Presentation

Natural Gas in Europe:
Will customers need more or less?

September 20th 2018

2018 Energy Community Gas Forum
Ljubljana, Slovenia

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European gas market may look different in medium and long term

Medium term: to 2025

Diverse supply and increasing trade

- Europe in a global market
- Declining, recovering, or variable demand?
- Pipeline gas or LNG for incremental supply

Long term: the mid century

The context of a net-zero economy

- EU climate targets
- Decarbonized energy in 2050?
- Role for renewable and decarbonized gas

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Source: IHS Markit

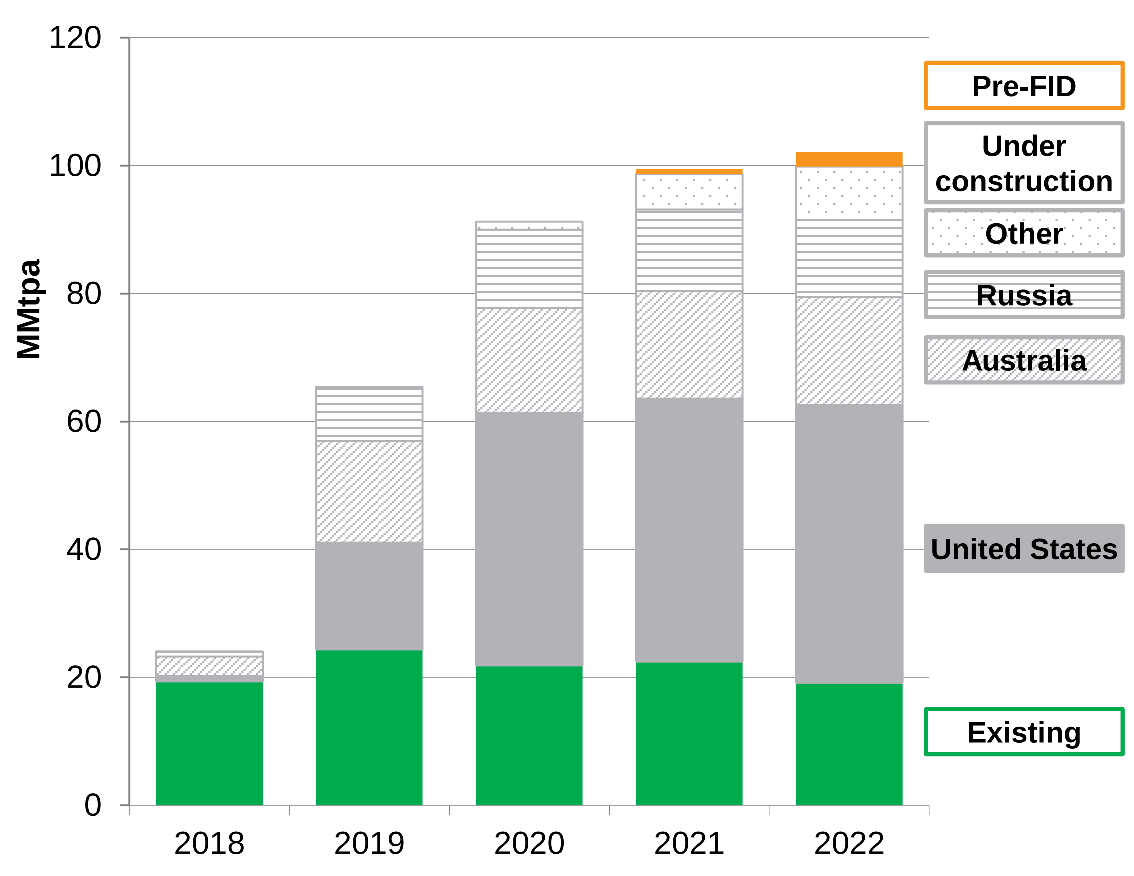
The medium term

- The global context: LNG demand outside Europe
- European demand
- European supply

Incremental LNG supply will outpace growth in demand

Europe can absorb the surplus if the LNG is priced competitively—or it can be shut in

Incremental LNG available supply from 2017



Source: IHS Markit

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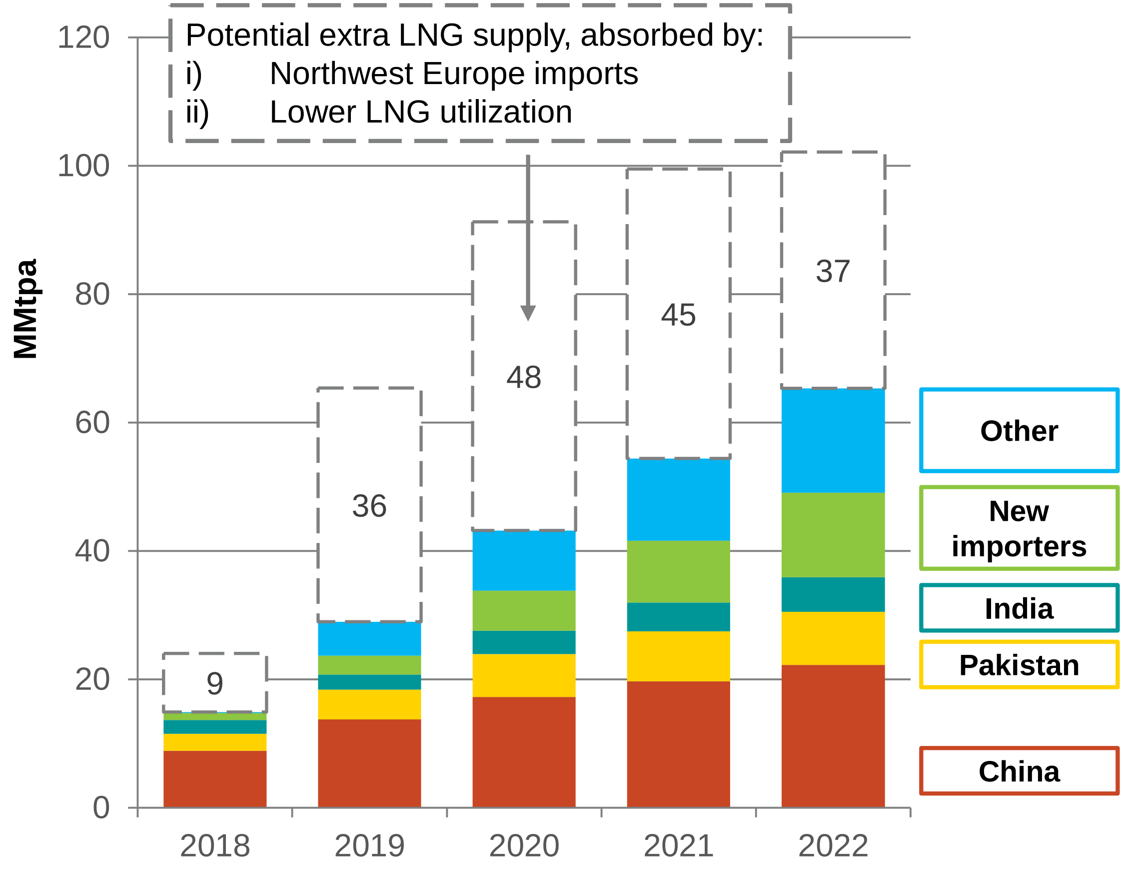
Incremental LNG demand outside northwest Europe from 2017



Source: IHS Markit

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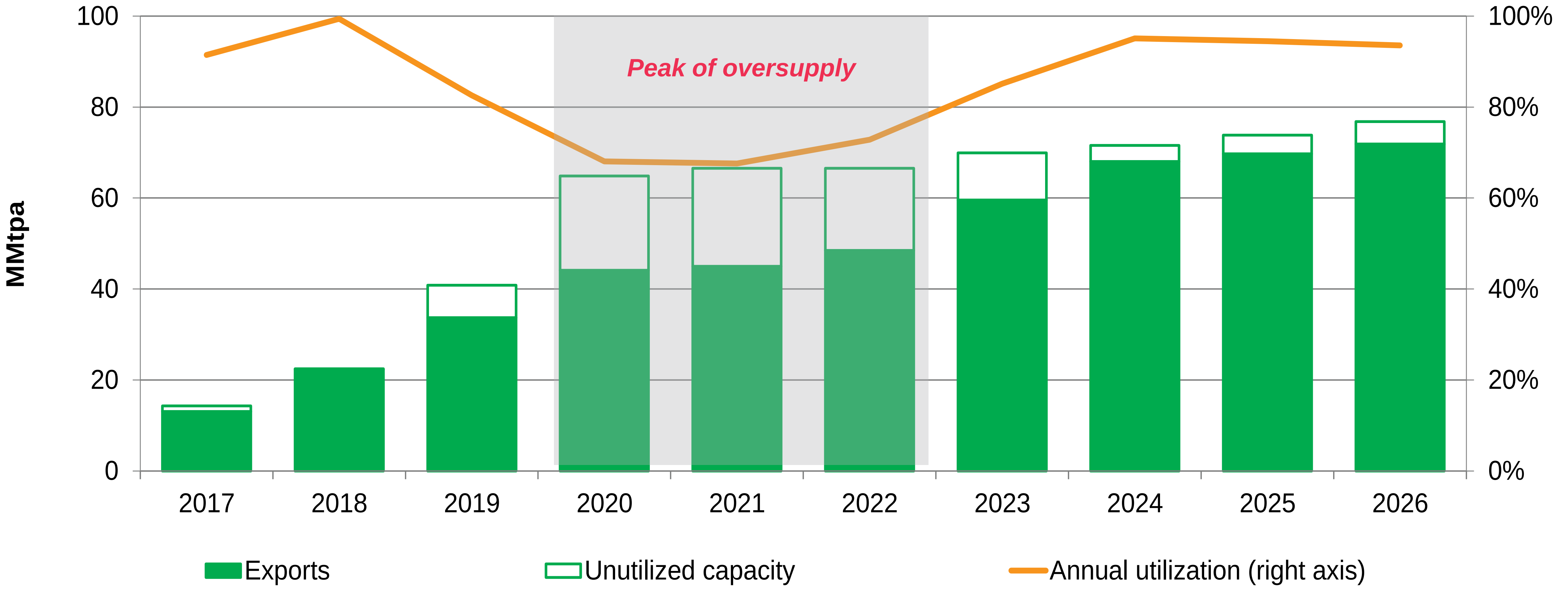
US LNG is expected to be the marginal supplier to world markets

Low US utilization levels during period of peak oversupply (2020 through 2022)

US lower-48 liquefaction capacity versus supply forecast



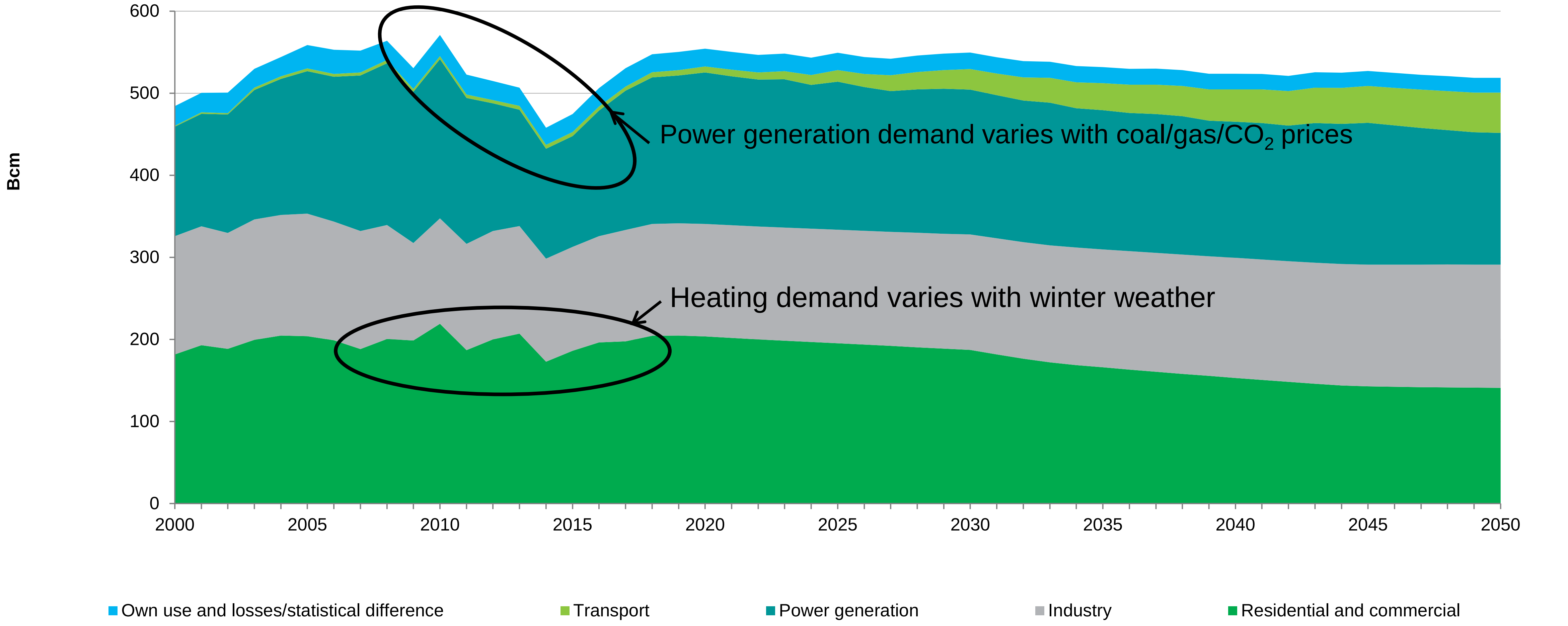
Notes: Utilization is calculated based on delivered volumes.

Source: IHS Markit

European Gas Demand (IHS Markit *Rivalry* Scenario)

*2018 **EU** demand recovers its 2009 level—40 bcm below 2005 and 2010 peak, 80 bcm above 2014 trough*

EUROPE Total consumption

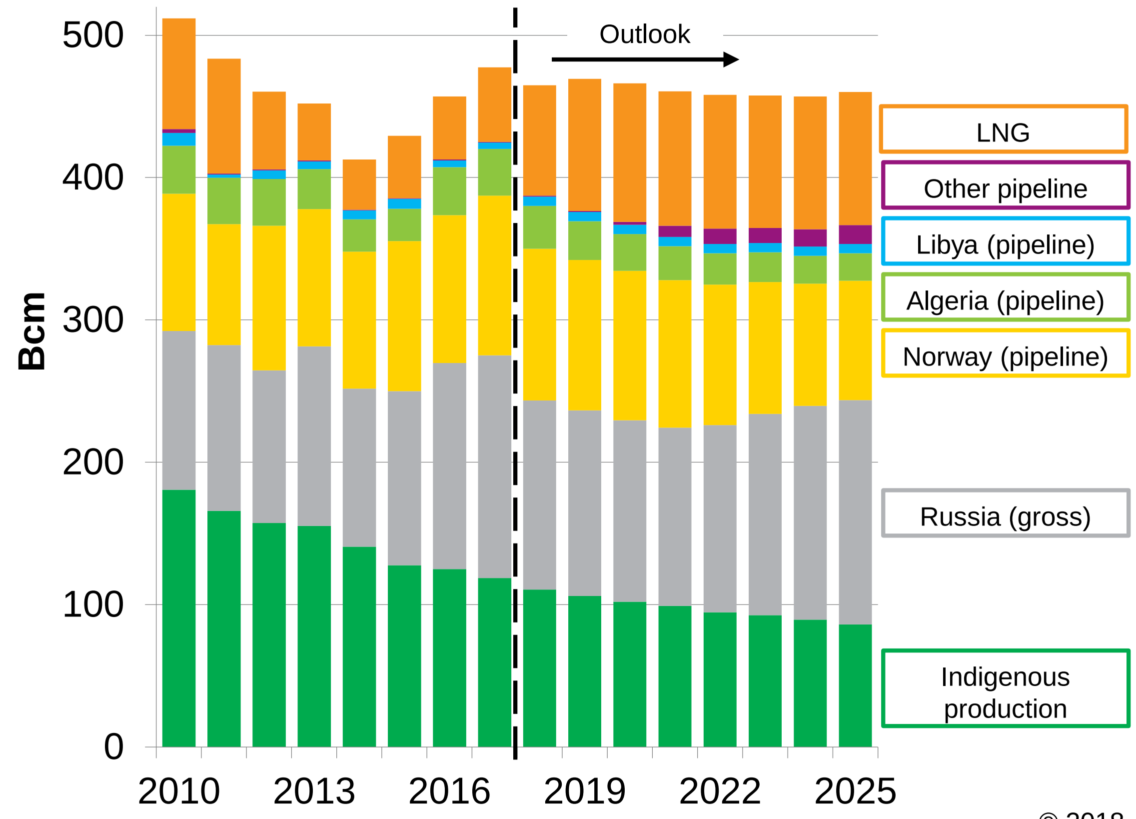


Source: IHS Markit

Demand growth and declining EU production met by increase in trade

Mainly pipeline gas (mainly Russian) in past two years … mainly LNG for next three

EU28 gas supply outlook



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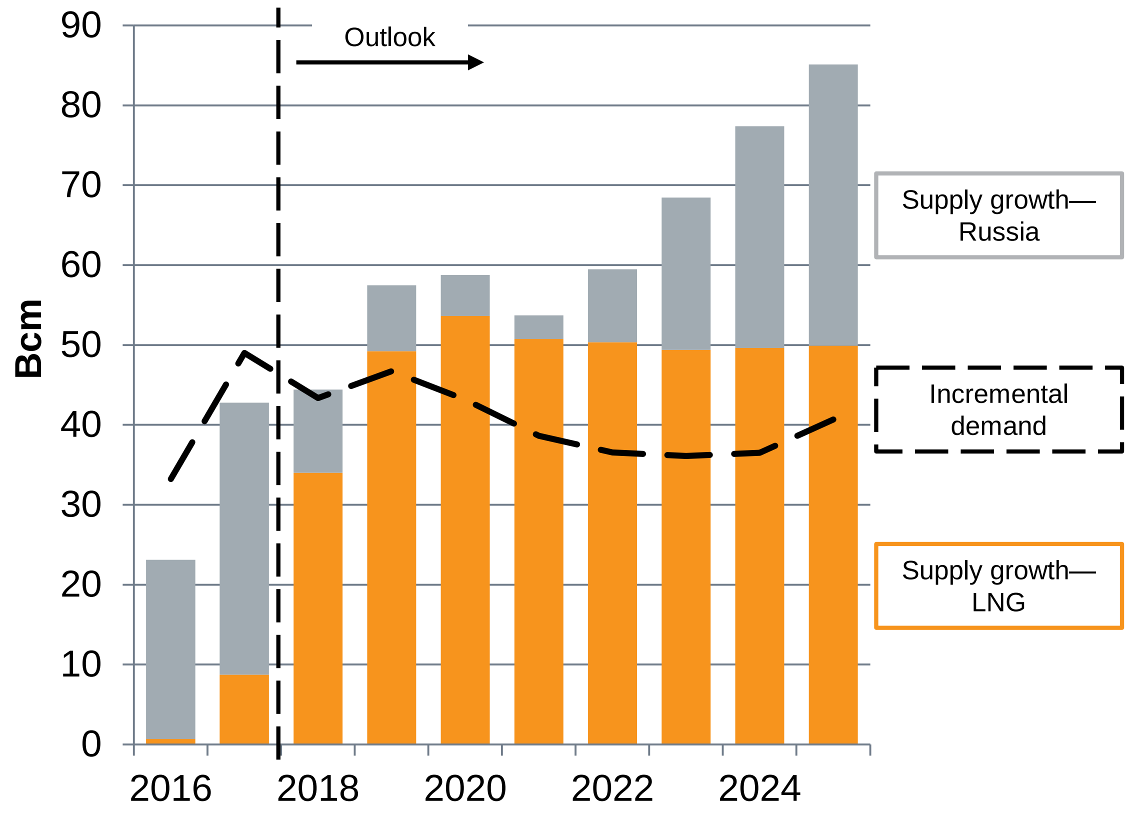
Note: Gross Russian imports (including reexports to Ukraine). Indigenous
Source: IHS Markit

Incremental LNG and Russia to Europe (versus 2015)



Source: IHS Markit

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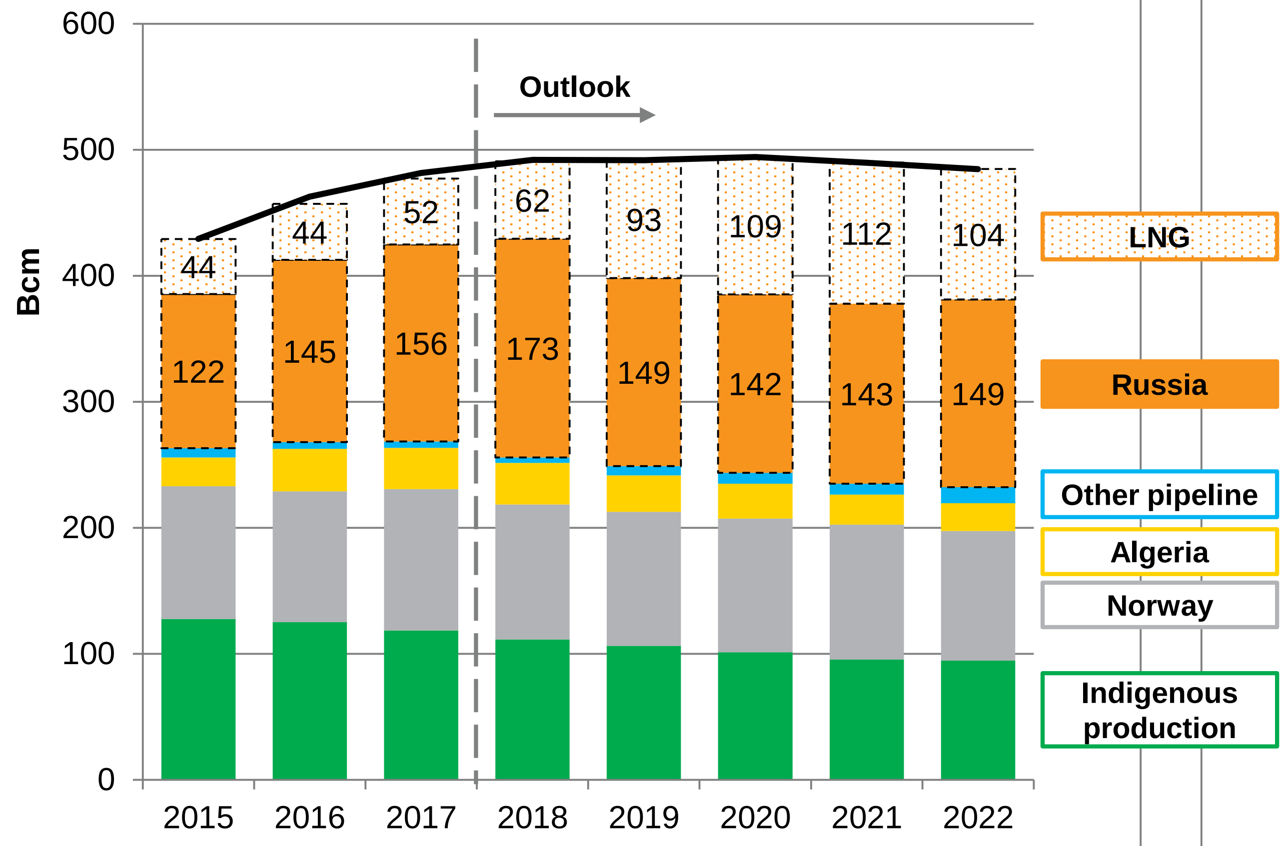
But pipeline suppliers have flexibility to compete

Two views of how the next five years may play out

EU28: Natural gas balance
Base case



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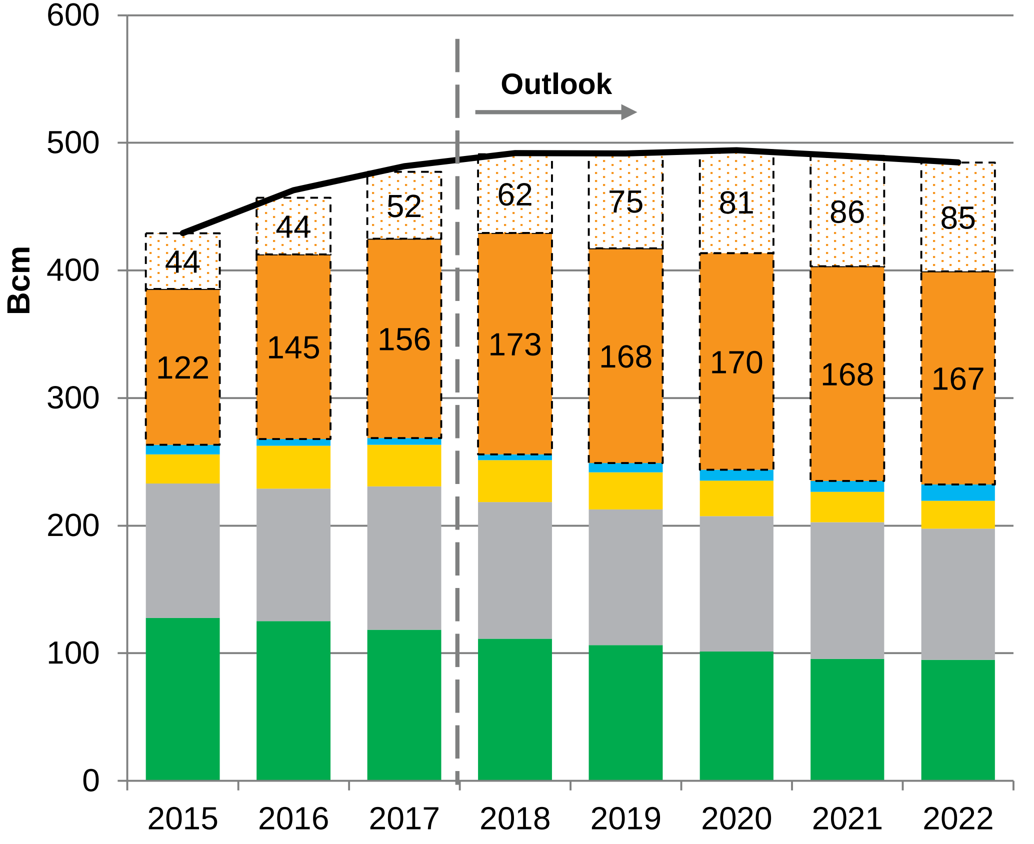
EU28: Natural gas balance
Alternative case—Russia maintains 35% market share



Source: IHS Markit

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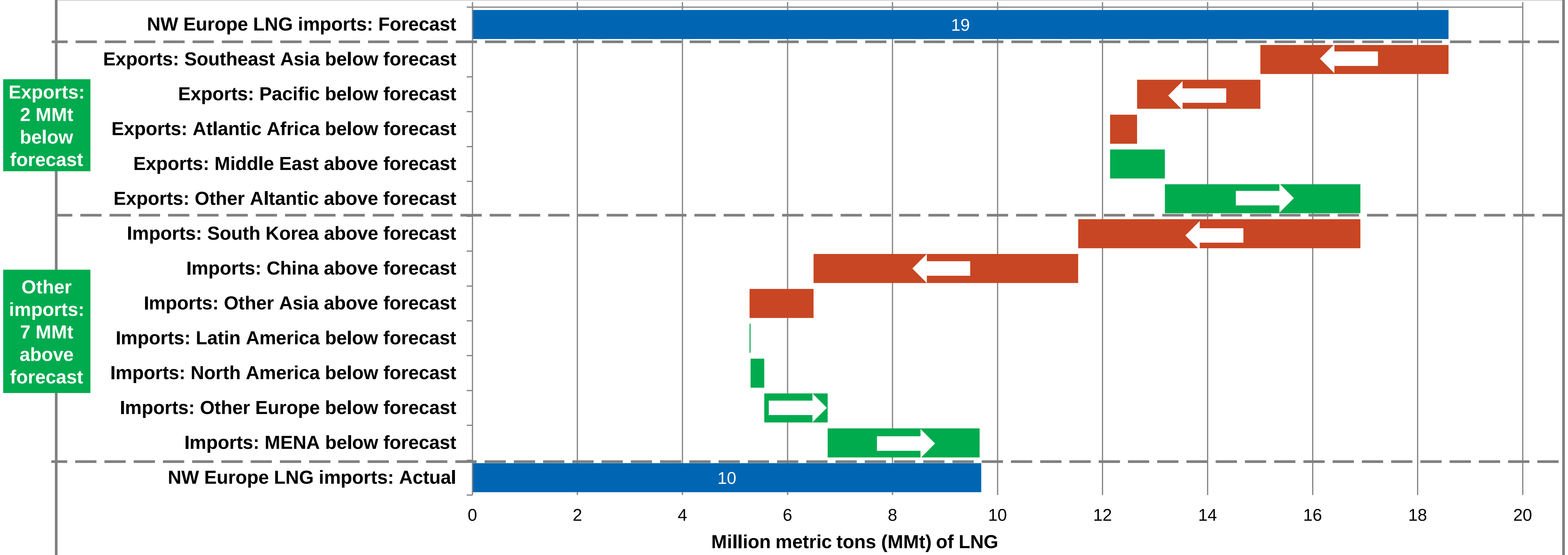
And forecasts can of course be wrong … !

Actual versus expected LNG imports to NWE so far in 2018 … a reminder of the global context

Factors affecting NW Europe's LNG imports in 2018 Jan-July (compared with IHS Markit forecast from December 2017)



Note: JKT = Japan, Korea, Taiwan; NW Europe = Northwest Europe; SE Asia = Southeast Asia; MENA = Middle East/North Africa.
Source: IHS Markit

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