



**Russian gas:**  
*between Europe and Asia*



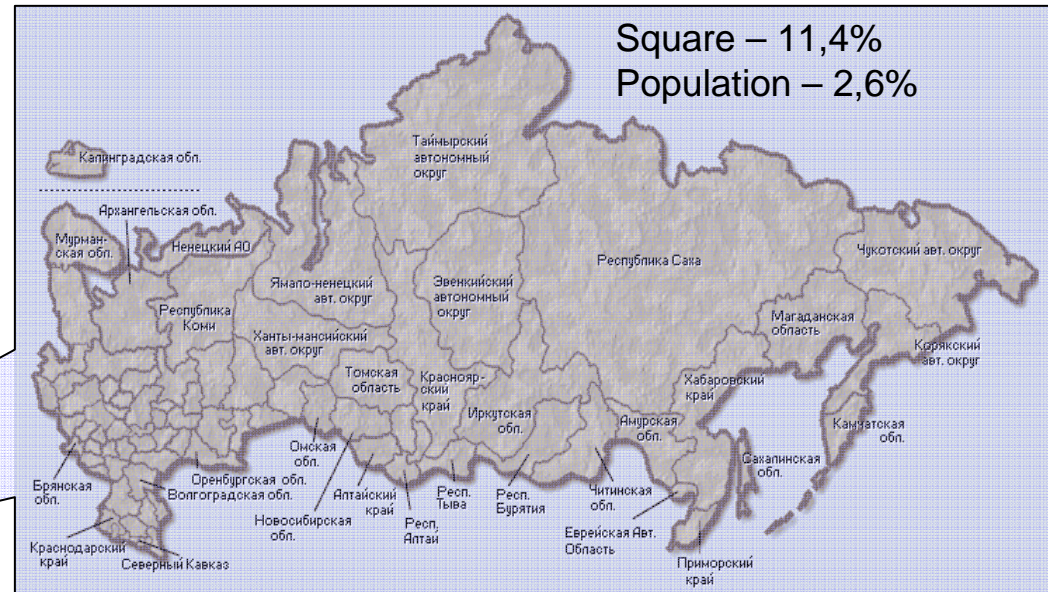
**Alexey GROMOV**  
**PhD in Economic Geography**  
**Deputy General Director**  
**Institute of Energy Strategy, Moscow**



# Russia in the World: a real pantry of power resources

## Russian Energy Sector in the world

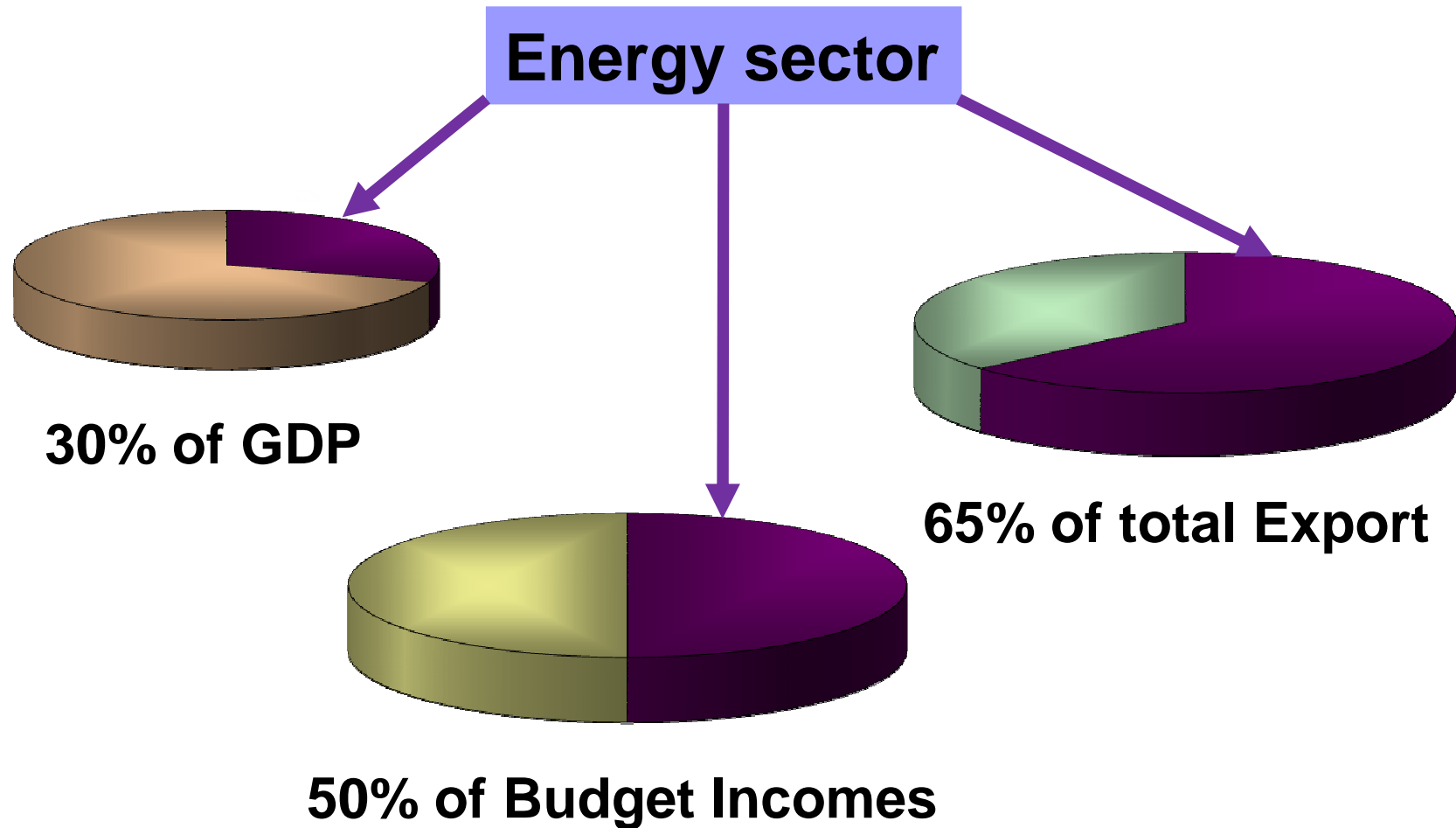
- 1<sup>st</sup> place** in gas extraction and gas stock
- 1<sup>st</sup> place** in oil extraction
- 1<sup>st</sup> place** in gas export
- 2<sup>nd</sup> place** in oil export

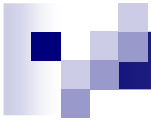


Resources	Share in world indicators, %		
	Stock	Extraction	Trade
Oil	12 (6,1*)	12,8	10,6
Gas	45 (26,7*)	21,5	25,0
Coal	24,9	5,1	15,2

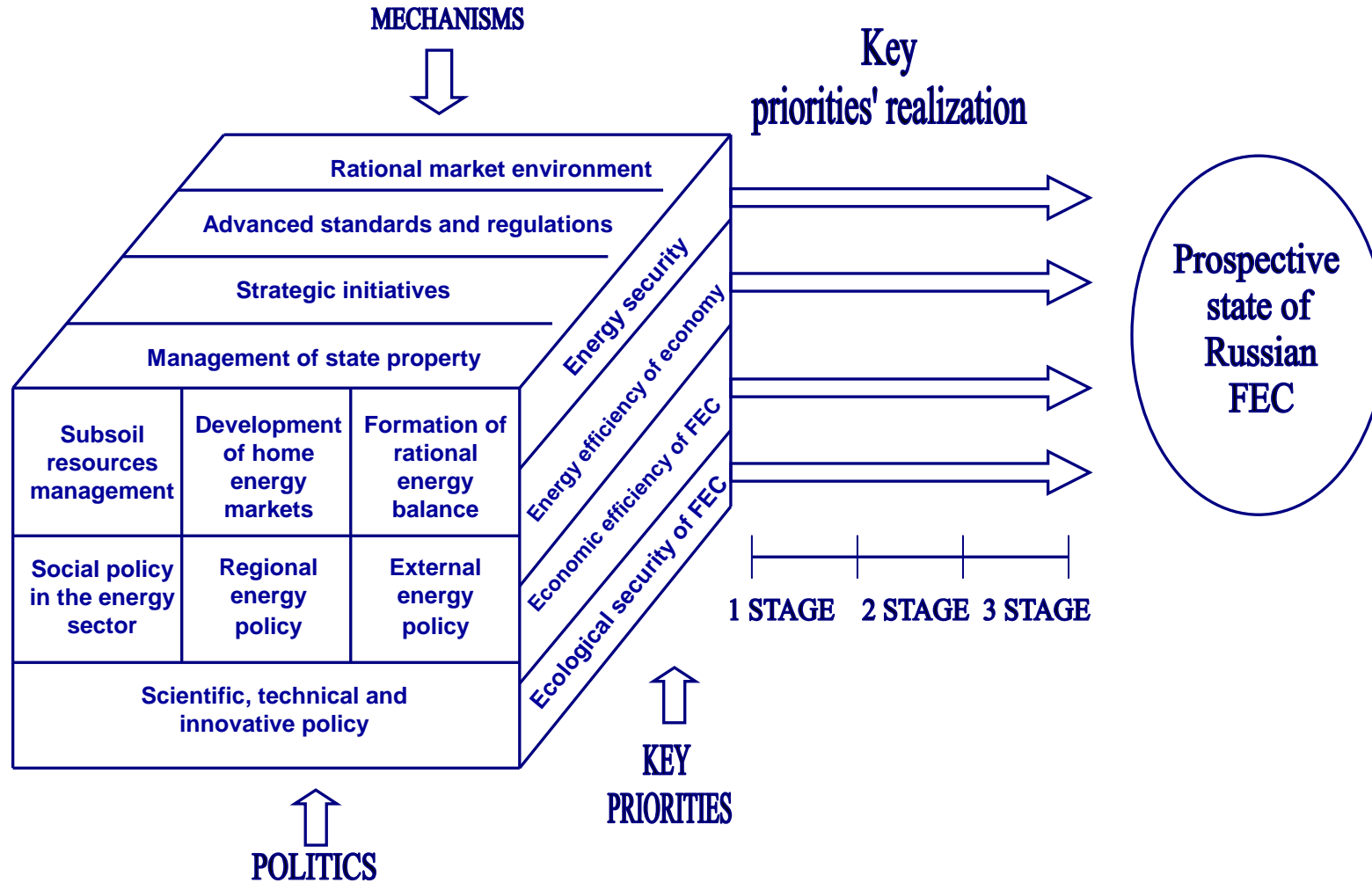
\* - proved reserves

# Energy Sector in Russian Economy: a real basis

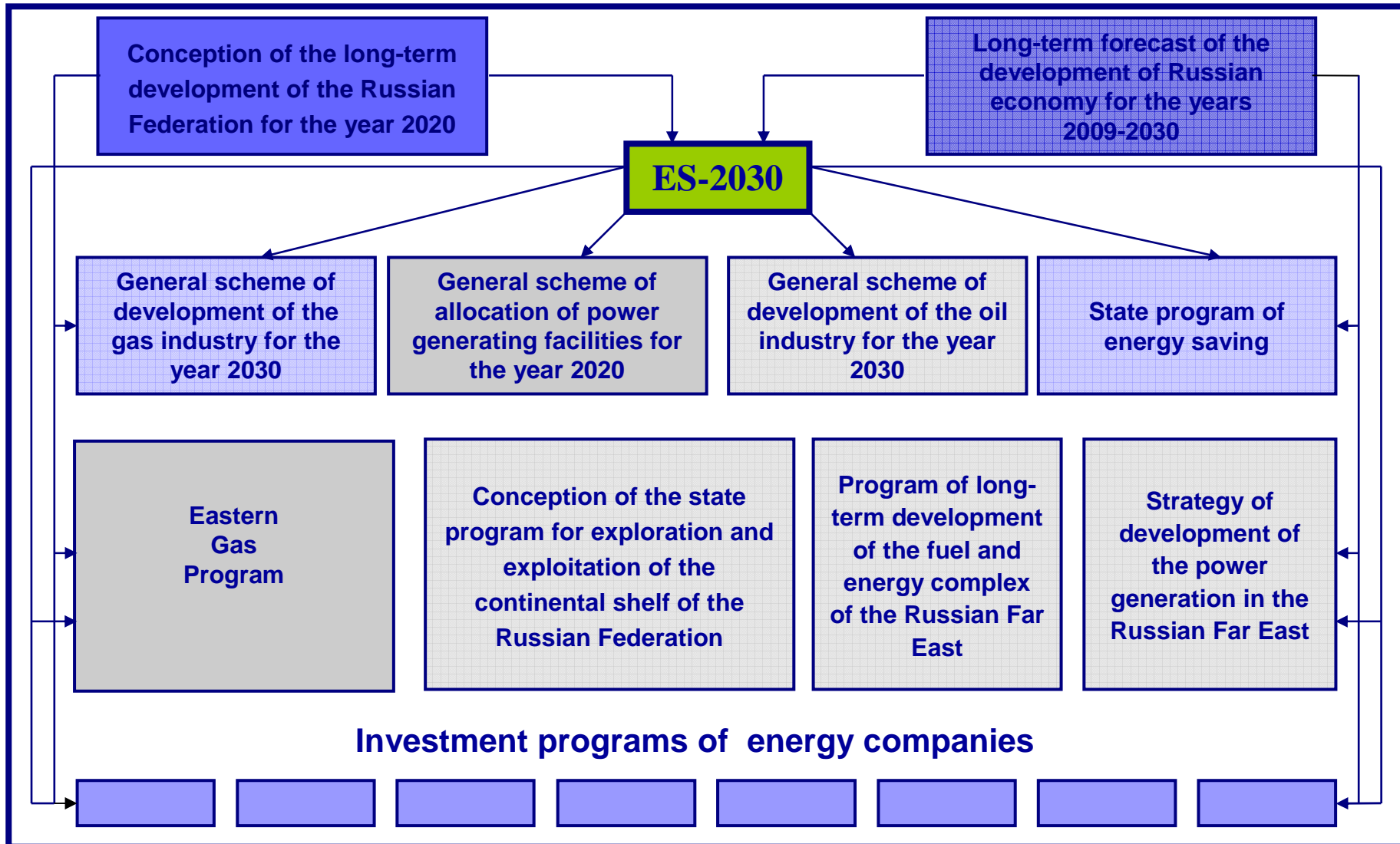




# State Energy Policy in Russia



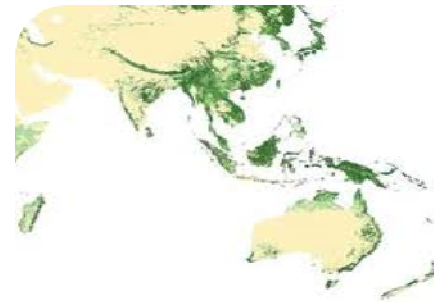
# Energy Strategy (ES-2030) is a key document for Russian Energy Policy



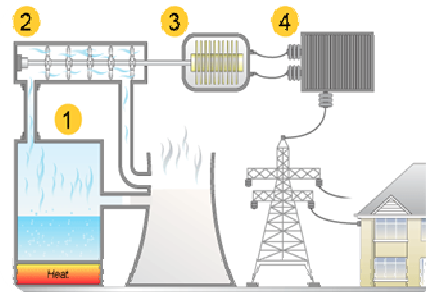
## Russian priorities in the natural gas export: diversification & safety



Long-term stability  
and reliability of  
deliveries



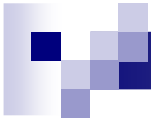
Entering the new  
markets (China, South  
Korea, India etc.)



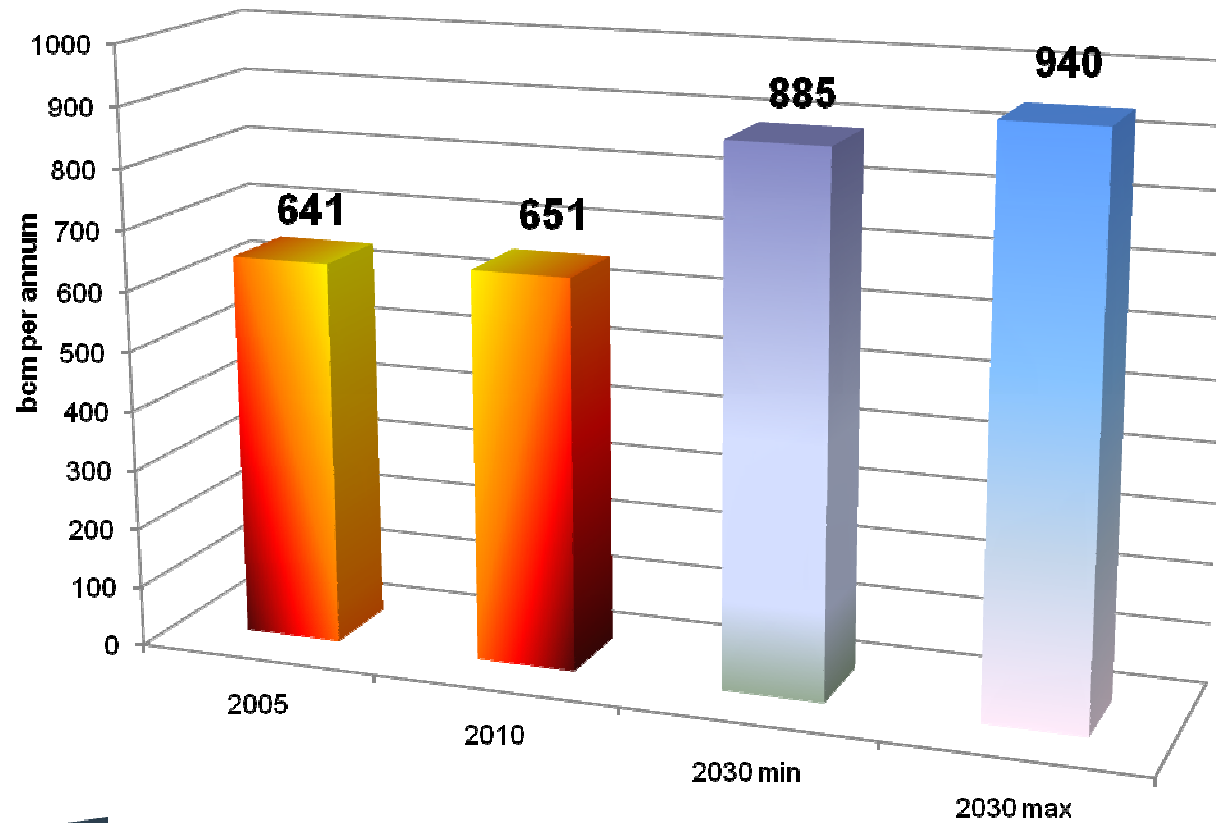
Access to the final buyers of  
natural gas and electricity  
produced by gas generation



Decrease of the  
dependence on transit  
countries (Ukraine,  
Byelorussia etc.)

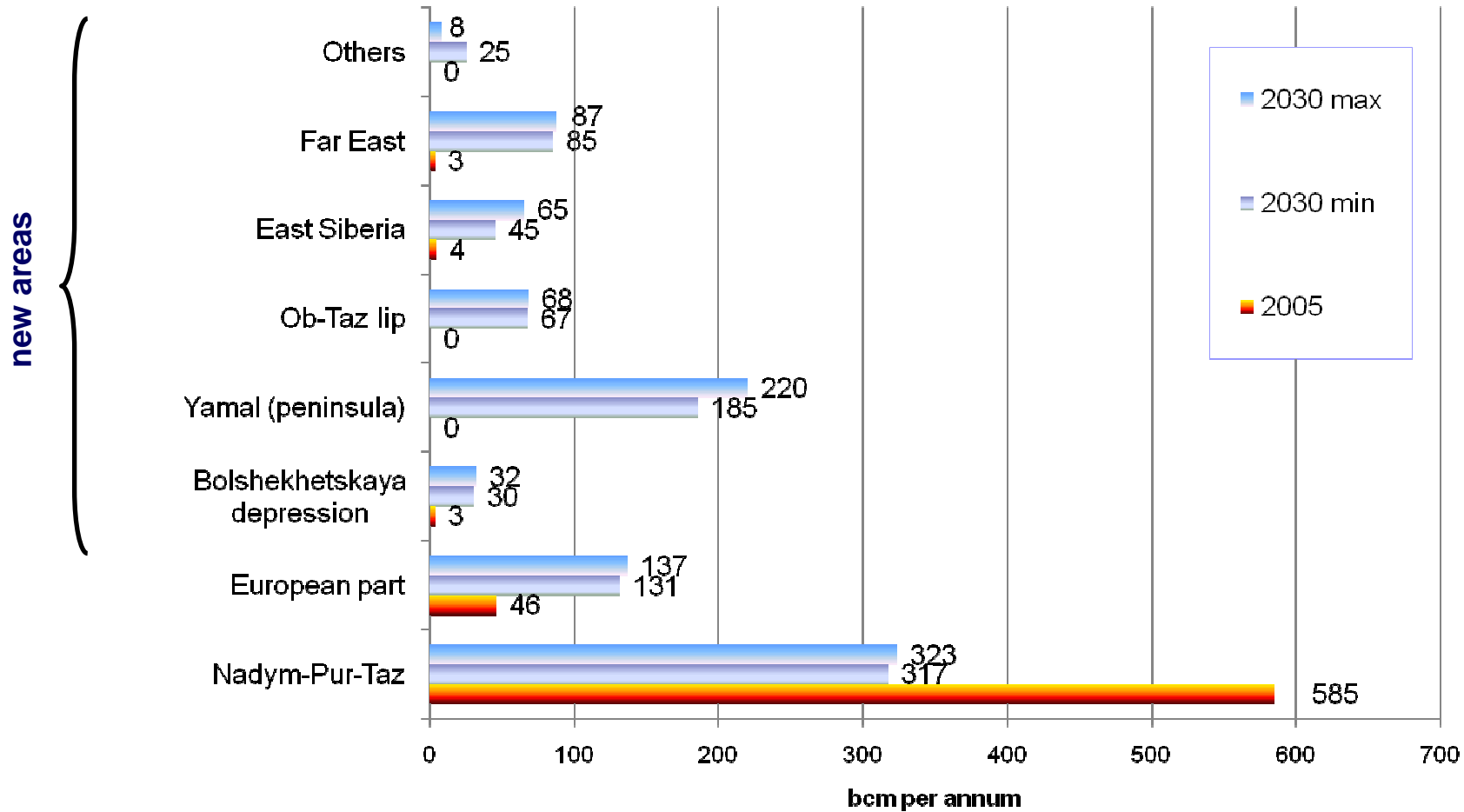


## Russian gas production up to 2030



**Potential gas production is sufficient to meet any demand**

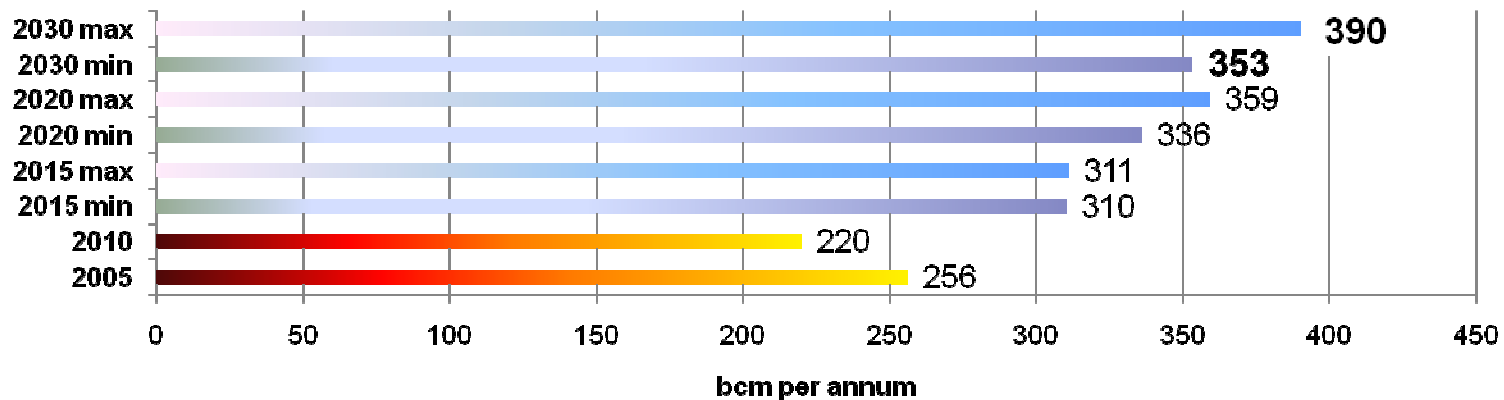
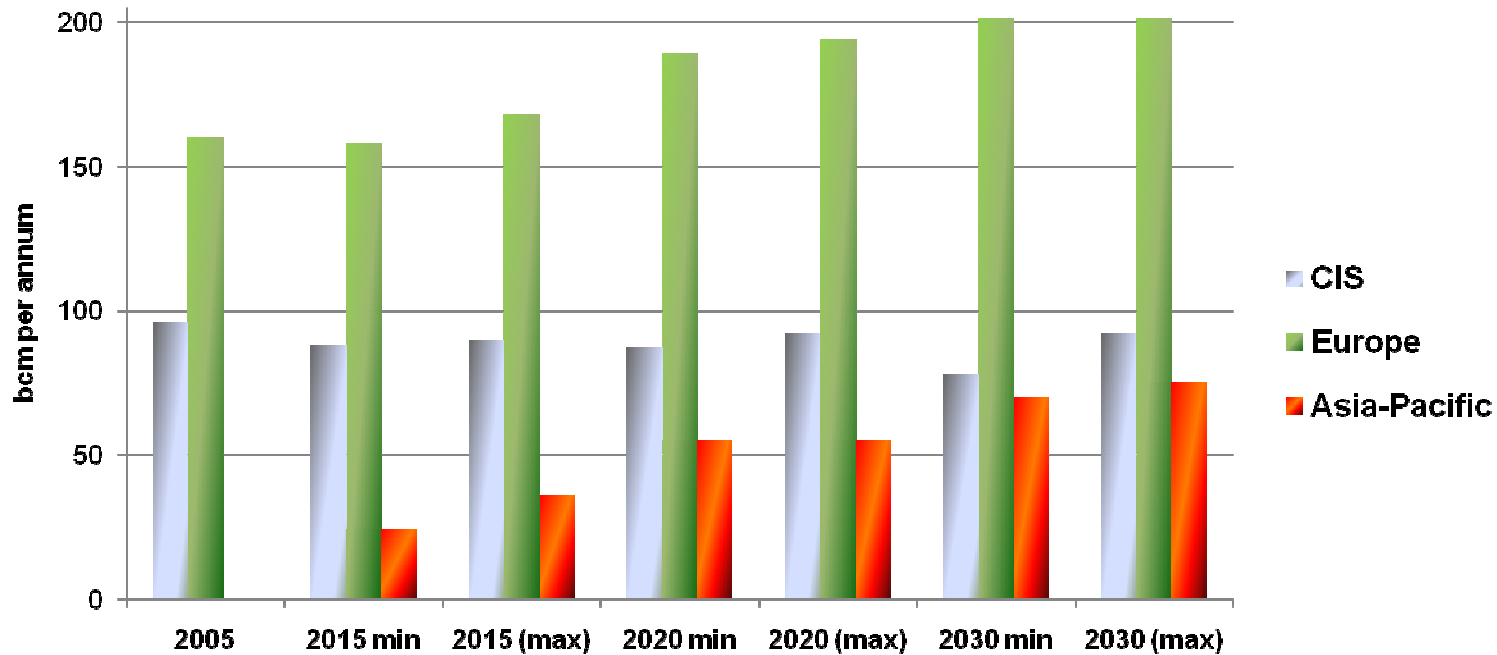
# Changes of Russian gas production map



**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



# 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

## ➤ South Stream (projected)



## ➤ Nord Stream-2 (end 2012)



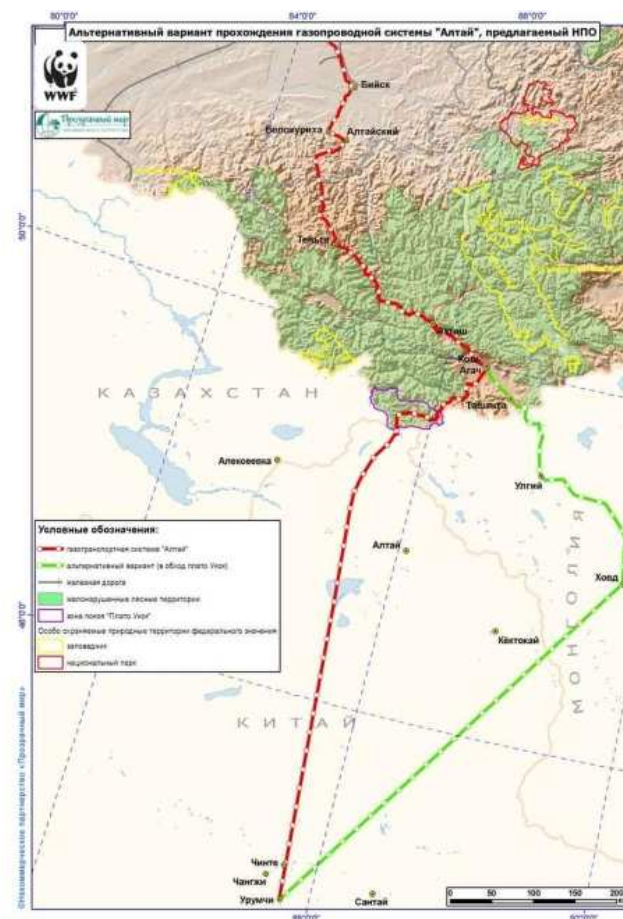
# Eastern gas policy in ES-2030: key projects & goals



- 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

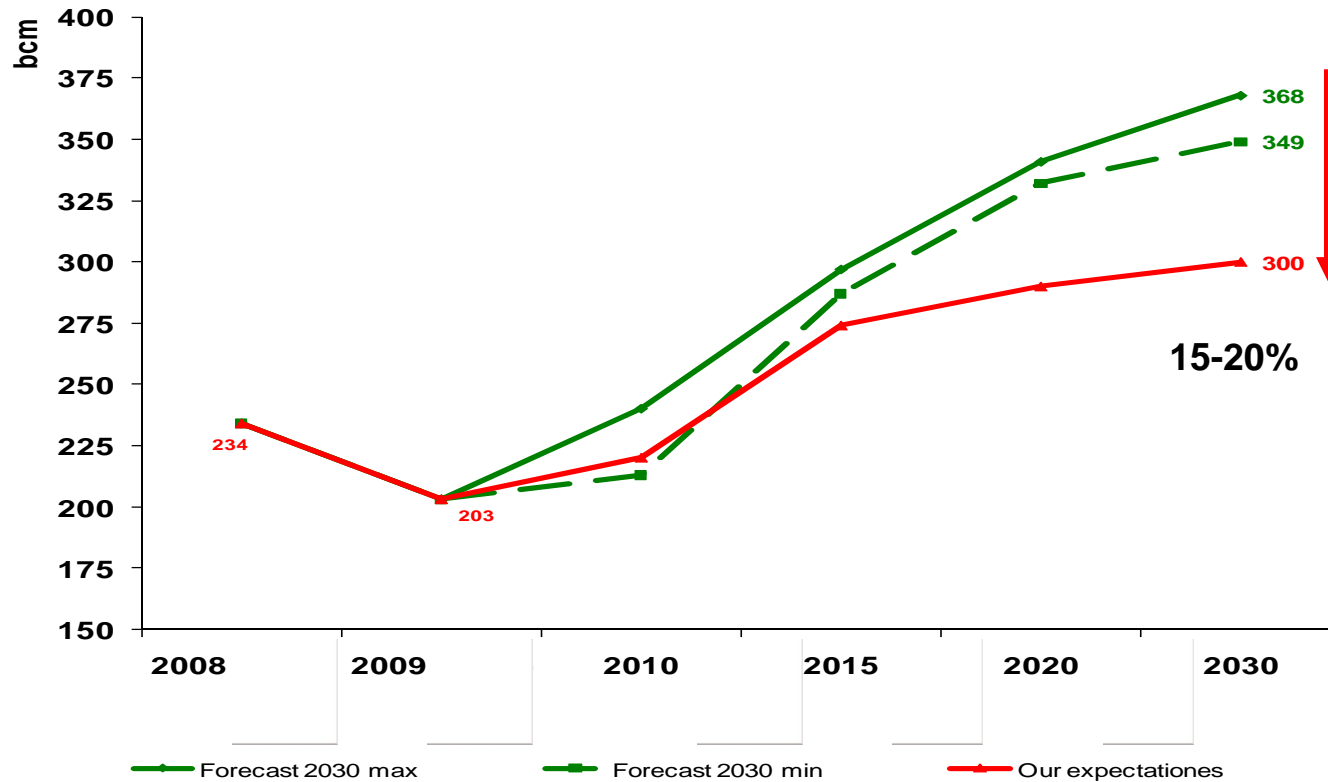
## ➤ LNG Projects in Sakhalin



# Export expectations vs. reality



## Russian Gas Export forecast up to period 2030



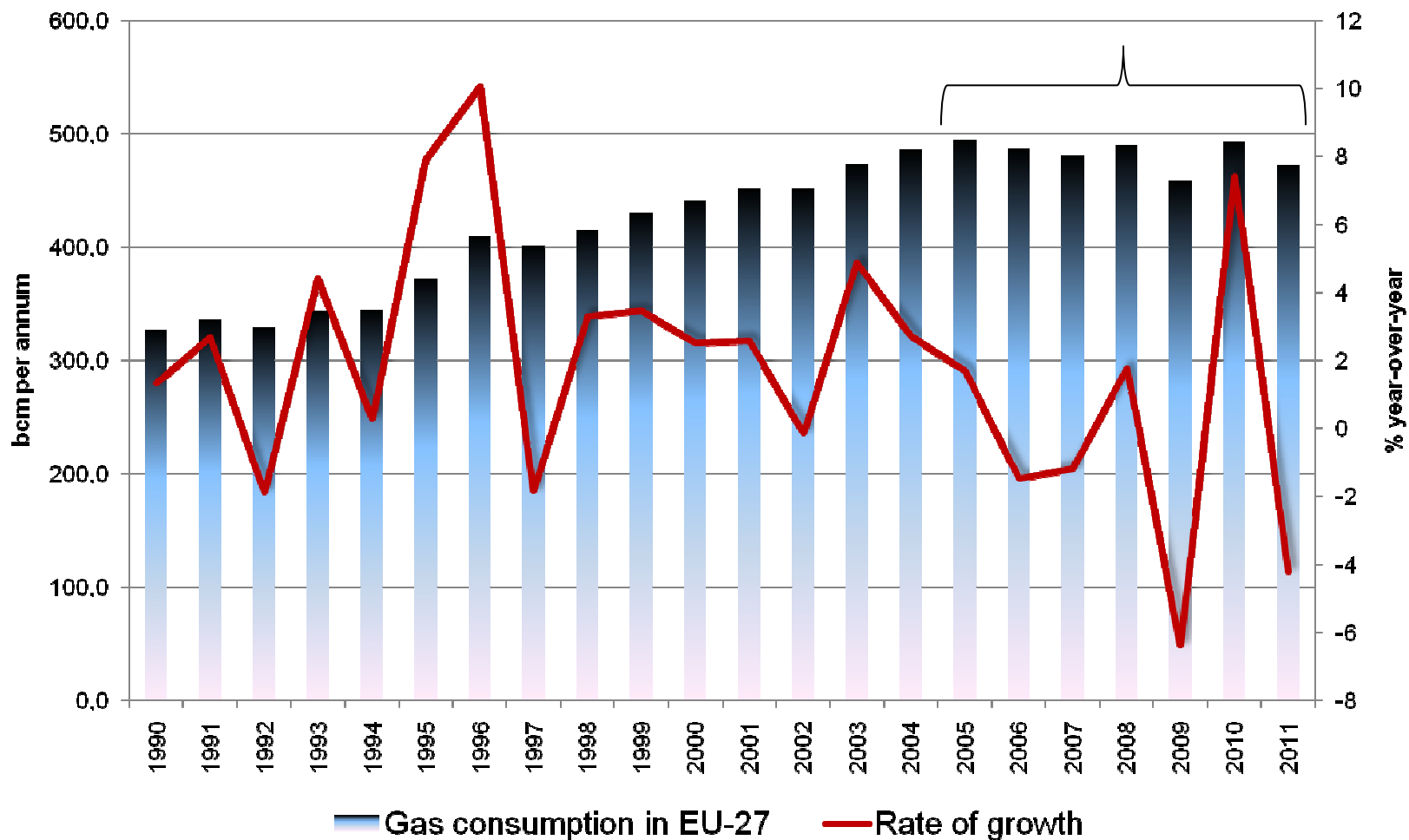
## Factors of decrease in export expectations

- Europe:
  - Competition growth
  
- US:
  - refuse of future Russian LNG (the boom of shale gas production)
  
- Asia-Pacific:
  - competition growth (Central Asia)

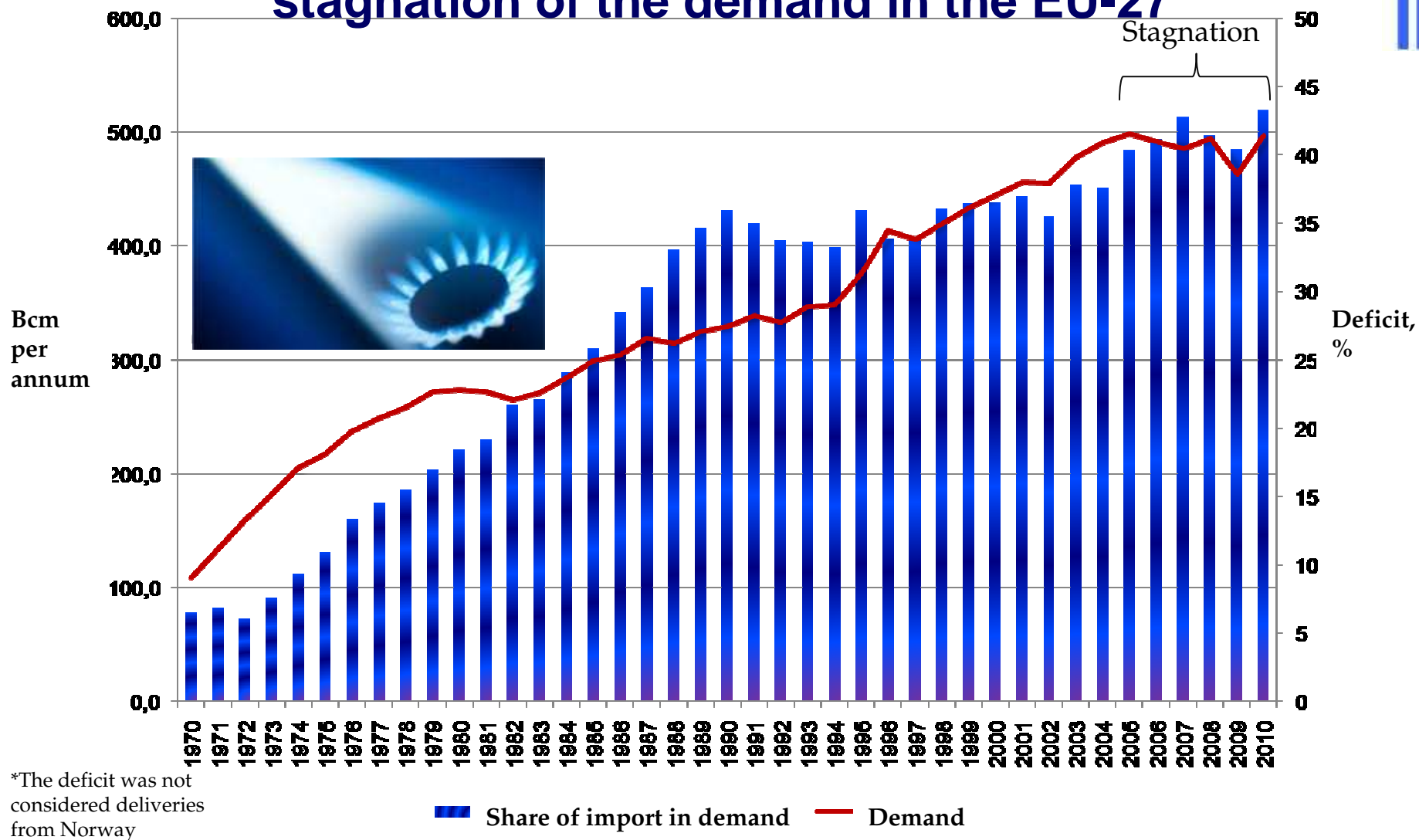
**Risk of decrease in export on 15-20%**



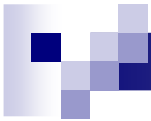
## European market stagnates...



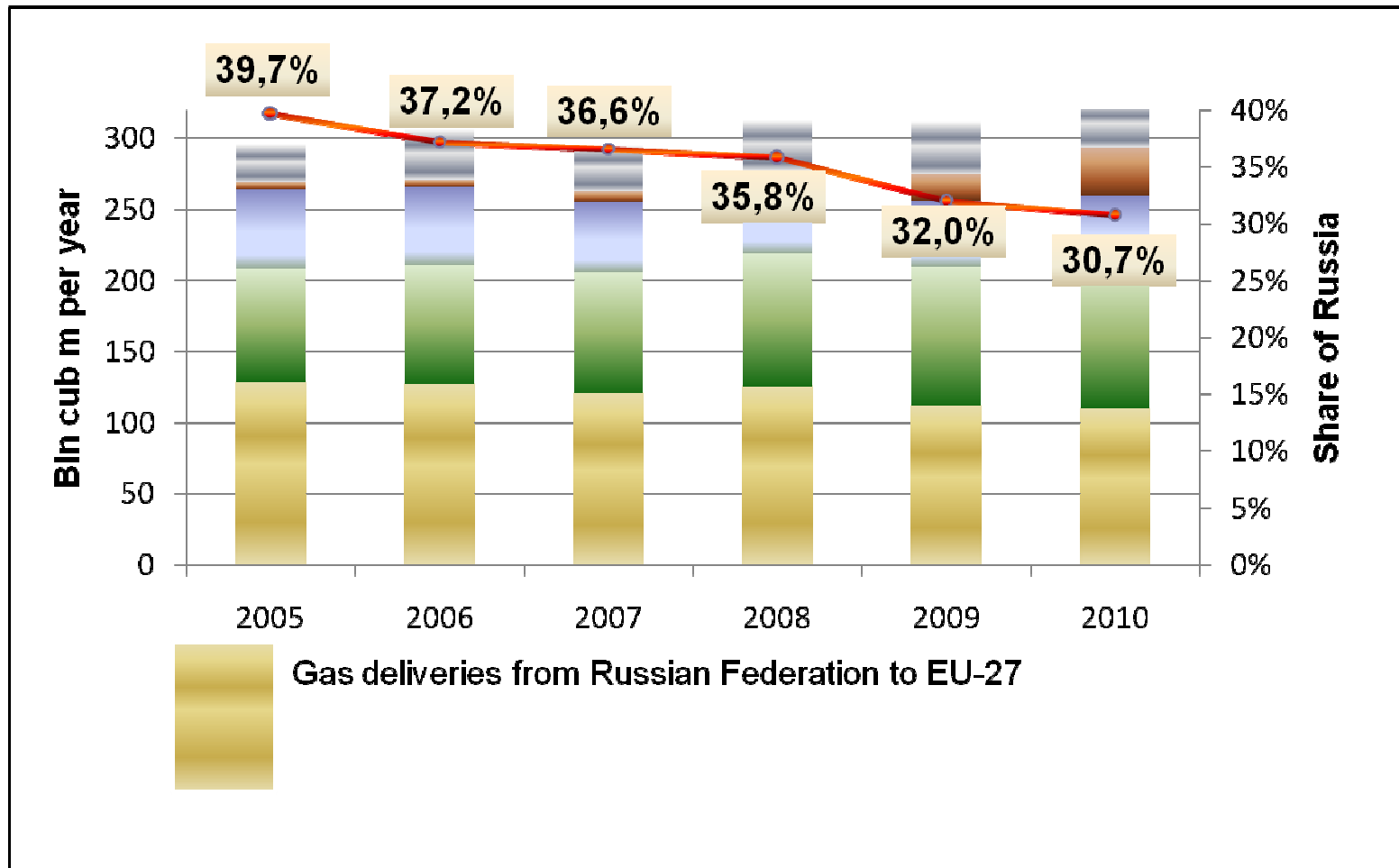
## The excess of imports share of 40% led to a stagnation of the demand in the EU-27



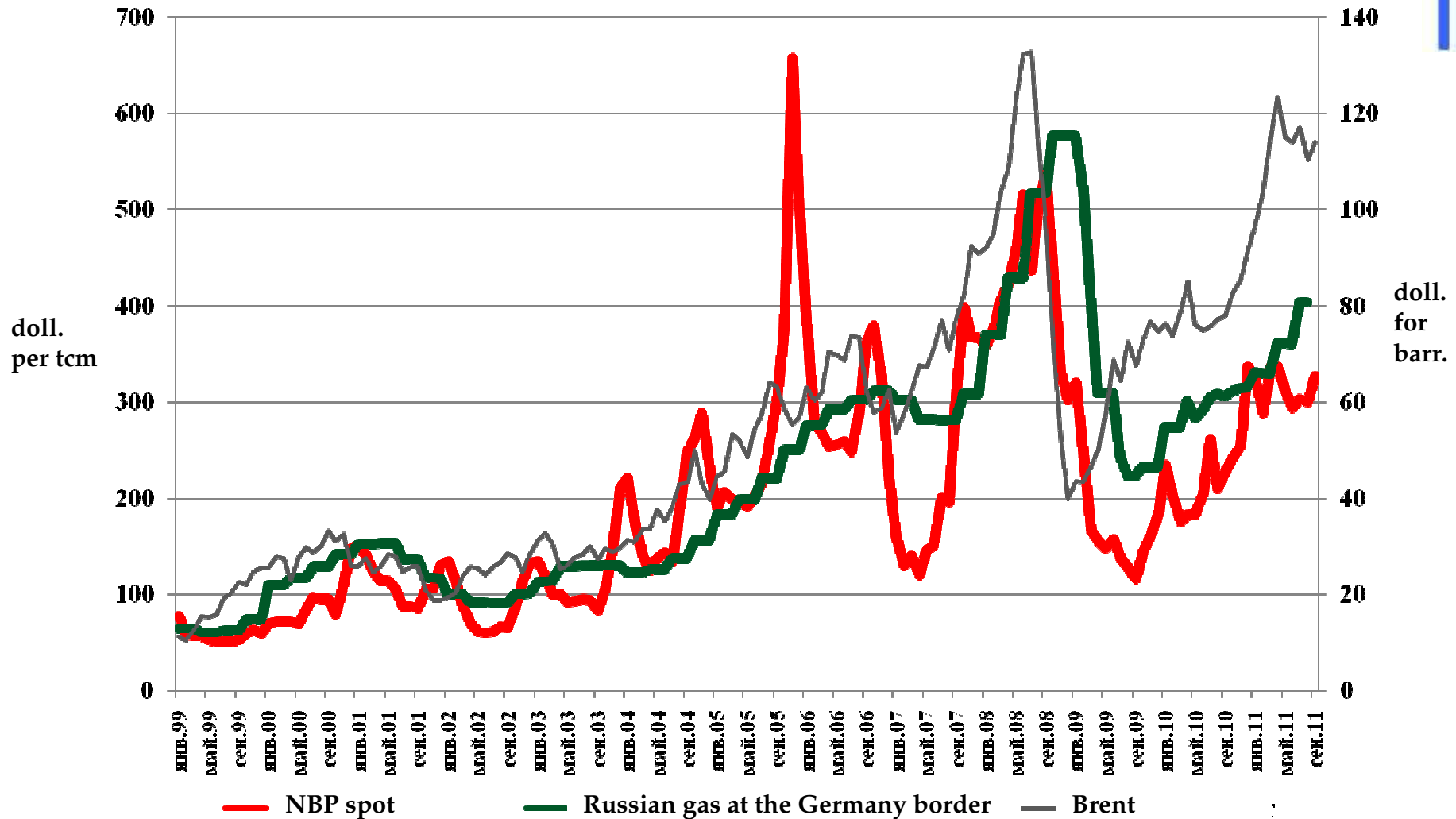
Increase in the share of imports - key threat to the energy security of many countries



## Russian share in EU gas market is declined...

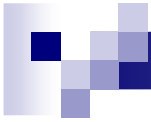


# Russia loses price competition in Europe...



But spot prices will grow, also limiting demand

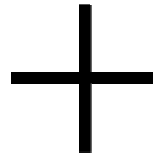




# North Stream and South Stream instead of Ukraine?



**North Stream – 55 bln cub m**



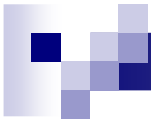
**South Stream - 63 bln cub m**

**118 bln cub m – average volume of Ukrainian gas transit to Europe**

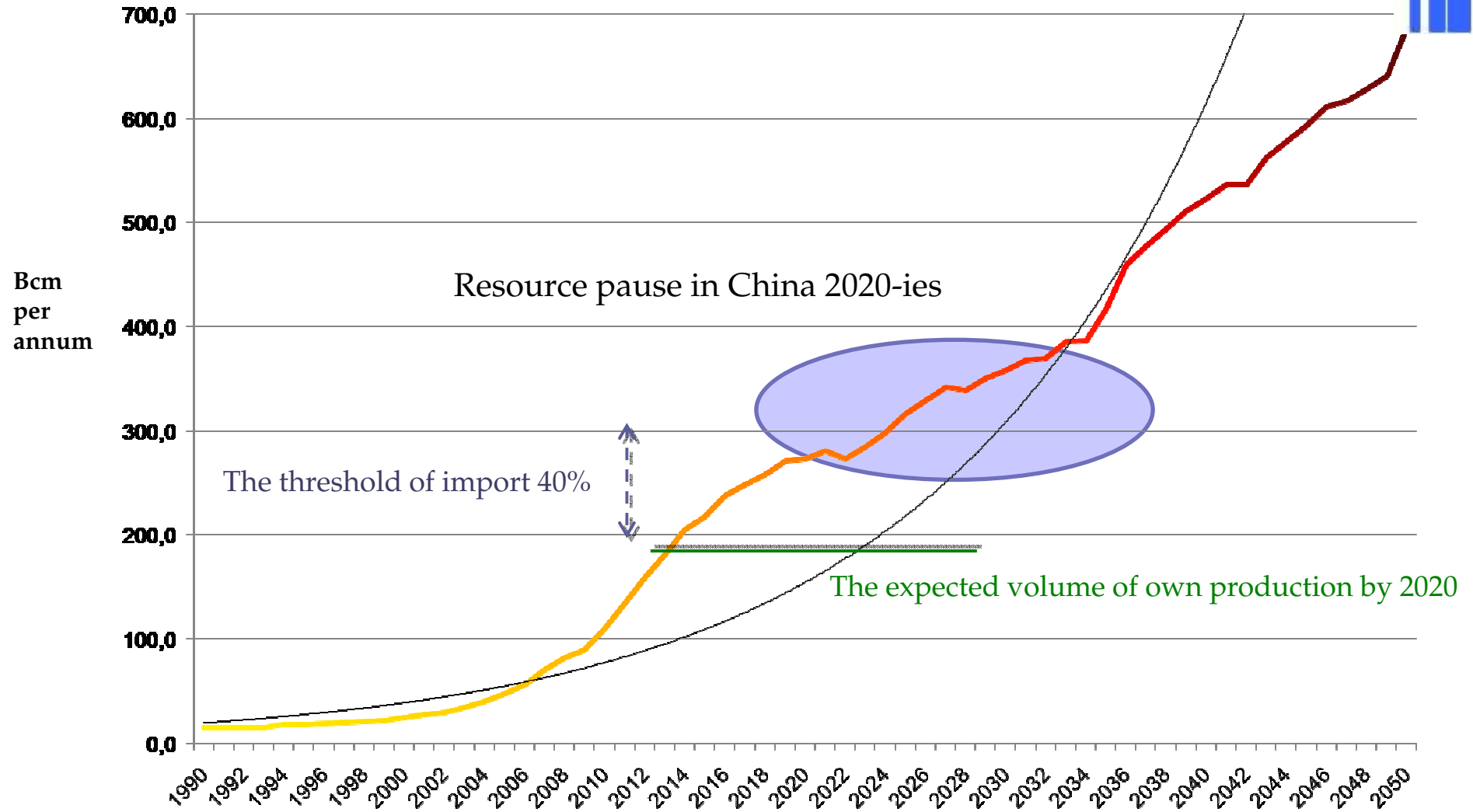
# South Stream against Nabucco?



**Trans-Caspian pipeline is a key issue for both projects**



## Resource pause inevitable and in new markets



# 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](http://www.energystrategy.ru)

**Alexey GROMOV**  
**Deputy General Director**  
**Institute of Energy Strategy, Moscow**