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Ruhrgas

United Nations Economic Commission for  
Europe  
Committee on Sustainable Energy

**The global economic crisis and its  
impact on energy security in Europe**

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Geneva, November 18<sup>th</sup> 2009

Two years ago, gas supply was tightening and barely capable of satisfying demand

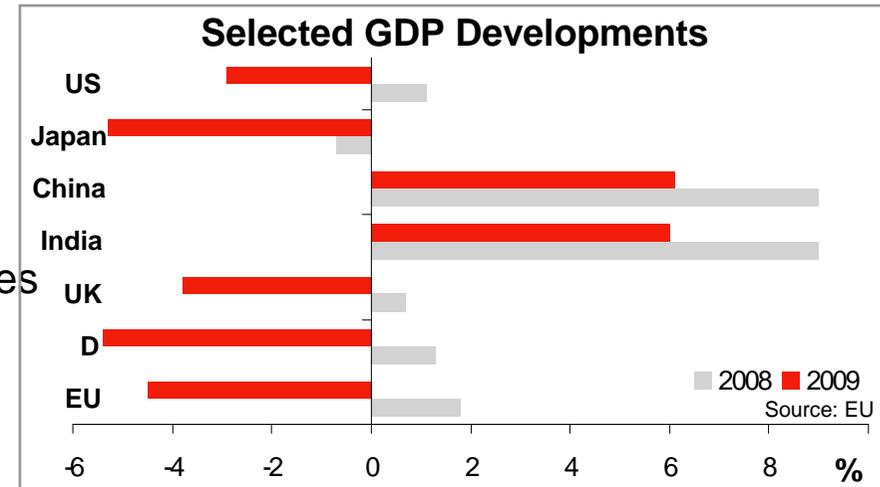
- Term of the year 2007: “Transatlantic Arbitrage”
- Term of the year 2008: “US Unconventionals”
- Globalisation of gas markets within reach
- Manufacturing/engineering capacities fully utilised
- Industry experts forecasted an oil price of more than 200 USD/bbl
- Near-oil-parity contracts becoming the price benchmark for LNG



## In 2009, we are facing a “Global Economic Force Majeure“

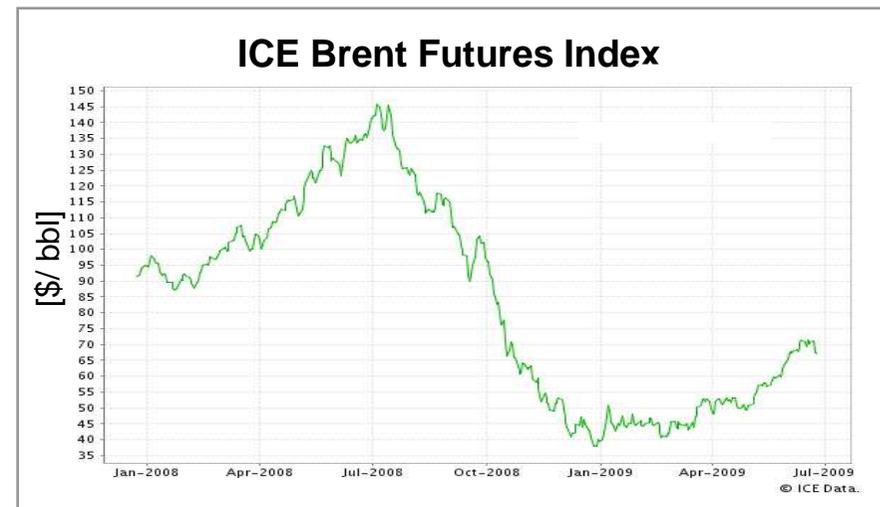
### Strong GDP decrease

- All over the world, economies suffer from a global financial and economic crisis
- Developed countries in recession (EU forecast: -4% GDP), developing countries with strong downturn
- Strong decline in industrial production (Germany – 18% in Q2/09 est.)



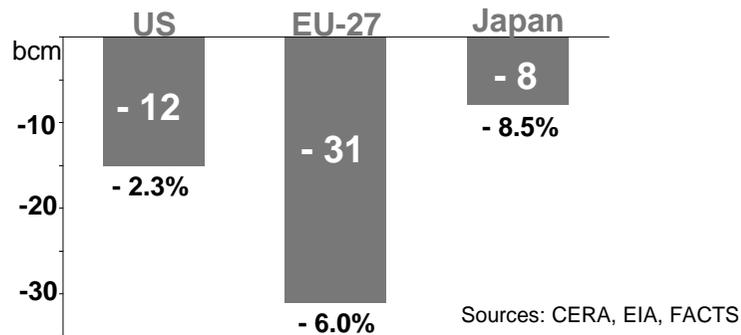
### Collapse of energy prices

- Oil prices collapsed from 145 to 40 USD/bbl within 6 months
- Hub gas prices followed swiftly
- Investments in future production projects under scrutiny



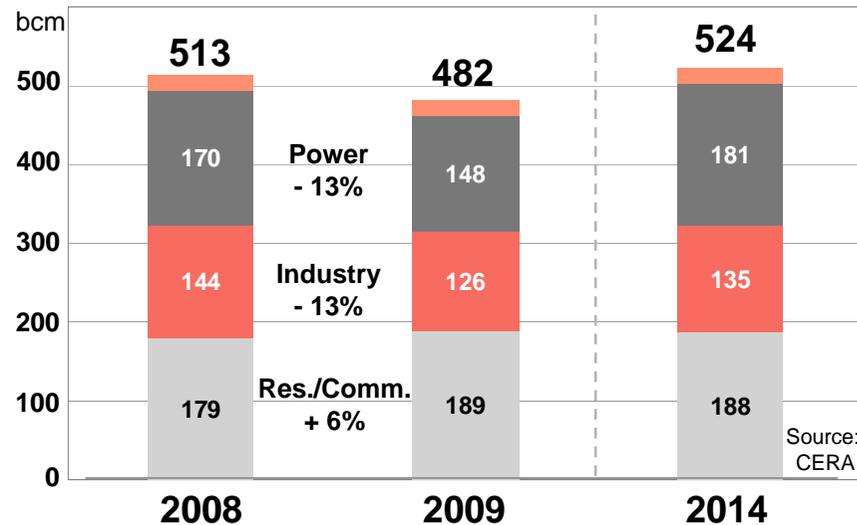
## Drop in gas demand across all regions followed...

**Recent demand forecasts for 2009**



- Worldwide: -5%; approx. 150 bcm in just 6 months
- Europe and Japan suffering most
- India and China remain the bright spots, but represent still relatively small gas markets

**Gas demand 2009 by sectors in EU-27**



- Biggest drop (absolute terms) in power generation demand, followed by industry
- Time and shape of recovery uncertain

...and resulted in an extraordinary constellation for the European gas industry

**Supply side**

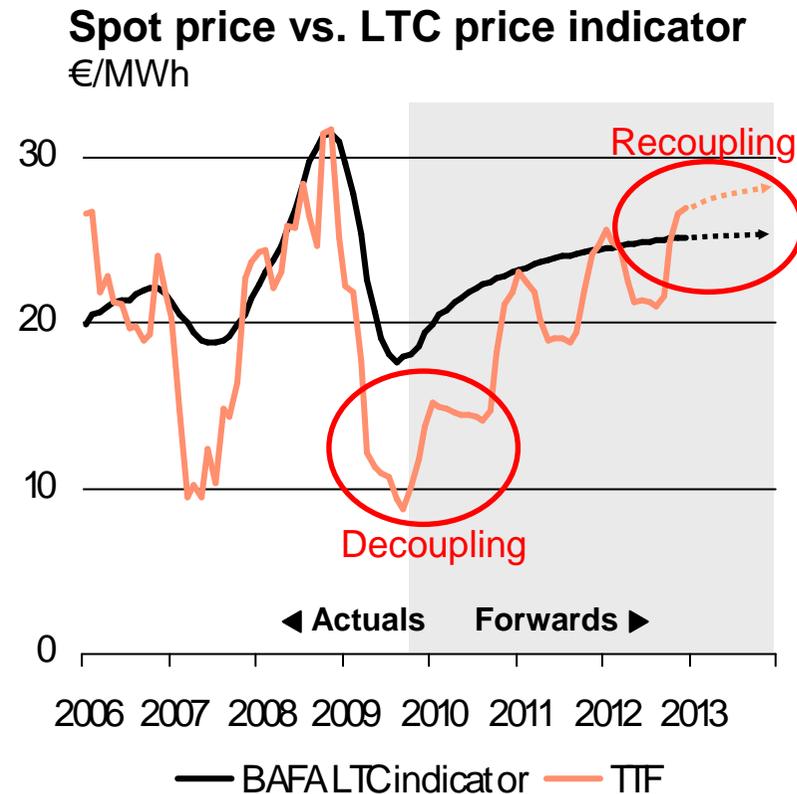
- Unconventional gas in US and additional LNG capacities  
→ LNG cargoes diverted to Europe
- Increased liquidity of spot gas markets

**Market effects**

- Temporary oversupply
- Decoupling of spot gas and LTC prices
- Markets expect recoupling of spot gas and LTC prices

**Producer's response**

- Future projects suffer from uncertainties on demand side



## In the long run, security of supply will remain a major issue

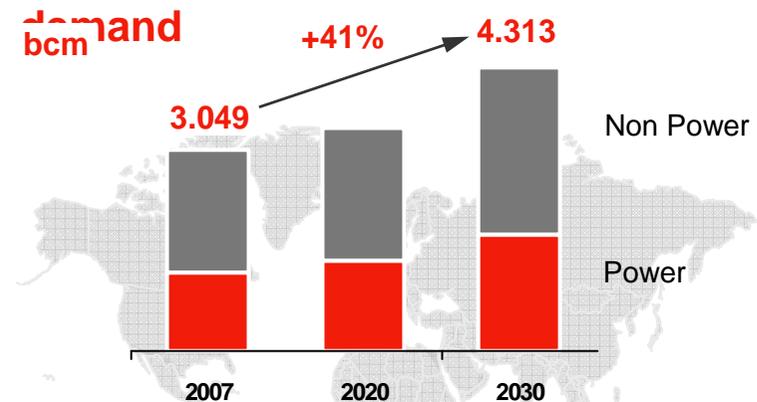
### Investments needed today for future demand

- Well diversified supply portfolio contractually secured already
- Decline in European indigenous production foreseeable
- Rising import demand even without demand increase
- Today's actions needed to avoid another supply squeeze in the future

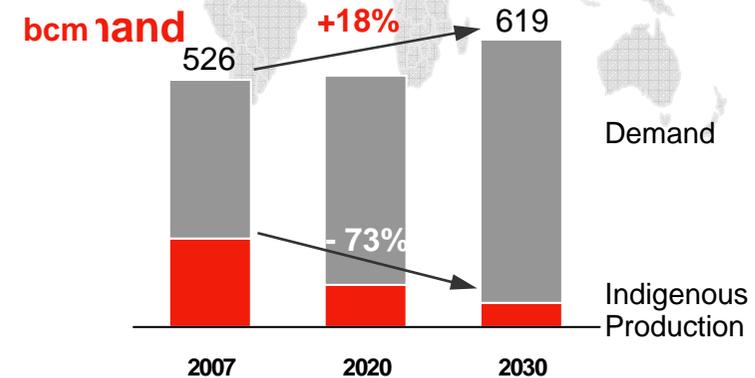
### LTCs as backbone of European gas supply

Long term "take or pay" obligations as prerequisite for financing new investment projects

### Development of total world gas demand



### Development of Europe's gas demand



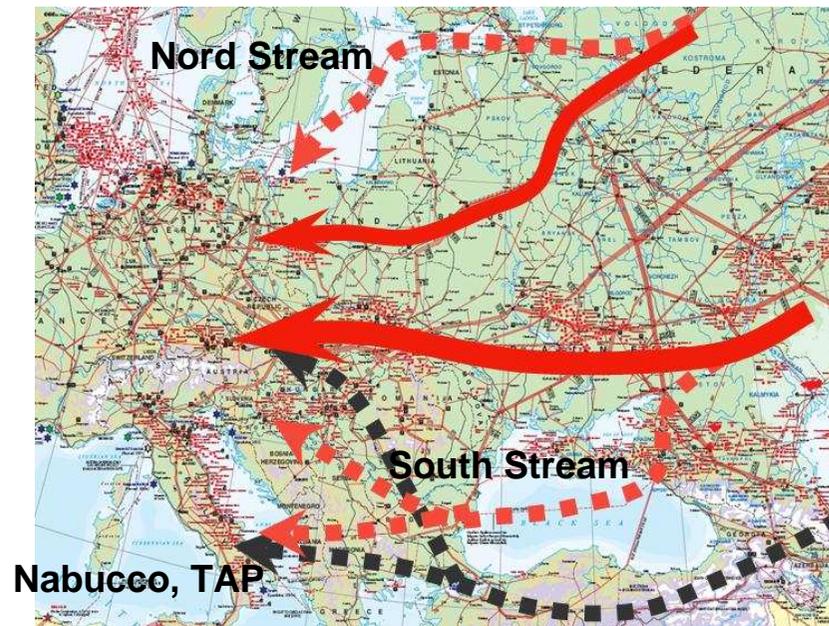
Source: IEA World Energy Outlook 2009, Reference Case.

## Rising demand and diversification needs trigger new supply routes

### Europe's current mindset

- An increase in Russian exports will require expansion measures
- Sluggish economic climate tends to postpone investment decisions for mega projects
- Medium-sized projects ('debottlenecking') could create additional capacity in a cost effective manner
- A "Fourth Corridor" could bring gas from the Caspian region
- Infrastructure and LNG supply contracts enable flexible supply from new regions

### New supply routes to Europe



## The European gas industry in turbulent times

- ▶ **Global economic crisis has hit the European gas sector hard.**  
Extraordinary constellation of supply/demand balance and prices.
- ▶ **The next years will be characterized by oversupply and price volatility**  
All market participants need to develop solutions for the upcoming years.
- ▶ **In the long run, security of supply remains a major challenge.**  
Investments are needed today to meet rising demand in the future.

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