

Natural gas prices and the UN development agenda

A webinar organized by the UNECE Group of Experts on Gas

13 December 2021, 14:30-16:30 CET

REPORT

Introduction

The webinar was organized by the UNECE [Group of Experts on Gas](#) and opened by Mr Francisco de la Flor Garcia, the Group's Chair. The webinar is part of the Group of Experts on Gas' work plan for 2020-21, within the multi-year activity on promoting sustainable and clean production, distribution, and consumption of gas and LNG in the ECE region.

Unlike most recent webinars on gas prices, this one dealt not only with the economics but also considered the impact of prices on achieving the UN 2030 Agenda as reflected in the Sustainable Development Goals. In this sense, the webinar explored the recent dramatic swings in natural gas prices and their impact on the United Nations development agenda -- climate action, energy transitions, and social cohesion. The three key questions were:

1. Can energy prices kill the UN development agenda?
2. Gas and energy prices: where we are at?
3. Long COVID + high prices = deep crisis? What will 2022 bring?

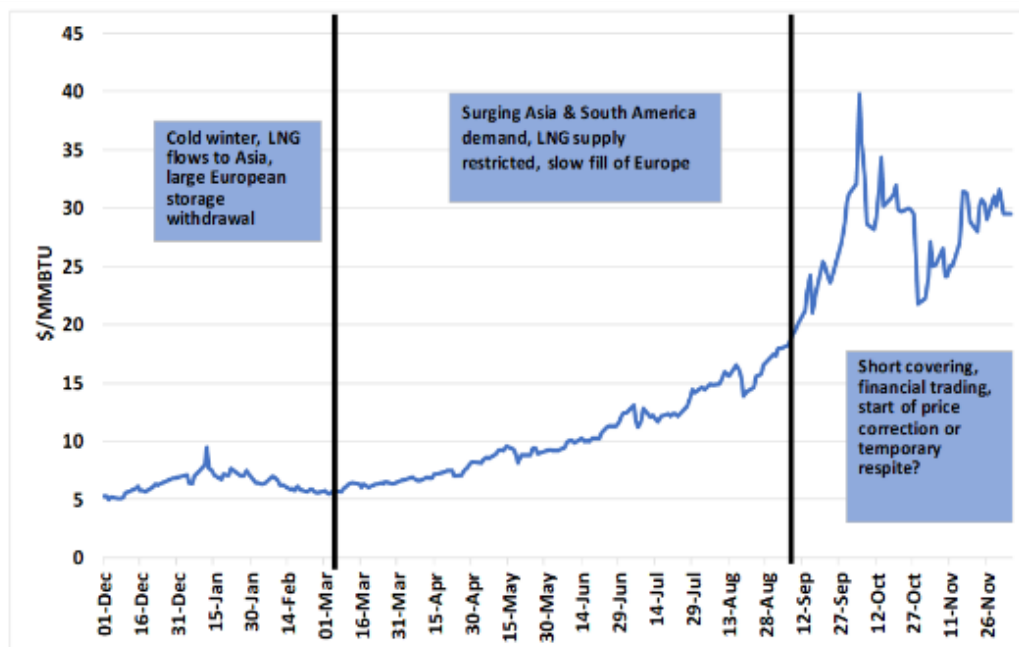
Attendance

Some 77 gas and energy experts attended online.

Key messages

1. Aside from the public health crisis, the COVID-19 pandemic had caused unprecedented drops in the energy prices. In the next 18 months, between April 2020 and October 2021, the gas prices increased more than seven times: on 6 October 2021, the November futures exceeded \$2,000 per 1,000 cubic meters at Dutch TTF.
2. After a relative stability in early 2021, the prices started to rise since Spring 2021, in response to surging Asia demand and slow fill in Europe. The instability in late 2021 was a result of a lot of financial speculation and short covering, as well as geopolitical uncertainties around supply from Russia. This instability is likely to continue.

3. The combined LNG imports into the four big markets in Northeast Asia during the first nine months of 2021 amounted to 165 million tonnes, a 14% increase year-on-year. The total LNG trade in the world increased by 4.6% from one year earlier to 277 million tons in the first three quarters in 2021. The share of the Northeast Asia big four was 55% in the period, almost the same as in the twelve months of 2020.
4. The European region (with Turkey), however, imported 54 million tons of LNG during the nine-month period in 2021, declining nearly 20% year-on-year.
5. Price increase impacts have been more uniform for gas than for electricity. The prices of electricity diverge widely in response to gas prices and the overall energy crisis.
6. Concerning the gas supply situation, it is more an issue of high prices and high volatility than of actual shortage of gas - the overall demand in Europe has not increased.
7. A balance needs to be struck between efficiency and flexibility of market operation and insurance mechanisms to dampen price shocks.



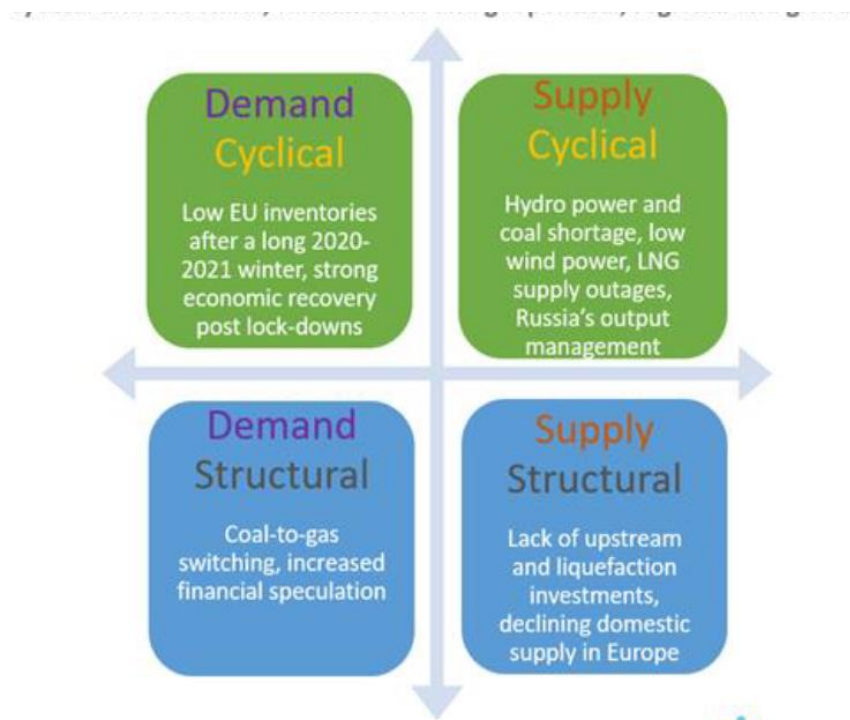
Source: Mike Fulwood

8. An important consequence of high gas prices was that the priorities of many in developed countries slid down the pyramid of the Maslow's hierarchy of needs. Such a mindset has put decarbonisation on a backburner and take the steam out of wider climate action, including the role of gas in it. The Europe is facing energy poverty. This has impacted climate agenda.
9. Underinvestment in new gas project has led to increased prices which, in turn, made the climate goals less likely to achieve. The “keep it in the ground” policy may be counter-productive from the climate mitigation perspective and the achievement of the wider UN 2030 agenda.
10. High energy prices have endangered the achievement of the UN 2030 development agenda as reflected in the Sustainable Development Goals. Particularly negatively affected are goals on

poverty, hunger, health, and gender. UNECE gas experts believe that natural gas can improve affordability, availability, accessibility of energy.

11. Due to high gas prices, several risk factors to achieving the UN2030 have emerged.

1. Economic recovery faces setback. As a result of high gas prices, energy access and industrial competitiveness in emerging markets may decrease.
2. Coal might be back. As the worst Scenario in the fight against climate change high gas prices may lead to gas-to-coal switching
3. LNG Infrastructure Delays. Governments may review downward the future share of gas/LNG.
4. European electricity crisis becomes an infrastructure crisis. Unsustainable energy prices could threaten climate agenda and its acceptance.



Source: Gas Vista

12. All in all, sixteen of the seventeen UN sustainable development goals are increasingly at risk following the policy that demand a rapid phasing out of fossil fuels while ignoring the inevitable and damaging supply dislocations that such policies produce. The recent energy crisis in Europe is the most recent proof of this.
13. In the future, China will continue to resist high gas and LNG prices through different strategies, but its ever-rising demand will continue to trigger price volatility in the years to come. The current crisis may also trigger reckoning over the role of gas in the EU energy transition.

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