



Global gas and European trading

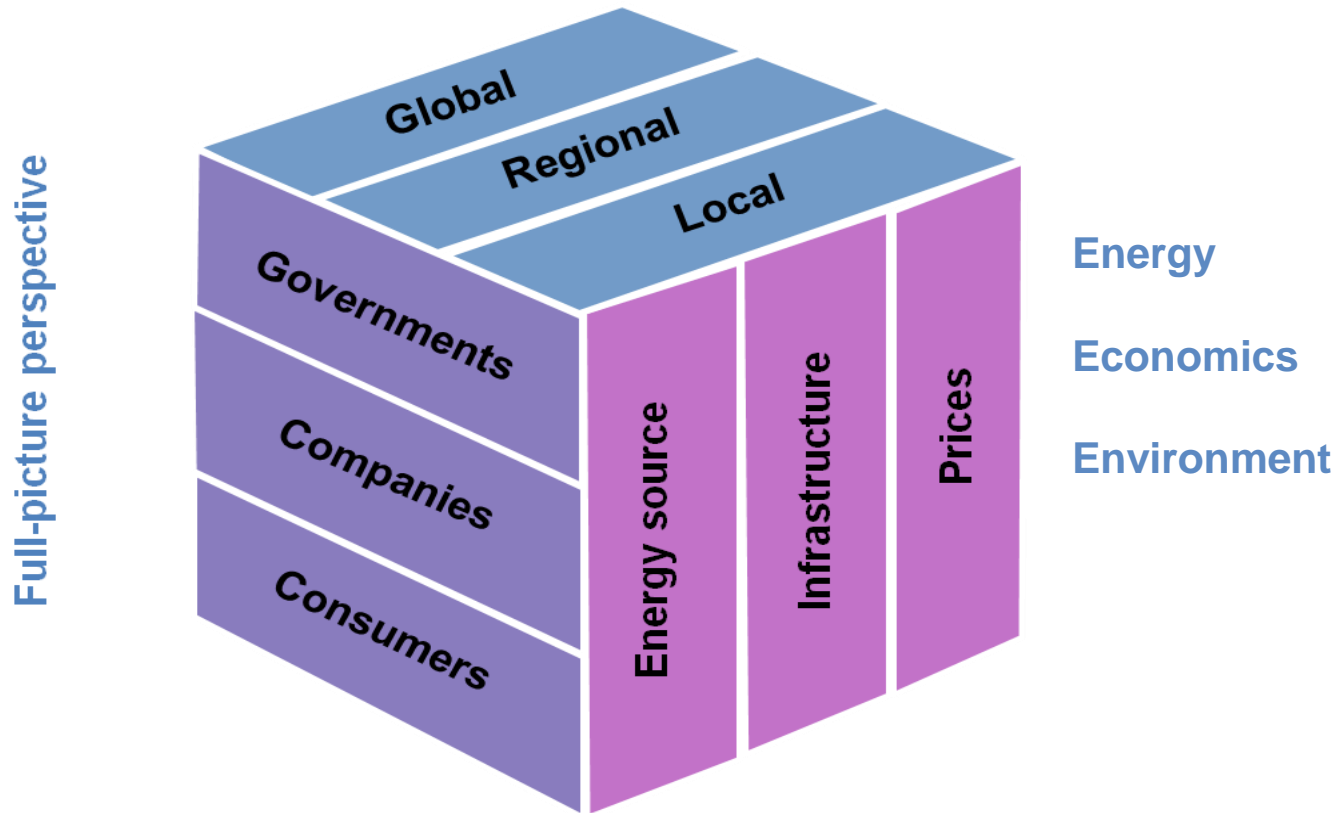
Intro to panel debate

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Sund Energy helps navigate into the energy future...



Learning between countries, industries,
energies, technologies, and more..

...by understanding the full picture of stakeholders

Several questions listed...

To what extent are European traders over- or under-estimating the impact of global events on trade flows?

- Japan's nuclear policy
 - LNG will not cover 100%, as many had hoped...
- LNG demand in Asia and its impact on European supply and prices
 - Drivers partly to replace oil and coal – what does Europe want?
- Shale gas in the US and the US as a potential exporter
 - Already diverting (and exporting) for many years – just one more step
 - but when will it impact prices, and will the government like it?

Developing a deeper understanding of existing trading areas

- Establishing how the existing trading areas interrelate
 - When will the price be set in Germany – UK too bottlenecked!
- Assessing the prospects for a merger of trading areas
 - Would give liquidity – is it wanted?
- Could a full global index emerge and who would have to drive it?
 - Could we just call it a price?

...and several more are relevant before answering!

What is the role of gas in the big energy picture, globally?

- Cheap base load fuel for transportation and electricity?
- Valuable flexible friend for a renewable future?

Implications on trading, prices, spreads, flows, practicalities...

- Needs to be seen together, and value chain assessed for players

But first some overall questions to politicians:

- How green do you really want to be, and what will it mean for prices?
 - What is (local) the CO₂-reduction really worth compared to alternatives?
- Is gas clean enough for base load if it is produced in your own country?
 - Shale makes some countries restrict gas demand less than before
- Should prices be used to balance gas and electricity – with volatility?
 - Stable prices are suggested, but who does the balancing/spare capacity?

UK or Germany as balancing point for Europe?

The UK has the liquidity today

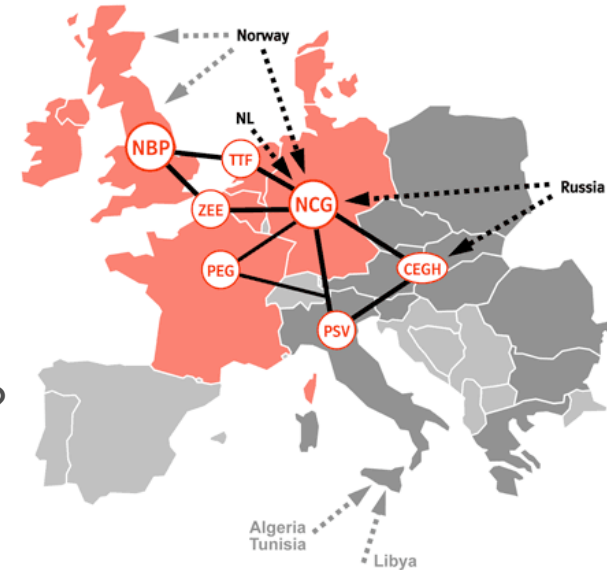
- Stronger magnet than price itself, it seems
- Still not enough to balance its own market, giving volatility/bottlenecks

Germany has ability to absorb more

- More logical location for balancing
- More activity in hubs, but too many?
- Removes illogical price behaviour today (over nomination gives low prices, as the are ricochet from the UK)
- E.ON strong driver in reengineering contracts?

But do they want to?

- What would happen with all gas at half price?
- Less bio, nuclear, ccs, petrol....



Source: E.ON Energy Trading, 2009

What decides future gas demand and prices?

Perceptions matter

- Gas still seen by many as expensive imports with SoS issues
- Policies adjust energy mix to less imported gas, both EU and US
- Gas is painted “black”, emphasizing its carbon footprint of fossil fuel

BUT: Own reserves are popular – and so is cheap gas!

- Finding own reserves that are both flexible and economic will change politicians perceptions and environmental considerations
- Gas could be painted “greener” and used more, replacing more coal, oil and expensive renewables especially in electricity and transportation (cars + ships)

Some developments to follow

- Oversupply: Producer behaviour + growing demand at low price
- Growing awareness of cost of greener electricity vs cheap gas
- Skilled buyers using market power – both gas to reduce oil pressures and other fuels to reduce pressure on gas – China, Germany, UK, US etc
- Marginal volumes, load factors, infrastructure developments (more risky) and bottlenecks will matter more than before in understanding price and flow!

We are happy to discuss further!

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