Dr. Tatiana Mitrova

Russian Gas in East Asian Gas Market

IAEE, Singapore 2017
3 years ago the role of Asian gas exports in the governmental policy was very high, but now disappointment is becoming obvious.

**Russian gas exports by destination, bcm**

- **Pipeline export to CIS**
- **Pipeline export to Asia**
- **Pipeline export to Europe**
- **LNG export**

*Source: ERI RAS*
Multiplying options: how to survive and negotiate in highly uncertain environment

Source: OIES
All LNG projects face commercial, technical or regulatory challenges, especially under the sanctions.
Huge demand uncertainty: all the main customers are giving disappointing signals

- CHINA: oversupplied market with slower than expected economic growth and high uncertainty, Russia is just one option among the others. “Optionality supply”.
- JAPAN: restarting nuclear
- KOREA: nuclear + coal + renewables

**Chinese gas balance**

- Russia
- Central Asia
- Other LNG supplies
- Australia
- Qatar
- Indigenous production
- Chinese demand
High variability of the Russian gas export expectations to Asia

Scenarios of Russian gas export to Asia

Source: ERI RAS
Power of Siberia pipeline appears to be firm, though future utilization rate is unclear

- Construction has started on both sides of border
- Flexibility remains in 2019-2021 start date
- Potential for renegotiation

Russia would prefer Altai pipeline, but discussions appear to have stalled given Chinese uncertainties

Proposal of a third pipeline from the Far East

LNG plans are going backwards - Vladivostok LNG postponed indefinitely, Sakhalin 2 expansion is unlikely before 2021, Far East LNG no longer a priority

Realistically no additional Russian gas pipelines are needed before 2025
Conclusions

- Russia has tried to diversify to Asia, but LNG plans have been pushed back and pipeline plans are moving slower than expected.

- There are several alternative projects, but most likely in the low price environment all of them will be postponed (except for “Power of Siberia” and “Yamal LNG”).

- Asian gas demand uncertainty is increasing, making forecasting even more difficult.

- Gas markets entered next phase of oversupply and price wars. Buyers market will last until at least 2025.

- In this turbulent environment opportunistic behaviour is a rational choice: adjusting plans to the changing reality and keeping all the options open.
Novaya st. 100, Skolkovo village, Odintsovsky District, Moscow Region, Russian Federation 143025

Phone: +7 495 539 30 03
Fax: +7 495 994 46 68
web: http://energy.skolkovo.ru
e-mail: energy@skolkovo.ru