



# Regional gas market overview

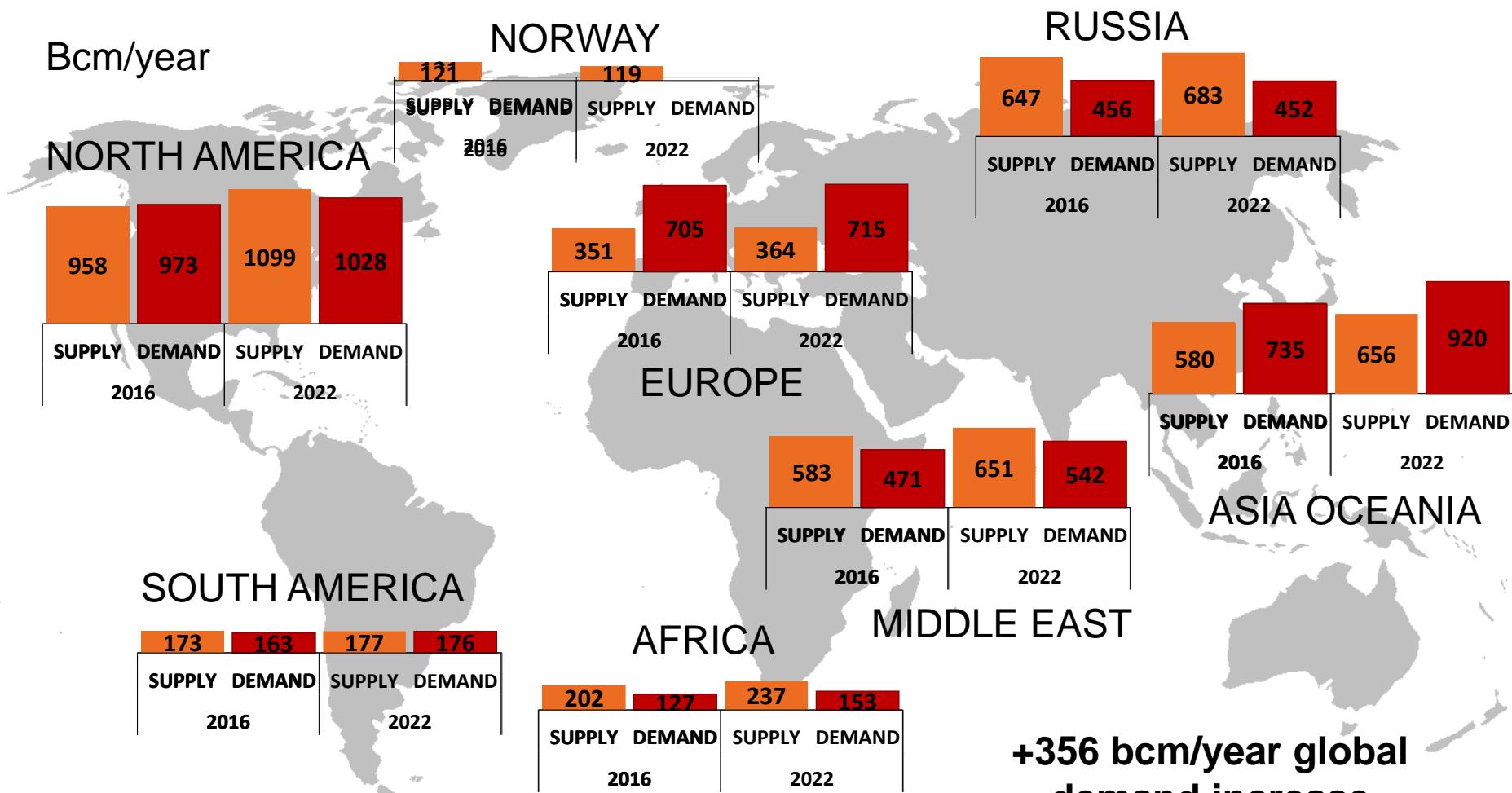
Péter Kaderják  
Director, REKK

Budapest LNG Summit  
October 16, 2017. Budapest, Hungary

# Outline

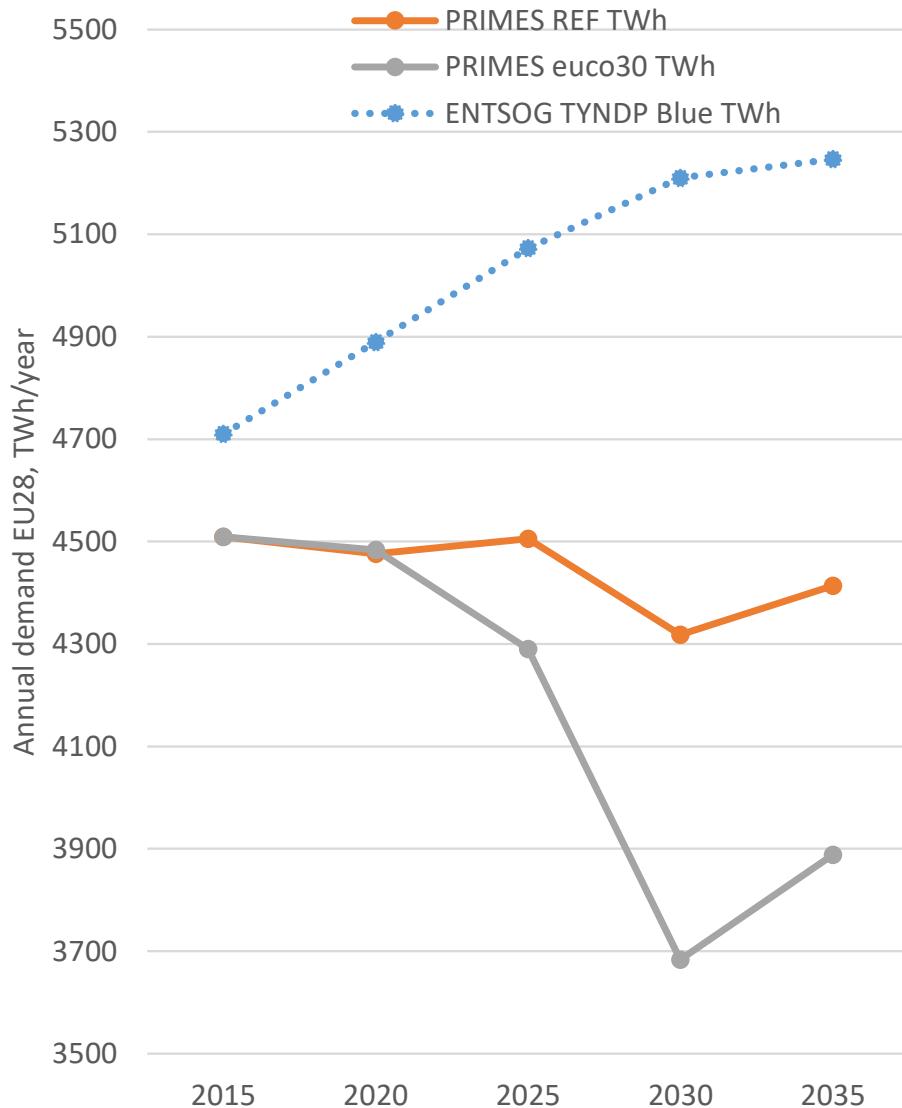
- Current status
  - Oversupply
  - EU market integration rules in place
  - Overall well-functioning EU market, no major price differences
- Opportunities
  - Upcoming new LNG capacities in US, AUS
  - Dropping Japanese, Korean demand
  - Stagnating EU consumption
- Threats
  - Global market: China and new LNG consumers' higher demand
  - Decreasing domestic EU production
  - CSEE foreclosure: long-term bookings, Nord Stream 2
- REKK WGMM
  - Using EIA 2022 input assumptions, model the 2022 case
- Conclusions

# Global gas demand and supply to increase by 10%; increasing role of China



Source: IEA Gas 2017 Analysis and forecasts to 2022

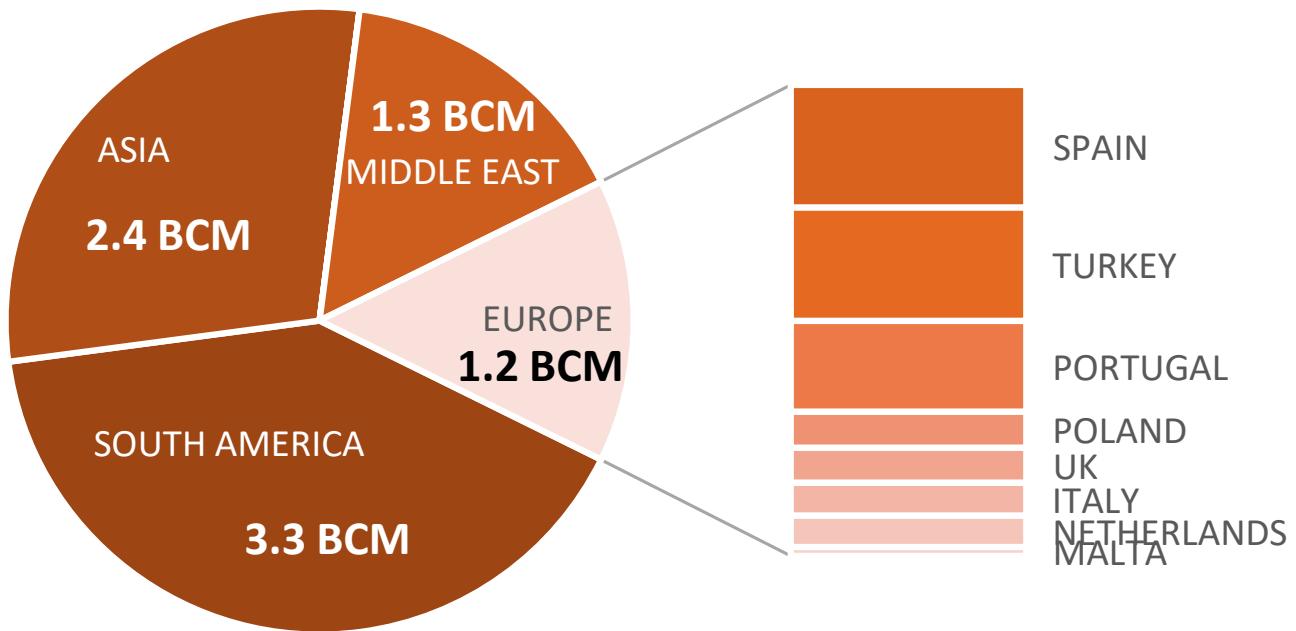
# EU gas demand scenarios; critical role of climate policy



- PRIMES Reference
  - Demand stagnating around 4500 TWh/year
- PRIMES EUCO30
  - Demand drops below 4000 TWh/year by 2030 to meet renewable targets
- Sensitivity – TYNDP Blue Transition Scenario

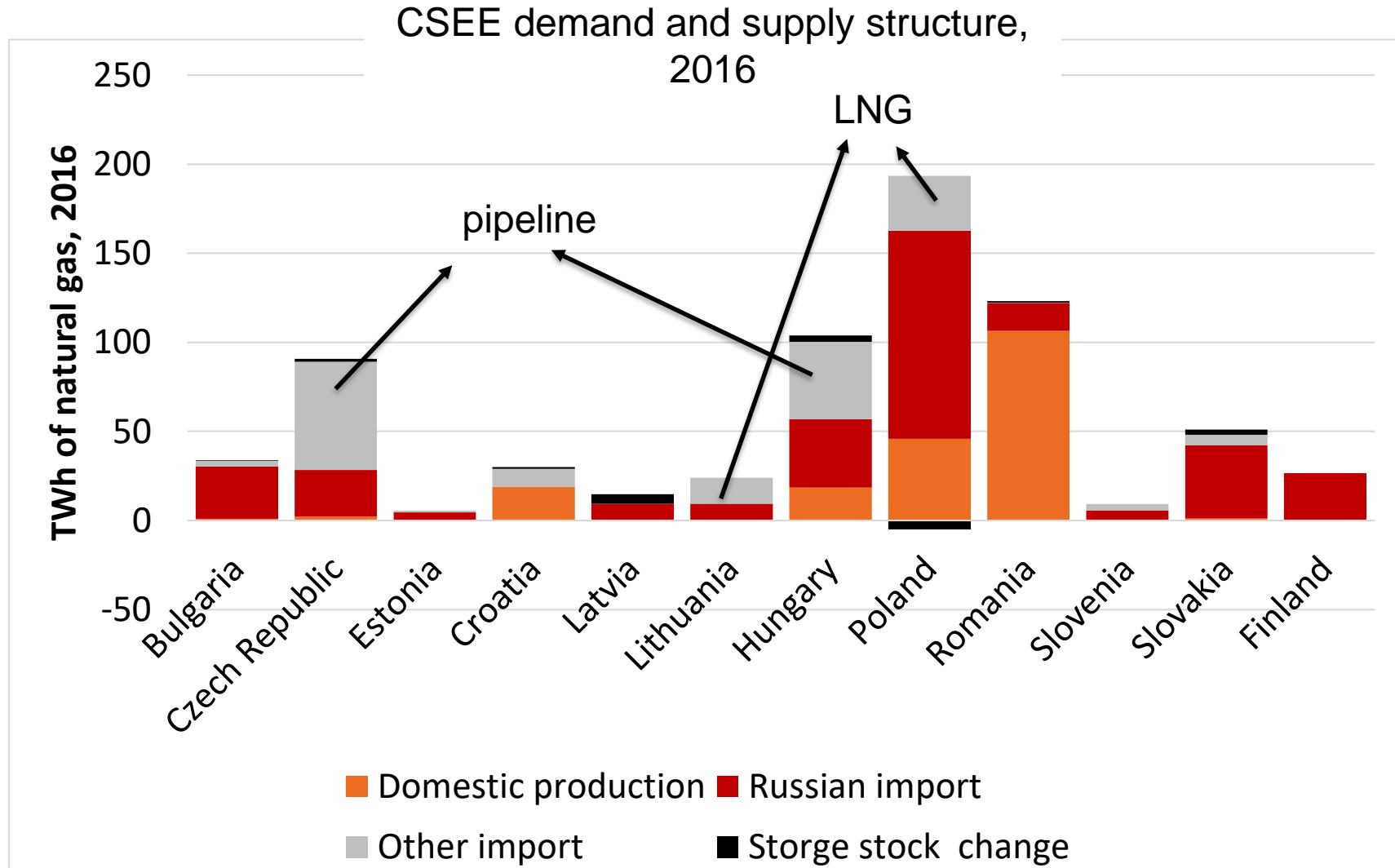
# US LNG is a game changer – also for CSEE?

US LNG exports, 2017 H1 bcm  
natural gas

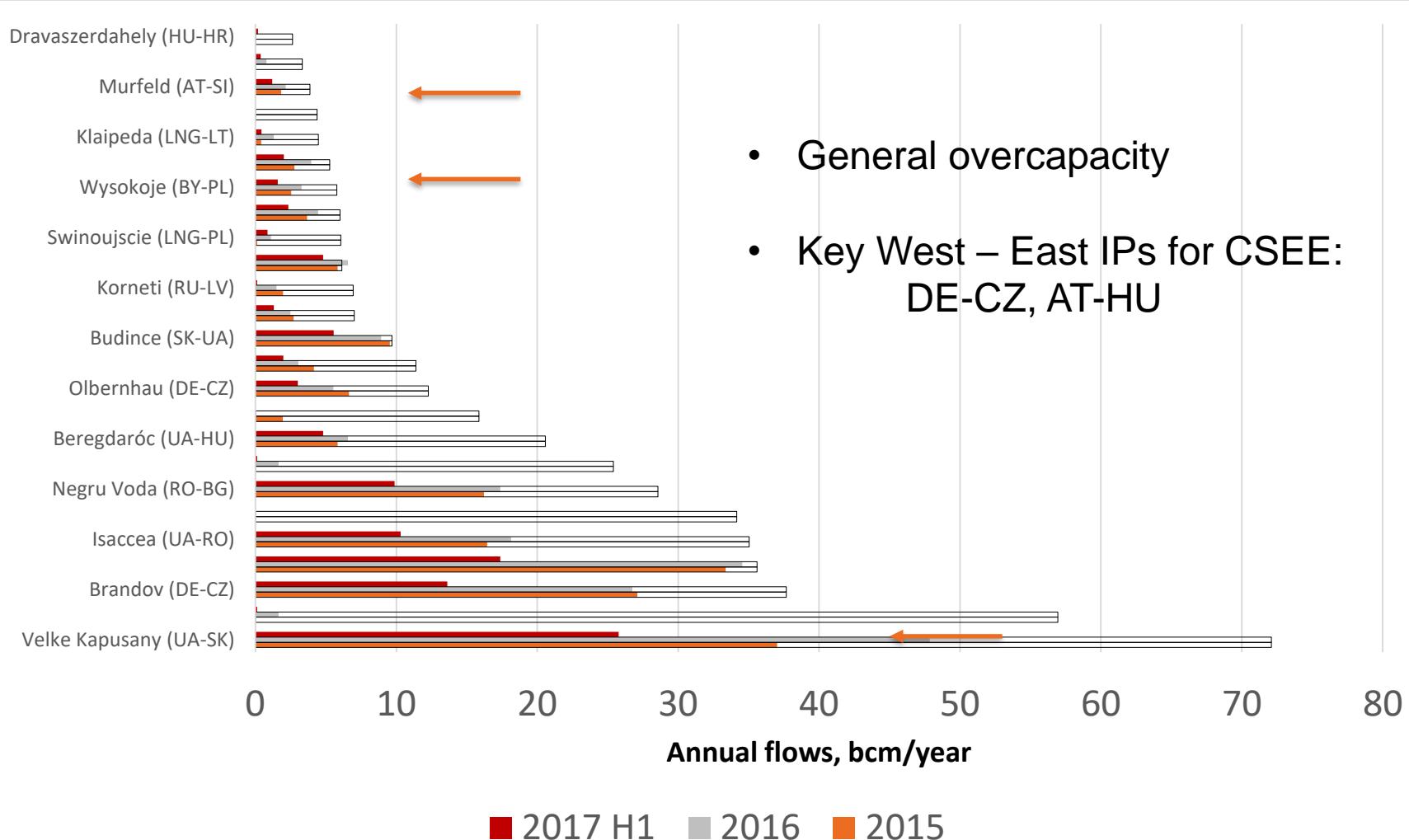


- Alternative supplier putting a price pressure on the incumbents
- 2017 H1: 8.1 bcm export compared to 4.8 bcm in 2016
- Europe is not the primary market for US LNG under current market conditions

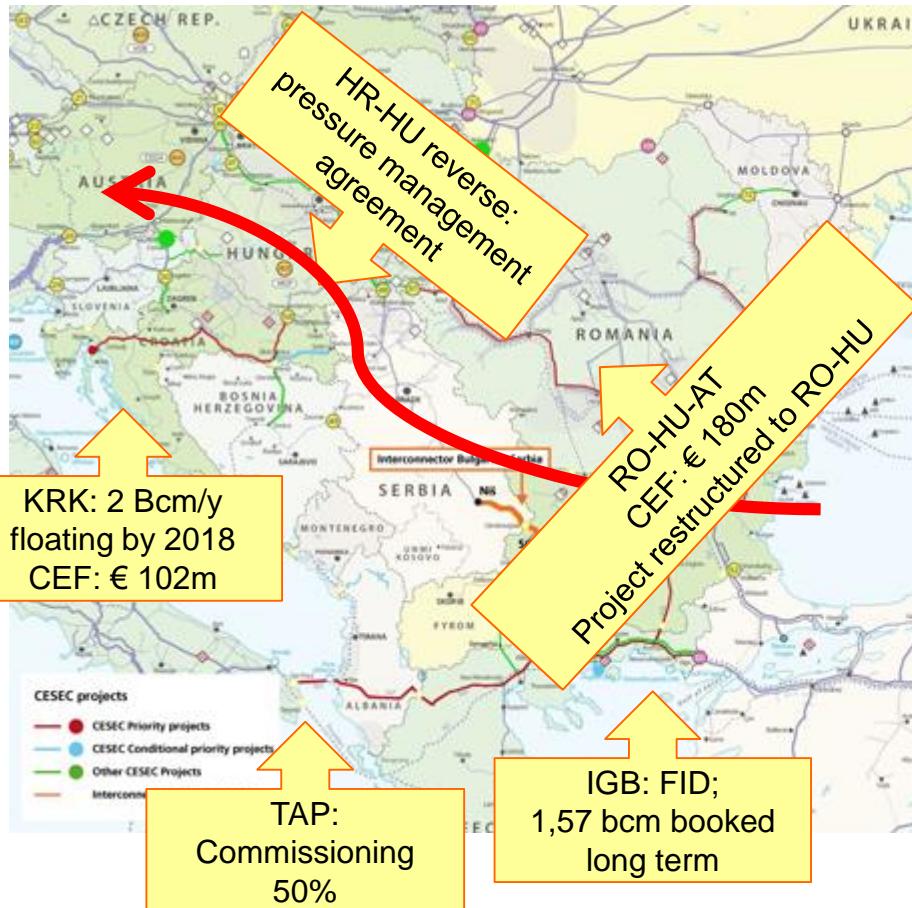
# CSEE: 15% of EU demand; success in diversification



# Utilisation of major regional interconnectors (Bcm)



# Progress with CESEC priority projects (vs South Stream)...

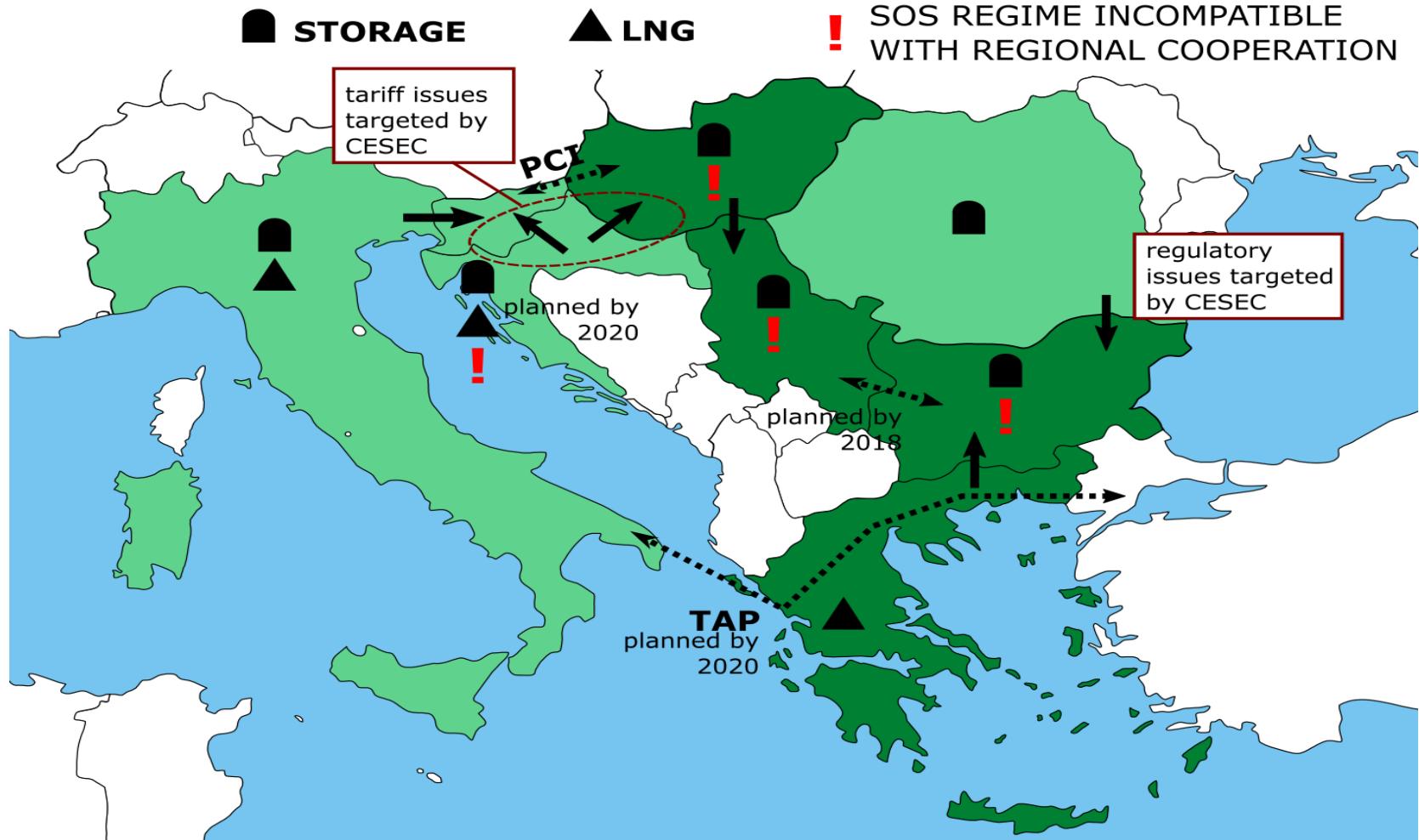


- **CESEC priority projects:**
  - Trans-Adriatic Pipeline (TAP)
  - Interconnector Greece-Bulgaria (IGB)
  - Interconnector Bulgaria-Serbia - pending
  - Phased Bulgarian system reinforcement
  - Phased Romanian system reinforcement
  - LNG terminal in Croatia (with phasing potential)
  - LNG evacuation system towards Hungary
- **CESEC conditional priority projects:**
  - Connection of off-shore Romanian gas to the Romanian grid and further enhancement of the Romanian system
  - Interconnection Croatia-Serbia
  - New Greek LNG terminal

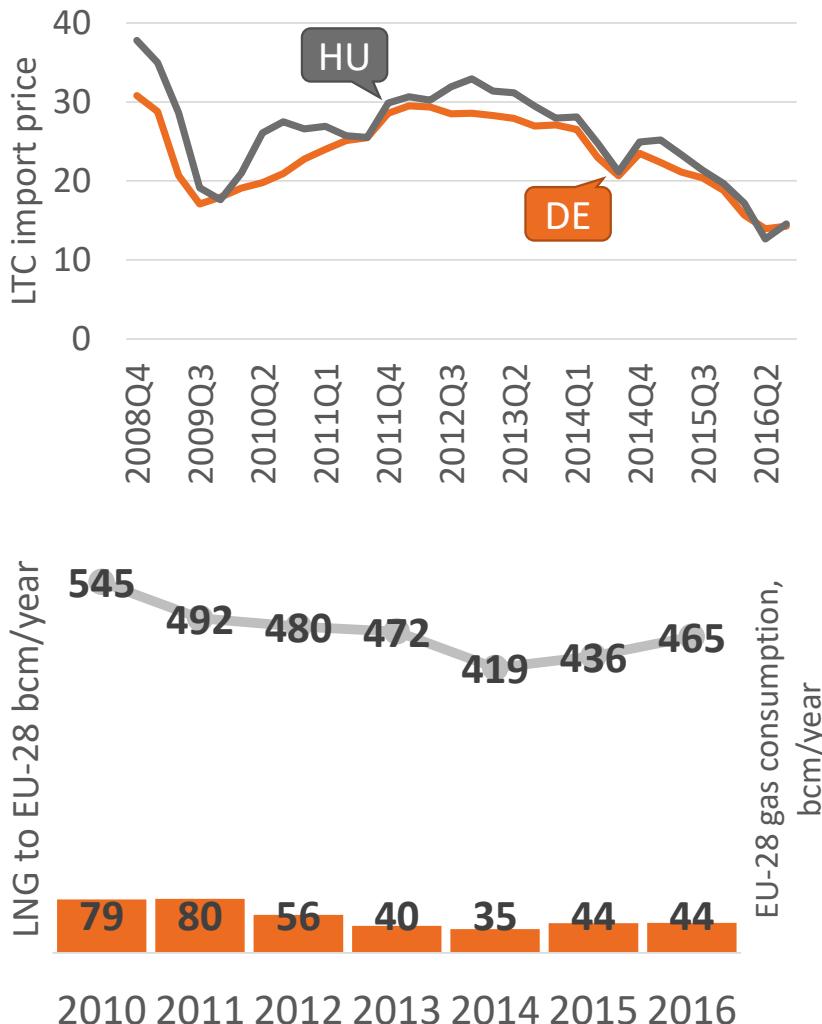
KrK: binding capacity booking in December 2017

Trans-Balkan reverse flow: slow process

# ...but still segmented policies in the region

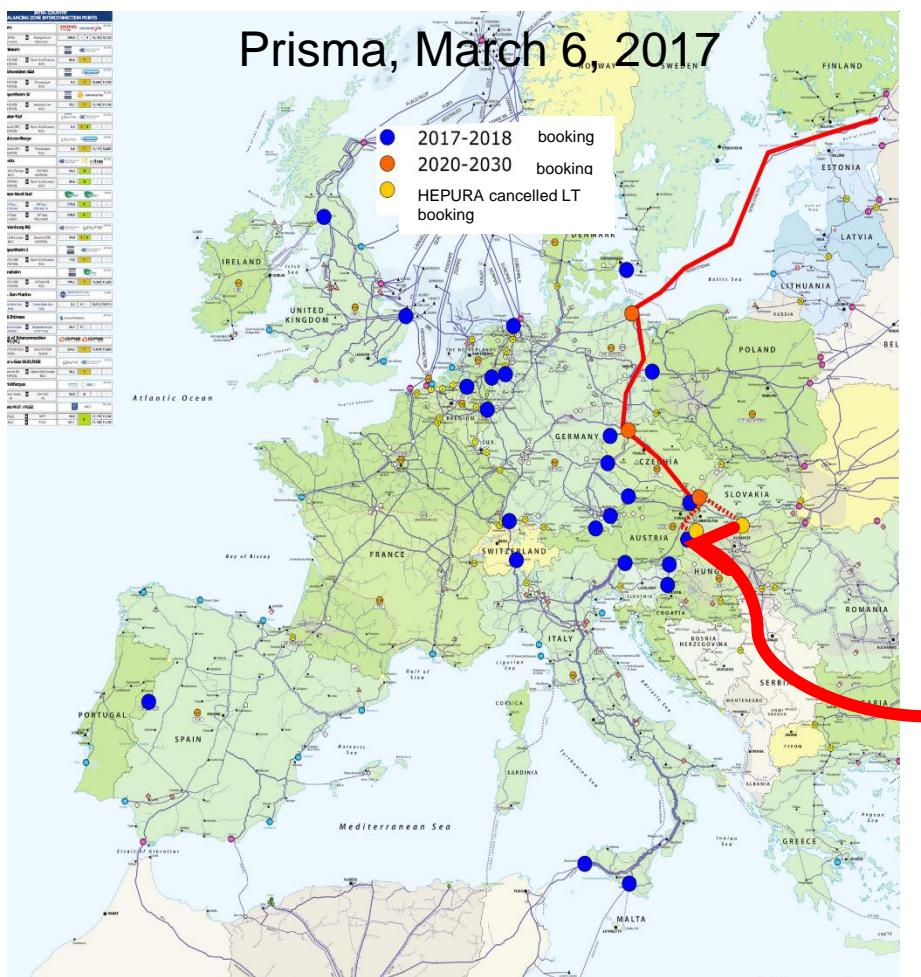


# Market integration and global oversupply benefits trickling down to CSEE

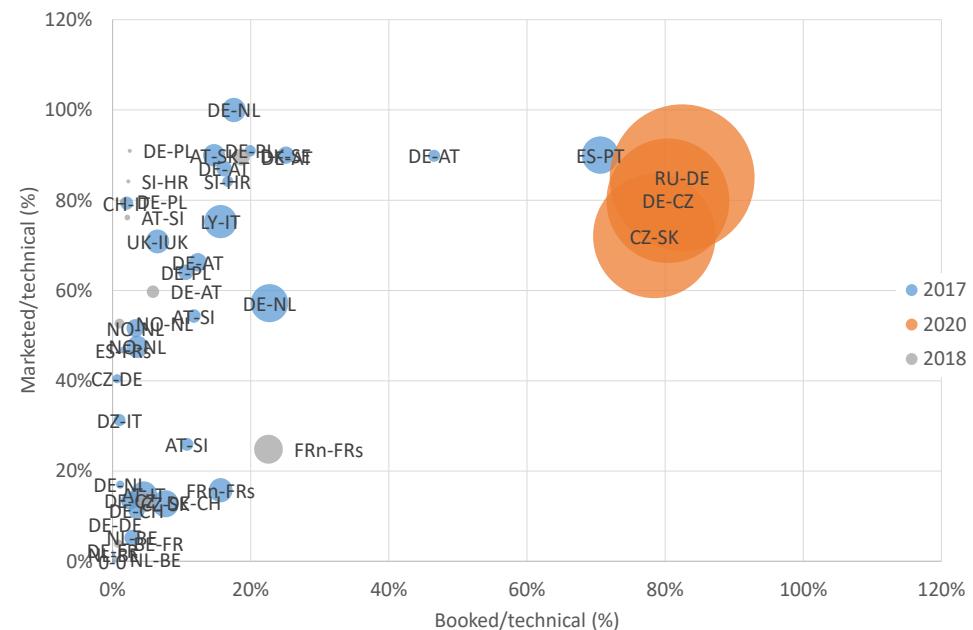


- Price convergence in Europe due to
  - global oversupply of gas
  - increased competition between pipeline and LNG
  - European network investments
  - developments in network codes
- The current market is well-functioning
- Will it last?- Quo Vadis

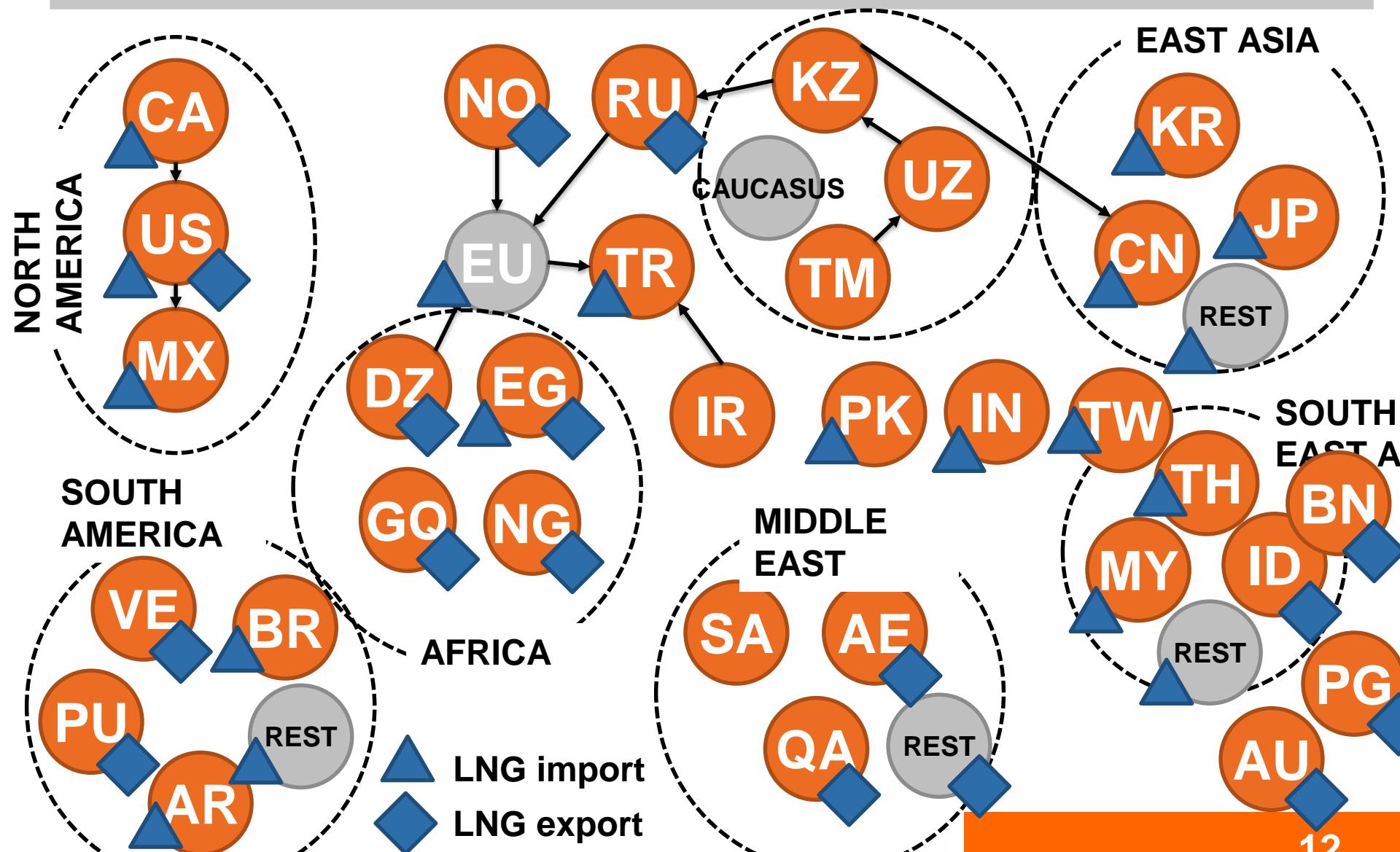
# Major threat: Russia to take back control over pivotal supply routes to CEE – now from the West



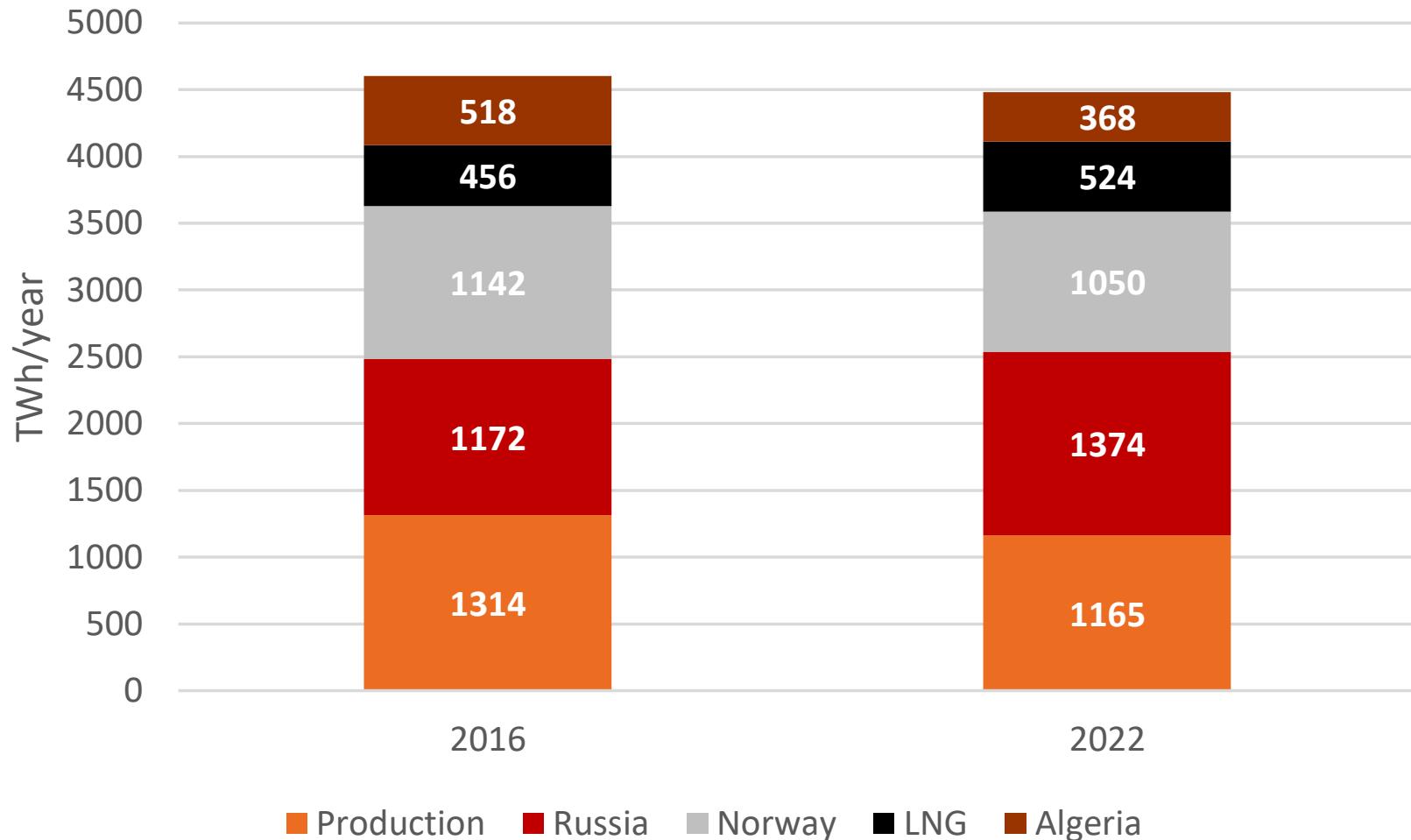
RU-DE: Lubmin II, Greifswald, Greifswald Entry, Vierow,  
DE-CZ: Deutschneudorf, Oldbernhau 2, CZ-SK: Lanzhot,  
Lanzhot 1, Lanzhot 2



- DE-CZ-SK reverse flow capacities booked by Gazprom. 80% between 2020-30 but some up to 2038
- HAG, SK-HU: Hungarian regulator intervened; potential downstream market foreclosure



# REKK WGMM 2022 outlook: intensified Russia – LNG competition



# Key takeaways

- Post-2009 EU strategy to address CSEE unilateral gas import dependence and related risks has been a success
- CESEC (2015) gave further momentum for improved gas connectivity and market integration efforts in CSEE
- An EU-conform Russian counter-strategy to get back control over critical / pivotal supply routes to CSEE is emerging; NS2 is a key pillar of this strategy
- Key issue: how to sustain competitive pressure on pipeline gas in CSEE?



# Thank you for your attention!

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