IAEE Energy Forum

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International Association for Energy Economics

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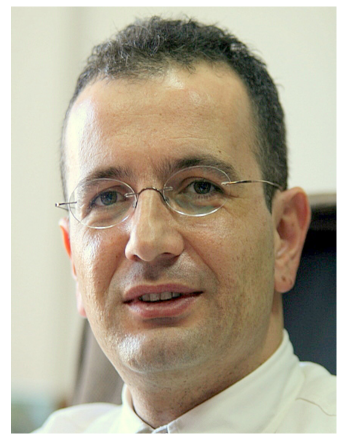
President's Message



It is time for our 39th International Conference to be held on June 19-22 at the Norwegian School of Economics in Bergen; such a great pleasure to be back in Norway after 22 years. A pre-conference summer school, three pre-conference workshops, seventy-one concurrent sessions, nine plenary sessions, two post-conference technical tours and rich social events guarantee that there will be a flavor for every taste at this conference entitled Energy: Expectations and Uncertainty.

Our next conference after Bergen will take place on August 28-31 at the Hilton hotel in Baku under the subject Energy Economics Emerging from the Caspian Region: Challenges and Opportunities. It is an exciting venture for us as we're starting a new regional conference series in Azerbaijan. With sixteen concurrent sessions, four plenary sessions, a post-conference workshop, technical tour and rich social events the 1st IAEE Eurasian Conference promises to be a success. It is planned as a typical regional conference, smaller boutique scale at very high quality with a speaker composition including top notch names from the Middle East to which the IAEE family has not been introduced before. Some examples are Dr. Mohammad Hossein Adeli, the Secretary General of the Gas Exporting Countries Forum based in Qatar; Dr. Davood Manzoor, the Secretary General of the World Energy Council Iran National Committee; Minister Dr. Nurkhanbek Momunaliev, the Head of the Government Administration of the Kyrgyz Republic. Of course, there are top speakers from Azerbaijan as well to whom the IAEE family has not been introduced, e.g., the VP of the State Oil Company of Azerbaijan, SOCAR, the Vice Chairman of the State Agency for Alternative and Renewable Energy and many others. As such this new regional conference provides a unique networking opportunity, adding to our stable of well-established conferences, and providing an outreach into an energy-rich region where IAEE is under-represented. It is our hope that this conference will trigger a new regional Affiliate in Central Asia.

Implications of North American Energy Self-Sufficiency is the subject to our 34th North American Conference to be held in Tulsa, OK on October 23-26. The shale revolution in the United States with its implied production turnaround has indeed shaken world energy markets. I would like to share my thoughts on this topic:

The first international shipment of LNG from the Lower 48 states, liquefied natural gas extracted from shale formations, left the export terminal in Louisiana on February 24 destined for Brazil. The first American shale gas shipment to Europe arrived in Portugal recently. In fact, Portugal and Iberia account for nearly half of all LNG imports to Europe and, in my opinion, emerge as an ideal location to become a gas hub in the southwest corner of Europe. However, pipeline links to the rest of Europe are underdeveloped and infrastructure investments are needed to supply the rest of Europe with American gas via Portugal and Iberia. These investments to establish

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missing cross-border links between the Iberian Peninsula and the rest of **the EU energy market** will contribute to building a single internal market where energy flows freely without any fragmentation. We will see American LNG exports grow rapidly with terminal capacities increasing over the next years. American shale gas presents a new source featuring diversification of supply for buyers and contributing to competition in the gas markets. As such, consumers benefit from cheaper gas prices while countries benefit from enhanced supply security.

Similar to the case of gas, the decline in oil prices has been a result of global oversupply resulting primarily from unconventional oil production in the U.S. coupled with weak global demand. Low prices have reduced profitability and investment in the sector, which has led to a decline in the number of rigs drilling for oil in the U.S. The drop-off in drilling has had little effect on U.S. crude production so far and U.S. stockpiles of crude oil still stand near the highest level in more than 80 years, but it is expected that the decline in production will continue. This may lead to a temporary increase in prices. Temporary because, as prices go up, investment in oil rig drilling and hence production will increase again leading to a downward pressure on prices. Also, there are good prospects for increased supply outside the U.S. Canadian oil sands production will return. After the lifting of sanctions, if the agreement terms are not violated, Iranian oil production shall return to world markets as well. Moreover, there are significant shale reserves worldwide, e.g., China and Argentina possessing reserves comparable to the U.S. All these facts keep expectations of an oil price rise limited, and major oil producing countries like Saudi Arabia feel the need to adapt to an era of lower oil prices.

Gurkan Kumbaroglu

IAEE Mission Statement

The International Association for Energy Economics is an independent, non-profit, global membership organisation for business, government, academic and other professionals concerned with energy and related issues in the international community. We advance the knowledge, understanding and application of economics across all aspects of energy and foster communication amongst energy concerned professionals.

We facilitate:

- Worldwide information flow and exchange of ideas on energy issues
- High quality research
- Development and education of students and energy professionals

We accomplish this through:

- Providing leading edge publications and electronic media
- Organizing international and regional conferences
- Building networks of energy concerned professionals

Editor's Notes

LNG is a popular subject. Member response to our call for articles has been very gratifying...enough so that we're making two issues on the subject. So if you have submitted an article, it's been accepted and you don't see it here, look for it in the fourth quarter issue. Though there is some duplication among these LNG articles, we present them all as each has a unique thought within it. Interspersed among the LNG articles in this issue are a number of other articles which we're sure will be of interest.

Steven Nadel notes that in the past year, a number of papers from economists have questioned the effectiveness of energy efficiency programs and policies. Too often they miss the mark because they miss some key issues in the programs they are evaluating or they seek to overgeneralize their findings. He suggests how economists and energy efficiency practitioners can better avoid these past problems, better understand each other, and better work together.

Mark Finley and Arminé Thompson provide an overview of the 2016 BP EconomicEnergy Outlook. The Outlook considers what current conditions may tell us about the future of global energy markets over the next 20 years. The Outlook includes a clear base case, a review of past revisions to the Outlook and a series of alternative cases exploring key uncertainties.

Yukari Niwa Yamashita reviews Japan's Institute of Energy Economics 2015 Outlook, noting that there are three important messages contained therein. The most significant one is probably that related to the magnitude of the energy situation in Asia. The second interesting observation relates to the possibility of long-lasting low energy prices. Finally, is a discussion of the issues related to climate change and the proposal of a pragmatic approach on ths.

Ronald Ripple notes that the United States has the capacity to meet domestic natural gas demand and sufficient additional volumes to support a significant export industry. However, the opportunities also come with significant market-based challenges that may well constrain the rate of export expansion and the ultimate size of the export industry.

Gürcan Gülen suggests that North American natural gas prices will likely increase while global LNG prices will be under strong downward pressure until the early 2020s even if oil prices recovers sooner. The U.S. could well find itself serving as host for surplus LNG.

Fabian Stähr and Reinhard Madlener use the Global Gas Model (GMM) and various scenarios, to investigate the gas supply situation in Eastern Europe (Poland, Baltic States, Ukraine) and in particular the impacts of a geopolitically motivated subsidizing of U.S. LNG exports to that region on trade patterns and gas supply diversification.

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