



Strategic Guidelines for the 2006-2009 Triennium



24th World Gas Conference
ARGENTINA | 2009

Introduction

The Argentine Triennium of the International Gas Union (IGU) begins on the landmark date of the Union's 75th anniversary, a suitable foothold to look into the challenges and prospects of the world gas industry, on the way to the first century of IGU's existence.

The triennium will end at the 24th World Gas Conference in October 2009, in Buenos Aires, Argentina, under the theme "**The Global Energy Challenge: Reviewing the Strategies for Natural Gas**". This is the first time the conference will be held in a developing country, as well as in the Southern Hemisphere, a fact that provides a clear indication of the increasingly global nature of the gas industry.

Indeed, natural gas has evolved dramatically, from the "nuisance only fit to be flared" of the early days to its present role as a key source in the global energy balance, in terms of competitiveness, operational alternatives and contribution to sustainable development.

The gas industry is still on the growth stage, and the dynamics of the geopolitical and economic developments across the world pose both a challenge and a responsibility of defining the optimal role for natural gas in the future global energy mix.

In this context, IGU has an important part in promoting gas market integration as a means to facilitate economic growth, social development and sustainability. Furthermore, its objectives of fostering a healthy business environment within the industry, and a constructive dialogue spirit with governments and regulators, are well in line with this role.

It is therefore crucial that IGU continues to strive in reaching for its **Vision** to be the most influential, effective and independent non-profit organisation, while serving as the spokesman for the gas industry worldwide.

Objectives and Principles

In line with its **Mission**, during the 2006-2009 triennium IGU will continue to increase its value to the membership, promoting the exchange of knowledge and information, and providing solid and concrete reference tools for decision-makers.

It is the purpose of IGU to contribute to a clearer insight on the key energy and natural gas industry challenges, and the alternative ways to tackle them, while highlighting those issues which require greater attention from representative stakeholders.

Although it is expected that energy-related issues will face changes during the next decades, the course of the natural gas industry in the medium and long term will greatly depend on the short term decisions to be taken in the sector, and it is IGU's objective to play a very strong role in this process. Furthermore, it will take an active stance to appease supply-related concerns as those related to gas reserves and exploration, infrastructure, international gas contracts and regulation, and geopolitical aspects of security of supply.

IGU will continue to promote the development and application of best practices and new technologies designed to optimise the economics of the entire gas chain, while

emphasising sound environmental performance, safety and reliability. In the same way, and inspired by the principles of sustainability, IGU encourages the rational and responsible use of gas as a non-renewable energy source, scouting actively for the best practices, and establishing reliable parameters of utilisation.

Finally, IGU will continue to expand and diversify, increasing its membership both on the regional and corporate arenas.

The Strategic Guidelines for the 2006-2009 Triennium

IGU is focusing its objectives and activities within three time perspectives:

- a) the short term, where little can be done on infrastructure, but a lot can be accomplished at a policy level;
- b) the medium term, where new technologies and planned system expansion are considered;
- c) the longer term, where major energy-domination shifts are likely, and where IGU's policy recommendations should have its more relevant impact.

These three time perspectives are underlying the 2006-2009 Triennial Work Programme (TWP) concept, which is focused on *the* analysis of the world gas industry's experiences and challenges, and will include the development of a prospective outlook to 2030, as shown in the figure below.

The 2006-2009 TWP is based on the following Strategic Guidelines:

- 1. The Global Energy Challenge: Reviewing the Strategies for Natural Gas towards 2030***
- 2. Contribution of the Natural Gas Industry, in terms of Security of Supply, Safety and Environment***
- 3. Regional Gas Market Integration, as a Key Driver for Sustainable Economic Growth***

These Strategic Guidelines are briefly described below.

1. The Global Energy Challenge: Reviewing the Strategies for Natural Gas towards 2030

The recent developments of the global energy scenario induce the diverse players involved in natural gas around the world to pose and answer a basic strategic question: *where is the gas sector placed and in which direction should it evolve?*

This is critical, considering the magnitude and long-term nature of gas- chain investments, for which reason decision-makers need to maximise market intelligence in order to become more effective.

IGU must work on the favourable perception of the winning transition fuel, overcoming with sound examples and arguments the questions related to supply sources and geopolitical risks, sizeable and flexible international transport systems, and distribution.

A prospective analysis of the key drivers for the next 25 years will be developed on the following issues:

- a. World energy needs, tendencies and prices
- b. Supply and demand of natural gas: Exploration and production, infrastructure, trade (LNG and pipelines) and market segments
- c. Global security of supply concerns
- d. Frame-breaking markets
- e. Competitiveness against and cooperation with alternative energy sources, and “de-linking” of gas prices from oil references
- f. Regulatory trends
- g. Environmental and climate policy regimes
- h. New technologies
- i. Development of new uses for natural gas

The 2030 natural gas industry outlook study will aim to become a key reference for policy and corporate decision-makers. Simultaneously, it will help integrate IGU’s Working and Programme Committees, by building on the complementary insight of the different industry segments, and contributing to ensure the overall consistency of the 2006-2009 deliverables.

2. *Contribution of the Natural Gas Industry, in terms of Security of Supply, Safety and Environment*

Although there are different views on the future energy requirements, there is little debate that the related industries face the need to service increasing market demand, and - in addition to being competitive - must demonstrate that the sourcing is reliable, safe and environmentally sound.

While the previous strategic guideline addresses, among other topics, the global framework in which such challenges may have to be faced, the short term intricacies of supply will be analysed from a more technical and operational perspective.

Building on what has been developed in earlier programmes, particularly during the very productive Dutch triennium (2003-2006), IGU will tackle these issues along the entire supply chain.

On exploration and production, the TWP will aim to deliver a realistic estimate of reserves on a regional basis, and identify economic, technological and political challenges for their development. Difficult reservoirs and unconventional gas sources (methane hydrates, coal-bed gas and aquifer gas) will also be investigated, given their increasing significance for the assessment of the world’s gas resource base. In addition, the work programme will cover some environmental issues related to natural gas production which are high on the current agenda of the upstream gas business, such as sustainable development in Arctic conditions or carbon dioxide sequestration.

The ongoing evaluation on underground storage will continue, with the purpose of providing a practical picture of how these facilities can effectively service the gas chain in terms of supply flexibility and feedstock of reserves for the world's largest markets. New technologies will also be addressed.

Further downstream, transmission and distribution infrastructure expansion and asset management will continue to be studied, with a strong emphasis on safety, environmental implications and development of new technologies.

The dramatic growth of LNG opens a whole new perspective on global supply, inducing to engage key issues related to its role in the reliable provision of natural gas. These comprise gas quality and standards, safety and reliability in liquefaction plants and terminals, new technologies (including off-shore and remote plants), contractual issues and new trading practices, among others.

Safety and the policy on zero-tolerance for accidents rank very highly on IGU's agenda, and will continue to be engaged throughout the entire gas chain.

At the utilisation level, IGU will continue to study and highlight key gas market developments at both segment and regional levels and will pursue the elaboration of representative efficiency indicators.

Finally, it should be noted that these studies will be conducted under a "sustainability umbrella" - which encompasses the whole chain, from gas field to burner tip -, considering environmental issues related to sustainability, such as emissions, energy efficiency and clean development mechanisms. IGU will also focus on compatibility and cooperation with the development of renewables.

3. *Regional Gas Market Integration, as a Key Driver for Sustainable Economic Growth*

During the 2003-2006 triennium, the Dutch Presidency rightly pointed to the role of the gas industry as a responsible corporate citizen.

Governments across the world, either on their own initiative, driven by public opinion, or by following a particular trend – as occurred with the drive towards liberalisation -, are changing the structure and rules of the energy and gas businesses, with diverse final outcomes.

Entire regions - with Europe as the main exponent - have realised the importance of harmonising these rules, although the process is proving to be far from simple.

Large natural gas projects often involve many countries and require appropriate investment and operational conditions. Solid public and private sector partnerships, guarantees and international contractual agreements are therefore of paramount importance to help solve major regional energy issues.

The clear trend towards greater import dependence and related exploration abroad, the remoteness of supply sources, transit and transmission agreements, and complex geopolitical, social and security issues, are strongly suggesting that IGU should take further steps to promote regional gas market integration . Recognising this as a driver to sustainable social and economic development, IGU will support a healthy investment and business climate, and high-quality dialogue between governmental and corporate players.

For this purpose, IGU's 2006-2009 TWP will also address how to favour regional energy and gas integration ventures, through balanced international treaties, regulation and financing mechanisms.

Cooperation with Other International Energy Organisations

IGU will continue to work closely with other international energy organisations such as the World Petroleum Council (WPC), the World Energy Council (WEC), the LNG Conferences (of which IGU is a major sponsor), the World Energy Forum on Regulation, the International Energy Agency (IEA) and several regional and environmental entities.

Following the inclusion of the new IGRC (recently renamed IGU Gas Research Conference), IGU plans to increase the perception of all players along the gas chain about the need for ongoing research, particularly in the areas related to the environment, rational and efficient use of natural gas, and safety. To this end, and aiming to increase its organisational efficiency, IGU will encourage a positive interaction with the working groups of the Coordination Committee (CC).

In a similar manner, the insertion of the new IGM (IGU Gas Marketing) will help develop favourable synergies with the CC, in issues related to the marketing of natural gas.

Conclusion

The world is undergoing a time of change, and neither the global energy scenario nor the gas industry have been an exception.

Although these changes can be exciting and loaded with possibilities, they can also be the cause of uncertainty and hesitation.

It is in this context in which IGU will act as a beacon, generating valuable tools for medium and long term decision-making. IGU must continue strengthening its role as spokesman for the world gas industry and increasing its contribution to the development of future energy markets, while reinforcing the synergies among its members, generating conditions for continuous improvement and competitiveness.

IGU has the resources, especially regarding the human potential distributed around the world, to increase the value of the gas industry for the international community. For this reason, **the 2006-2009 work programme will focus on Reviewing the Strategies for Natural Gas**, as a means to enhance the industry's significant contribution to economic growth, social development and sustainability.

The Global Energy Challenge: Reviewing the Strategies for Natural Gas

