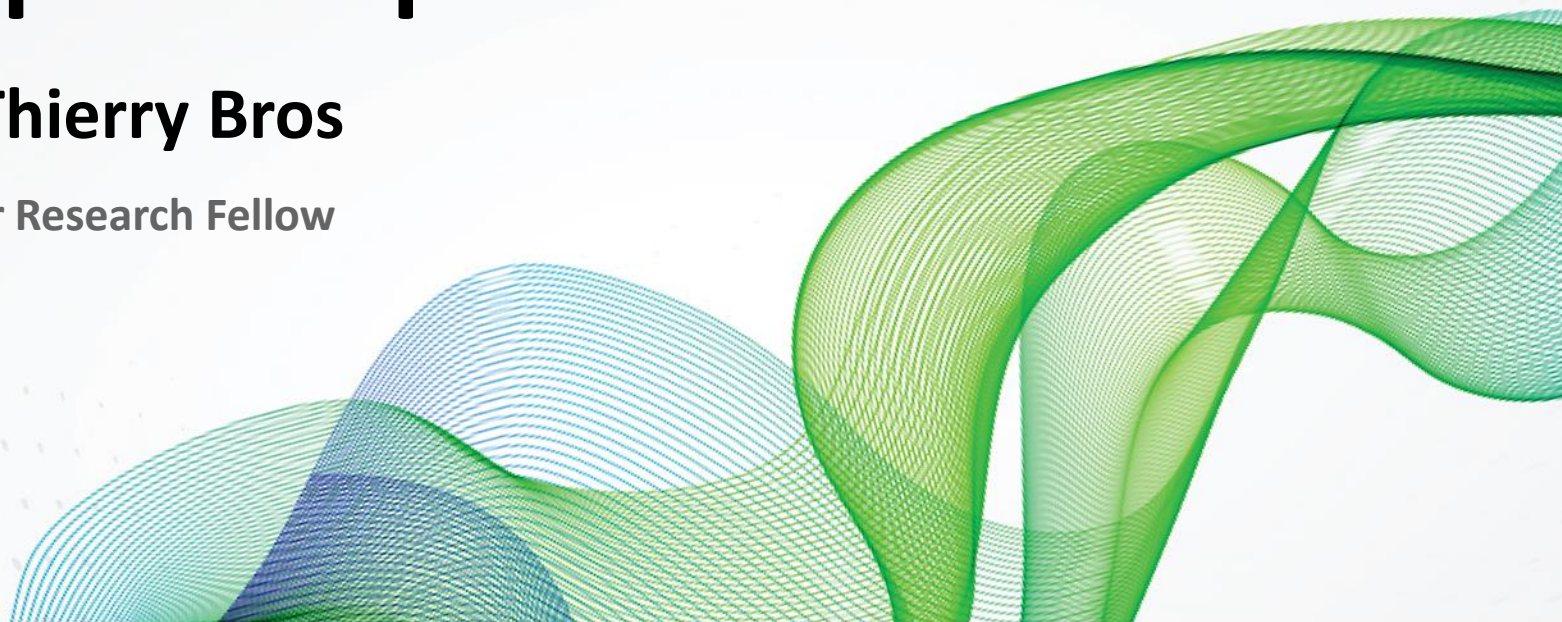


US LNG vs Russian pipe gas: impact on prices

Dr Thierry Bros

Senior Research Fellow



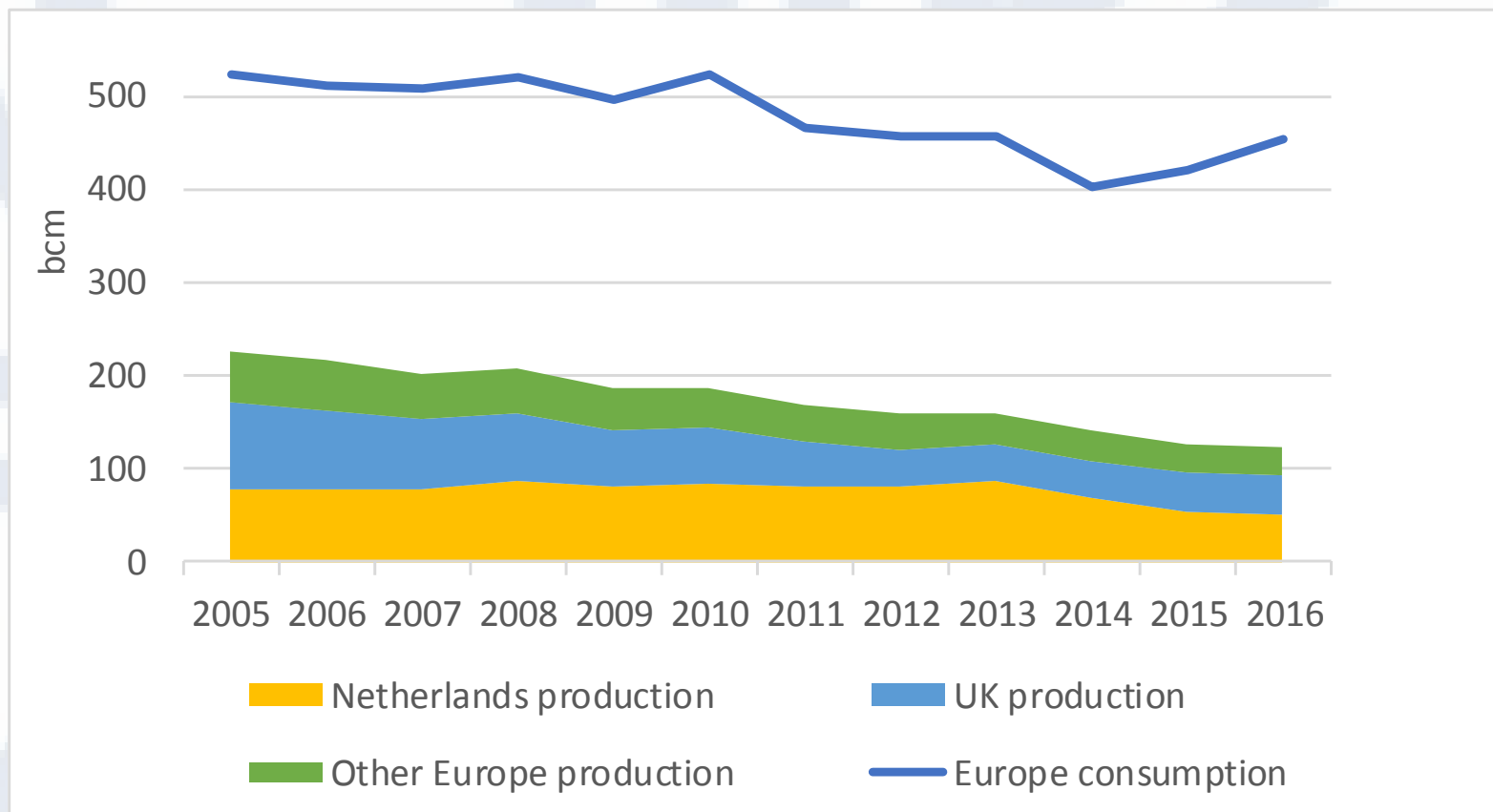
Energetika – St Petersburg – 9 Nov. 17

Facts vs Fake news

		Facts	Fake News
Production	Russian gas: the least costly	✓	
	US LNG: more costly than Russian gas	✓	
Prices	Always linked to the cost of marginal unit		✗
Nord Stream 1	Cheaper than transiting via Ukraine	✓	
	Lower European prices in 2011		✗
US LNG	Lower European prices in 2016	✓	
Nord Stream 2	Cheaper than transiting via Ukraine	✓	
	Higher market share for Gazprom	✓	
	Higher market power for Gazprom	✓	
	Lower prices?		



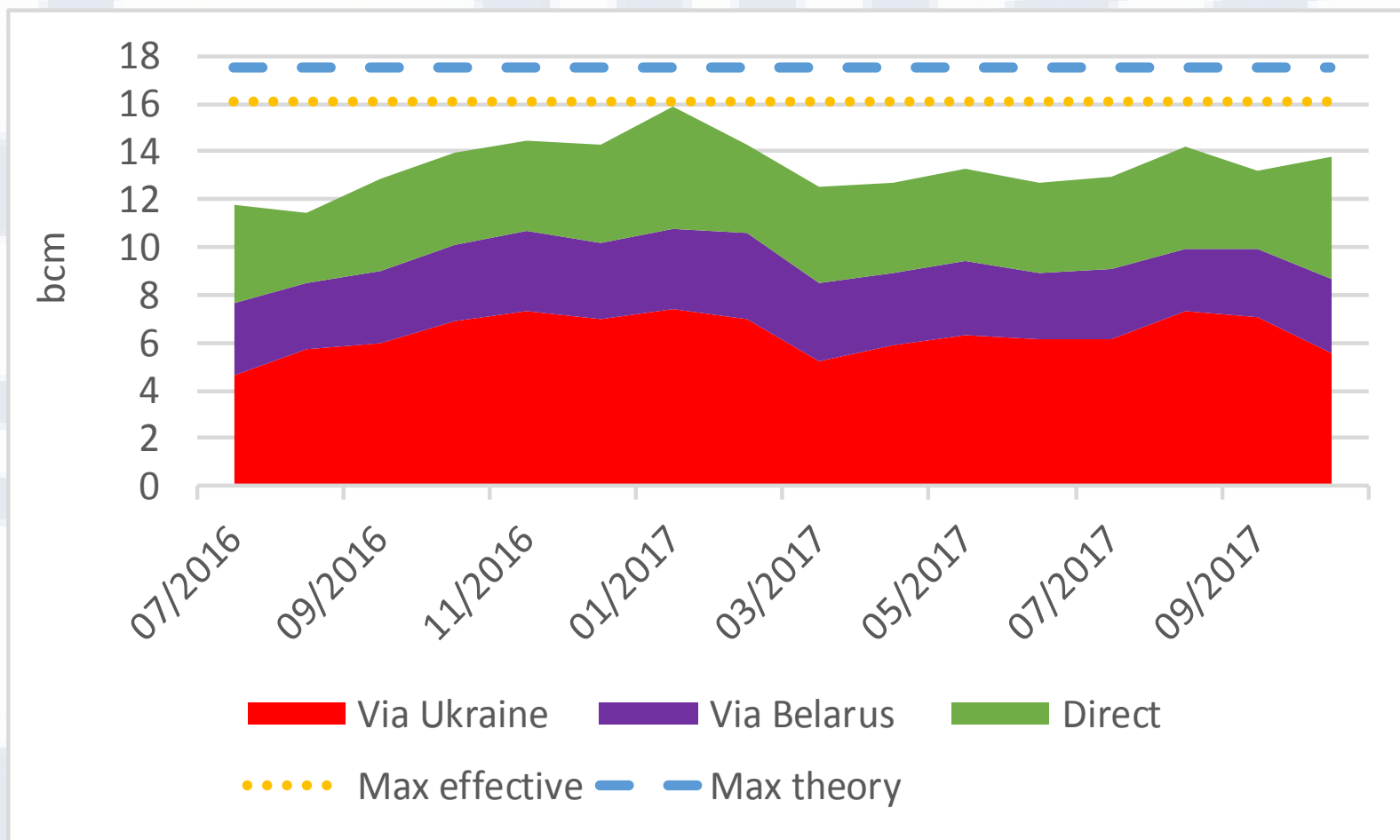
Europe import needs at record high



Source: IEA, JODI, thierrybros.com



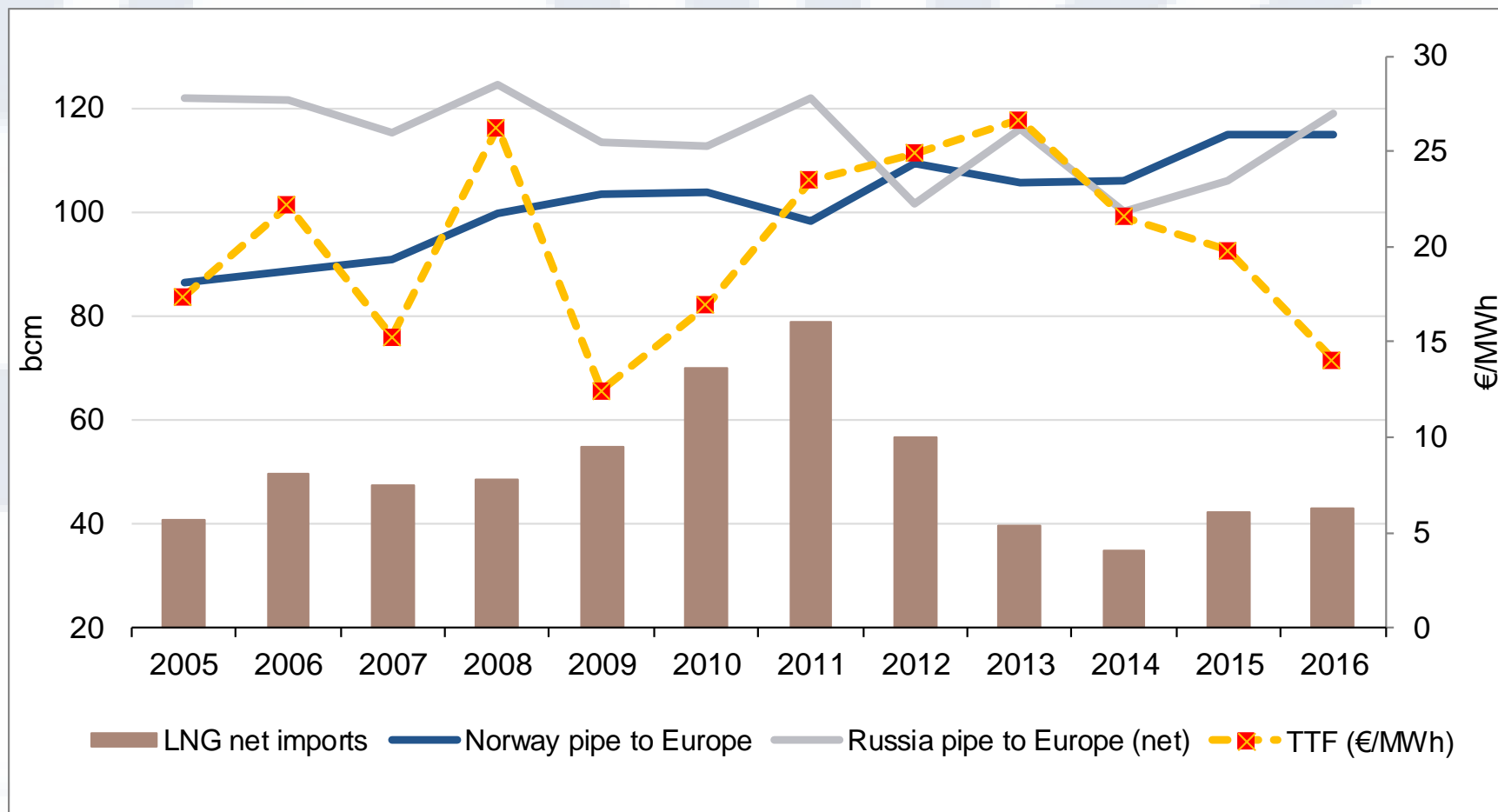
Gazprom doesn't flood EU



Source: Gazprom, EntsoG, thierrybros.com



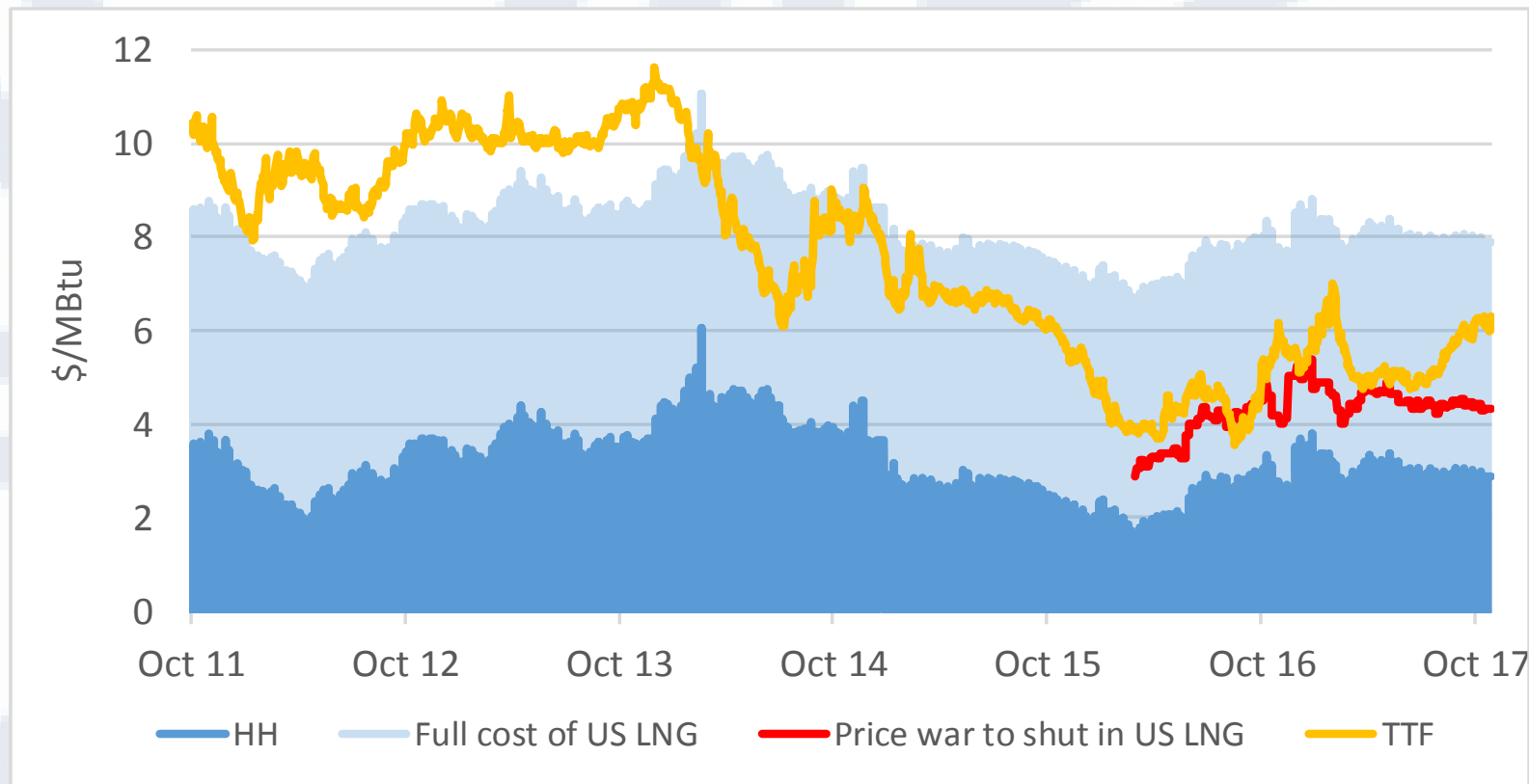
LNG, pipe imports & prices



Source: thierrybros.com, IEA, Argus



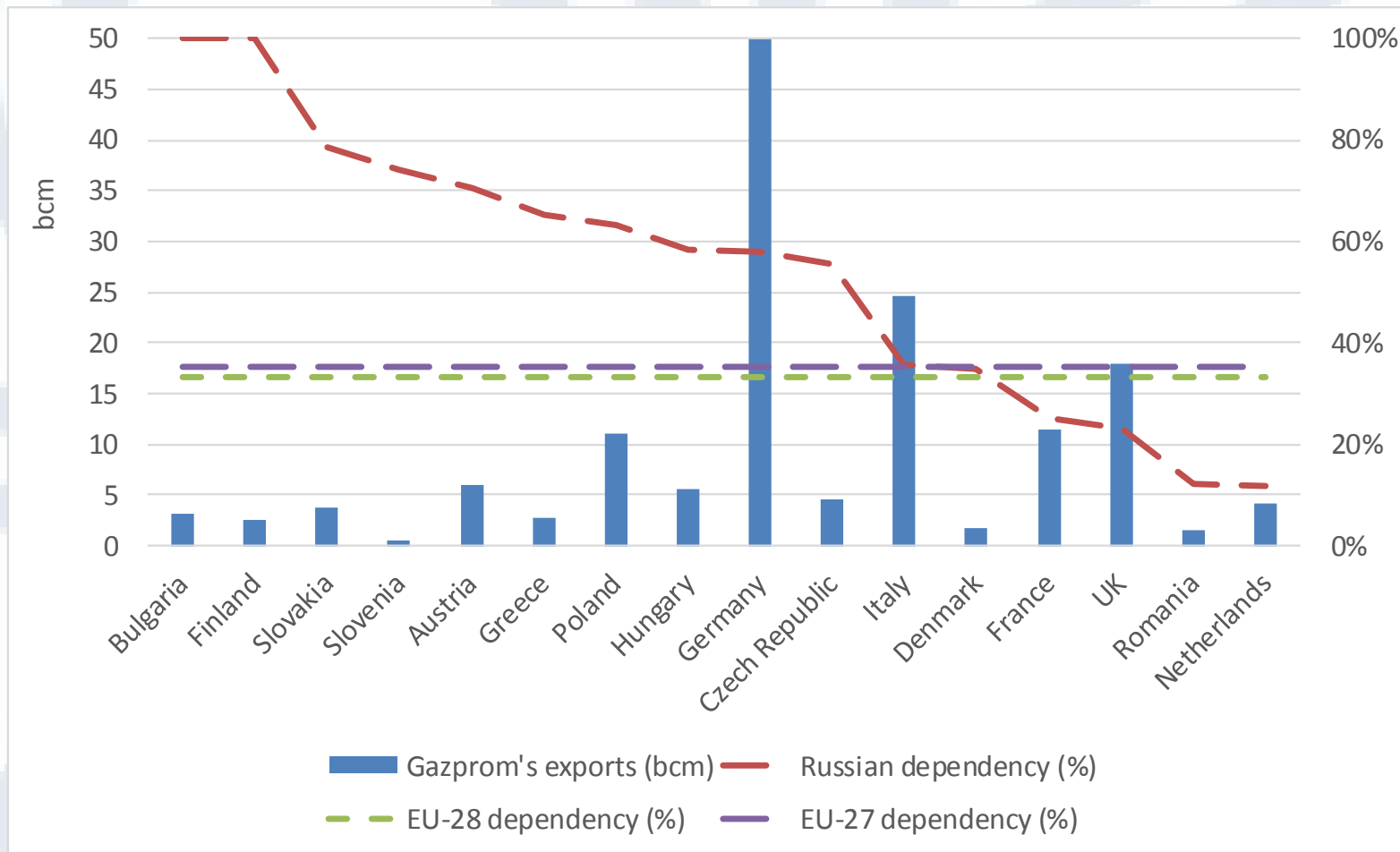
US LNG vs Russian pipe - Prices



Source: Argus, thierrybros.com



Gazprom exports and Europe dependency

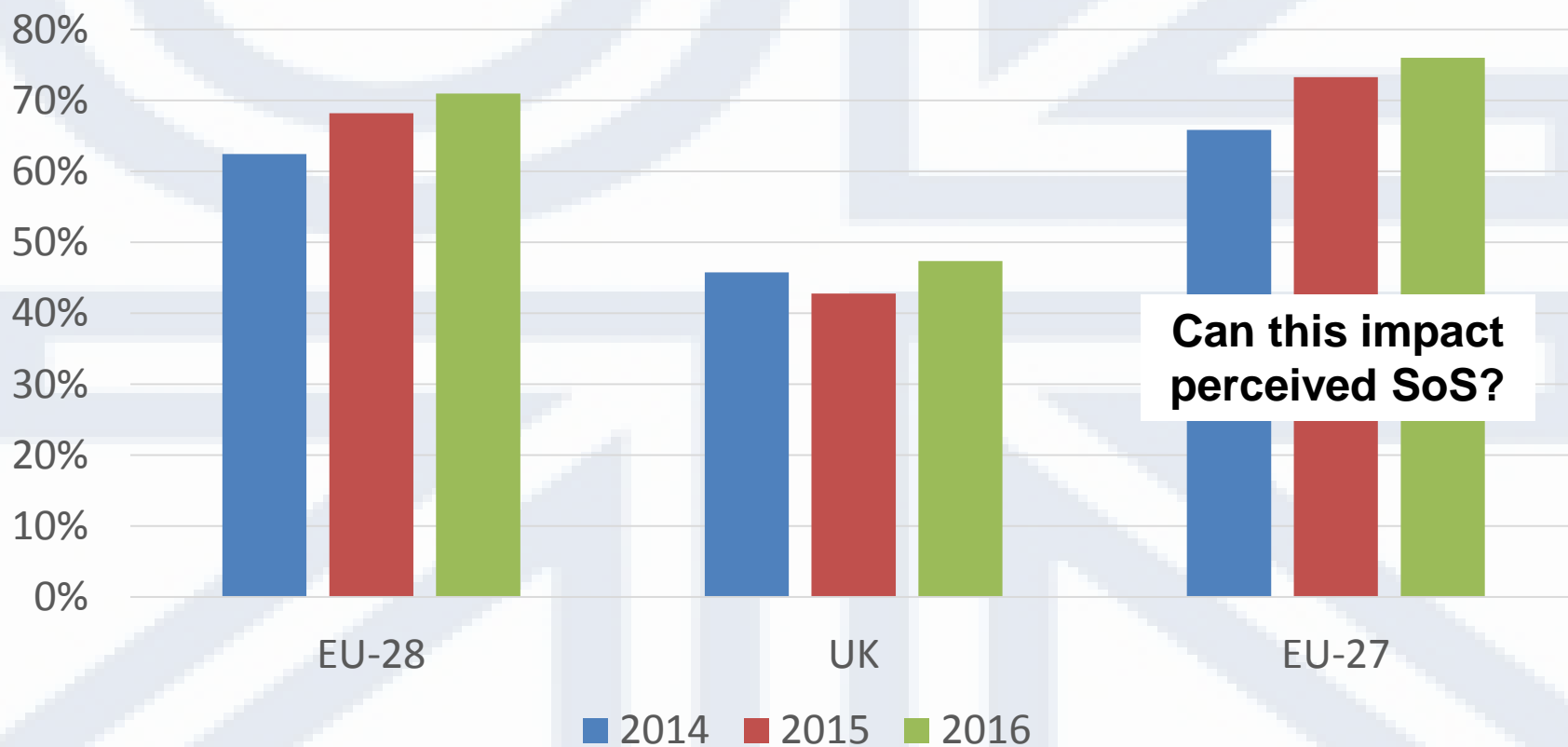


Source: Gazprom Export, thierrybros.com



Brexit's impact on foreign dependency

Total foreign dependency pre and post-Brexit



**Can this impact
perceived SoS?**

Source: JODI, thierrybros.com (Norway is foreign for all)

3 options for the Norway/Russia duopoly to manage prices

High

7\$/Mbtu min

- Tightening supply - Increasing producers' rent
- Demand destruction but no impact on exports
- 2012-2013
- **Prompted new FIDs**

Med.

c.5.5\$/Mbtu

- Swinging supply
- Since 2014
- **Most profitable in the long term**

Low

4.5\$/Mbtu max

- Use of spare capacity
- Price war to shut in US LNG
- Lower revenues
- **Can be done sporadically**



Thank you



thierry.bros@oxfordenergy.org
Twitter: @thierry_bros

Source: Gazprom, thierrybros.com