"The Role of Cyprus in the New Mediterranean Energy Corridor"

Organized by IENE and Financial Media Way (FMW)

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Opening Remarks by Costis Stambolis, A.A. Dip. Grad., MIE,
Executive Director
Institute of Energy for S.E. Europe (IENE), Athens

INSTITUTE OF ENERGY
FOR SOUTH EAST EUROPE

Oil and Gas Matters

(a) High oil prices over last two years, i.e. above $100 per barrel, and high diversity of gas prices between different geographical areas, characterize international energy markets

(b) Gas continues to take slice of oil markets worldwide with LNG trade developing much faster than piped gas

(c) Gas is facing increased competition from cheap coal exports directed to Europe and China

Oil and Gas Matters

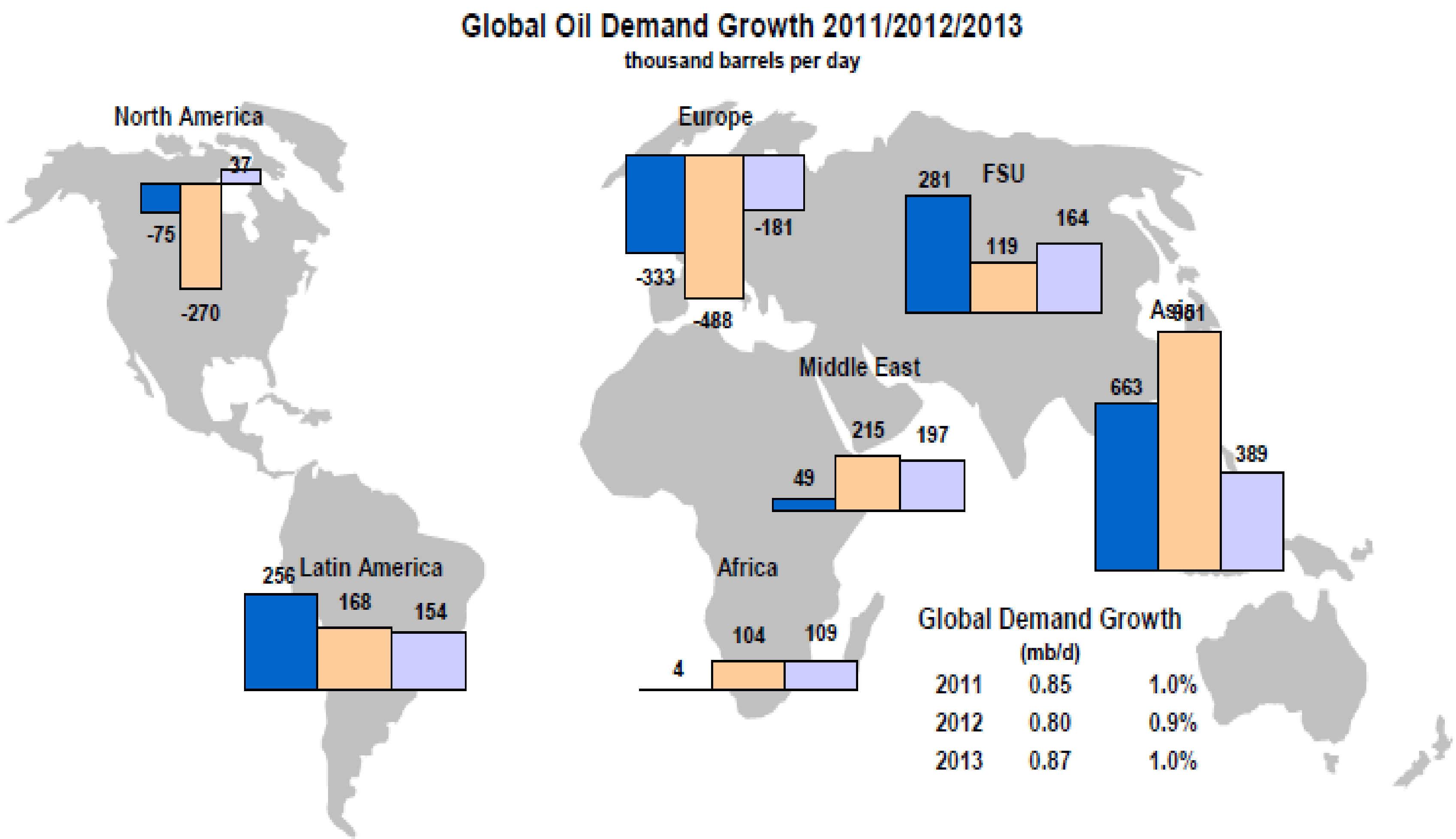
(d) Strong global oil demand in conjunction with increased geopolitical risk in MENA countries continue to drive prices upwards

(e) There is a strong tendency for the decoupling of gas prices from oil indexation with USA gas prices already following an independent trajectory

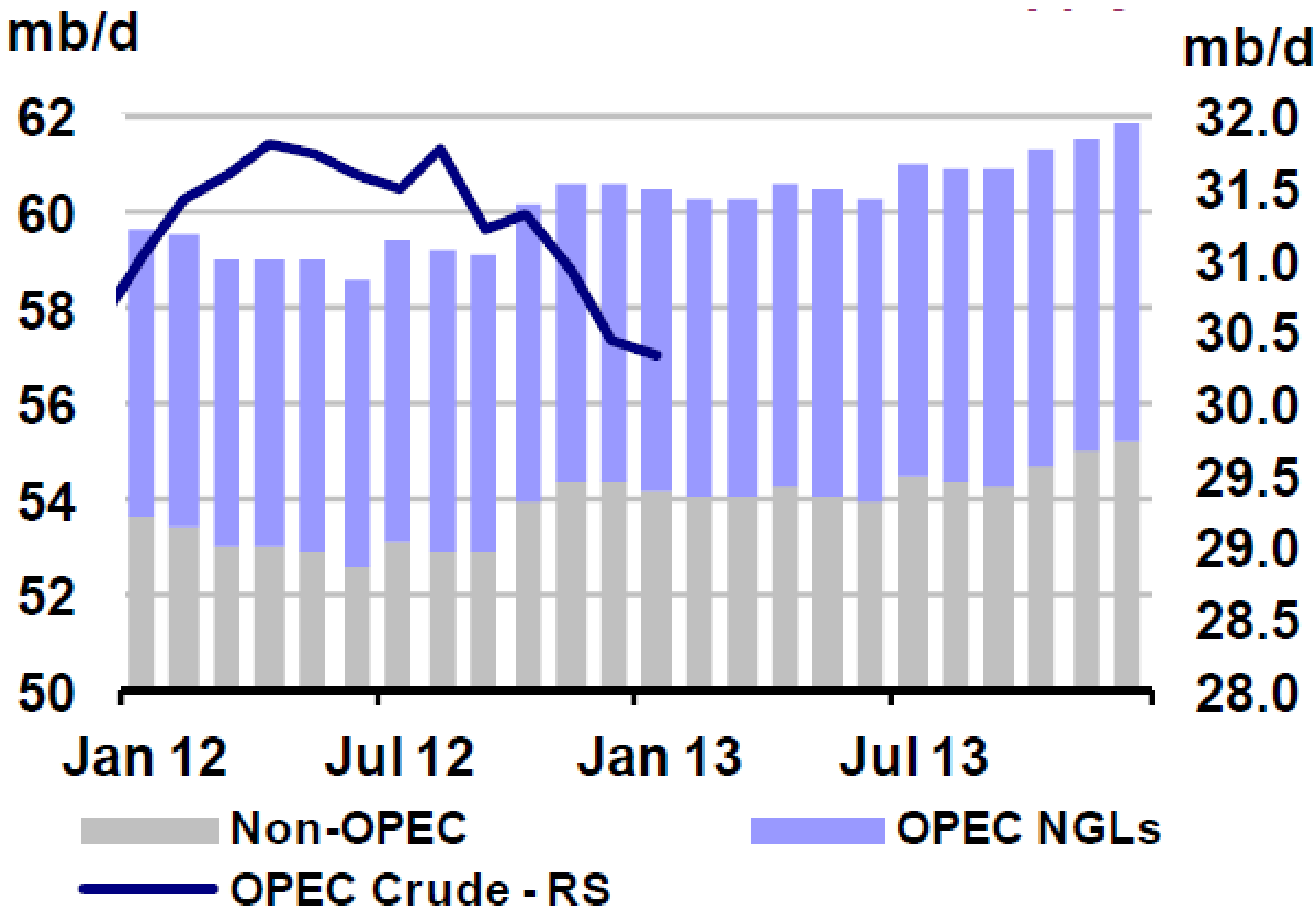
Brent Crude Oil Spot Prices (2010 – 2011 – 2012)

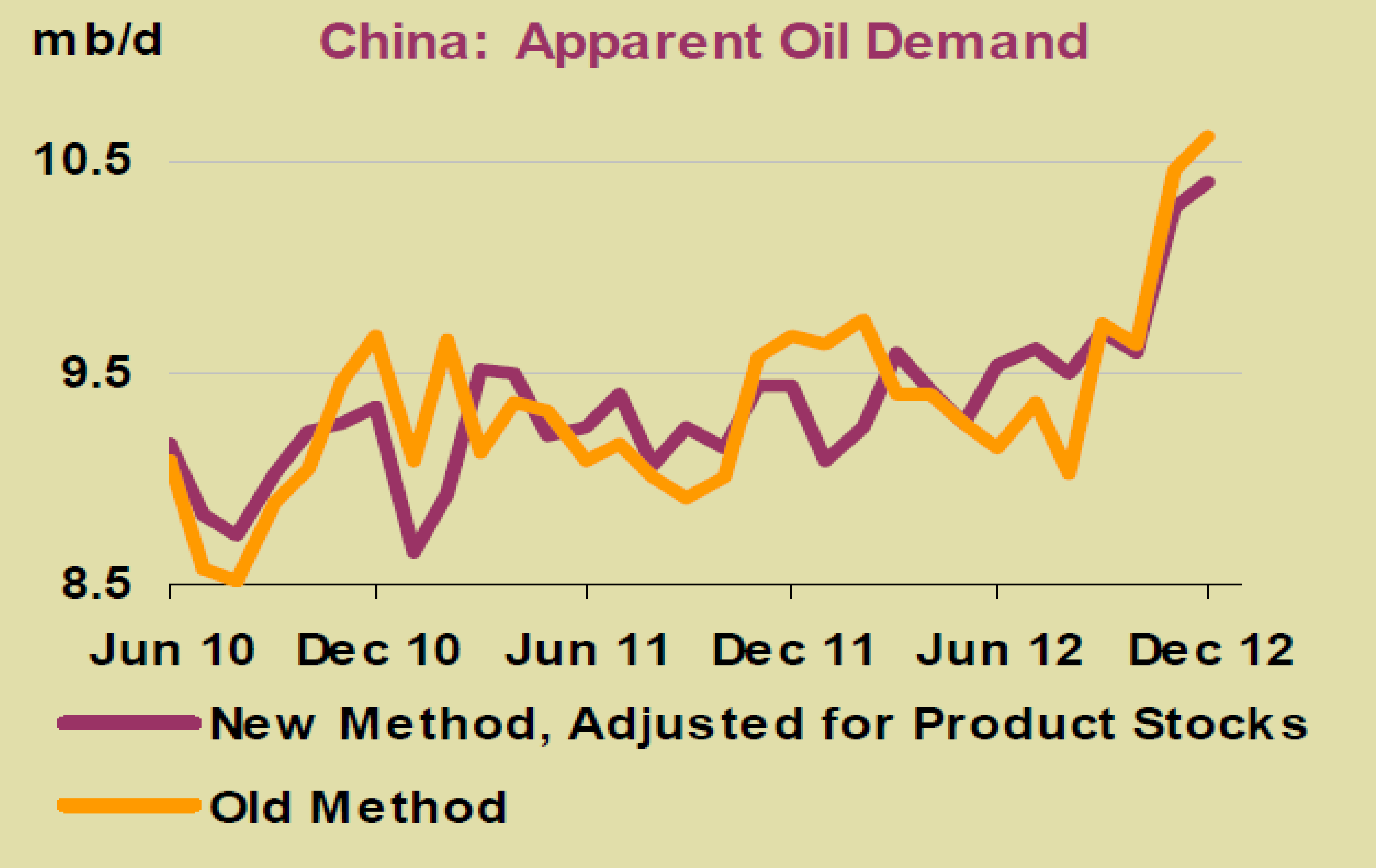
Global Oil Demand (2009 – 2013)
(million barrels per day)

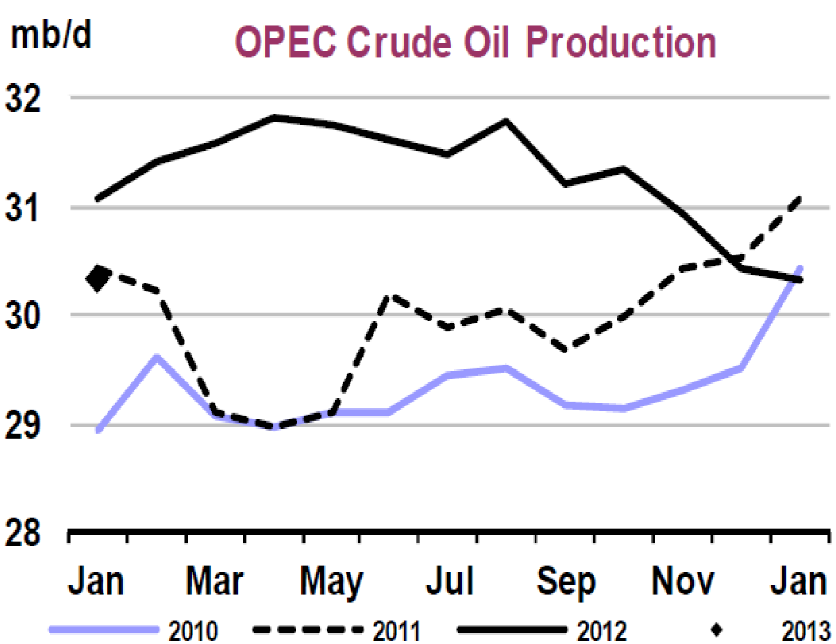
	2009	2010	2011	2012	2013
Africa	3.3	3.4	3.3	3.4	3.5
Americas	29.5	30.1	30.3	30.3	30.4
Asia/ Pacific	27.5	27.3	28.4	29.5	29.9
Europe	15.0	15.3	15.0	14.5	14.2
FSU	4.4	4.5	4.4	4.6	4.7
Middle East	7.4	7.8	7.4	7.6	7.8
World	**86.8**	**88.3**	**88.8**	**89.8**	**90.7**
Annual Chg (%)	2.6	3.2	0.9	1.1	0.9
Annual Chg (mb/d)	2.2	2.7	0.8	1.0	0.8
Changes from last OMR (mb/d)	0.01	0.01	-0.04	0.00	-0.09


Global Oil Demand Growth 2011/2012/2013
thousand barrels per day
North America
37
-75
-270
Europe
-333
-488
-181
FSU
281
119
164
Asia
663
389
Middle East
49
215
197
Latin America
256
168
154
Africa
4
104
109
Global Demand Growth
(mb/d)
2011 0.85 1.0%
2012 0.80 0.9%
2013 0.87 1.0%

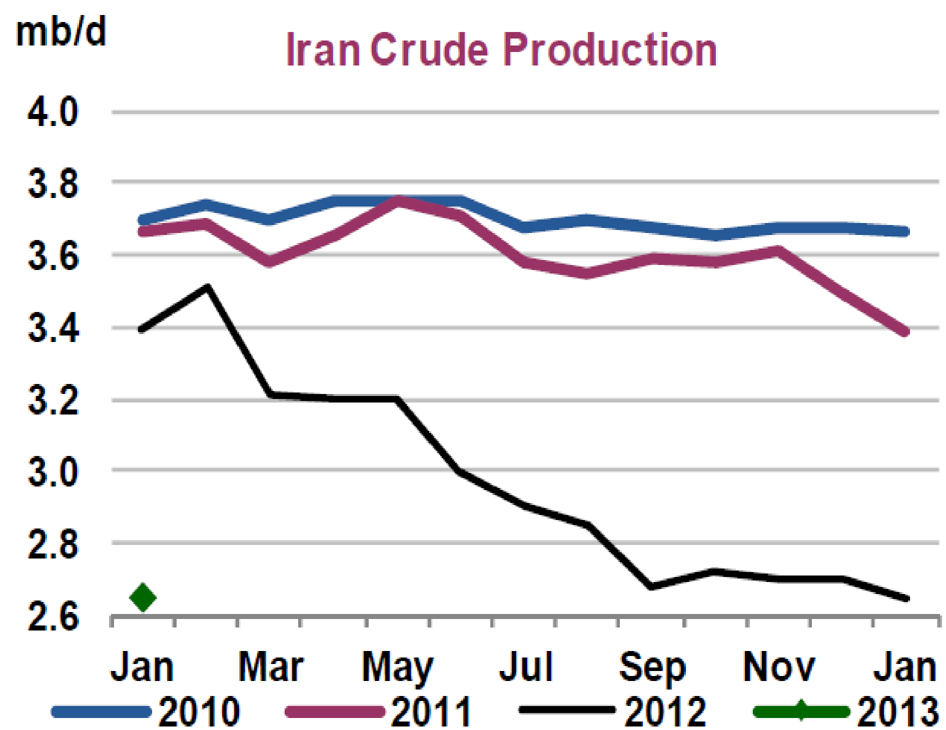
OPEC and Non-OPEC Oil Supply

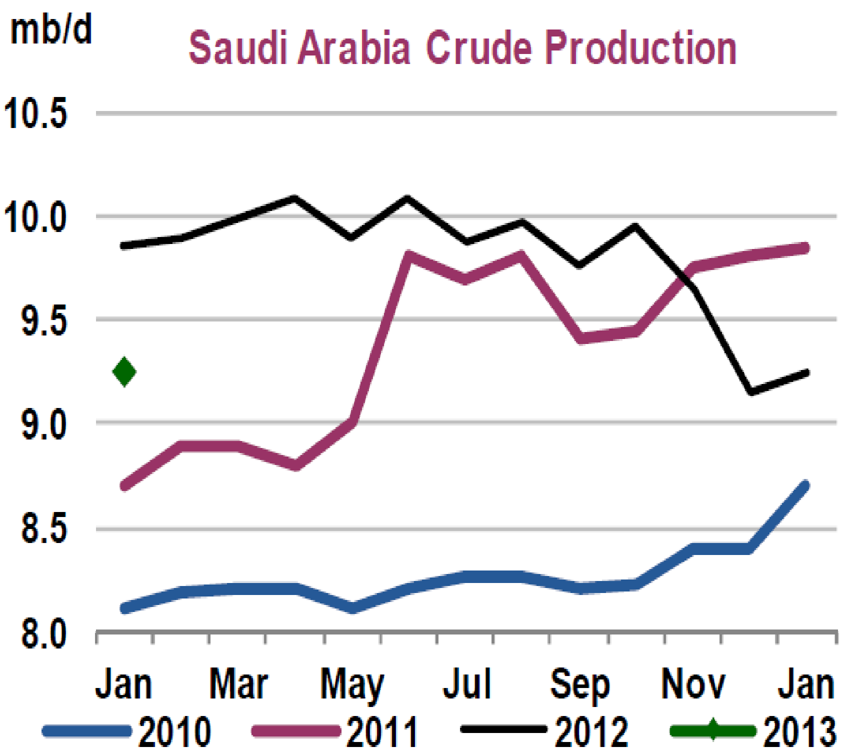



mb/d
China: Apparent Oil Demand
10.5
9.5
8.5
Jun 10
Dec 10
Jun 11
Dec 11
Jun 12
Dec 12
New Method, Adjusted for Product Stocks
Old Method

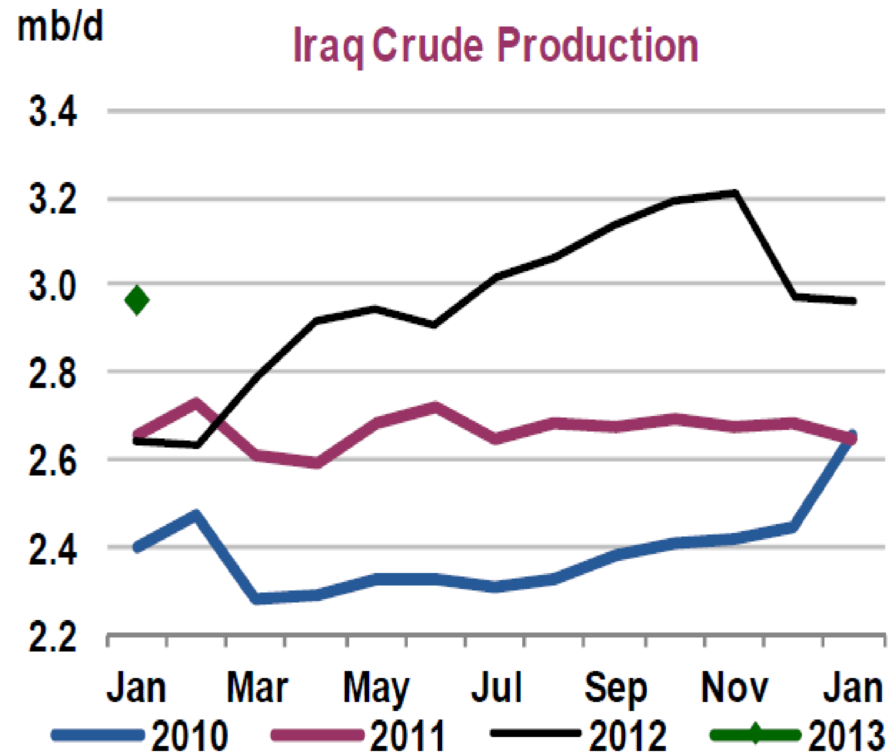


Entire series based on OPEC Composition as of January 2009 onwards (including Angola & Ecuador & excluding Indonesia)





mb/d
Saudi Arabia Crude Production
10.5
10.0
9.5
9.0
8.5
8.0
Jan
Mar
May
Jul
Sep
Nov
Jan
2010
2011
2012
2013



mb/d
Iraq Crude Production
3.4
3.2
3.0
2.8
2.6
2.4
2.2
Jan
Mar
May
Jul
Sep
Nov
Jan
2010
2011
2012
2013

World Gas Demand Reaches New Highs

- Global gas demand is projected to grow relatively fast over 2011 – 2017, at 2.7% per year
- Gas demand in 2017 is 3.937 bcm, 576 bcm higher than 2011 levels
- Non – OECD countries will represent 69% of the incremental growth
- The fastest growing country is by far China, where natural gas consumption doubles over 2011 – 2017

Global Gas Demand by OECD Country, 2011 and 2010 (bcm)

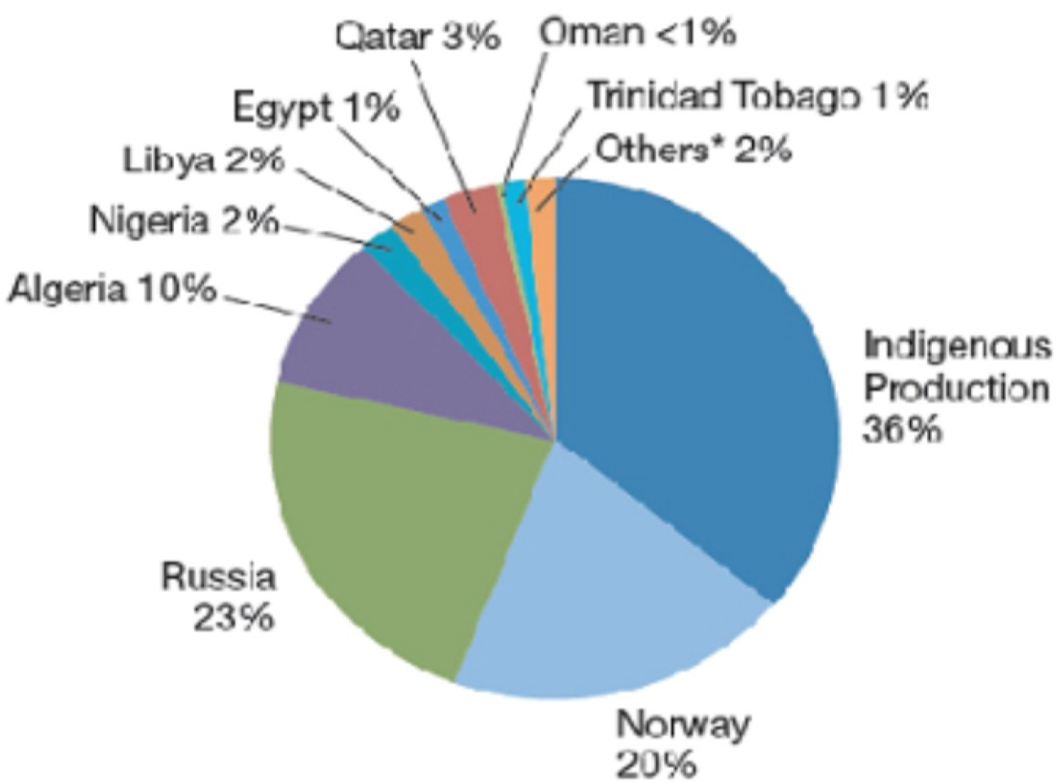
	2010	2011*		2010	2011*
Europe	570.4	519.5	*Slovakia*	6.1	6.2
Austria	9.5	9.0	*Slovenia*	1.1	0.9
Belgium	19.8	16.9	*Spain*	35.8	33.6
Czech Republic	9.3	8.9	*Sweden*	1.5	1.2
Denmark	5.0	4.2	*Switzerland*	3.7	3.2
Estonia	0.7	0.6	*Turkey*	38.1	44.7
Finland	4.7	4.0	*United Kingdom*	98.9	82.7
France	49.1	42.1	Asia Oceania	195.4	211.9
*Germany***	97.9	85.3	*Australia*	33.4	34.8
Greece	3.9	4.8	*Israel****	5.3	5.0
Hungary	12.1	11.3	*Japan*	109.0	121.3
Iceland	0.0	0.0	*Korea*	43.2	46.4
Ireland	5.5	4.9	*New Zealand*	4.5	4.2
Italy	83.1	77.9	Americas	839.9	861.6
Luxembourg	1.4	1.2	*Canada*	96.8	104.0
Netherlands	54.8	47.9	*Chile*	5.3	6.2
Norway	6.1	5.8	*Mexico*	64.7	61.4
Poland	17.2	17.2	*United States*	673.1	690.0
Portugal	5.1	5.2	OECD	1605.7	1593.0

* 2011 data are estimates as of April 2012.

** Due to revisions by the German government, Germany's data for 2010 and 2011 are estimated based on historical data.

*** The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

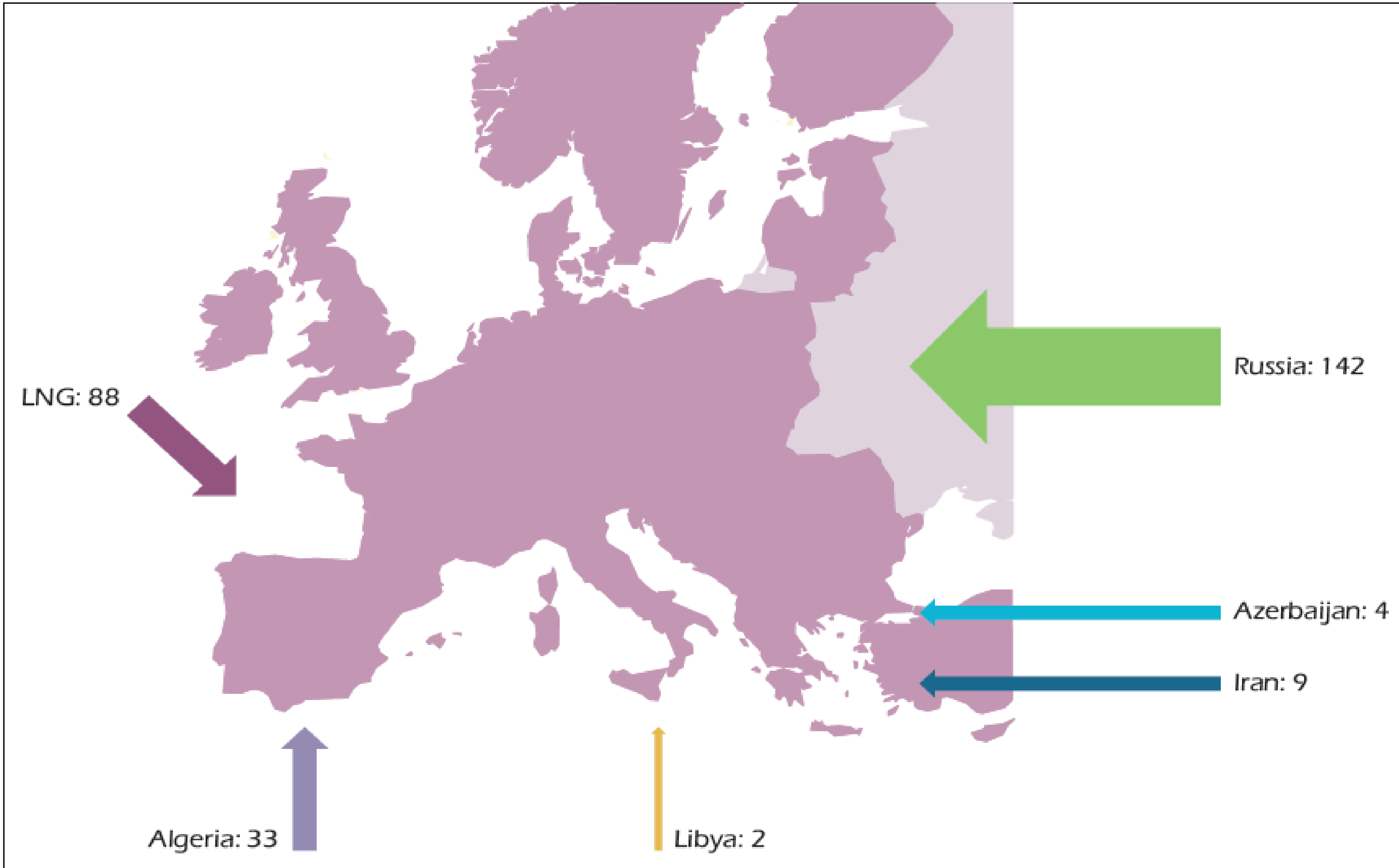
EU-27 Gas Supply (2010)



*Including supplies from sources which can not be identified.

Source: Eurogas, BP

Gas Trade in Europe, 2011 (bcm)



Regional production, 2010 and 2011* (bcm)

	2010	2011*	Growth rate (%)
OECD**	1 178	1 197	1.6
Americas	816	863	5.7
Europe	301	273	-9.3
Asia Oceania	61	61	0.3
Non OECD***	2 103	2 178	3.6
Africa	209	204	-2.4
Asia	432	431	-0.1
FSU/Non-OECD Europe	826	863	4.5
Latin America	161	164	1.8
Middle East	475	516	8.7
World	3 281	3 375	2.9

* 2011 data are estimates.

** 2010 data for OECD countries are based on revisions provided by OECD countries early 2012.

*** 2010 data for non-OECD countries are based on IEA *Natural Gas Information 2011*, with the exception of Iraq which has been revised.

The Rise of LNG

The global LNG industry is facing numerous challenges as LNG is rapidly growing and evolving representing a huge competitive arena for all major players.

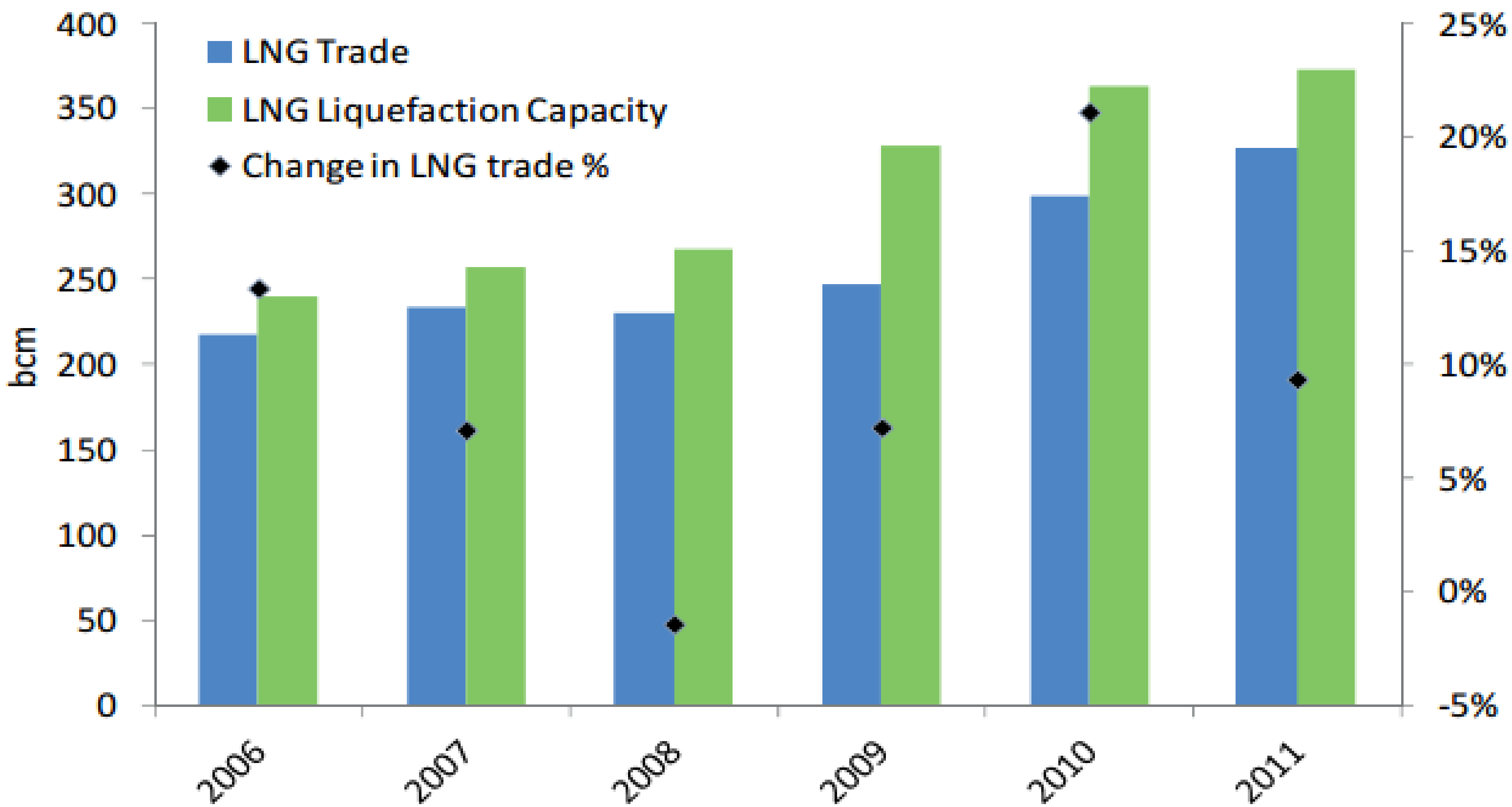
The top 5 challenges affecting the sector are considered to be:

1. Capital investments in the infrastructure required for the production, transportation and re-gasification of LNG

The Rise of LNG

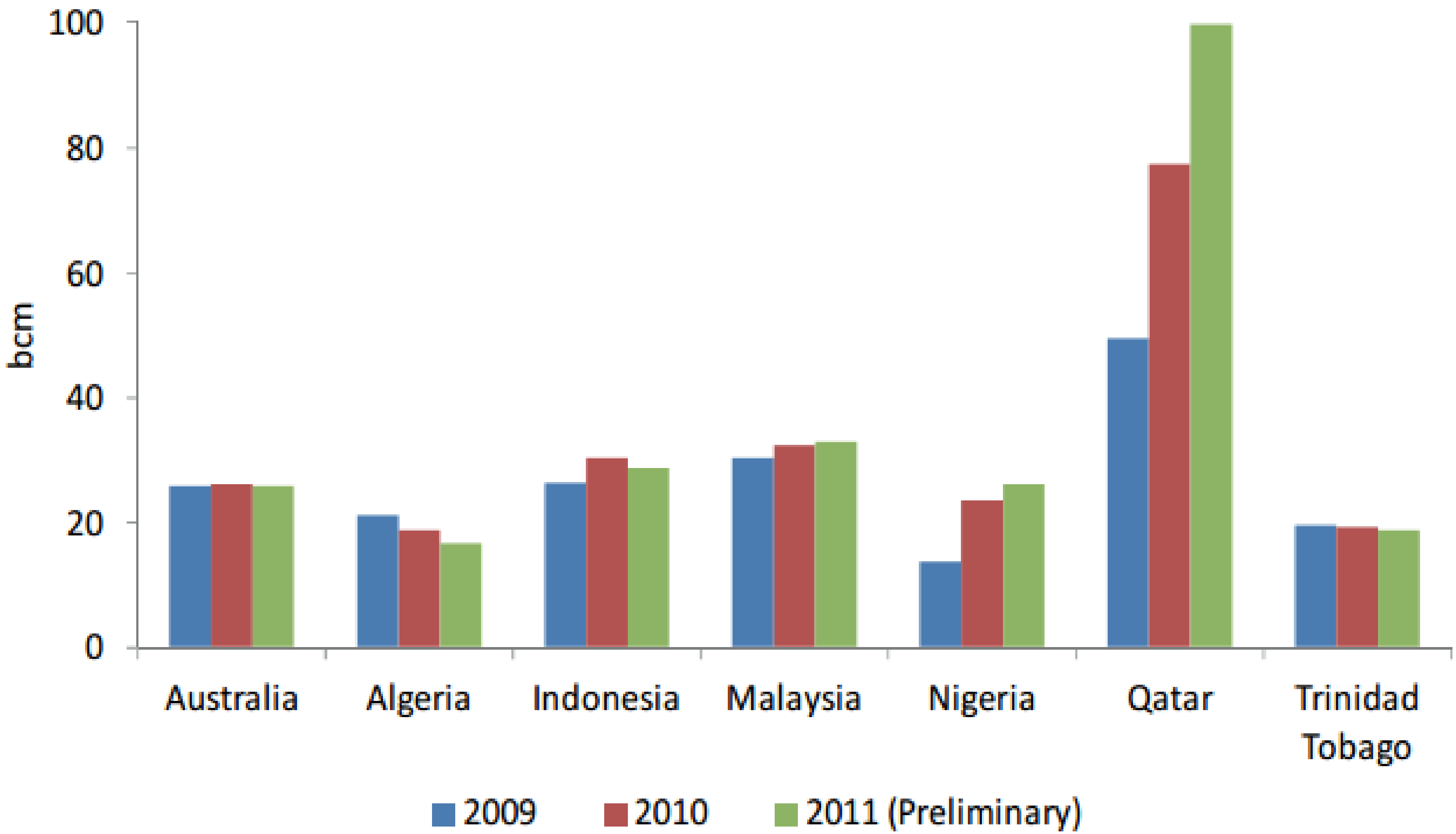
2. A number of new LNG buyers and sellers is now driving the market
3. Asia to drive LNG demand growth causing plenty of competition worldwide
4. LNG Trading and LNG spot Price Assessments
5. Contract Negotiation as a lot of long-term contracts in operation have commenced mid-term as they no longer reflect the true hub price

LNG trade growth, 2006-11

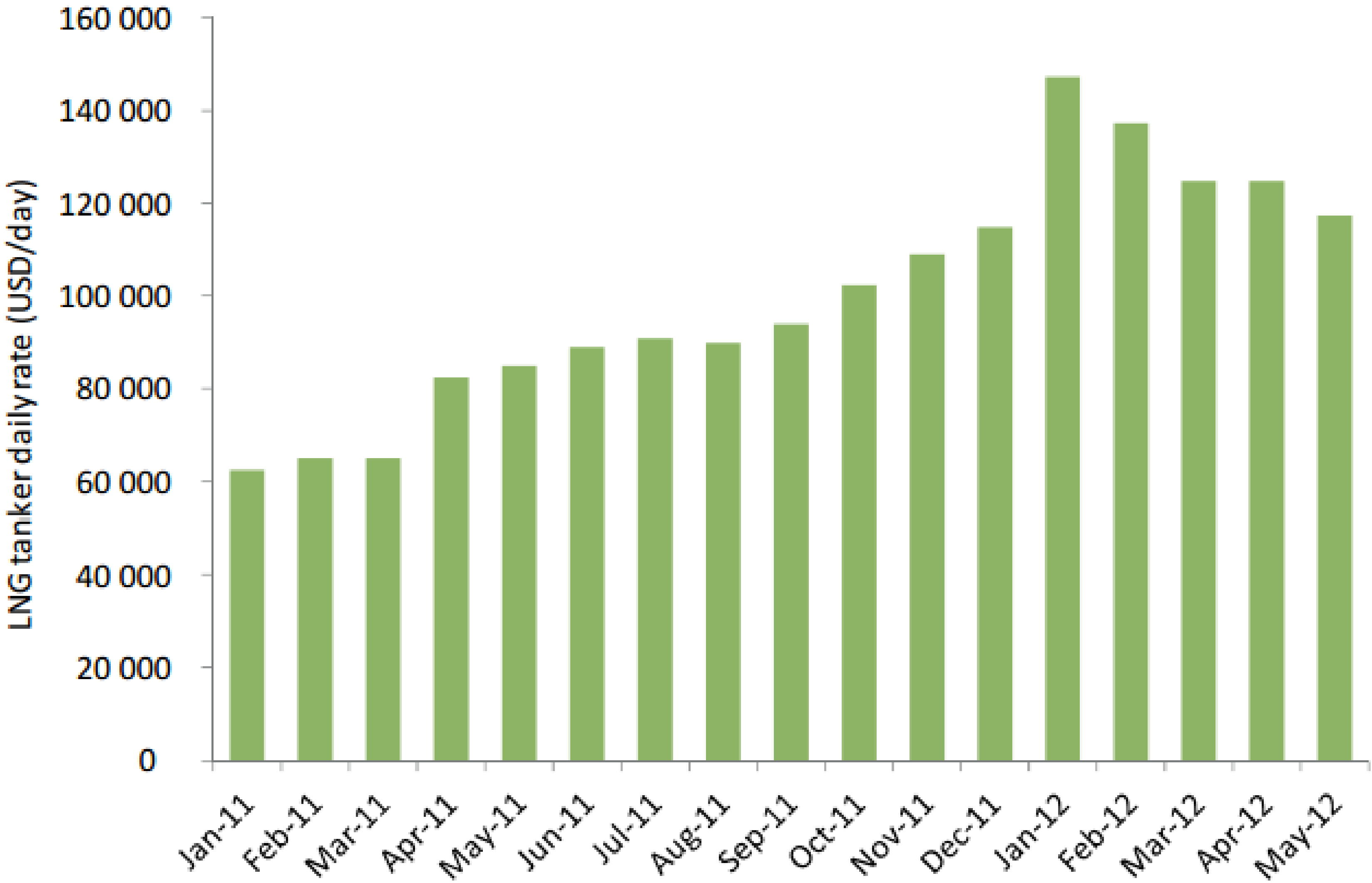


Note: LNG liquefaction capacity at the end of the year.

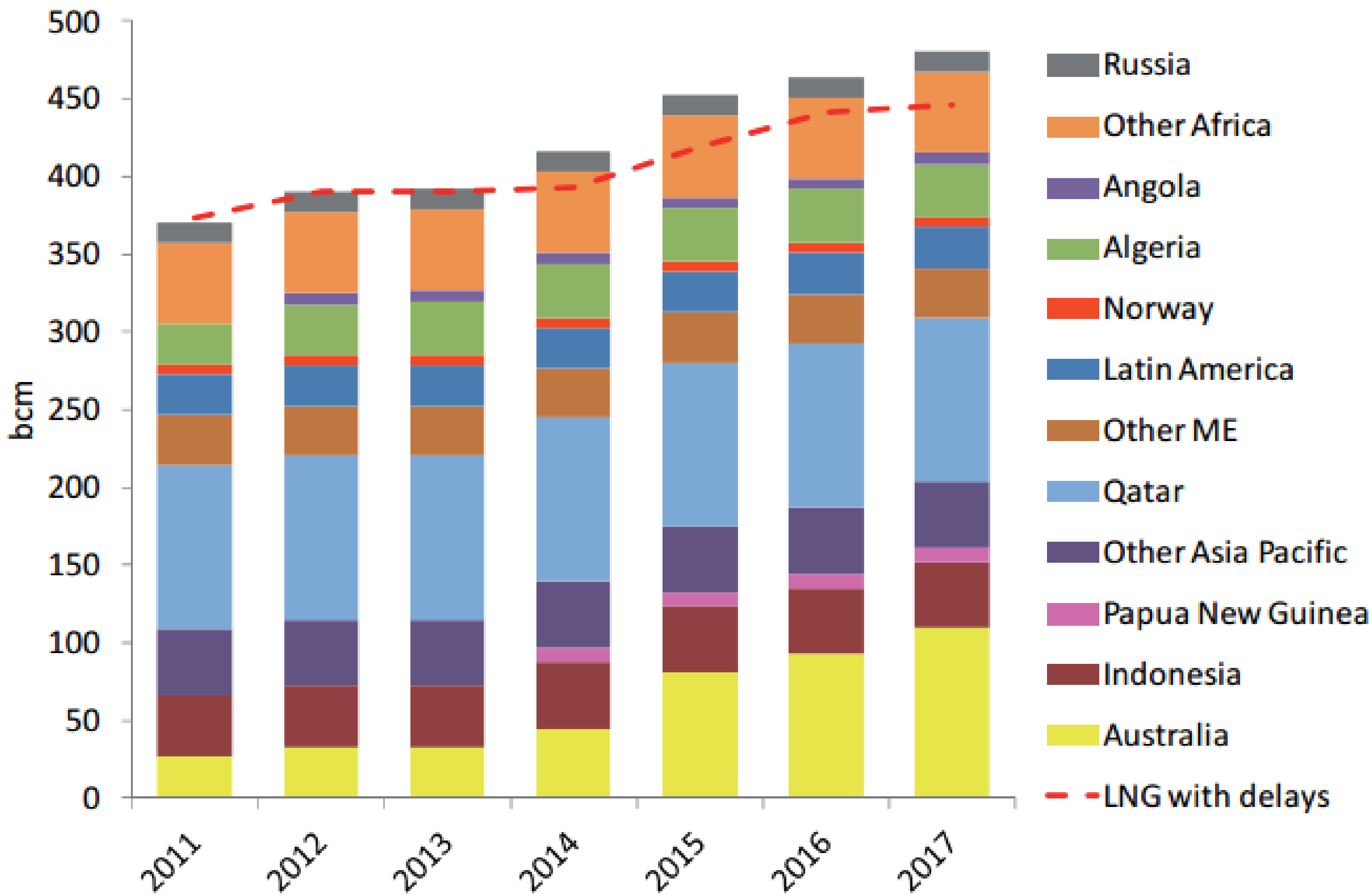
LNG exports of the top seven LNG producers from, 2009 to 2011



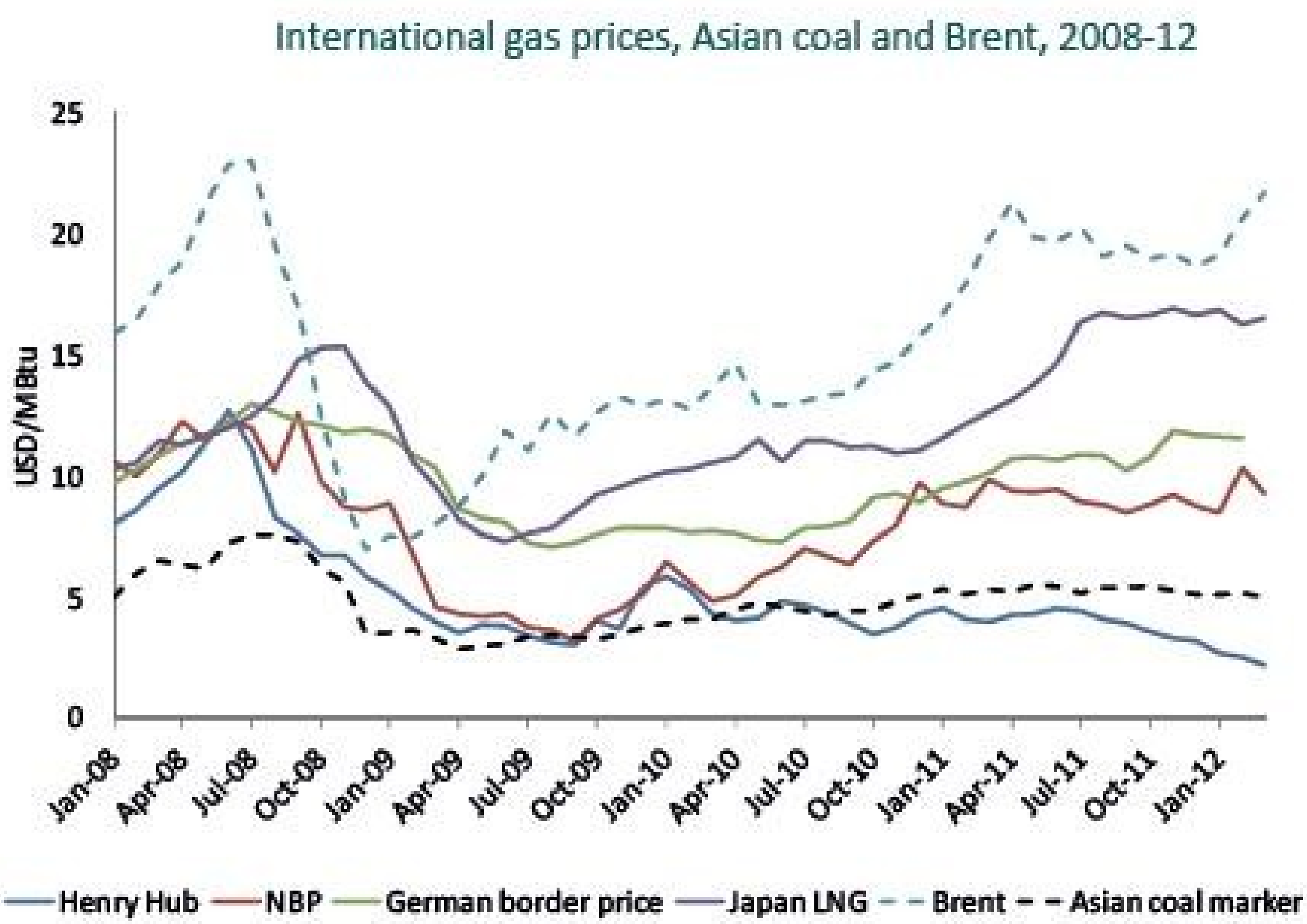
LNG tanker daily rate January, 2011 – May 2012



LNG projects under construction (as of May 2012)

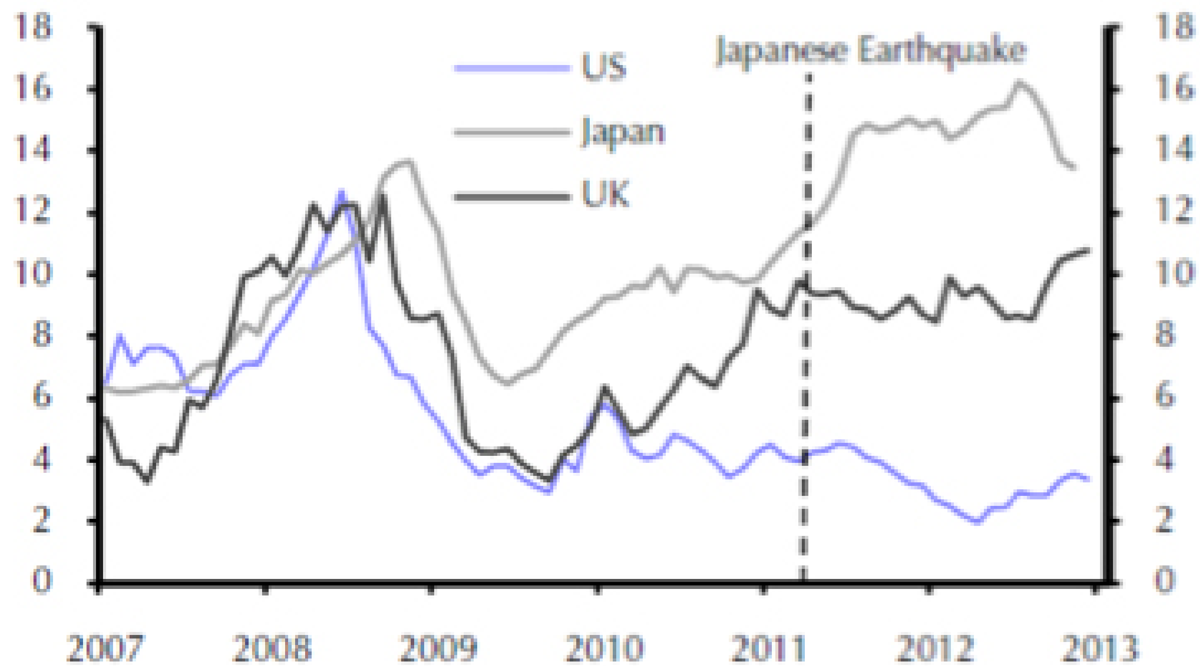


Notes: This figure represents LNG export capacity, not LNG trade. The starting dates reflect companies' data, but not the IEA's views.



Source: ICE, Japanese Customs, and the German customs.

Natural Gas Prices (US$ per MMBtu)



Source: I-Net Bridge

Natural Gas Proven Reserves in Selected Countries

Country	**At end 2001** Trillion cubic metres	**At end 2010** Trillion cubic metres	**At end 2011**		
			Trillion cubic feet	Trillion cubic metres	R/P ratio
Azerbaijan	1.2	1.3	**44.9**	**1.3**	85.8
Kazakhstan	1.8	1.9	**66.4**	**1.9**	97.6
Netherlands	1.5	1.1	**38.9**	**1.1**	17.2
Norway	2.2	2.0	**73.1**	**2.1**	20.4
United Kingdom	1.1	0.2	**7.1**	**0.2**	4.5
Uzbekistan	1.7	1.6	**56.6**	**1.6**	28.1
Algeria	4.5	4.5	**159.1**	**4.5**	57.7
Egypt	1.6	2.2	**77.3**	**2.2**	35.7
Libya	1.3	1.5	**52.8**	**1.5**	100
Cyprus	-	-	**7.0**	**0.2**	NA
Israel	-	-	**30.0**	**0.8**	NA
Total of Cyprus and Israel	-	-	**37.0**	**1.0**	NA

Thank you for your attention

cstambolis@iene.gr

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