Why a Gas Troika and Cartel Will Prove to be Hot Air

Description: Despite fears that the world is about to see the formation of a Gas OPEC spearheaded by a troika of Russia, Iran and Qatar, in reality, any process of cartelization remains a highly unlikely process due to structural impediments and geopolitical divides between producer states. This is not only the case for the troika, but also for the whole concept of a Gas Exporters Country Forum.

Scope

- Awareness of political dynamics and market speculation dictating gas market fundamentals.
- Detailed discussion of GECF and the Gas Troika on cartelization prospects.
- Strategic analysis of gas market dynamics relating to fringe producers, LNG and key producer states.
- Critical analysis of power shifts taking place within the GECF and the impact on benchmark prices.

Highlights of this title

The formation of the forum was largely a reaction to liberalization within gas markets having increased uncertainty for exporters. Its initial attempts to block EU efforts to outlaw destination clauses that restrict the reselling of gas and to initiate gas-pricing change in Europe by ending the link to crude oil prices both ended in failure.

Russia, Qatar and Iran are all looking towards some form of market influence or control. But the problem is that such players dont really know how to get there, with blunt self interest and short term thinking likely to trump the cartelization process.

This is not to say that co-operation between key gas exporters is impossible. This particularly applies to Europe, whose dependence on Russian and Algerian gas is expected to increase to 60% by 2030. Potential co-operation between Russia and Algeria, Nigeria, Iran and Libya (and Qatar) is a space that the EU should continue to watch carefully.

Key reasons to purchase this title

- Understand how political factors within OPEC states will influence decisions on the oil price
- Gain critical insight into oil market dynamics and how OPEC, non-OPEC producer relations will develop.
- Understand opportunities and threats that political risk will create for gas markets over the coming years

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- Structural impediments and geopolitical friction in the GECF is likely to impede future cartelization 3
- Despite a number of new developments, the GECF has still yet to overcome structural impediments to cartelization 3
- Finding common agreement in the cartel will be difficult but pressure will continue to be applied by price hawks 4
- Both Iran and Russia are struggling to maintain, let alone increase production 5
- Qatar will not bear the political cost entailed to underwrite a cartel while consumers would react strongly 5
Spot market developments remain limited in gas
Oil and gas indexation still remains strong underlining limited spot market activity for gas
Supply-side risks in LNG have been consistently overlooked
LNG export growth has been stymied by supply-side constraints
Output quotas and opportunity costs will also hinder any cartel developments
Cheating on quotas would also be a concern alongside free riders
The biggest problem is a lack of swing producer in the GECF
Gas margins remain tight in most markets with the exception of Norway
Even players not currently in the frame as a swing producer would struggle to perform such a role to 2030
Domestic consumption still accounts for the lion's share of gas production
Gas remains less concentrated than oil among the top dozen producers
Fringe producers will also continue to put a spanner in the gas OPEC works
Even if production at the fringe peaked gas cartelization would still face competition from other fuels reducing market power
Gas on oil competition is not a game Saudi Arabia or Russia will want to start to play
This is not to say that consumer states should not remain vigilant

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