



Brainstorming Workshop

THE FUTURE OF THE GLOBAL GAS MARKET: AN EU-RUSSIAN PERSPECTIVE

Milan, 30 September – 1 October 2010

Fondazione Eni Enrico Mattei
Corso Magenta 63, Milan

Program

Over the last two years the gas markets balance has shifted from sellers to buyers. The economic depression, the simultaneous strong development of shale gas in North America and the increase of liquefied natural gas (LNG) supply has created an important (temporary?) gas surplus on the European (and World) markets. This has led to the decoupling of spot prices from long-term oil-indexed gas prices in Europe, creating strains to the traditional long-term oil-indexed gas pricing system. The questions arise: are these temporary strains or will they radically change the way European gas markets function and price formation mechanisms? What strategies will European and Russian gas companies adopt in this new context?

EU energy policies try to combine three priorities: security of supply, competitiveness and sustainability. Since the January 2009 gas crisis between Russia and the Ukraine, “security of supply” is often interpreted in Europe as a need to diversify away from gas and in particular away from Russia. Also, the instruments implemented for the creation of a “competitive internal EU energy market” (3rd Liberalisation Package) are often interpreted as tools to keep Russia and other producers out of the EU’s internal market. Finally, “sustainability” is increasingly associated with climate policies and in particular with the wish to decarbonize EU’s economies by 2050. In many scenarios this translates not only into a strong decrease of the overall demand of hydrocarbons but also into a non negligible fall in gas demand. After a long period of growth, gas demand could indeed decline over the next decades. The situation is complicated further by the attempts made by some major EU countries and energy players to build new gas connections with external suppliers and in particular by Russia’s aim to build new secure gas routes to Europe. These are high cost and sometimes competing infrastructures which will need to be utilized over decades in order to pay off. Will this make the long term climate policies of the EC even more difficult? Or will gas indeed contribute to achieving these objectives? Also, an increased reliance on renewable energy will boost gas demand as a back-up fuel, but its utilization will be much more flexible than today, which may call for a modified business model. Today there is a great uncertainty concerning the future outlook of gas demand and gas demand security has become an important element to insure long term gas supply security.

These short and long-term uncertainties could bring about lasting changes on how European gas markets function, and call for new strategical approaches by the main market players.

Fondazione Eni Enrico Mattei - FEEM, the Saint Petersburg State University of Economy and Finance - FINEC and the Laboratoire d'Économie de la Production et de l'Intégration Internationale of the University of Grenoble - LEPII jointly organize this closed-door brainstorming workshop gathering high level experts from the industry, academia and national/international organizations from both Europe and Russia in order to discuss these issues and better understand the consequences of ongoing changes on European gas markets and how different stakeholders intend to adapt to these new challenges.

The Brainstorming Workshop will be under the Chatham House Rule:

"When a meeting, or part thereof, is held under the Chatham House Rule, participants are free to use the information received, but neither the identity nor the affiliation of the speaker(s), nor that of any other participant, may be revealed."

Thursday, 30 September 2010

h. 9.00 - Welcome coffee and registration

9.30 Welcome address and introduction

Bernardo **Bortolotti** - Executive Director, FEEM and University of Turin

The new context and new challenges for European gas markets and presentation of workshop issues

Manfred **Hafner** - Fellow, FEEM

Challenges for the EU-Russia energy cooperation

Stanislav **Zhiznin** - President, Centre of Energy Diplomacy and Geopolitics and Chief Counselor, Russian Ministry of Foreign Affairs

10.15 Session 1. European gas market scenarios

Chair: Alexander **Karlik** - Vice-Rector for Research, FINEC

Short introductory presentations (max 15 min each)

EU gas scenarios

Julien **Tognola** - Head of the Security of Supply Unit, French Energy Ministry, and Member of the EU-Russia Energy Dialogue

Long term gas scenarios for Europe: 2020-2030-2050

Patrick **Criqui** - Director, LEPII, University of Grenoble

Scenarios of the WEC

Jean-Eudes **Moncomble** - General Secretary, French National Committee of the World Energy Council

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

Alexei **Gromov** - Deputy Director, Institute of Energy Strategy - Russia

Brainstorming discussion

h. 12.30 – Lunch

Thursday, 30 September 2010

14.00 Session 2. Evolutions in the gas price formation in Europe

Chair: Sadek **Boussena** - LEPII, University of Grenoble, former Algerian Minister of Energy and Mines, former President, OPEC

Short introductory presentations (max 15 min each)

Suppliers strategies and the role of investments in fulfilling demand needs

Daniele **De Giovanni** -Senior Vice President Supply Portfolio Development, Eni

Spot markets and long term contracts: the impacts of the new gas context

Pippo **Ranci** - Università Cattolica del Sacro Cuore

Evolution of the European gas prices: a Russian point of view

Tatiana **Mitrova** – Director International Markets, Energy Research Institute of the Russian Academy of Sciences

The future of long term contracts in the context of spot market developments in European gas markets

Denis **Leonov** – Deputy Head, Contract Structuring and Price Formation Directorate and Head, General Economics of Contracts Division, Gazpromexport

Gazprom long-term contracts with Europe

Thierry **Bros** - Senior gas equity analyst, Société Générale

Towards a lasting decoupling of oil and gas prices in Europe?

Jonathan **Stern** – Director Gas Programme, Oxford Institute of Energy Studies

A possible «Gas OPEC»?

Dominique **Finon** – Research Director at CNRS, CIRED

h. 15.50 - 16.10 – Coffee break

Brainstorming discussion

h. 18.00 – Closure of first day

h. 20.00 – Social dinner

Friday, 1 October 2010

9.00 Session 3. Gas companies strategies in the new European gas market context

Chair: Manfred **Hafner** – Fellow, FEEM and Cathérine **Locatelli** – Senior Researcher, LEPII

Short introductory presentations (max 15 min each)

Adaptation strategies of gas companies

- Elena **Polcri** - Vice President Supply Portfolio Development, **Eni**
- Antoine **de La Faire** Vice President Supply East, Global Gas & LNG, **GDF SUEZ**
- Wim **Groenendijk** - Vice President International and Public Affairs, **Gasunie**
- Fabrice **Noilhan** - Manager Gas: Strategy, Regulation and Economic Affairs, **EDF**
- Sergey **Balashov** - Deputy Director International Relations Department, **Gazprom**
- Vladimir **Feygin** – Director, Institute for Energy and Finance – **Russian independent gas and oil companies**

Gas pipeline diversification to Europe: South-Stream versus the fourth gas corridor

Thierry **Bros** - Senior gas equity analyst, Société Générale

h. 11.00 - 11.30 – Coffee break

Brainstorming discussion

13.00 Concluding session

Chair: Bernardo **Bortolotti** - Executive Director, FEEM and University of Turin

Conclusions of the Workshop: the challenges ahead

Cathérine **Locatelli** – Senior Researcher, LEPII, Manfred **Hafner**, Fellow, FEEM and Olga **Garanina** - Director Energy Centre, FINEC

Concluding remarks by

- Igor **Maximtsev** - Rector, FINEC
- Patrick **Criqui** – Director, LEPII
- Bernardo **Bortolotti**, Executive Director, FEEM

h. 13.30 – Closure of the workshop and Lunch