

Press Release: IGU 2022 Global Wholesale Gas Price Survey Report

Global Gas Market Continues to Become More Flexible and Responsive as the Share of Competitively Priced LNG Stayed on an Upward Trend in 2021. However, there was a slowdown in the growth trend of competitively priced gas, as a share of Total Gas Consumed – for the First time since 2017.

London, October 5, 2022

The International Gas Union (IGU) today releases its 2022 Wholesale Gas Price Survey Report. The survey is the [14th] to be undertaken in a series that began in 2005.

Report Key Findings

Strong growth in the share of Gas on Gas (GOG) pricing in the LNG market persisted in 2021, reaching 46% of total LNG imports, up by 2% year on year. The growing share of total GOG in LNG imports was a continuation of the trend that took off in 2017 (the total GOG share of LNG imports in 2016 was 25%.)

2021 saw more contracted LNG volumes tied to hub prices, especially Henry Hub. The volume of spot LNG cargoes was only marginally higher, but the share of spot LNG cargoes in total LNG imports declined, for the first time since 2016 (34% vs. 35%).

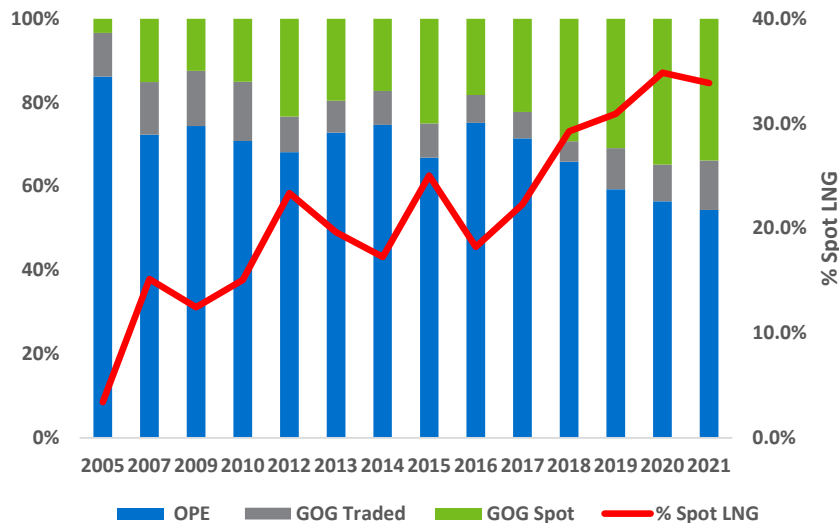
Gas on Gas (GOG) pricing share was marginally down by 0.3% - at 49% of total world gas consumption, a slowdown in a strong trend toward increasing GOG over the years. This is up by more than 50%, compared to 31.3% in 2005 when the IGU launched its first survey.

The Oil price escalation (OPE) linked pricing share was up by 0.5 percentage points to just over 19% of the total gas consumption, with the volume up by 64 bcm.

In 2021, wholesale prices rose sharply in some regions, from the record lows of 2020 to new record highs, and the trend of global market price convergence has stalled. The average world wholesale price levels went from their record low of \$3.22 per MMBTU in 2020, to \$5.54 in 2021, which was just below the highest level of \$5.58 recorded in 2013.

Amidst Energy Crisis, Global Gas Market's Increasing Flexibility Allowed to Redirect Supply Quickly

World Price Formation 2005 to 2021 – LNG Imports

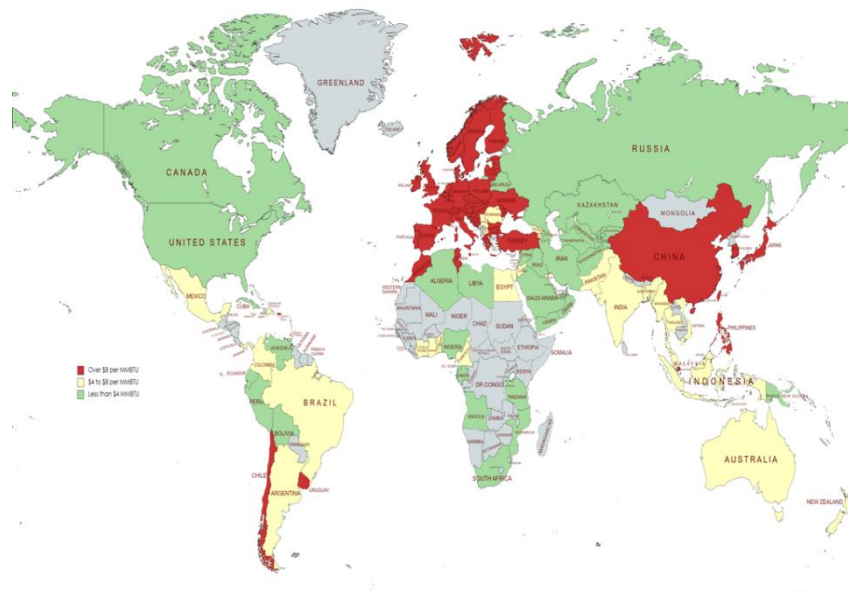


Unprecedented increases in spot prices and price volatility, from the lowest depths of Covid-19 in 2020 to record-breaking highs in 2022, have put the gas markets into uncharted territory. The close to half of the LNG supply using market-based pricing is what allowed the gas market to continue functioning and deliver gas to customers, despite colossal global shocks.

The rise of market-priced share of global LNG trade to just under 50% of total imports in 2022, allowed the global gas market to respond effectively to the significant change in LNG demand and changing LNG flows. Most recently with LNG being diverted to Europe to replace declining pipe imports from Russia.

Competitively set *gas on gas* market pricing is the very definition of flexibility, which is what is required in the currently turbulent market. Thanks to the large share of gas-on-gas priced volumes, the market was able to send effective price signals for the supply to go to where it was required most. In a situation of an extremely tight market, with no excess capacity and demand growth outpacing new supply additions, higher prices acted to move scarce supply in new directions.

Wholesale Price Map 2021



Madam Li Yalan, the

IGU President said:

This edition of the report comes out in a year when the gas markets have been experiencing unprecedented challenges and turbulence; and when gas consumers are struggling with abnormally high price levels. The findings of the report confirm that there is now a functioning global gas market, and despite the challenges

faced by everyone in managing the high-price environment, a well-functioning market is key to ensuring energy security. An efficient market has provided the necessary flexibility to reorganize global gas supply flows to where they were required most in a matter of just a few months. Unfortunately, the market remains supply-constrained, resulting in high prices. Ongoing efforts to add new sources of gas supply, together with prudent measures to enhance efficiency and conservation on the energy demand side are needed to help rebalance global energy markets and make energy access secure and affordable to all.

Milton Catelin, the IGU Secretary General noted:

The markets have been doing their job, and the current abnormally high prices reflect a market that is out of balance. The pressure on governments and decisionmakers to relieve high price burden on economies and citizens is understandably high in this difficult time. However, intervening in the markets through price controls, or windfall taxes on energy producers, will not solve the problem. This kind of tactic runs the risk to throw the gas market further off-balance and worsen energy insecurity, extending it into the future.

What the market needs is rebalancing of supply and demand, combined with some carefully targeted social relief measures for the most vulnerable groups, and well-planned energy efficiency and conservation measures.

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About the Report

The Annual IGU Wholesale Gas Price Survey report was launched in 2005. It is a unique global database on the evolution of gas markets, changes in gas price formation mechanisms, and wholesale gas prices. 2022 Edition includes data from 96 gas markets, covering 98% of total world natural gas consumption. It is produced by the IGU Strategy Committee and Michael Fulwood of the Oxford Institute of Energy Studies.

About the International Gas Union

The International Gas Union (IGU) was founded in 1931 and is a worldwide non-profit organisation representing more than 150 gas and related service industry members worldwide on all continents. The members of the IGU are national associations and corporations within the gas industry and related services worldwide, covering over 90% of the global gas market and working in every segment of the gas value chain, from the supply of natural and decarbonised gas, renewable gas and hydrogen, through their transmission and distribution, and all the way to the point of use. The IGU organises flagship international gas conferences, including World LNG Congress, the World Gas Conference (WGC), and International Gas Research Conference www.igu.org.