



**Press Release**  
**May 7, 2008**

## ***2007 Natural Gas Year in Review***

In an economic environment characterised by a strong volatility of financial markets, a record high annual average oil price level at 72.5 \$/bbl, (65.1 \$/bbl on average in 2006), and a global 4.9% GDP growth driven by emerging markets and developing countries, natural gas developments showed wide disparities among markets in 2007. As a milder than average winter pushed down natural gas consumption in a large part of the northern Hemisphere, southern developing areas continued to display dynamic gas expansion. In addition, natural gas consumption reached unusual significant growth rates in the OECD countries of the United States and Japan, boosting imports in these two major consuming countries. These regional developments combined resulted in a significant growth in world natural gas supply to 2,951 billion cubic meters (bcm) in 2007, up 2.5% from 2006.

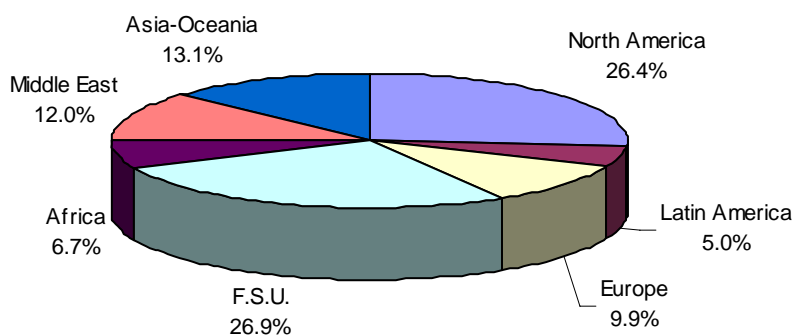


Figure 1: Marketed gas production in 2007 – Breakdown by geographic areas

- ❖ In North America, marketed production was boosted by a 3.2% growth in the volume produced in the United States, where a 4.3% increase in onshore production (Barnett Shale and Rocky Mountain areas) eclipsed the 4.5% decline in offshore production of the Federal Gulf of Mexico. In Canada, productivity and drilling has been decreasing in the mature Western Canada Sedimentary Basin (WCSB), where most of Canada's resources lie.

- ❖ In the Former Soviet Union, soaring output in Azerbaijan (+47.1% in 2007), Kazakhstan (+8.8%) and Turkmenistan (+9.0%) largely offset a slight decrease in Russian gas production, resulting in a 1.3% growth in regional production. Gazprom's production increased slightly and accounted for 84% of the total, while Independents and oil companies saw their production drop by 2.7% in 2007.
- ❖ Marketed natural gas production in Europe (EU-27, Norway, Central Europe, Switzerland and Turkey) recorded a significant decline of 3.8% to 293.5 bcm in 2007, as mild weather curbed demand. Decreases in gas production were recorded in almost all European countries, with the exception of Norway, which raised net output by approximately 2 bcm in 2007. The largest absolute decline in production was recorded in the United Kingdom, where marketed production continued its structural decline and dropped abruptly by 9.4% to 72.3 bcm in 2007.
- ❖ Production activities in the rest of the world showed dynamic growth in order to meet both exports and local demand. The fastest absolute growth was recorded in the Middle East, where Qatar accounted for more than half of the increase, followed by Asia (+4.7%) and Africa (+5.4%). In Latin America, production decline in Argentina was compensated by rising production in Bolivia, Columbia, Trinidad & Tobago and Peru.

Table 1 Marketed production of natural gas in 2007 - (Bcm)

	2006 (revised)	2007 (estimated)	Change %
<b>NORTH AMERICA</b>	<b>753.2</b>	<b>779.1</b>	<b>3.4</b>
<b>LATIN AMERICA</b>	<b>143.0</b>	<b>147.4</b>	<b>3.1</b>
<b>EUROPE</b>	<b>290.7</b>	<b>279.8</b>	<b>-3.7</b>
<b>CENTRAL EUROPE</b>	<b>14.4</b>	<b>13.7</b>	<b>-4.9</b>
<b>FSU</b>	<b>784.3</b>	<b>794.1</b>	<b>1.3</b>
<b>AFRICA</b>	<b>186.5</b>	<b>196.6</b>	<b>5.4</b>
<b>MIDDLE EAST</b>	<b>338.4</b>	<b>355.4</b>	<b>5.0</b>
<b>ASIA/OCEANIA</b>	<b>367.7</b>	<b>385.2</b>	<b>4.7</b>
<b>WORLD TOTAL</b>	<b>2,872.2</b>	<b>2,951.3</b>	<b>2.5</b>

Source: CEDIGAZ

## LNG continues to drive international trade again

International gas trade increased by 2% to 905 bcm in 2007, accounting for 30.7% of world marketed production. The market shares of the three main regional consuming areas in total international imports changed as follows: 49% to 47% for Europe, 17 to 18% for Asia and 16 to 17% for North America. LNG share in global gas flows increased from 23.7% to 25%.

International natural gas trade by pipeline grew a modest 0.4% to 679 bcm in 2007. Larger intra-regional trade in North America, Asia and the Middle East offset the drop in Russian and Algerian exports to the European continent and pipeline flows in Latin America due to Argentina's exports cuts.

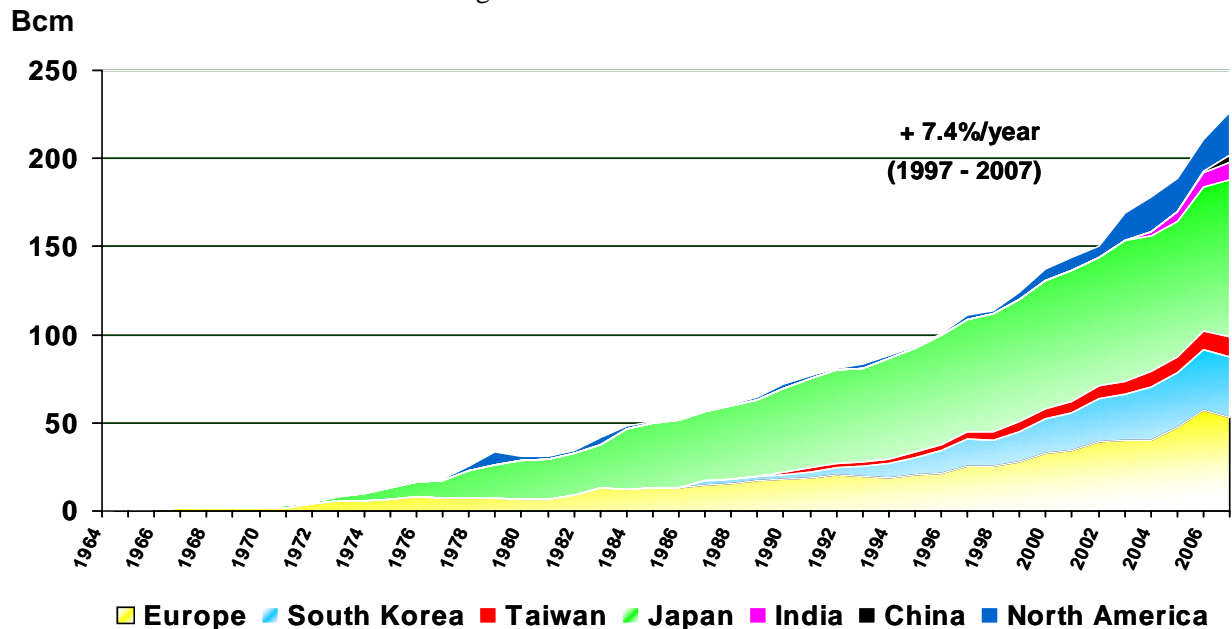
Therefore, LNG trade accounted for the bulk of the growing global trade. LNG supplies represented 7.7% of worldwide gas supply in 2007, compared to 7.3% on the previous year.

### ❖ Trade by LNG tanker

In 2007, LNG pursued its sustained and buoyant expansion worldwide, with global LNG trade rising by 7.3% to 226.4 bcm. The year 2007 was marked by the start-up of two new liquefaction plants in Norway (Snøhvit) and Equatorial Guinea, opening new LNG routes. However, due to technical problems and shut down periods, these plants could only produce limited quantities of LNG last year.

LNG imports resumed in *North America* and soared 36% to 25.1 bcm in 2007, after declines in the past two years, making the region the fastest growing LNG market. Asian LNG demand also increased strongly and soared 9.5% to 148 bcm, driven by a substantial growth in both its traditional (Japan) and fast-growing emerging markets (India, China). Reversely, *European LNG imports* decreased by 7.1% to 53 bcm in 2007, reversing the trends of the two previous years when Europe recorded the fastest growth rates in LNG demand.

Figure 2 - Evolution of world LNG trade



Source: CEDIGAZ

#### ❖ Trade by pipelines

*In North America*, surging US consumption bolstered import needs via both LNG and pipelines. Pipeline imports from Canada thus increased from 99.8 bcm in 2006 to 107.3 bcm in 2007, accounting for 16.5% of US gas supply, up 0.4% over the previous year. US reliance on imports increased from 15.4% to 16.7%.

In 2007, total gas supplies in *Europe* amounted to 550 Bcm, including the region's own production which accounted for 53%.

*Gazprom's gas deliveries to Europe* (Central Europe and Turkey included) dropped 4.6% to 145 bcm in 2007. This decline in Russian imports can be explained by decreasing consumption in European countries, and a tendency from operators to increase purchases on the spot market due to lower prices to the detriment of long term contracted imports.

*Algerian gas exports to Europe* dropped 6% to 33.4 bcm in 2007. Algerian gas deliveries to Spain and Portugal remained rather unchanged year on year, while exports to Italy via the Enrico Mattei pipeline dropped from 24.5 bcm to 22.1 bcm.

On the intra-European supply side, Dutch gas exports increased slightly by 1.9% to 49.5 bcm in 2007. The Balgzand-Bacton Line (BBL) pipeline completed the first full year of operation. Germany's exports remained almost unchanged at more than 14.5 bcm, while British gas sales to Continental Europe via the Interconnector UK increased modestly by 2.0% to 10.4 bcm.

Therefore, total European net imports declined by 2.3% in 2007, despite a slight 2 bcm growth in *Norwegian gas deliveries* and larger deliveries from Libya to Italy via the Greenstream pipeline.

## Contrasted market developments among regions

In the United States, a stable and favourable supply resulted in decreasing end-user prices in all consuming sectors except power generation, boosting domestic consumption. According to Energy Information Administration, US gas consumption (including stock variations) increased strongly by 6.2% to 651 bcm in 2007.

This expansion was recorded in every sector and especially the residential/commercial outlet during the heating season months, under the combined effects of lower prices due to abundant domestic and imported and colder than normal temperatures. In addition, the 9.9% growth in gas use in power-generation partly resulted from higher than normal temperatures in summer months, particularly in August. The gas expansion in the power generation sector was the consequence of both the construction of new natural gas-fired power plants and increased gas use in dual-fired power plants (fuel switching).

In 2007, European gas consumption dropped for the second consecutive year. The main reasons explaining this downturn across Europe are a very mild weather at the beginning of 2007, as well as high energy prices and increased energy savings in some countries.

In the EU-27, the substantial decline in apparent domestic consumption was recorded in almost every major consuming countries, with the exception of the United Kingdom. Some smaller countries also posted a significant expansion on their domestic market, such as Greece (+24%), Ireland (+19%), Portugal (+13%) and, to a lesser degree, Bulgaria (+2%).

According to Eurogas' first estimates, total actual consumption in the EU27 (including stock variations) decreased by 1.5% to 505 bcm.

**Table 7 - World natural gas balance\* in 2007 - (Bcm)**

	Marketed Production	Exports	Imports	Consumption
NORTH AMERICA	779.1	132.0	156.0	803.0
LATIN AMERICA	147.4	32.6	14.4	129.2
EUROPE*	279.8	171.3	416.0	524.7
CENTRAL EUROPE	13.7	-	11.3	25.0
FORMER SOVIET UNION	794.1	280.5	120.3	633.8
AFRICA	196.6	109.1	2.7	90.2
MIDDLE-EAST	355.4	75.8	19.9	299.5
ASIA/OCEANIA	385.2	103.6	164.3	445.9
<b>WORLD TOTAL</b>	<b>2,951.3</b>	<b>904.9</b>	<b>904.9</b>	<b>2,951.3</b>

\*Intra-FSU trade is included

Apparent consumption = marketed production + Imports – Exports

Figures differ from actual consumption which takes stock changes into account.

Source: CEDIGAZ

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