



Gas infrastructure: renewed interest and long-term future security

Gastech leadership roundtable post event report

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The roundtable

The Gastech Leadership Roundtables formed an integral part of the Gastech 2022 thought leadership agenda. Several closed-door roundtables, on a range of topics, took place within the event's exclusive Gastech Energy Club.

The invitation only roundtables provided a forum for participants to influence and lead the future direction of energy production, supply and use, while building high-level industry connections, with deep networking opportunities.

The aim of the Leadership Roundtables was to create a series of high level, productive discussions with tangible takeaways and reports. Participants benefitted from making extensive, high level industry connections with unique networking and discussion opportunities.

The discussion were held under Chatham House rules, with key takeaways and topic reports produced by Knowledge Partner, Wood Mackenzie, and agreed with all stakeholders.

No comments are attributable to any one participant.

Knowledge partner



Gastech are pleased to announce Wood Mackenzie as the official knowledge partner for the Gastech Leadership Roundtables.

Wood Mackenzie is a global research and consultancy business, partnering with organisations and governments to inspire better decision making. For nearly 50 years, Wood Mackenzie has been providing quality data, analytics, and insights used to power the natural resources industry.





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Introduction

Tuesday 6 September, 2022 | 12.15 – 13.45

Executive Boardroom Gastech Energy Club

Europe's urgent gas and LNG infrastructure requirements have presented an enormous challenge to the industry. The need to move quickly has created structural challenges in Europe and knock-on effects across global gas and LNG markets.

In acknowledging the unique role that Europe has always played in the global LNG market to balance volumes globally as market tightness came and went, the lack of preparedness of some markets has had an outsized impact on others in Europe and further afield.

Prior to the Russia/Ukraine war, Europe's gas market fundamentals pointed to a clear requirement for more regasification capacity, particularly in Northwest Europe, as domestic production declined and coal was phased out. But gas infrastructure development in Europe had become increasingly complex against the backdrop of decarbonisation ambitions. Policy support wavered, undermining the security of supply requirements, particularly in storage and regasification terminals.

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The roundtable participants were:

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Roundtable Summary

This roundtable discussion set out to find solutions, which are summarised in eight bullets below:

1) Security of supply

The roundtable noted how countries are now scrambling to ensure the security of supply. Many of the regulatory hurdles developers faced previously have had to be revised in recent months. This, say the roundtable, has frustrated some of those countries that had planned more carefully to manage security of supply concerns ahead of the demise of Russian flows to Europe. The roundtable discussed at length the challenges of valuing assets against rapidly changing needs, use cases and the regulatory environment.

2) Role of infrastructures

In particular, the sudden changes largely brought about by geopolitical events have injected some uncertainty into infrastructure business models. The fear of infrastructure 'lock in' was a challenge acknowledged by those exposed to European markets, and the under-utilisation of strategically essential assets has become a distracting focus for many. The industry must reiterate the importance of having infrastructure available and prove its value even in times of low utilisation.

3) Role of FSRUs

The roundtable participants agreed that the redeployment of Floating Storage and Regasification Units (FSRUs) has met much of the immediate response to the LNG import bottleneck. They also noted that there was a requirement to leverage redundant pipeline infrastructure initially developed for Russian pipeline flows to Europe. However, there was clear agreement around the table that many of the short-term decisions being taken in Europe to secure FSRUs will, in many cases, need to extend well beyond initial plans. There was a real fear that these subsequent decisions and extensions could be made too late at too high a cost and create another crisis, bringing unintended consequences for infrastructure players in Europe and those much further afield.

4) Supply response

Attendees agreed that supply markets have adapted quickly to Europe's urgent need for LNG. The importance of US LNG projects being able to move rapidly was well understood and acknowledged by all. But in the U.S. itself, participants noted that there are infrastructure development challenges that projects are facing.

5) Legislation and standardisation

Participants broadly agreed that critical permitting processes need to be streamlined – with energy permitting legislation promised at significant political risk. Some felt this would be critical to bringing U.S. LNG to market on accelerated timelines. Finally, LNG developers and technology providers discussed the fact that bespoke solutions were on the way out as modular and more standardised approaches to liquefaction development come on line. These new techniques help facilitate speed to market and reduce cost.

6) Unlocking new demand

Focus turned to the implications for other markets looking to enter or grow positions in the LNG market. Participants said that FSRUs have always provided rapid access – with some fantastic examples of deployment speed when the need is urgent, such as in Argentina and Brazil. That said, there was agreement that FSRUs have also played a key role in supporting new market entrants, and these emerging importers will drive longer-term LNG growth. However, the roundtable also noted the extreme price environment and heightened competition for FSRUs were resulting in many markets being underserved as they struggle with affordability to provide access to LNG. In fact, some observed that many emerging economies were unable to pay spot LNG pricing levels and are disproportionately impacted by today's current market conditions. Much of the discussion focused on the industry's need for considered solutions as energy poverty and inequality grow.

7) Need for the market to rebalance

Longer-term, Europe is, of course, also trying to become less dependent on gas as it attempts to transition to a low-carbon economy. But the roundtable noted that emerging importers were desperately seeking clarity on when the European market will rebalance and just how much volume and infrastructure can be freed up to support emerging market growth needs. There was broad consensus that policy and regulatory decisions in Europe would be a determinant. However, in times of need, they observed that Europe has demonstrated a willingness to take short-term measures, regardless of the cost, to protect its consumers. Participants noted that this would be to the detriment of many other global markets, which policymakers and the industry are now acknowledging.

8) Greater collaboration

Finally, participants felt that regulators must work with the industry to provide clarity to attract global investment in gas infrastructure. The opportunities, they said, will depend on how natural gas demand evolves and whether hydrogen penetrates new sectors and can leverage natural gas infrastructure.

The content of this report is accurate as of the time of the roundtable which took place on Tuesday, 6th September 2022.



Conclusion

Despite the challenges, there was an unambiguous alignment that evermore value chain collaboration is required. The roundtable agreed that everyone involved, from governments to regulators to infrastructure providers to consumers and financiers, must co-operate to facilitate affordable and timely development of gas and hydrogen infrastructure. The roundtable concluded that this was particularly important given that the industry will be grappling with the energy trilemma of security, affordability, and sustainability for years to come.



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