

Trends in the Natural Gas Industry: Prices, Contracts, and Geopolitics

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This paper relates lessons from the past and previous decades to current trends, and also attempts an outlook on issues determining the future of natural gas. In doing so, the paper identifies some constants in what appears to be an ever-moving target. We provide an econometric analysis of global natural gas price trends, and identify periods with converging and diverging prices; we also test whether bi- or trilateral relations are (co-)integrated. In a second step, we analyze the institutional structure of natural gas supplies around the world, with a focus on the evolution of long-term-supply contracts, stuck between upstream natural gas producers with down-stream trading houses and/or large consumers. We expect to find a different role for natural gas, depending on the environmental and energy economic context of each region under scrutiny, e.g. the U.S., Asia/China/Japan, Europe, etc. Last but not least, we shed light on the ever-relevant issue of geopolitics, where we sense a move away from the traditional care of the supply industry (Middle East and Russia) towards “younger” big international players, e.g. the United States and China.

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