

# IAEE Energy Forum

Fourth Quarter 2016

International Association for Energy Economics

## *President's Message*



### CONTENTS

- 1 President's Message
- 5 Russia and the Oil Market (Or Duel of the Oil Titans)
- 8 Energy in 2015 - A Year of Plenty
- 15 U.S. LNG Exports Could Prove a Game Changer in the Global Gas Market
- 19 Is China in Recession? A Cursory Look At Its Energy Statistics
- 21 U.S. LNG: Global Game Changer or Fading Hype?
- 25 The Obstacles to South Korea's Willingness to Import Shale Gas from the U.S.
- 27 U.S. LNG Markets In Transition - Again
- 31 From the Varangians to the Greeks - Strategic Impact of U.S. LNG Exports to Eastern Europe
- 33 U.S. LNG Exports: Serious Headwinds Cloud Long Term Prospects
- 43 Calendar

Editor: David L. Williams

I'd like to start my last Presidential Message in the *Energy Forum* by expressing my gratitude to participants of our 1st Eurasian Conference which took place on 28-31 August this year in Baku, Azerbaijan. In spite of great difficulty and various local obstacles, we succeeded in making this conference a success. Such a success that we have been invited for a repeat performance next year. Once again IAEE has demonstrated its capability and excellence in a new region and planted good seeds.

It has been my ambition and passion to take the IAEE flag to new countries around Turkey and enlarge our membership in the Caucasus and Balkans. In the Balkan peninsula, Slovenia turned out to be a role model for new Affiliates as it has been growing very rapidly in membership and performing very actively in local events. I've been taking advantage of the geographical closeness so as not to miss their events. The most recent organization by our Slovenian Affiliate, the Energy Economics & Industry Conference that took place on September 29 turned out to be a great success again. Albania and Croatia are in IAEE's target list and candidate to be our next stop in the Balkans. While speaking of the Balkan countries, I'd like to note my appreciation to our colleagues in Greece where we've established another new IAEE Affiliate earlier this year.

Our next potential Affiliate emerges in Israel, and it is my great pleasure to participate in the upcoming Israel Energy & Business Convention. With its significant oil & gas resources in the Eastern Mediterranean, Israel has a key role in shaping the future supply routes. In this context, naturally a role for IAEE emerges as well in contributing to the discussion of Eastern Mediterranean hydrocarbons from an economic angle.

The Middle East with its vast oil & gas resources has been a region of interest to the global energy economy since the discovery of these resources, essentially for over a century. We've been discussing issues related to the region since the foundation of IAEE, yet have weak presence in the region except Saudi Arabia. We hope to see our Middle Eastern colleagues in our conferences, hopefully the next IAEE Eurasian conference at the latest, and expand in the region with new events and conferences.

Another region of weak IAEE presence is Africa with the exception of Nigeria. We've identified a strategic development plan to invest in Africa as well aiming to contribute to the reduction of energy poverty.

Turning to the other extreme, a region where we are the strongest and are centered, we arrive at North America. Our 34th North American Conference coming up on 23-26 October is taking place in Tulsa, Oklahoma this year.

Finally, I would like to announce the launch of a new service at IAEE, which is the Speakers Bureau. To check out this new service visit the IAEE website where you can



(continued on page 2)

**President's Message** (continued from page 1)

search worldwide for renowned speakers according to area of expertise.

And my last words in my last Presidential Message in the *Energy Forum*, before leaving this exciting challenge in the hands of our next President Ricardo Raineri, goes to IAEE Council Members as well as to IAEE Executive Director David Williams in appreciation of all their dedicated work for IAEE. I want to express my profound gratitude to all for all their support throughout my term as President of IAEE. It has been a great pleasure and honor for me to lead this truly global Association with the support of a wonderful international team. I wish the incoming 2017 president Ricardo Raineri and all our members the very best.

*Gurkan Kumbaroglu*

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ENERGY ECONOMICS

**IAEE Mission Statement**

The International Association for Energy Economics is an independent, non-profit, global membership organisation for business, government, academic and other professionals concerned with energy and related issues in the international community. We advance the knowledge, understanding and application of economics across all aspects of energy and foster communication amongst energy concerned professionals.

We facilitate:

- Worldwide information flow and exchange of ideas on energy issues
- High quality research
- Development and education of students and energy professionals

We accomplish this through:

- Providing leading edge publications and electronic media
- Organizing international and regional conferences
- Building networks of energy concerned professionals

## Editor's Notes

As we mentioned in the third quarter issue, LNG is a very popular subject. We conclude our examination of the subject in this issue. Included in this issue is the annual summary of the BP Statistical Review which we're fortunate to be able to run each year. This year, we're grateful to **Spencer Dale** and **Kai Dunker** for their writing.

**Seyed GholamHosein Hassantash** raises the question: Despite the heavy dependence of Russia's economy on the price of oil, why doesn't that country make any effort to reverse the downward trend of the crude oil price? The fact is that by reducing its crude oil production, Russia can force Saudi Arabia and OPEC to cut back their production as well, thus gaining much revenue from the export of its oil and gas. With the arrival of shale oil and gas, the U.S. has emerged as a serious competitor, whose rivalry gets intense at higher levels of the oil price. Hence is there an unwritten agreement between Russia and Saudi Arabia over market share, but for how long? Perhaps the secret in Russia's plan is in the question; Who will yield to pressure first? Russia or Saudi Arabia?

**Mamdouh Salameh** writes that the shale revolution has made the United States the world's third biggest crude oil producer after Russia and Saudi Arabia and it is projected to make the United States within 2-3 years the world's third biggest LNG producer and exporter after Qatar and Australia. He provides further details.

**Doug Reynolds** explores whether China is in a recession or not, "Is China in Recession? A cursory look at its energy statistics." He notes how some of the energy statistics are inconsistent with a stated 7% rate of economic growth especially when considering other early economic development countries.

**Matthew Schmidt, Philipp Hauser, and Dominik Möst** note that U.S. shale gas has altered the global natural gas landscape. Current developments, however, indicate that U.S. LNG faces significant challenges in the near future. An oversupplied Asian-Pacific market and a European market tied to Russian pipeline gas look to thwart a profitable U.S. LNG trade. The mid to long-term prospects for U.S. LNG rest on increased demand in China or a consequential implementation of climate policy globally.

**Jikhan Jeong** points out that due to falling oil prices and the declining operating rate of LNG power plants in South Korea, the planned import of 20% of South Korea's LNG needs from U.S. shale gas by 2020, may not be possible. He explains why.

**Thomas Tunstall** writes that export markets for U.S. LNG producers are under siege. More established markets that had been targeted by LNG exporters may no longer be viable, which will require revamped business models.

**Ionut Purica**, using data from the Eastern European region (EU member countries and Ukraine), analyzes the import of gas (LNG included) given the vulnerability of the region stemming from its single source of imports. A proposed North-South gas interconnector in the region, along a historical route from the Varangians to Greece, would increase safety of supply and geo-strategic reliability of the Eastern border of EU and NATO.

**Sreekanth Venkataraman** writes that the excitement in Washington about the potential for using LNG exports as a geopolitical weapon in the long run needs to be tempered with caution. The LNG exports from U.S. are unlikely to be a game changer in the EU and Asia is expected to offer little succor as well.

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