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Gas Market Dynamics and Drivers Post-Covid: New Trend of Gas Decarbonisation (as new normal) and Related Producers' Efforts

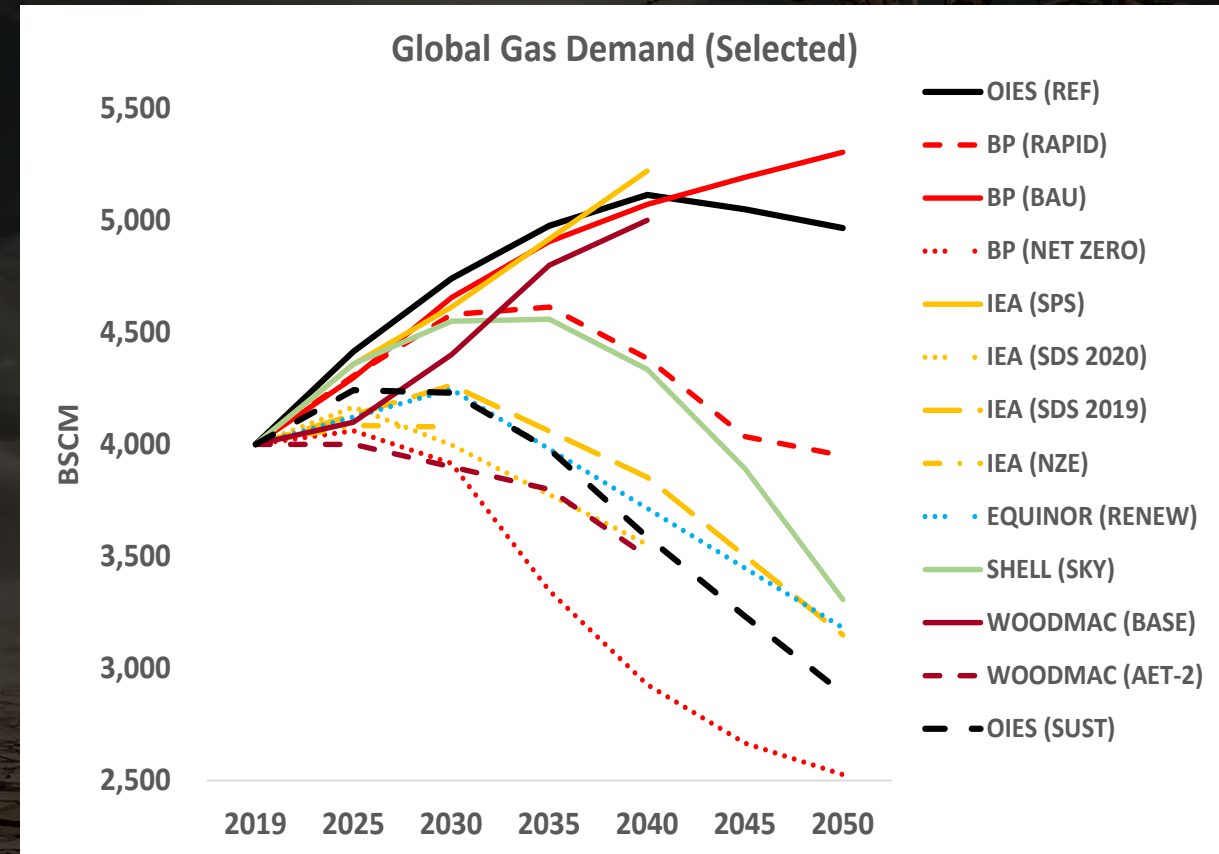
Implications of the COVID-19 for the gas markets: we see changes, but we cannot assess their depth

- Demand
 - Inter-fuel competition
 - The role of gas in energy transition, decarbonization of the gas industry
 - Centralized vs distributed
 - Supply (ability to invest, new FIDs)
 - Investors attitude
 - Companies ability to invest
 - Changes in the supply chains
 - Prices
 - The next price cycle
- Stakeholders and institutional framework (regulation and market design)
 - The role of the states
 - Industrial consolidation
 - The role of IOCs and NOCs
 - Global governance and international trade, the role of energy security
 - Contracts
 - LTCs
 - Pricing

Making FIDs in the situation of...


- Shorter-term, smaller-size investments or state back-up (competition between state financing and different forms of hidden subsidies)
- Lower-cost producers (both in terms of low lifting costs and low cost of capital) are leading the process
- Decarbonization is becoming the key factor

...enormous demand uncertainty




Source: OIES


Decarbonization of operations is the must



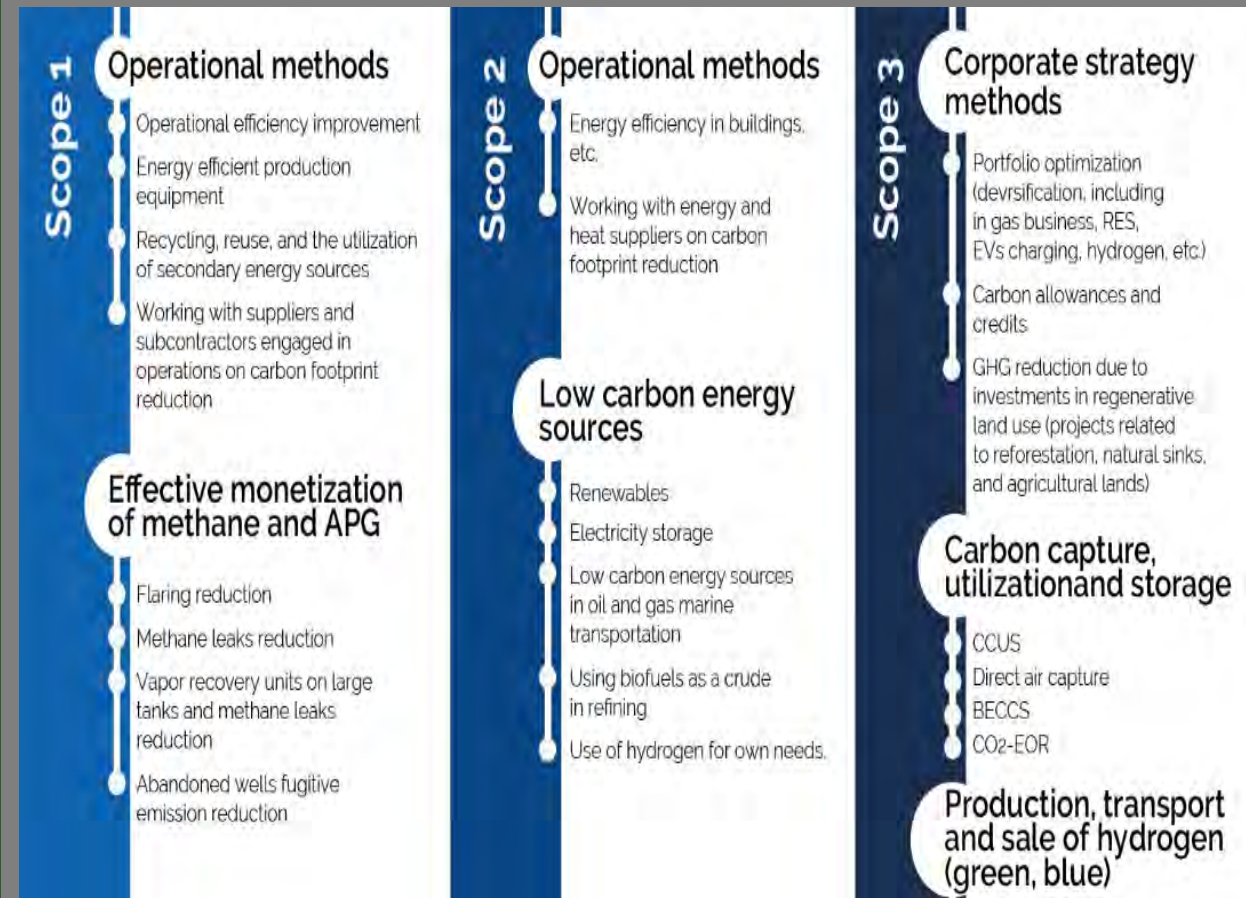
Carbon footprint is becoming a new important competitive characteristic of natural gas



Despite some expectations, lower carbon footprint does not provide producers for additional margins. It is rather their “license to operate”.



So, in addition to upstream and midstream costs producers will have increasingly to invest in GHG emission reduction **without any immediate remuneration** - just to protect their market niche.



- Producers will have to focus more on decarbonized gases (like hydrogen, ammonia, etc.) which are not yet commoditized and which are still extremely costly. But this is the future which no one wants to miss.
- With quite uncertain post-COVID economic and demand outlook, these factors put additional pressure on gas producers, increase their risks and in some cases might force them to postpone FIDs in the new projects.