International Association of Oil & Gas Producers

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Rebalancing Europe’s Gas Supply

Is Europe out of the woods yet?

Findings and policy recommendations - full report is available for download at www.iogpeurope.org

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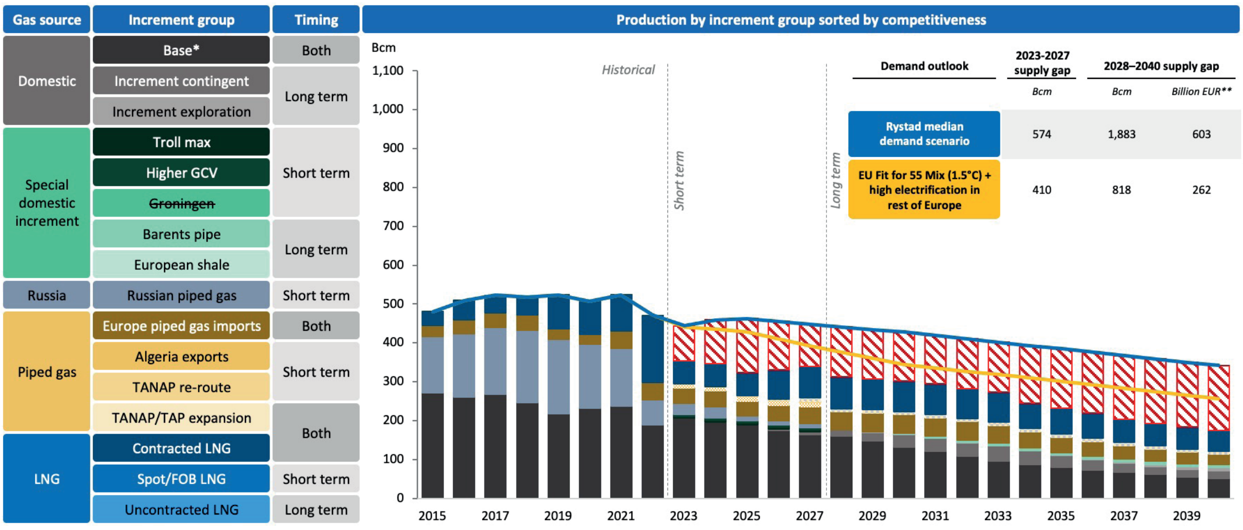
The resilience of Europe’s energy system will remain precarious until sufficient long-term supply is secured. Europe can help improve it by being realistic about its long-term natural gas needs on the way to climate neutrality.



Note: Contracted LNG volumes as of end of October 2023; *Base increment group includes storage. **Based on 10 USD/Mmbtu, 0.9 EUR/USD and 35.7 trillion btu per bcm
Source: Rystad Energy research and analysis, GasMarketCube, European Commission, UK BEIS

Main findings

2022-2023	2023-2027	2028-2040
Market functioning and gas industry’s actions mitigated the supply crisis but the situation remains precarious	**Europe’s gas supply will remain exposed to external factors and competition with Asia for limited volumes in the short term**	**Exposure to global LNG market volatility and reliance on Chinese reselling will persist unless reduced by securing sufficient long-term LNG supplies and developing Europe’s domestic resources**
• High prices enabled the European gas market to balance by attracting LNG cargoes from the global market and reducing demand. Europe’s LNG terminals are now key to balance supply and demand • Industrial demand reduction and destruction had severe economic impact • Asian buyers have been more active than European ones, concluding contracts securing twice as much future LNG supply.	• In case of higher demand in both Europe and Asia, global LNG supplies would be insufficient, leading to higher prices and corresponding economic impact. • The global LNG market will remain tight as Europe and Asia compete until at least 2027 • Europe must fully utilize its storage capacity in to compensate for the loss of short term flexibility options	• Unrealistic European demand scenarios as well as legislative barriers create uncertainty and undermine investors’ ability to secure long-term supplies • Numerous global LNG supply projects can materialize if underpinned by long-term contracts • Developing domestic supplies can reduce the need for imports, GHG emissions, and the energy import bill for Europe, while increasing the energy system’s resilience
Pipeline imports from **Russia** dropped from 150 Bcm in 2021 to 28 Bcm in 2023. Europe’s demand dropped **13%** in 2022 while it imported **+60%** (+56bcm) LNG.	Europe still needs to contract **600bcm** by 2027* Europe has only secured **33%** of the LNG supplies it will need until 2027.	Europe only contracted **32%** of the LNG it needs over 2028-2040* Europe still needs to contract **1,900 Bcm** of additional LNG supplies for the 2028-2040 period*

*Rystad median demand scenario