



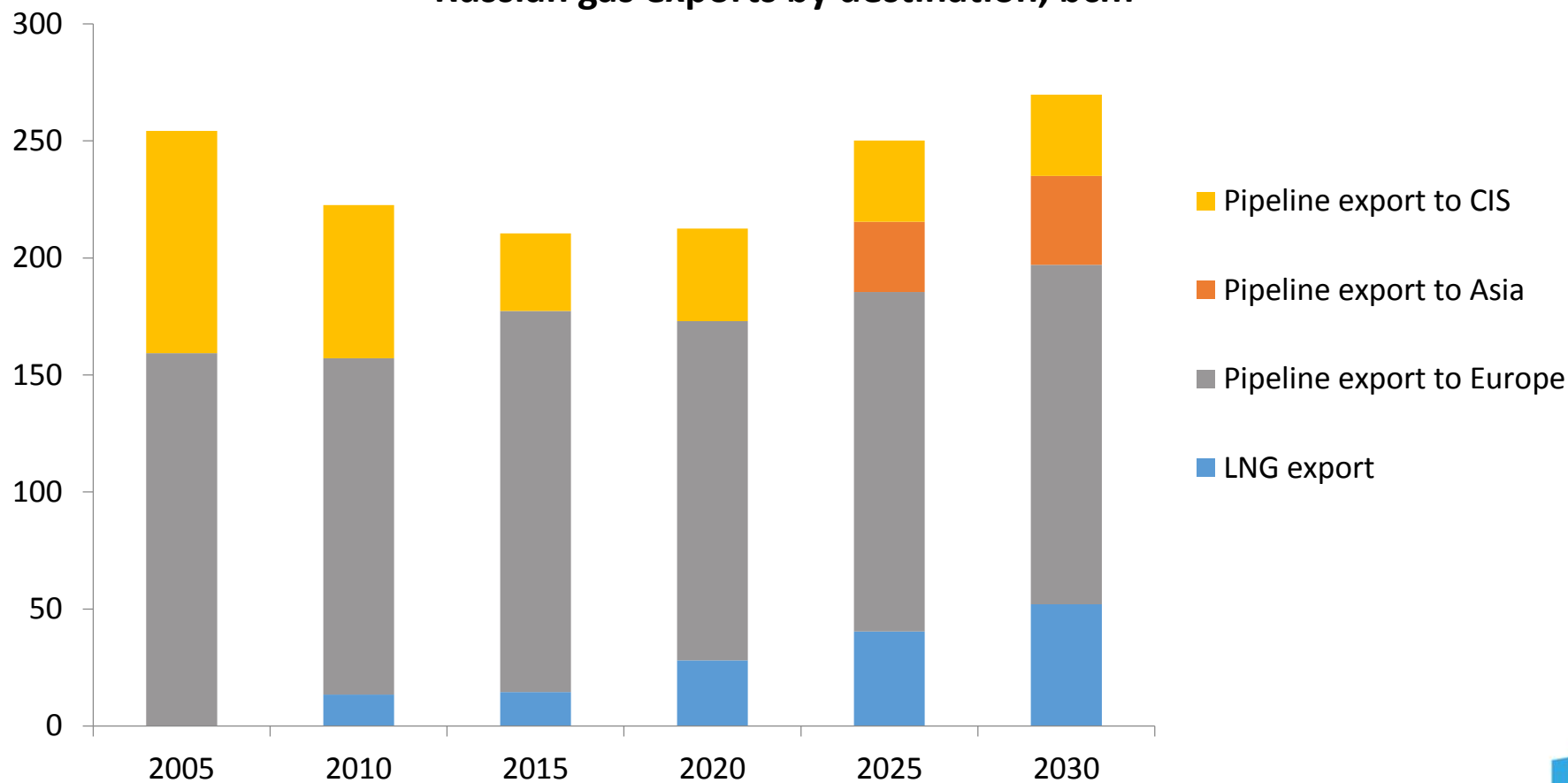
Dr. Tatiana Mitrova

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

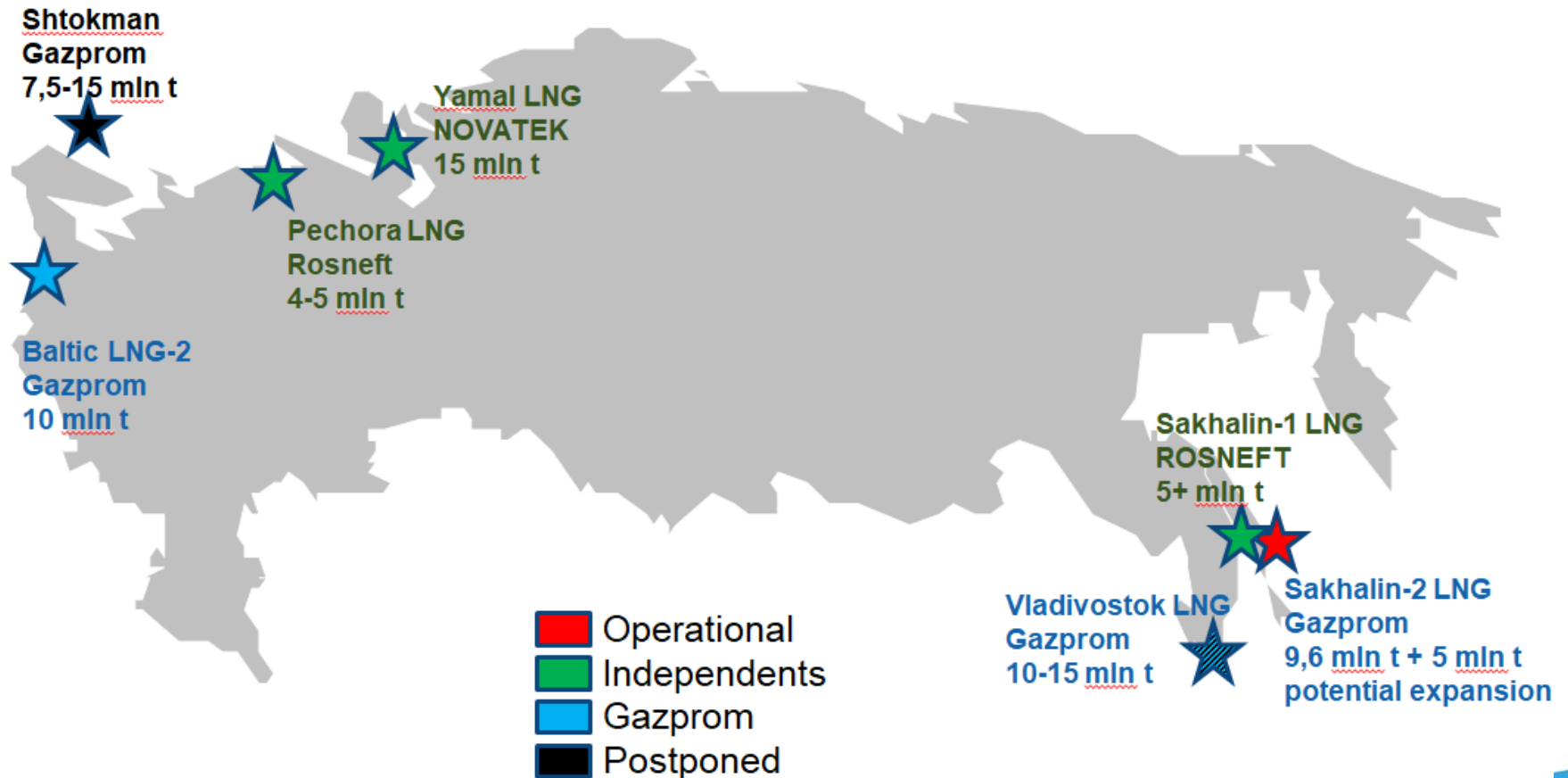
Russian gas exports by destination, bcm



Multiplying options: how to survive and negotiate in highly uncertain environment



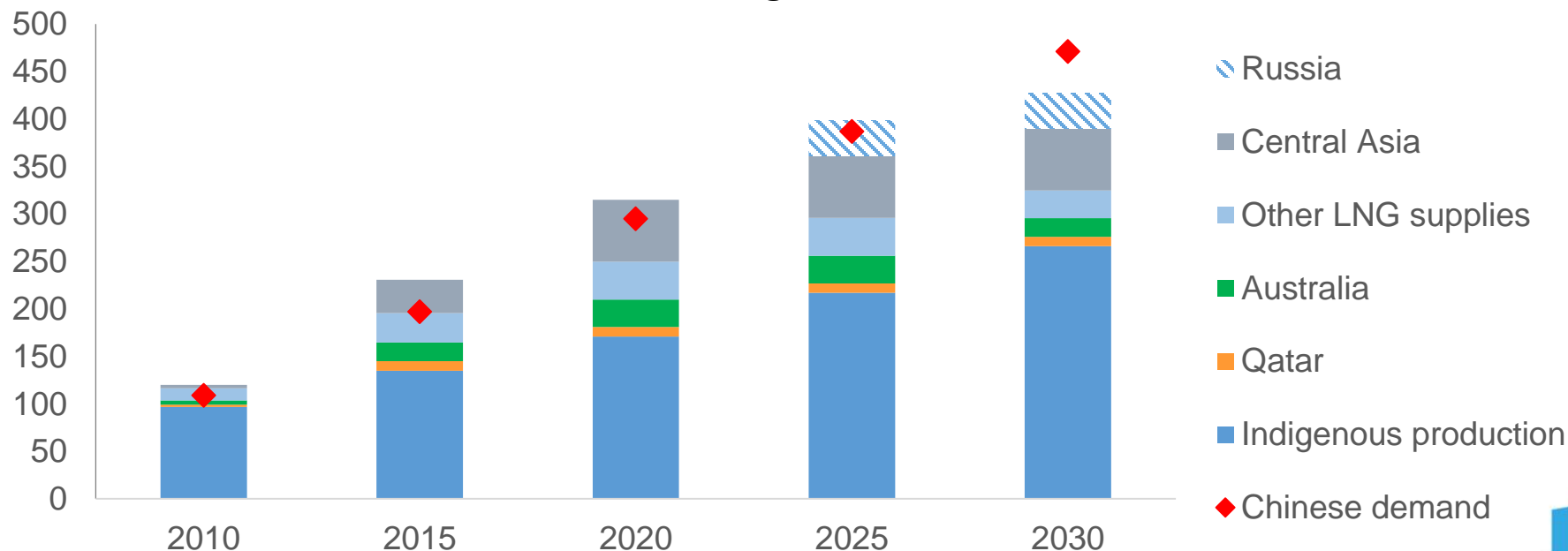
All LNG projects face commercial, technical or regulatory challenges, especially under the sanctions



Huge demand uncertainty: all the main customers are giving disappointing signals

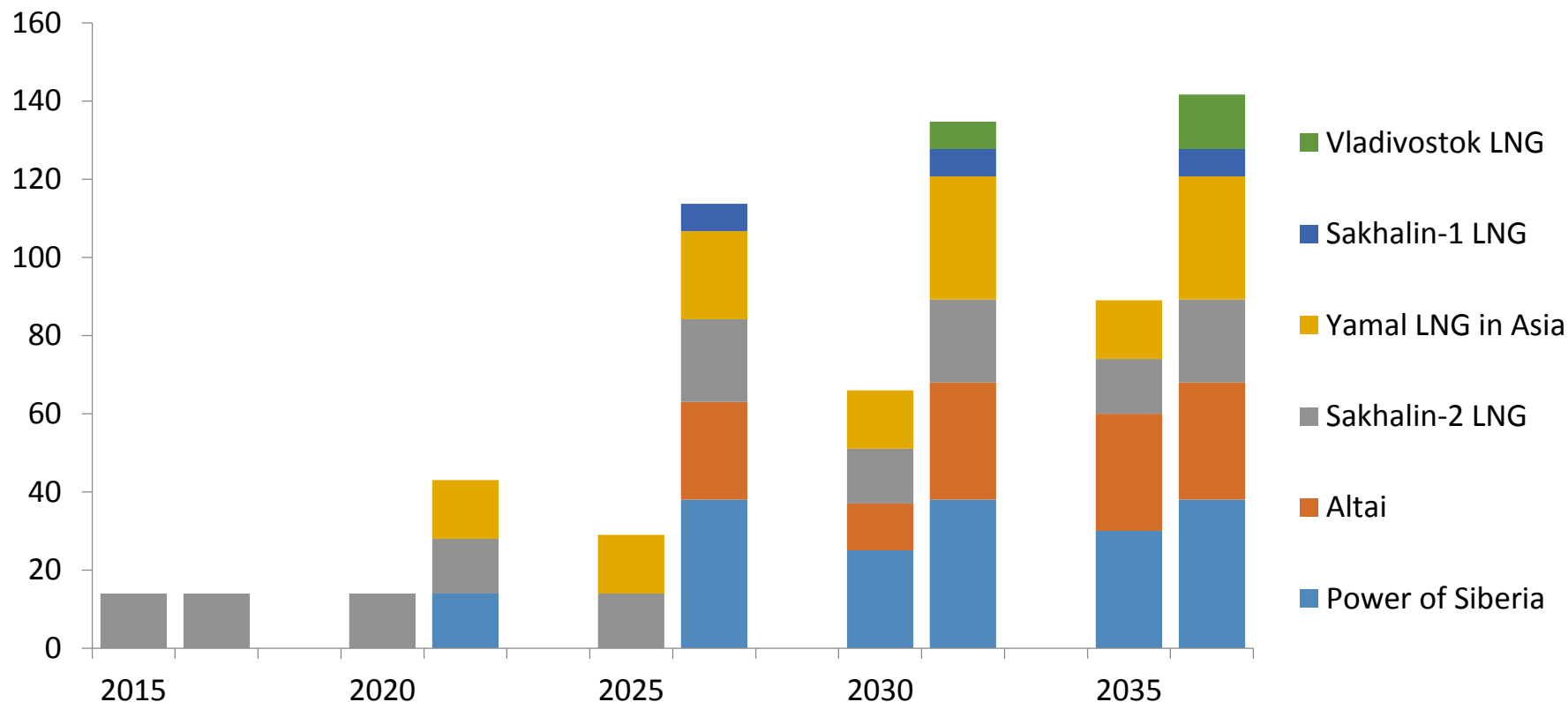
- CHINA: oversupplied market with slower than expected economic growth and high uncertainty, Russia is just one option among the others. “Optionality supply”.
- JAPAN: restarting nuclear
- KOREA: nuclear + coal + renewables

Chinese gas balance



High variability of the Russian gas export expectations to Asia

Scenarios of Russian gas export to Asia



Current status of Russia's gas plans in Asia

- 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.



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