

ECONOMIC COMMISSION FOR EUROPE

COMMITTEE ON SUSTAINABLE ENERGY

Working Party on Gas

Second expert meeting on the UNECE Study on
“Current Status and Prospects for Liquefied Natural
Gas (LNG) in the UNECE region”

Madrid, Monday, 24 November 2008

PROVISIONAL AGENDA

The meeting will take place in the Enagas offices at:
Pº de los Olmos, #19, 28005 Madrid, Spain, starting at 10 a.m.

I. INTRODUCTION AND ELECTION OF OFFICERS (Agenda item 1)

1. Representatives of the Government of Spain, Enagas and the UNECE secretariat will open the meeting. The officers of the meeting will be elected.

II. ADOPTION OF THE AGENDA (Agenda item 2)

2. The meeting will adopt its agenda.

**III. TERMS OF REFERENCE FOR THE UNECE STUDY ON
CURRENT STATUS AND PROSPECTS FOR LIQUEFIED NATURAL GAS (LNG)
IN THE UNECE REGION** (Agenda item 3)

3. The meeting participants are expected to review and update the terms of reference for the UNECE Study on Current Status and Prospects for Liquefied Natural Gas (LNG) in the UNECE Region, adopted at the first Madrid meeting in September 2008 and given in the annex of this agenda. In particular, the structure of the chapters should be carefully examined to ensure that all relevant issues are included in a consistent and comprehensive way. Heads of Chapters are encouraged to lead the discussion on their respective chapters in a such a way that it should result in a coordinated approach across the chapters

4. The second Madrid meeting on UNECE LNG Study should also deal with other substantive issues such as tailoring its profile to the needs of the key UNECE constituency – UNECE member states and corporate sector within the dynamic trends in the energy and LNG sector. While it is meant that UNECE member-states will rely on the Study when deciding on energy policy and its elements related to the LNG industry, the Study should also assist corporate sector in making

selected strategic and investment decisions. In this context, the delegates would need to review the issues already discussed which concern the depth of the study, required level of detail, methods of gathering data, possible production of maps, treatment of financial, technical and confidential data, as well as availability of final results.

5. While selected progress was made on organizational issues since the first expert meeting held two months ago, participants will be asked to review the list of desired companies and member States who will take an active part in carrying out the study, frequency of the expert group meetings, methods of cooperation and communication, use of extrabudgetary funds, milestones and time framework.

6. Although the current terms of reference would need to be submitted for approval to the nineteenth session of the UNECE Working Party on Gas in January 2009, the group of experts will be asked to address all required details of the Study so that the UNECE secretariat could possibly draft the appropriate “room document” for the discussion at the session of the UNECE Working Party.

V. ELECTION OF OFFICERS OF THE STUDY (Agenda item 5)

7. As a follow-up to the election of officers of the Study at the first expert group meeting, the representative of UNECE secretariat will brief the meeting participants on the progress made in identifying and opening communication with selected energy and LNG companies, which could provide a valuable contribution to the Study. An additional effort would be required by all Study participants in this area so that the Task Force on the Study could be completed before the January 2009 session of the UNECE Working Party on Gas.

8. The Study officers will also discuss the information on the progress of the Study which they should provide, together with the Terms of Reference to the nineteenth session of the UNECE Working Party on Gas on 20 January 2009 in Geneva, Switzerland.

VI. ADOPTION OF CALENDAR (Agenda item 6)

9. While the expert group already decided on a provisional calendar of activities, it should be further developed and refined to include main phases and deadlines. Participants would be asked to discuss and approve a provisional calendar which would be submitted to the nineteenth session of the Working Party on Gas and which would provide sufficient clarity to all current and potential participants on nature of specific tasks and their time dimension.

VII. OTHER BUSINESS (Agenda item 7)

10. The UNECE secretariat will brief the meeting participants on the preparation of the annual session of the UNECE Working Party on Gas, 20-21 January 2009, and in particular on the status of the Round Table on Current Status and Prospects for Liquefied Natural Gas (LNG) in the UNECE

region in the UNECE Region, which is scheduled to take place in the afternoon of 20 January 2009. The meeting participants, in particular Bureau of the Study and Heads of Chapters, will be invited to confirm their active participation in that panel. Suggestions for other panellists to be invited will be also solicited.

11. The UNECE secretariat will inform the meeting participants on the progress of the ongoing UNECE Study on Underground Gas Storage in Europe and Central Asia, which results could be of relevance for their work.

VIII. ADOPTION OF THE REPORT (Agenda item 8)

12. The expert group is expected to adopt the report of its second meeting on 24 November 2008.

Annex I

STUDY ON CURRENT STATUS AND PROSPECTS FOR LNG IN THE UNECE REGION

DRAFT OUTLINE – TERMS OF REFERENCE

Index

1	Introduction.	6
2	Structure of the UNECE Study on Current Status and Prospects for LNG in the UNECE region. 6	
2.1	Introduction.	6
2.2	Executive summary.	6
2.3	Methodology employed and sources.	6
2.4	Chapter One: LNG market.	6
2.5	Chapter Two: LNG value chain.....	7
2.6	Chapter Three: Competition between LNG and pipeline gas	7
2.7	Chapter Four: Regulation.	7
2.8	Chapter Five: Interoperability.	8
2.9	Conclusions and recommendations.	8
2.10	ANNEXES	8
3	Method and organization of work.	8
4	Time framework.	9

1 INTRODUCTION

The growing importance of LNG in the UNECE region has been confirmed by increasing import levels and the on-going construction of new regasification facilities across the region with new terminals being planned. Diversification of energy supplies, energy security concerns and competitiveness of LNG in certain market niches foster the increased use of this fuel.

Considerable recent and ongoing changes in the functioning of the natural gas market in the UNECE region have also affected the LNG sector. New regulation has been introduced or is under discussion in UNECE countries, including at the European Union level, which opened the sector to competition together with third-party access provisions. Under the former framework, key national natural gas industry players, which were generally vertically integrated and had been granted monopoly rights, had a long investment horizon and little uncertainty with regard to the use of their LNG facilities. In the current and expected regulatory framework, investment decision-making might become more difficult if regulatory conditions are not clearly defined. These regulations have been accompanied by further requirements regarding security of supply, third party access to LNG facilities, and higher standards for transparency of operations and clarity of price.

The purpose of the UNECE study on LNG is to provide additional insights on the future use of LNG in the UNECE region, possible evolution of its competitiveness, evaluation of financial requirements, cost and economics along the value chain, visibility of future capacity and investment needs, identification of barriers which might inhibit the sector's ability to continue providing the desired services in a timely and affordable manner, as well as main contractual and regulatory issues.

The study could provide guidance on the future LNG trends and valuable assistance to both UNECE member States and energy corporations in making decisions regarding this dynamic segment of the energy sector in the region.

2 STRUCTURE OF THE UNECE STUDY ON CURRENT STATUS AND PROSPECTS FOR LNG IN THE UNECE REGION.

2.1 Introduction.

2.2 Executive summary.

2.3 Methodology employed and sources.

2.4 Chapter One: LNG market.

Head of Chapter: Mr. Benjamin Schlesinger, Benjamin Schlesinger Associates, USA

- Reserves, supply, demand, international trade / LNG flows. Analysis by areas/basins.
- Investment status and prospects in producing countries.

- Types of LNG contracts, short-term & long-term contracts, pricing mechanisms (could this be a separate section?)
- Current status & prospects – initial thoughts

CAPACITY

- Capacity of LNG facilities along the value chain (current & expected) – capacity ratio among producing/transporting/receiving facilities.

2.5 Chapter Two: LNG value chain.

Heads of Chapter: Mr. Ramon Diaz Casado (Stream-Repsol, Spain) and Mr. Victor Tunon (GasNatural, Spain)

TECHNOLOGY

- History
- Current status: Liquefaction, regasification & storage, maritime transport technologies.
- GTL.
- Satellite plants, peak shaving
- Prospects: Technical innovations.
- Project economics, costs, risk analysis.

2.6 Chapter Three: Competition between LNG and pipeline gas

Heads of Chapter: Representatives of Gazprom (one) and StatoilHydro (one) – to be nominated

- LNG / pipeline economics
- Interaction among LNG facilities and other gas facilities – implications for effective access / gas prices.

2.7 Chapter Four: Regulation.

Head of Chapter: Mr. Luis Parada (Enagas, Spain), Mr. Arturo Alaejos Tarazona (Ministry of Industry, Tourism and Commerce, Spain) and Ms. Emilia Marinova (Eurogas, Belgium)

- Authorisations & licences: Construction, operation,
- Unbundling requirements – Implications for strategy of operators in the LNG industry. Porter analysis
- Access to LNG regasification terminals: rTPA, nTPA, exemptions, effective access, access tariffs, etc. SWOT ANALYSIS
- LNG operational code
- Strategic issues: security of supply, diversification, competition, etc.
- Trends in Regulation. GGPLNG & Third Package in Europe. Non-EU countries. Transparency

2.8 Chapter Five: Interoperability.

Heads of Chapter: Representatives of Shell (one) and Distrigaz – GdF-Suez (one) – to be nominated

- LNG interchangeability – physicals parameters, requirements at different terminals, EASEE-gas CBP, etc.
- Regulatory approaches on access conditions (related to interoperability) (capacity allocation & congestion management, UIOLI, certification of vessels).

2.9 Conclusions and recommendations

2.10 ANNEXES

- Glossary
- Contact details
- Bibliography
- List of LNG regasification terminals (Existing & in construction).
- List of LNG liquefaction terminals (Existing & in construction).

- List of LNG vessels (Existing & in construction).
- Other?

3 METHOD AND ORGANIZATION OF WORK

The issue will be discussed in more details at the next meeting.

[Method and organization of work TBD – includes methods of gathering data, possible production of maps, treatment of financial, technical and confidential data, availability of final results, establishment of the project body/bodies, list of desired companies and member States who will take an active part in carrying out the study, methods of cooperation and communication, eventual use of extra-budgetary funds, milestones,...]

Depth of each chapter will be discussed and related details will be agreed once the outline and terms of reference for the Study have been approved.

Work progress will be assessed regularly, at two-month intervals with meetings taking place in various UNECE member countries, primarily hosted by the members of the UNECE Task Force.

4 TIME FRAMEWORK

The definitive outline/terms of reference should be presented to the annual session of the UNECE Working Party on Gas, to be held in January 2009.

The Study should be completed by 2009, preferably by mid-year.
