



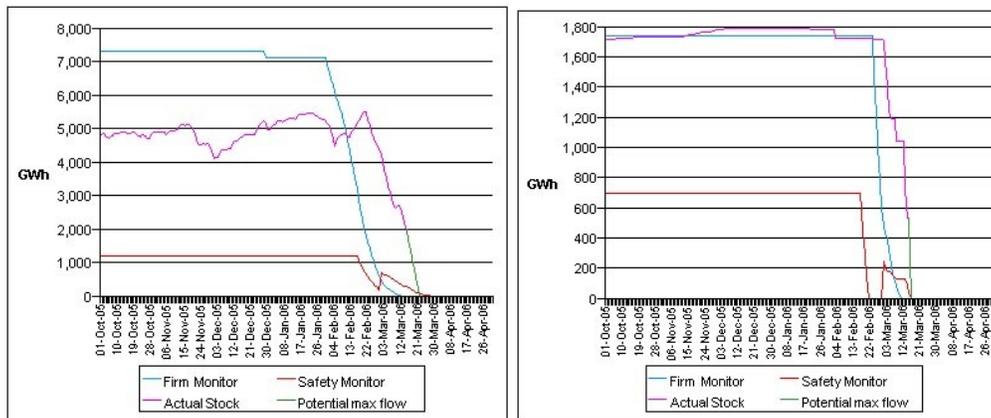
A little more on gas, European and Asian

Posted by [Heading Out](#) on March 16, 2006 - 1:49pm in [The Oil Drum: Europe](#)

Topic: [Supply/Production](#)

Tags: [bp](#), [china](#), [gazprom](#), [japan](#), [kovykta](#), [natural gas](#), [russia](#), [united kingdom](#) [[list all tags](#)]

The current situation in the UK, where the government has had to declare a [warning of gas shortage](#), due to a significant potential shortfall in gas supplies (hat tip to [IndyDoug](#)) underscored a concern that has a more general message. And on the premise that a picture tells a thousand words, from [the National Grid page](#).



The Medium-term (above) and Short-term storage pictures. (click to enlarge)

While the more immediate problem, as [Chris](#) has pointed out relates to the unanticipated drop in the supply of North Sea gas, there is also a market problem that perhaps might be aired since it has broader implications.

As was pointed out in an earlier post, the UK gets gas from Europe, through an [Interconnector pipeline](#). However, despite the fact that the UK has quadrupled gas prices and thus is willing to pay more than Continental Europe for the gas, it is not receiving enough. The reason is that the gas that is being produced, is already committed to long-term contract to existing customers, so that just waving a checkbook is not enough. The alarm appears to be [roiling the market](#) a little.

It is in this regard, perhaps that we need to look at where the long-term gas will be coming from.

One of the standard replies is Russia, particularly for the European sector, but also, with the development of the [Shtokman field](#), for the United States. However, as [Schlumberger reports](#)

Russia must develop its untapped proven natural gas reserves soon, in order to arrest the current decline of production at its existing fields and help feed global demand for gas, leading industry analysts said Tuesday.

The article points out that Russia has about 29 trillion cu.m. (tcm) of proven reserves, but has a domestic demand that is growing toward a consumption level of 564 billion cu m (bcm) with a

The Oil Drum: Europe | A little more on gas, European and Asia/europe.theoil drum.com/story/2006/3/16/124913/305
planned level of exports of around 1 tcm with Europe getting around 400 bcm of that. But the infrastructure and investments may not be there.

Jonathan Stern, director of Gas Research at the Oxford Institute for Energy Studies, said Russian gas exports to Europe will have a political limit.

"200-220 billion cubic meters a year may be deemed a limit on Russian gas exports to Europe," Stern said. "It depends how dependent Russia wants to be on European markets," he continued.

"If supplies from Russia are limited post 2015, Europe will have to look elsewhere," he concluded.

The contretemps that occurred between Russia and Ukraine and that led to reductions in Western European supplies due to Ukrainian use may be apparently resolved, but the Italians are still [unable to get the levels of gas supply](#) that they need from Russia.

The flow of gas from Russia to a number of European countries has been affected by the cold weather in eastern parts of the country.

Eni said it expects supplies from Russian gas monopoly OAO Gazprom (GSPBEX.RS) to fall 3 million cubic meters short of the 74 mcm requested daily.

At the same time Russia is in talks with the Canadians to install an LNG plant [near St Petersburg](#)

President Putin is going to visit [China](#) again, both to look into a new oil pipeline but also

Lazov said Russia plans to supply 15 million tons of crude oil to China by railways in 2006. In addition, the two countries are discussing exports of natural gas to China.

He said relevant corporations of Russia and China are jointly studying the feasibility and plan of exporting gas to China.

The current task of the two sides is to complete the business discussions, which are key to the signing of a large-scale contract of gas supply, Lazov said.

One of the major interests being the [Kovykta field](#), which has [evolved](#), and which is a topic over which Japan and China are also [in competition](#), and there are still [problems](#), despite earlier positive comments by a [Dr Yergin](#) some two years ago. Part of the problem may be the need for [money](#) although with all the big players involved you would not have thought that would be an issue. However, since as the Moscow Times just pointed out

TNK-BP has offered Gazprom a 51 percent share in the vast Kovykta gas field in eastern Siberia with an eye to supplying energy-hungry Asian markets, the company's director of gas development, Viktor Vekselberg, said Tuesday.

maybe this whole issue is really more about politics. Certainly the Moscow Times is also noting that Putin is extolling the virtues of long-term delivery contracts, but this is where we came in.

And one notes that an attempt to increase funding for DOE R&D went [nowhere](#).



This work is licensed under a [Creative Commons Attribution-Share Alike 3.0 United States License](https://creativecommons.org/licenses/by-sa/3.0/).