Key points of Russian energy strategy up to 2030 – between Europe and Asia

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The future of the global gas market: an EU-Russian perspective

Brainstorming workshop
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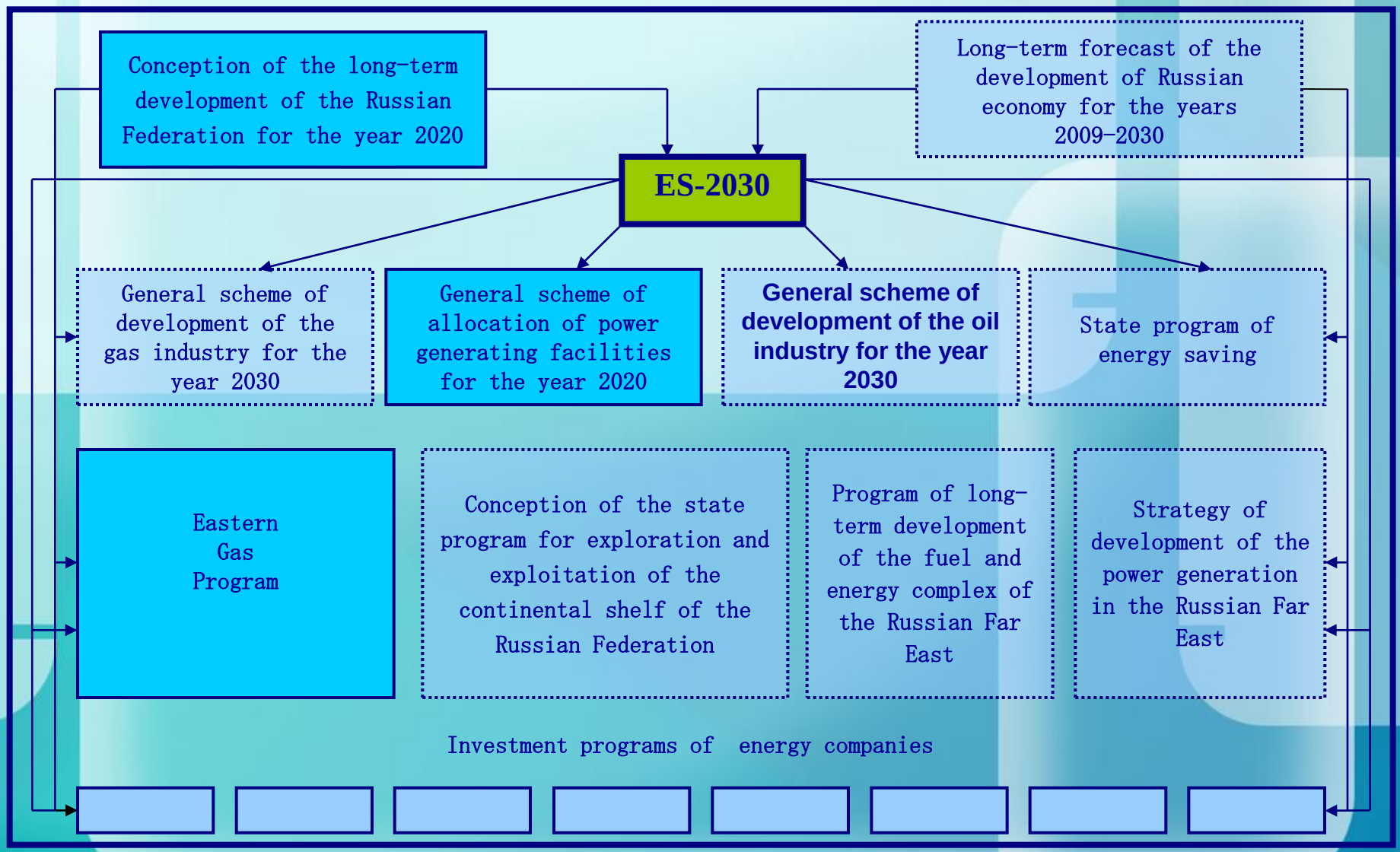
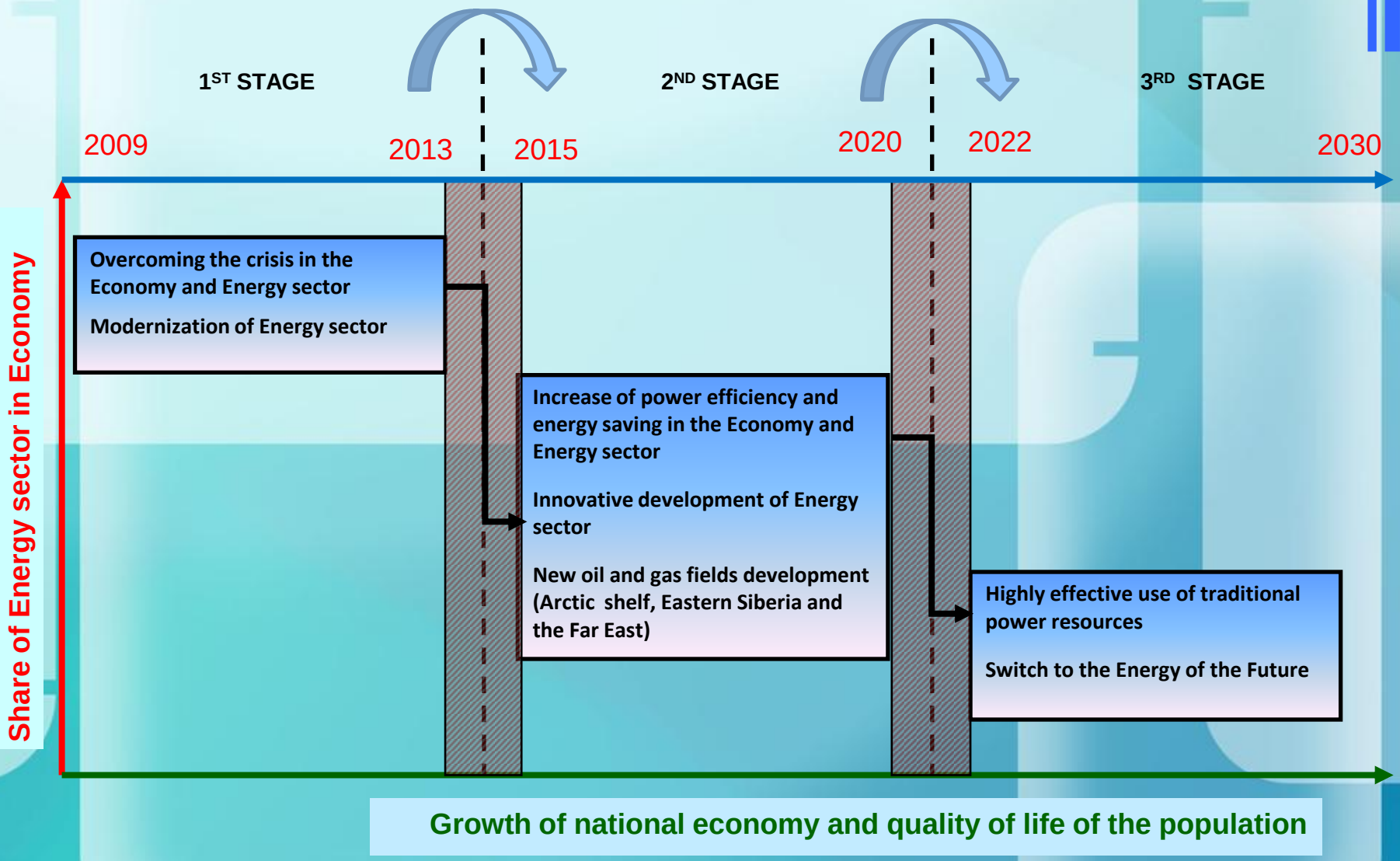
Energy Strategy 2030 in the System of Documents of the Strategic Development



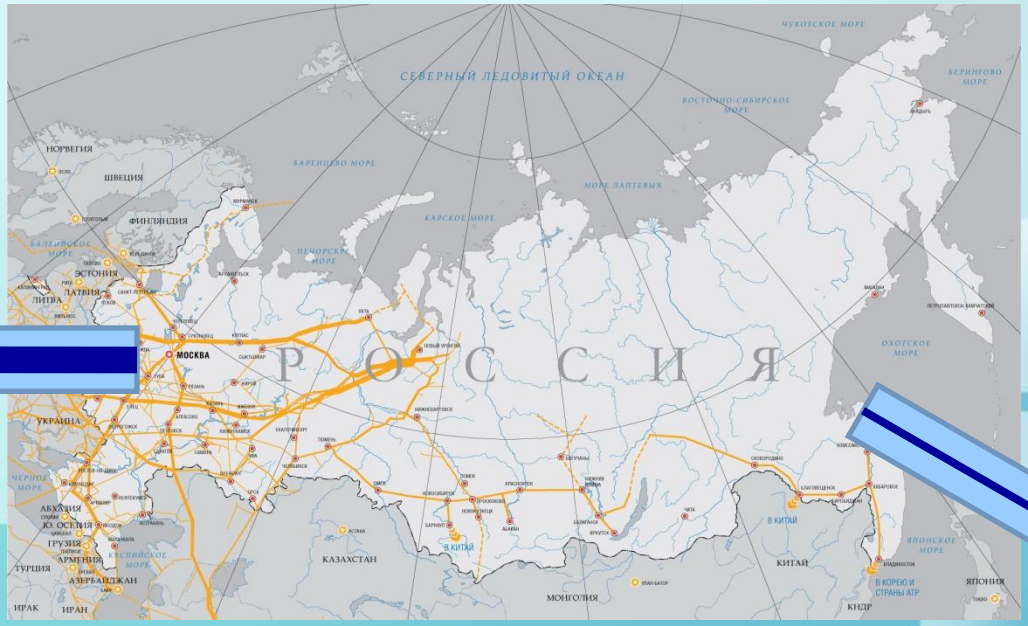
ENERGY STRATEGY 2030

approved by decree N 1715-r of the Government of the Russian Federation of 13.11.2009



Foreign energy policy and ES-2030 targets: Eastern and Western vectors

Western Vector (European Market)



Eastern Vector (Asian-Pacific Market)

Russian Gas Export, 2009

Russian Gas Export, 2030 (projected)

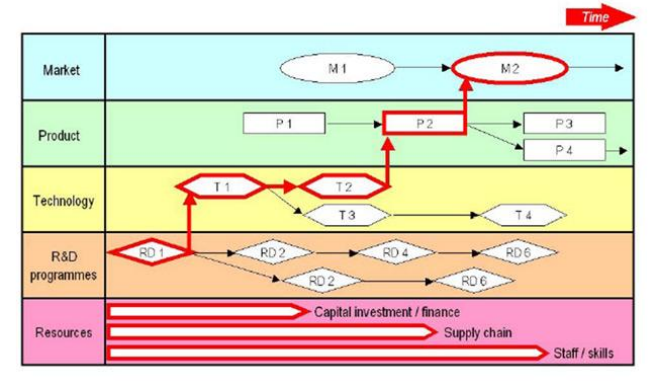
- EU market is essential for Russian gas export (75%)
- Western Vector accounts for 96% of Russian gas export (EU + other Europe)
- Russia seeks for export diversification
- Russia promotes eastern vector of energy export

Eastern Vector for Russian Energy Policy

EASTERN VECTOR IN ES-2030: NEW SIDES OF “OLD” TASK

Road Map of implementation of ES-2030 : Eastern vector

Eastern vector



task №19 «Increase in the share of the Asia-Pacific countries in the structure of the Russian energy export to 16–17%»

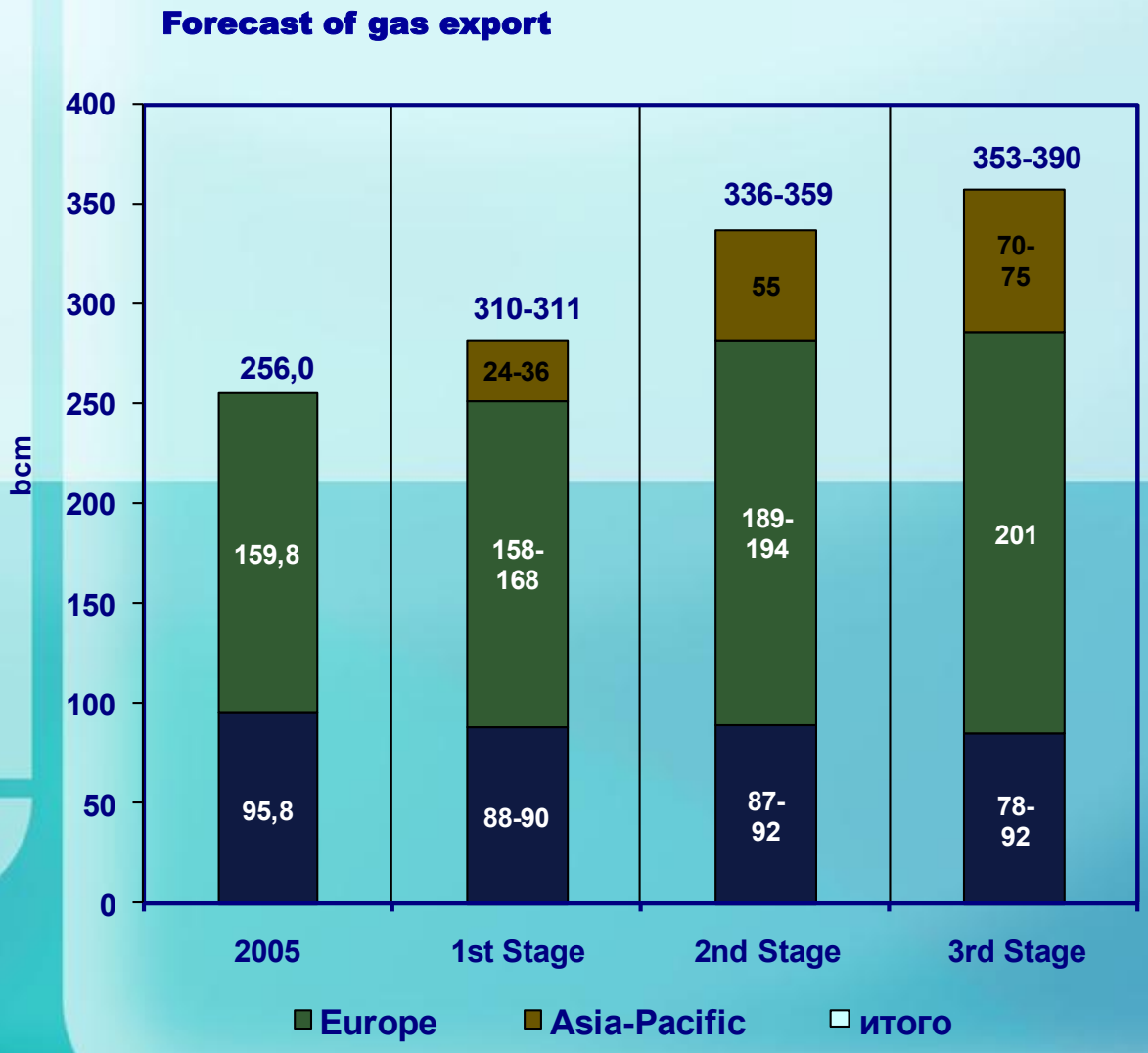
task №10 «Implementation of a complex of program measures for petrochemistry and gas-chemistry development in the Eastern Siberia and Far East»

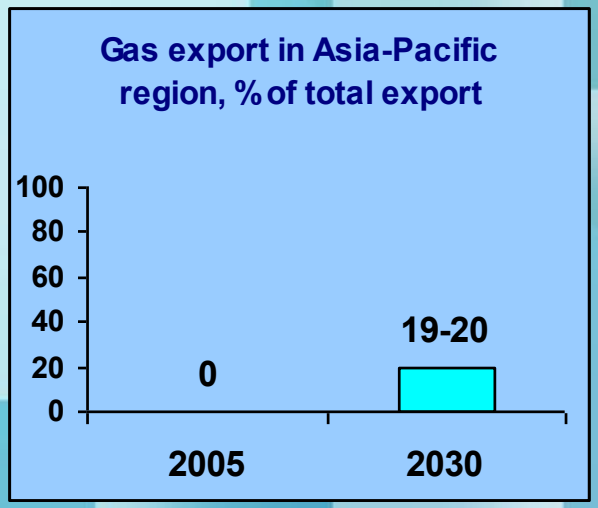
task № 17 «Extended reproduction and attraction of human resources for development of new areas of the Eastern Siberia and Far East»

Key initiatives in the Russian energy sector:

Key initiatives in the Russian energy sector:	Eastern vector
Energy infrastructure: development and diversification	ESPO pipeline, Eastern Gas Program, petro- and gas-chemistry development
Development of oil and gas complexes in Eastern regions of Russia	Sakalin, Yakutia, Magadan, Irkutsk and Krasnoyarsk regions
Exploitation of the oil and gas potential of the Northern regions of Russia and Arctic shelf	Shelf of the East Arctic, reanimation of the Northern Sea Way
Non-fuel energy	Large-scale development of hydro energy and renewables
Energy saving	Modernization of electric power and heat supply systems in the Region

THE EAST IS A KEY DIRECTION OF DIVERSIFICATION OF THE RUSSIAN EXPORT



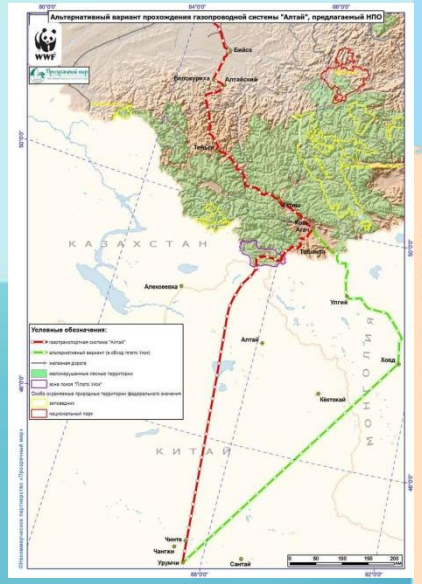


KEY PROJECTS IN THE EASTERN SIBERIA AND THE FAR EAST

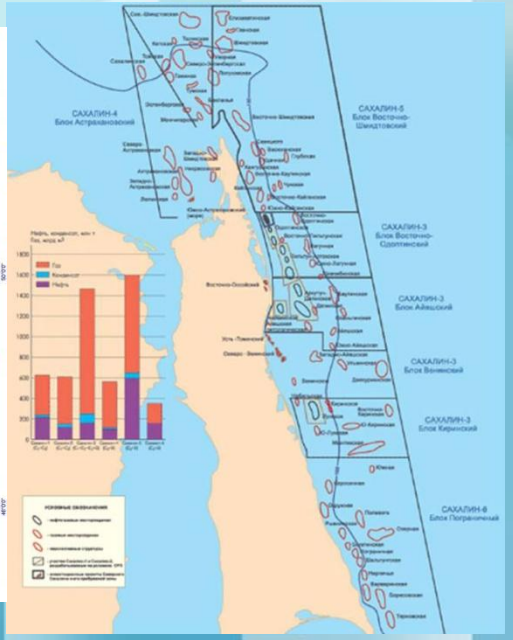
➢ Eastern Gas Program

➢ LNG Projects in Sakhalin

➢ Natural gas Export to China



➢ Sakhalin development



FIRST RESULTS OF ES-2030: CAREFUL OPTIMISM

	2008	2009	Strategic Indicator for the first stage of ES-2030 (2013-2015)
Share of Eastern Siberia and the Far East in gas production	**2%**	**3,7%**	**7-8%**
LNG share in gas export	**0%**	**3,5%**	**4-5%**
Share of the countries of the Asia-Pacific Region in the structure of gas export	**0%**	**3,5%**	**11-12%**

Western Vector for Russian Energy Policy

WESTERN VECTOR IN ES-2030: KEY PROJECTS & GOALS

➢ Nord Stream (started in April 2010)

task №19 Increase the Russian gas export to European market
160 bcm in 2008
120 bcm in 2009
2030 target - 200 bcm

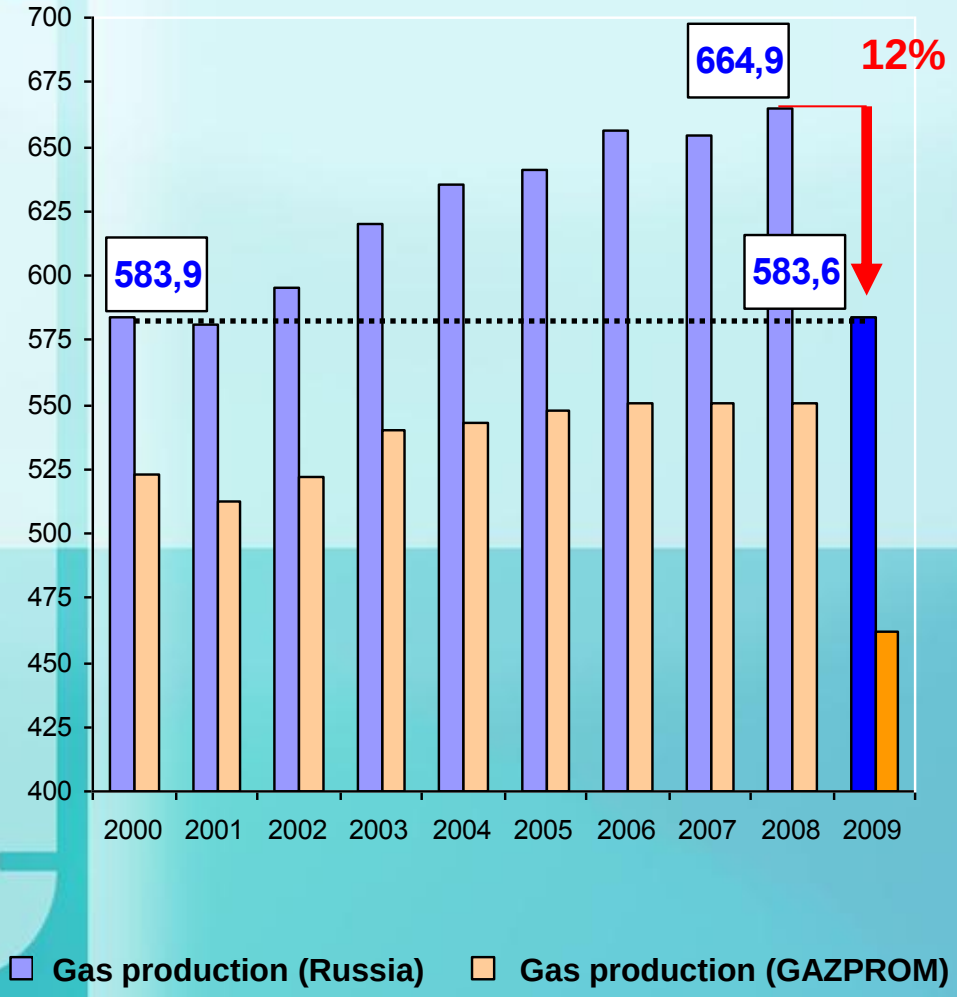
task №21 Promote the gas pricing system in Europe, including both long-term and spot contracts

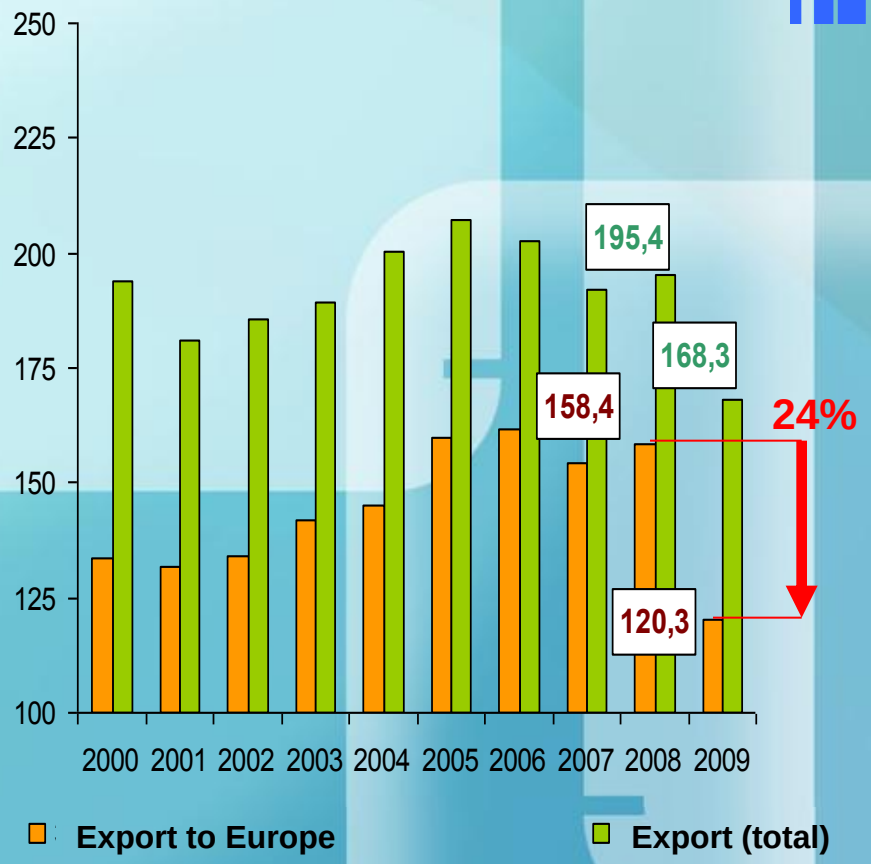
task № 22-23 Bilateral investment in gas projects

➢ South Stream (projected)

➢ Shtokman (projected)

DISTURBING RESULTS OF 2009 ON EUROPEAN GAS MARKET

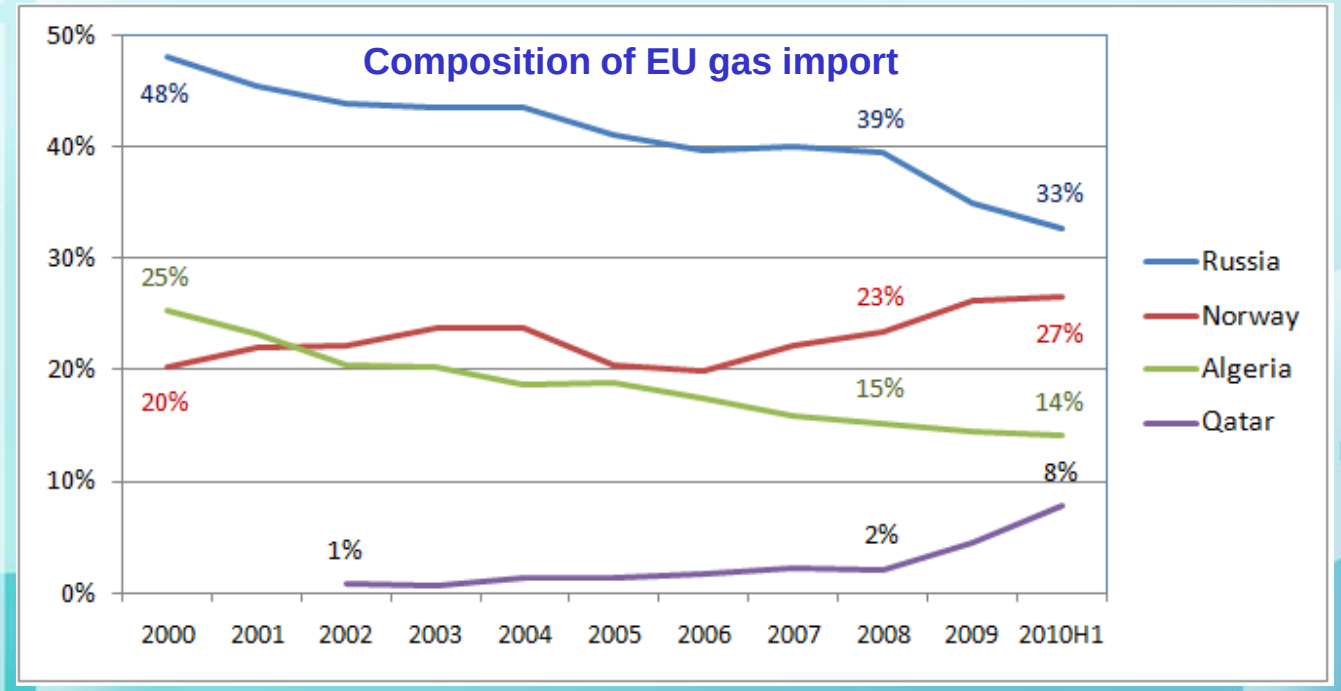




Gas production has fallen to level of 2000

Gas export to Europe was reduced to a quarter

LONG-TERM EXPORT DYNAMICS & REASONS



Source: EEGA

Factors of decrease in export expectations

Europe:

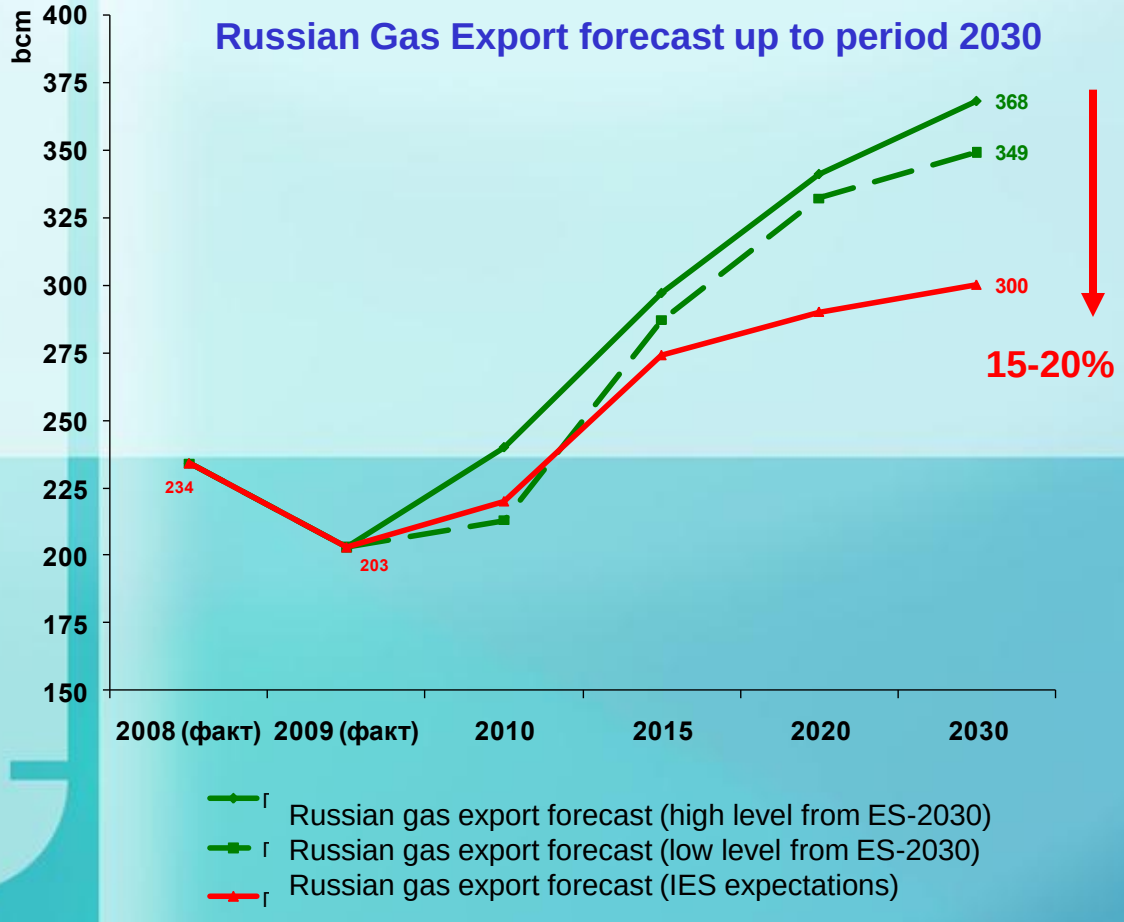
- Competition growth (LNG, new pipelines)
- Pricing change (spot market vs. long-term contracts)
- Renewables & energy efficiency
- Geopolitics (Nabucco, anti-Gazprom rules in 3rd Gas Directive etc.)

Price situation in 2009

	Price, USD/bcm
Russian gas (long-term contracts, Europe)	**288**
LNG (US, Henry Hub)	**147**
LNG (Great Britain, NBP)	**142**
LNG (Japan, Korea)	**260**
LNG (Chine)	**160**

Conclusions

EXPORT EXPECTATIONS VS. REALITY



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 %

BALANCING EASTERN AND WESTERN VECTORS: TASKS FOR RUSSIAN ENERGY POLICY

- **From export orientation to the domestic market**
- **Cost reduction in Russian natural gas industry**
- **Revision of investment projects**

  - Selection of priority projects among declared in ES-2030

  - Refusal of a number of ineffective projects-giants (the Southern stream, etc.)
- **Flexibility of gas export policy**

  - Revision of pricing system in long-term contracts of Gazprom

  - Flexibility increase in mutual relations with Ukraine and Central Asia

ISSUES FOR RUSSIA – EU RELATIONSHIPS

- EU gas market forecast
- EU secure demand for Russian natural gas
- The real need for new pipeline project in relation to future demand
- The transit problem & politics toward Ukraine & Belarus
- 3rg Gas Directive & Regulative issues
- Bilateral investment in gas fields, pipelines, and marketing

Thank you

for your attention!