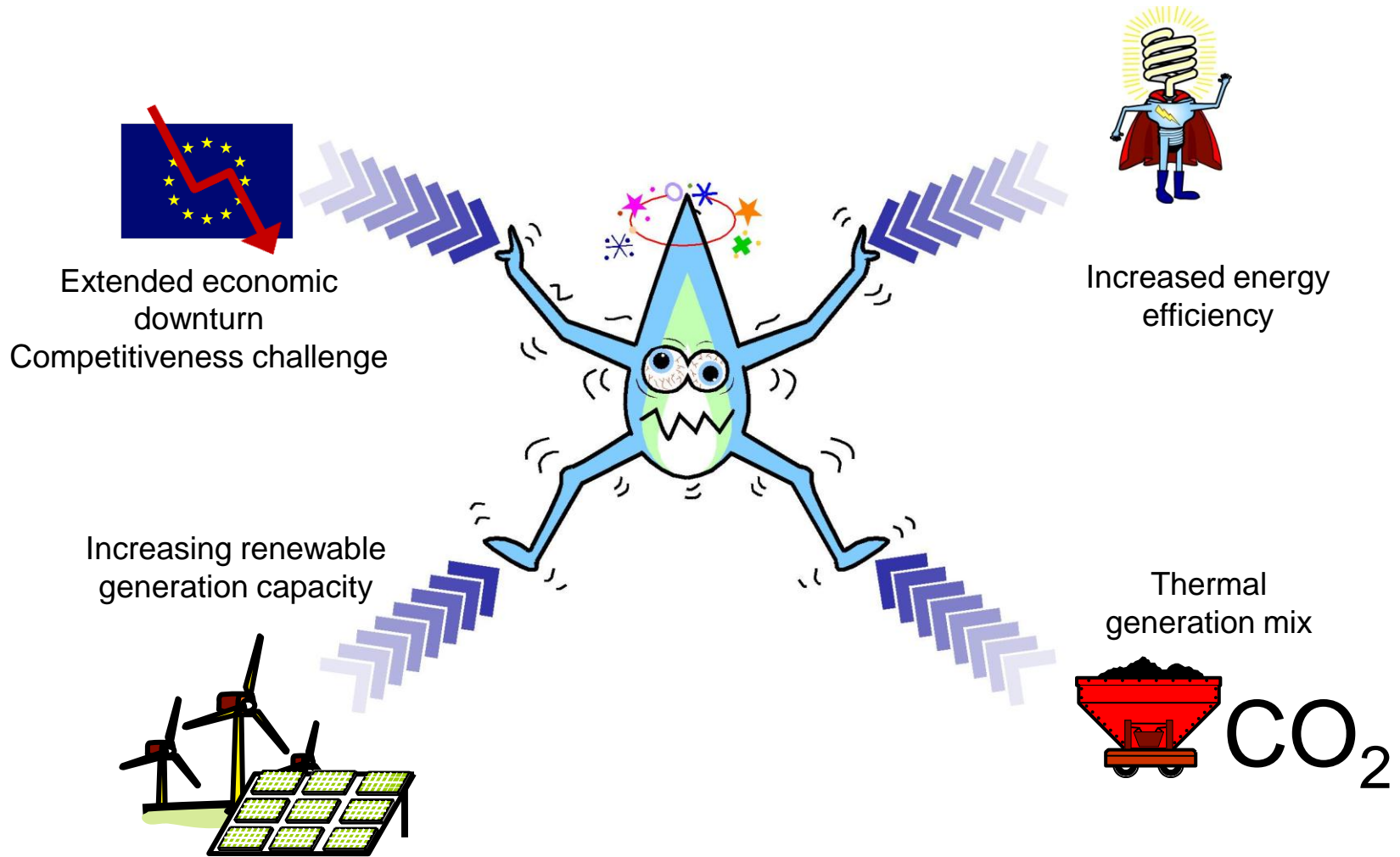
Source: IHS CERA.

Power sector has borne the majority of the pain to date...



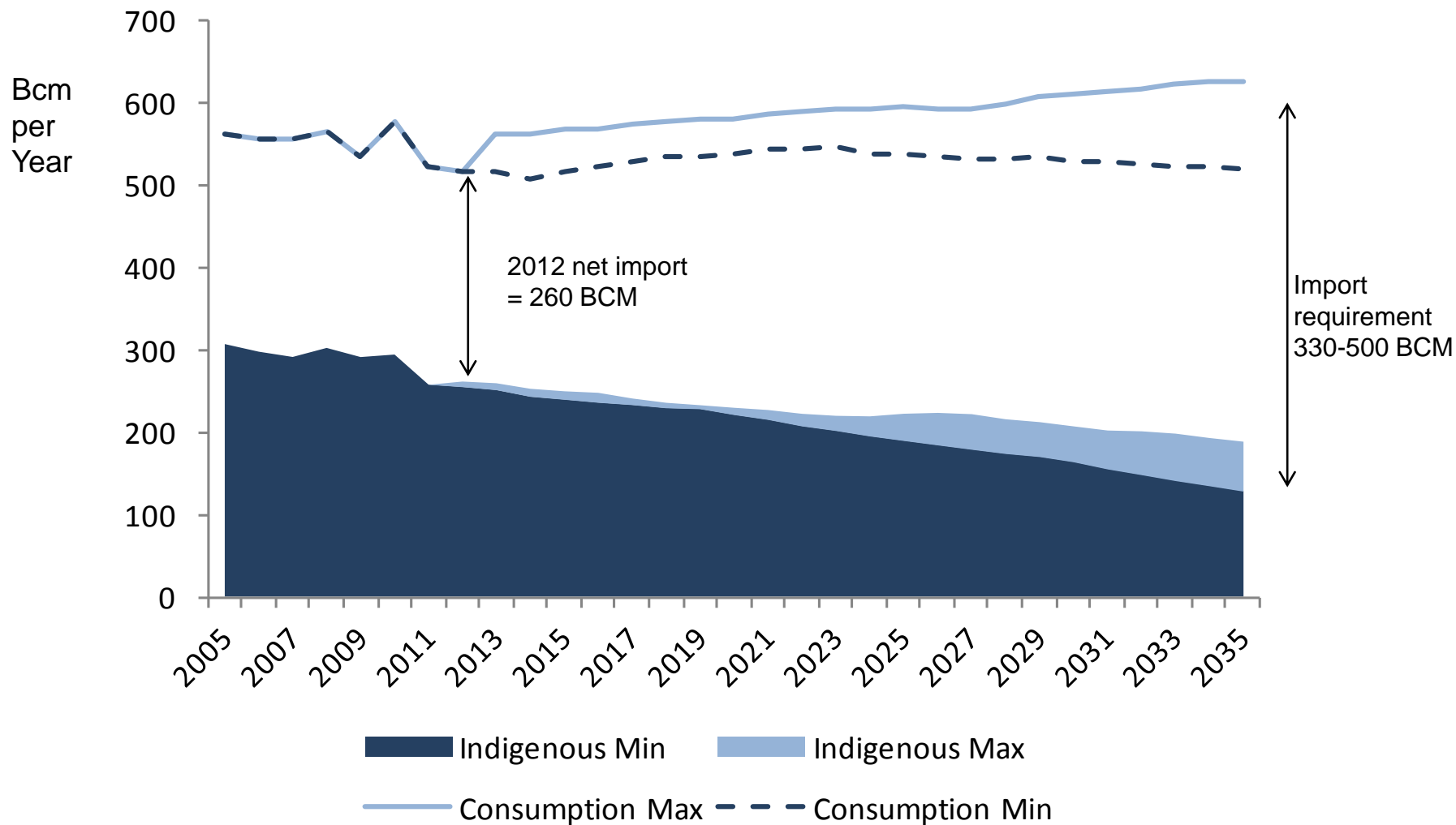
Source: IHS CERA, national TSOs.

...but all sectors will feel the squeeze



Source: IHS CERA.
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Europe's gas imports are set to grow, even in the low demand case

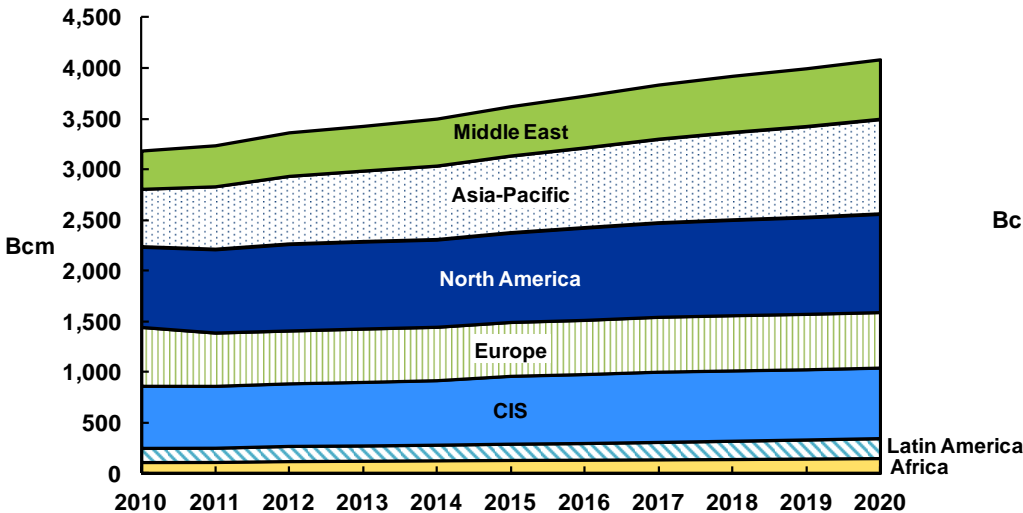


Source: IHS CERA.

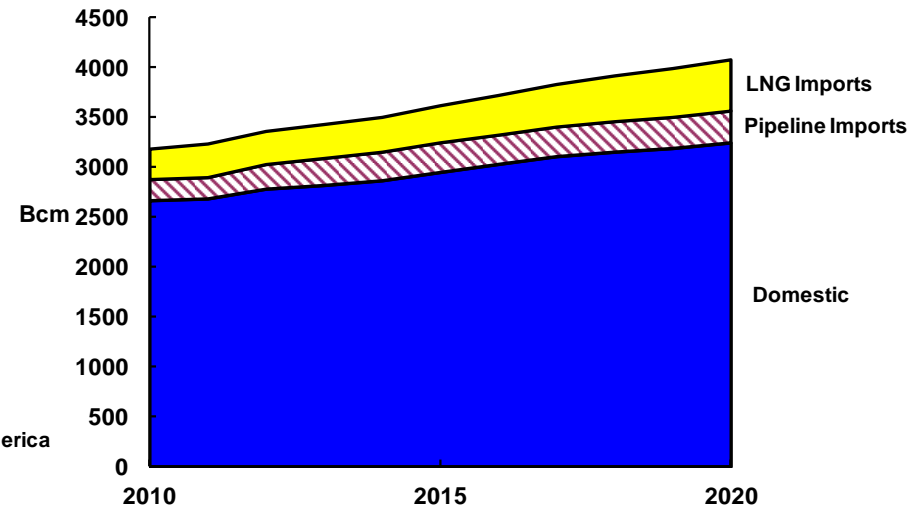
Changes in the shape of the global gas market will impact Europe



Global Gas Demand



Global Gas Supply



- Europe falls from 18% of global gas demand in 2010 to 13% in 2020
- Demand growth concentrated in non-OECD Asia with the power sector the biggest driver (>50%) of gas demand growth

Source: IHS O&G

- The “Shale Gale” dominates North American production increases but has limited success internationally before 2020
- LNG as a supply source grows most rapidly

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