UK Gas Supply/Demand Situation & Prospects

Dr. Mostefa A. Ouki
Manager, Gas & Upstream
Nexant Ltd
London, United Kingdom

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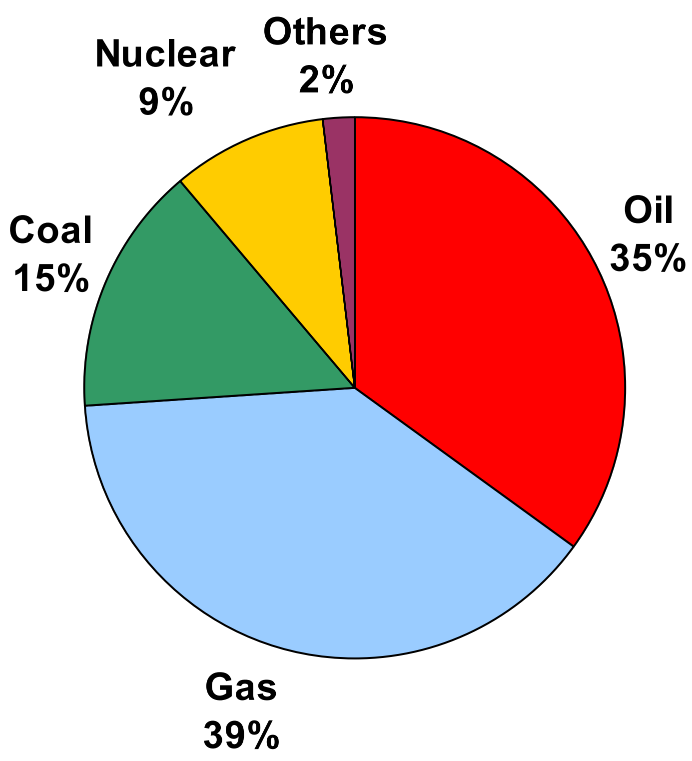
Primary Energy Supply

UK Current Primary Energy Supply
(%)



- **Natural Gas – one of the main sources of energy supply**
- **Over 30% of electricity generated in UK is gas-fired**
- **Space heating - major energy end use**
- **Gas projected to account for about 40% of electricity generation mix in 2010+**

2003 UK Gas Situation (Sources: Cedigaz & UK DTI)

• **Proven reserves:**	**950 billion cubic metres**
• **Gross production:**	**108 billion cubic metres**
• **Net production:**	**102 billion cubic metres**
• **Imports:**	**8 billion cubic metres**
• **Consumption:**	**95 billion cubic metres**
• **Exports:**	**15 billion cubic metres**

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Projected Gas Supply/Demand

- Projected UK gas demand estimated at ~ 110 to 115 bcm by 2010
- Decline of indigenous energy supplies
- UK gas production projected to decline rapidly by end of this decade
- Gas supply deficit projected to emerge in 2006/07

  (concerns about winter peak requirements)
- Projected shift from gas “self-sufficiency to import dependency”
- Sources of gas imports: Europe, North Africa & Middle East + (Russia?)
- Diversification of gas supplies and supply routes sought

Existing and Planned Gas Imports Projects for UK market

Gas Pipelines

- **Imports through the expanded UK-Belgium Interconnector**
- **Vesterled pipeline from Norway to UK (existing)**
- **Balgzand (BBL) pipeline from the Netherlands (2007)**
- **Langeled pipeline from Norway (2007/08)**

LNG Supplies

- **Isle of Grain LNG / supplies from Algeria (BP/Sonatrach) (2006)**
- **South Hook LNG (Wales) / supplies from Qatar (QP/ExxonMobil) (2007)**
- **Dragon LNG (Wales) / developed by BG, Petronas and Petroplus (2007)**

Existing and Planned Gas Imports Projects for UK market (continued)

- **British gas market**
  - **→ Most liberalized gas market in the world**
  - **→ Several gas supply links to Norway and continental Europe**
  - **→Competing supplies from North Africa and the Middle East**
- **Implementation of all or majority of pipeline and LNG import projects**
  - **→Would obviously result in a significant surplus of gas supply capacity**
  - **→Would present challenging environment for existing/new gas suppliers**

But would provide the UK market with a range of

gas supply sources and routes

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