# Russia-Italy Relationship in Natural Gas

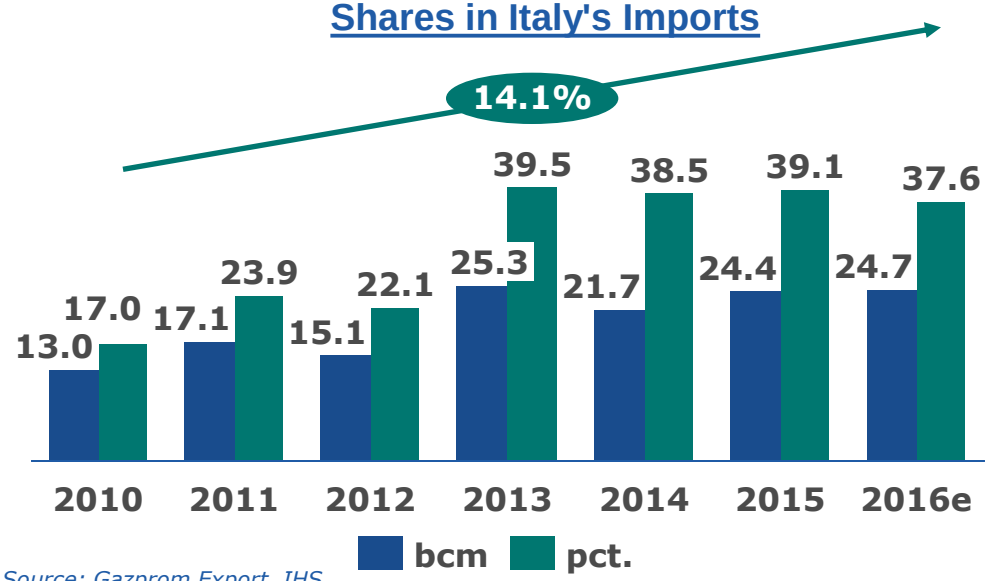
Sergei Komlev
Head of Contract Structuring and Price Formation Directorate
Gazprom Export

The 5th Russian-Italian Seminar,
Milan, Italy, February 16, 2017

# Gazprom is the Major Supplier of Natural Gas to Italy

- Russia is the major gas supplier of natural gas to Italy with a share of 38% which more than doubled since 2010
- Other major suppliers are Algeria, Norway, Netherlands and LNG producers
- Italy is the third largest buyer of Russian gas
- Gazprom's export to Italy has been growing by 14.1% CAGR from 2010 in volume terms

**Gazprom Export Deliveries to Italy, Volumes and Shares in Italy's Imports**




*Source: Gazprom Export, IHS*

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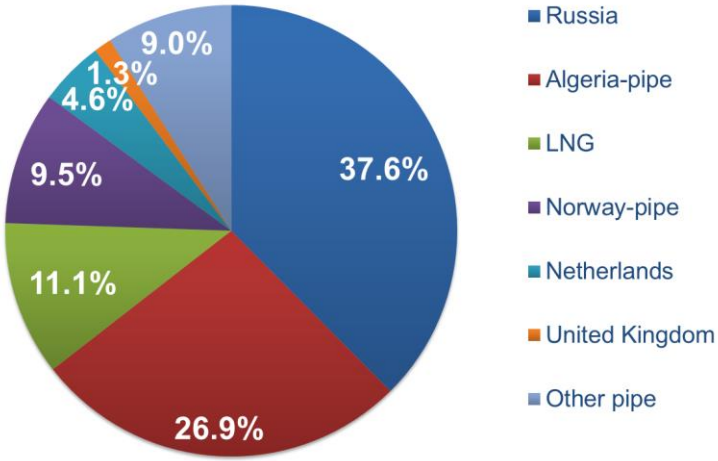
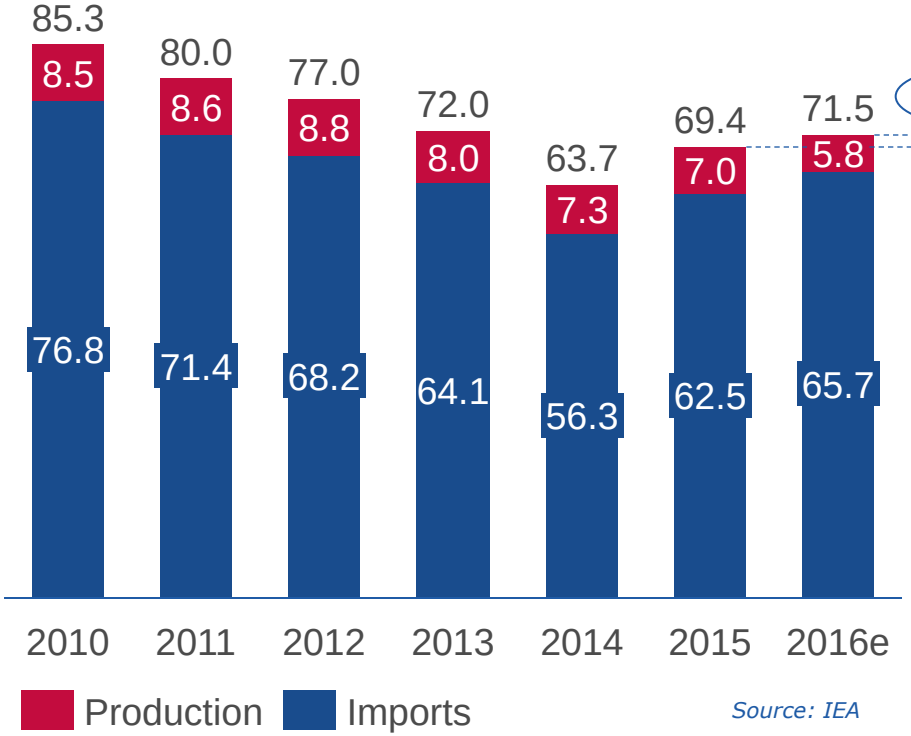
**Natural Gas Imports Structure by Source (2016, est.)**

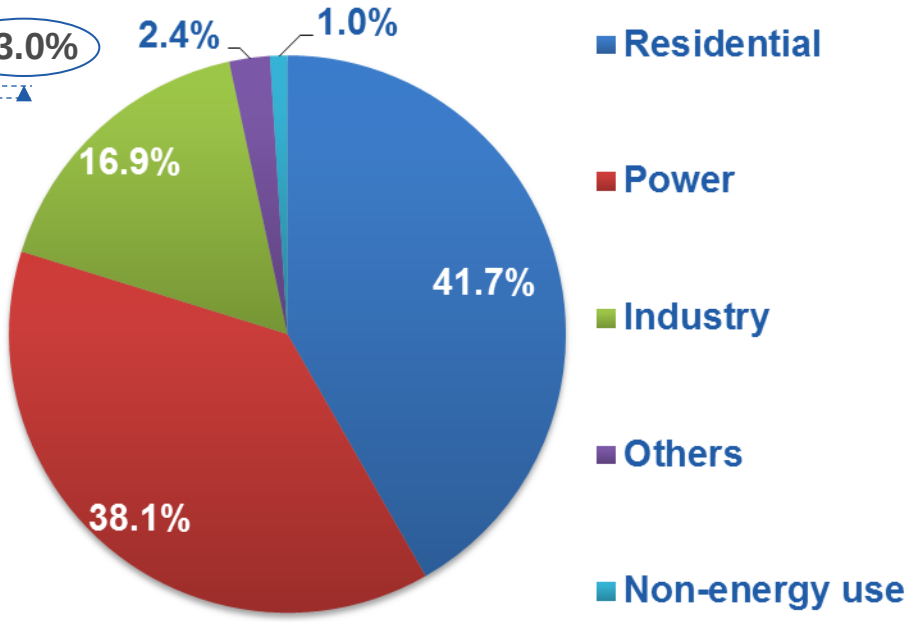


# Where Gas Demand is?

- Italian gas mix is dominated by residential and power sector gas demand, followed by industrial gas demand
- Power generation sector was the fastest growing market for gas in early 2000s. Prospects of this sector are unclear now due to competition with coal and renewables (granted subsidies and priority dispatching)
- In 2016 natural gas demand increased to 71.5 bcm by 2.1 bcm compared to 2015 due to weather conditions, especially in the Q2, and recovery in demand for power generation

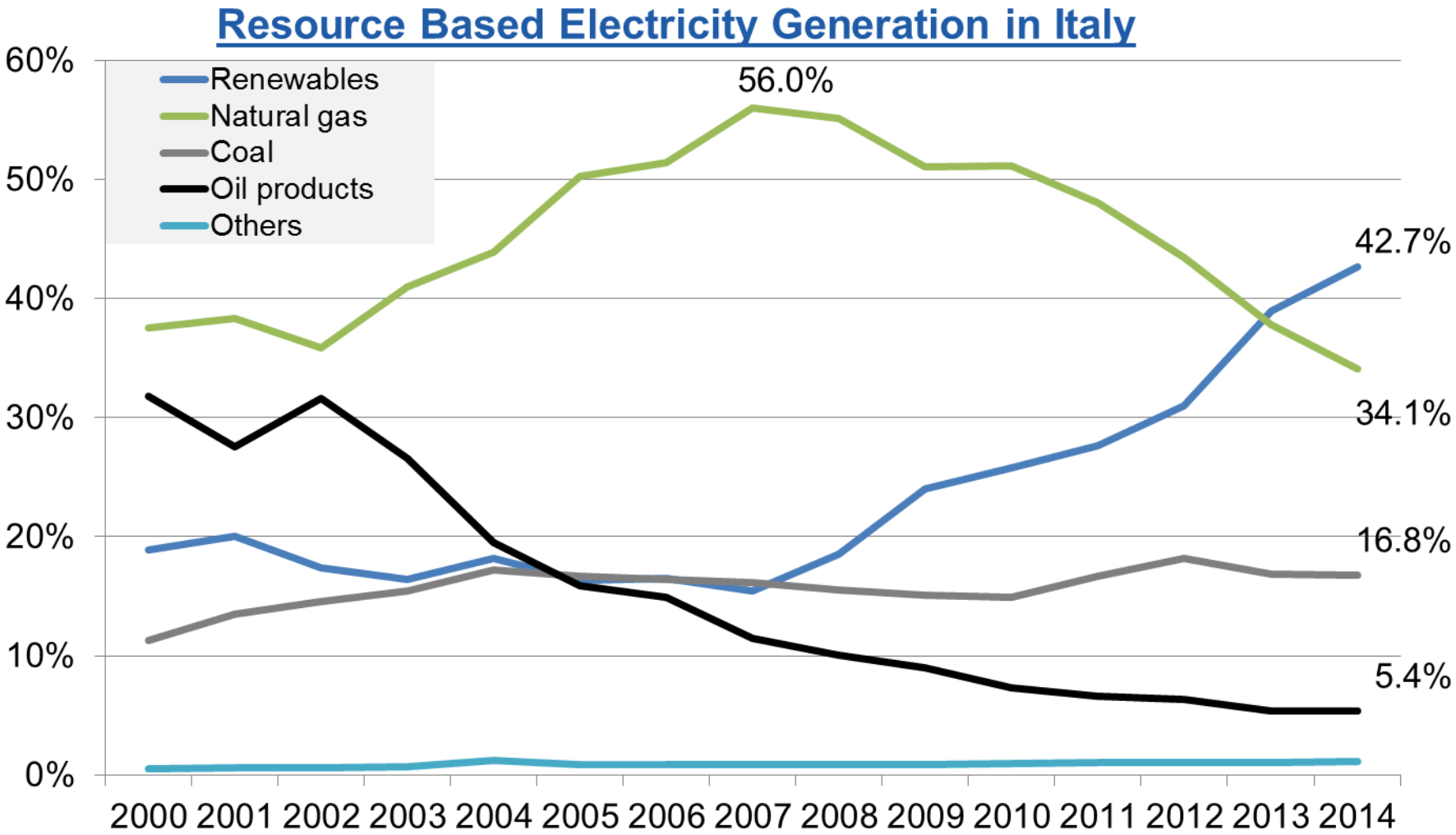



Source: IEA




Source: IEA

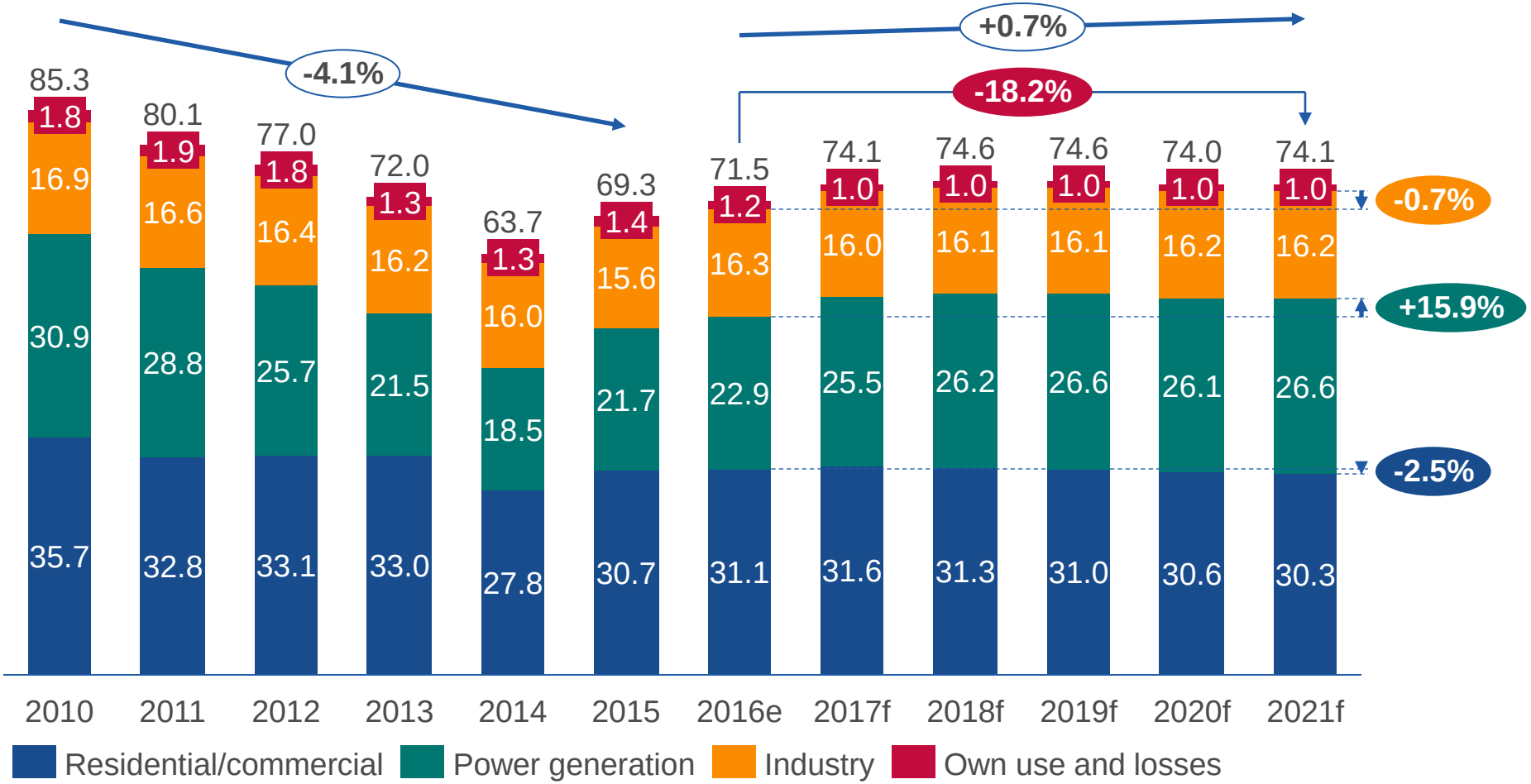
# Renewables are Eroding Share of Gas in Power Generation Especially Since 2007




*Source: IEA*

# Where Gas Demand will be?

- Demand growth by 16% is expected by 2021 in power generation while in other sectors it will stagnate



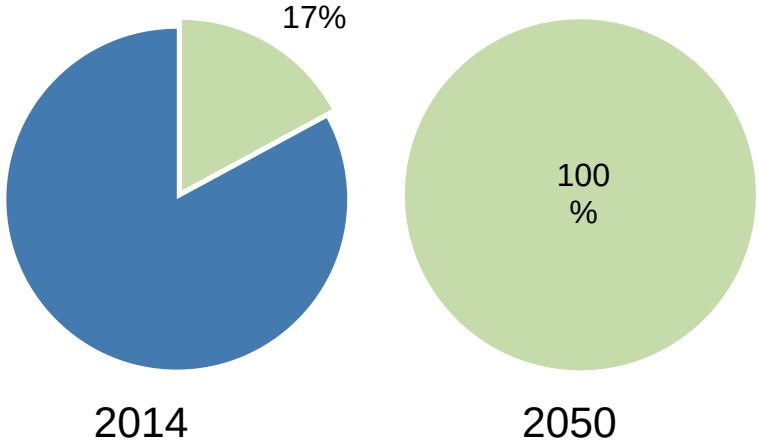

*Sources: IEA, IHS*

# Movimento Cinque Stelle: Gasexit in Italy by 2050

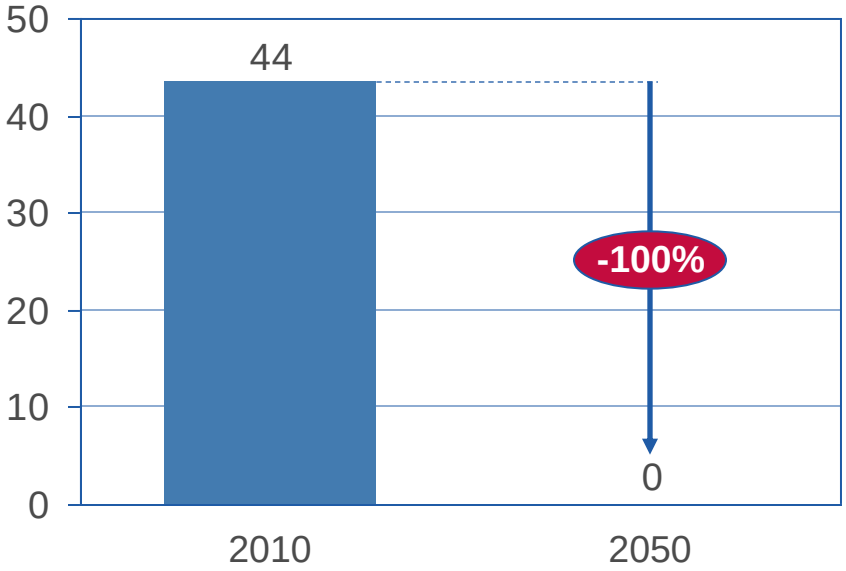
Five Star Movement is proposing radical reshuffle of energy sector in Italy:

- 35% decrease in final energy consumption by 2050;
- expansion of RES;
- significant decrease in oil and gas consumption by 2030;
- complete fossil fuels exit in final consumption by 2050.

## RES share in final consumption

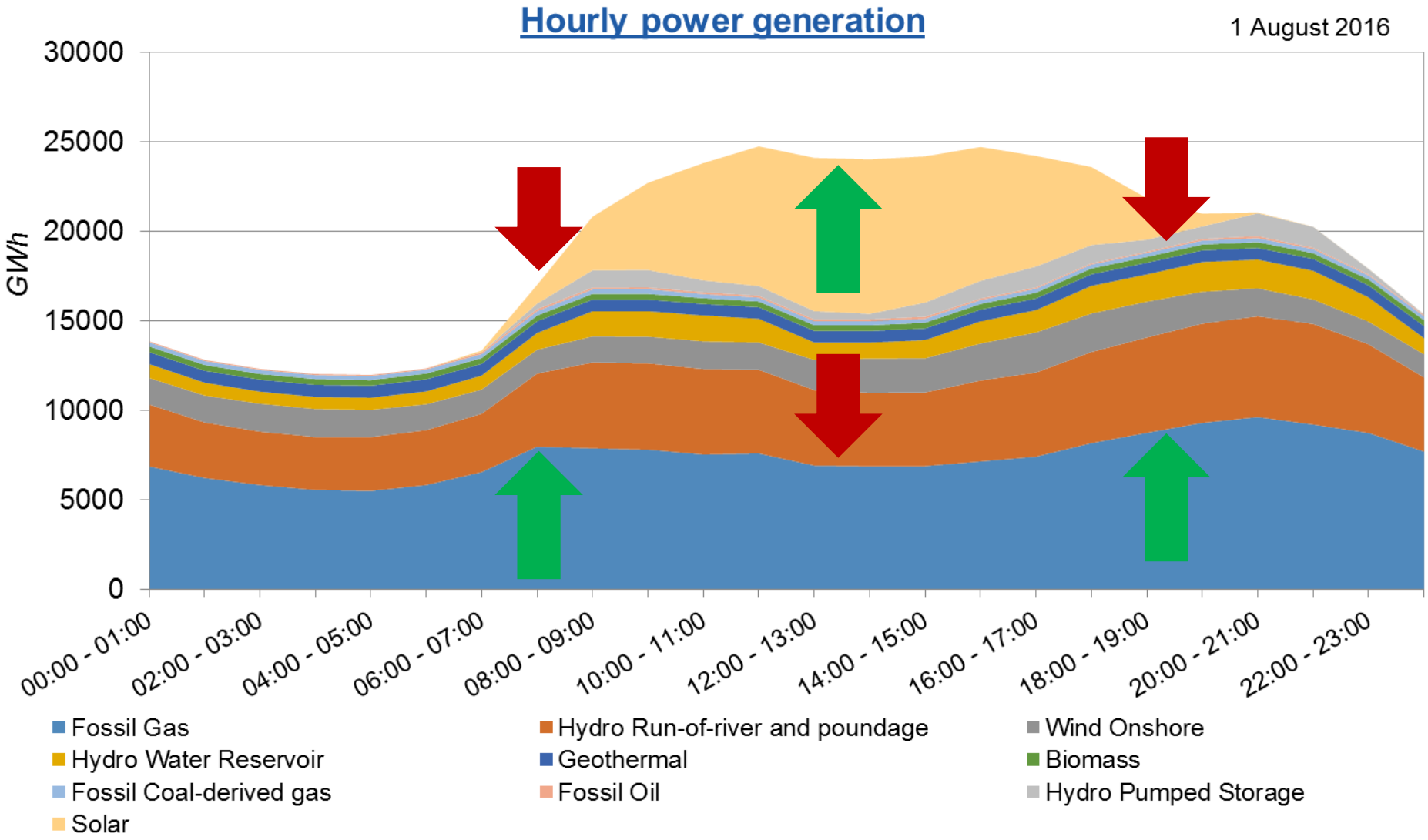



## Natural gas in final consumption, bcm



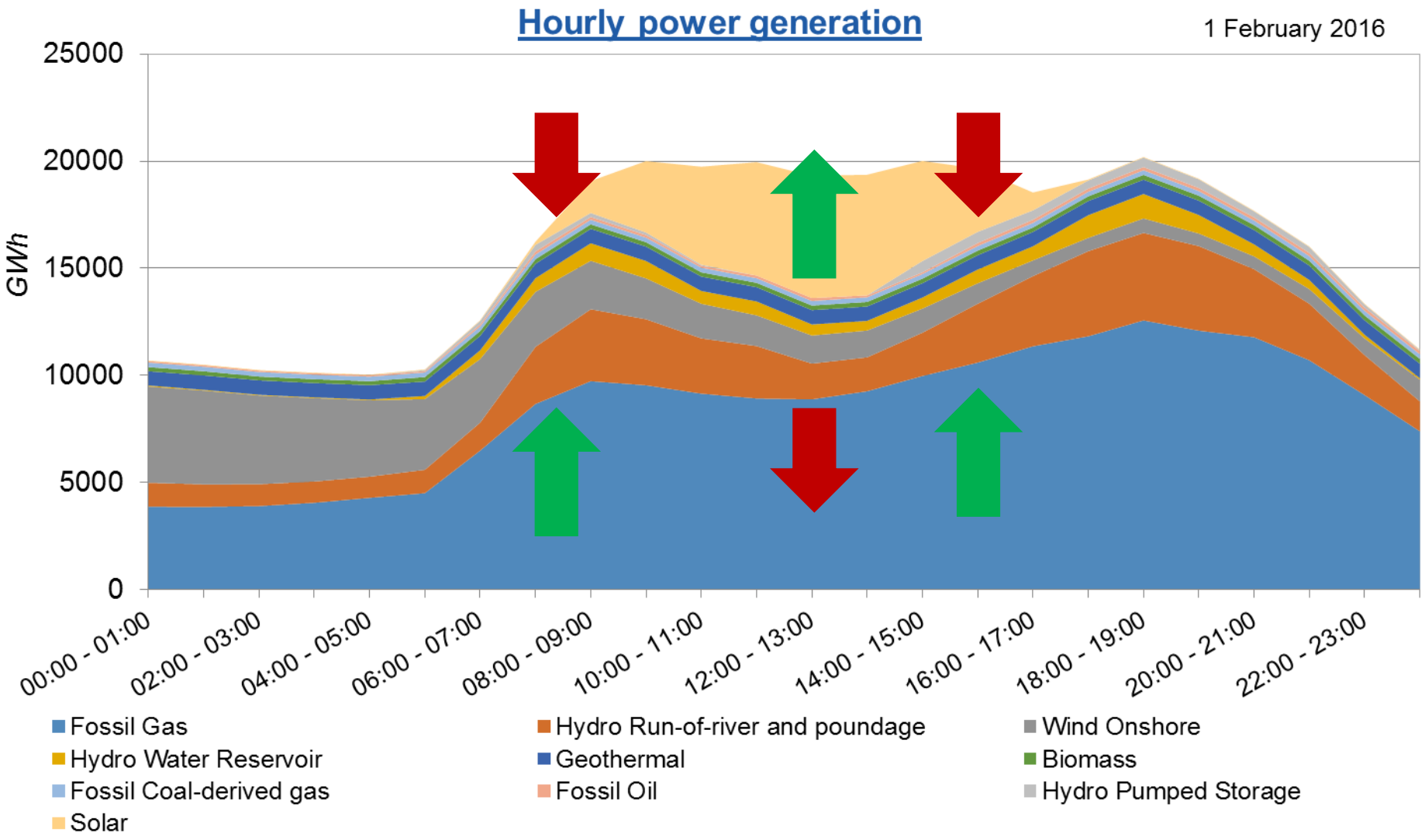

*Sources: IEA, Five Star Movement*

# Natural Gas Provides Flexibility to Power Generation in Italy



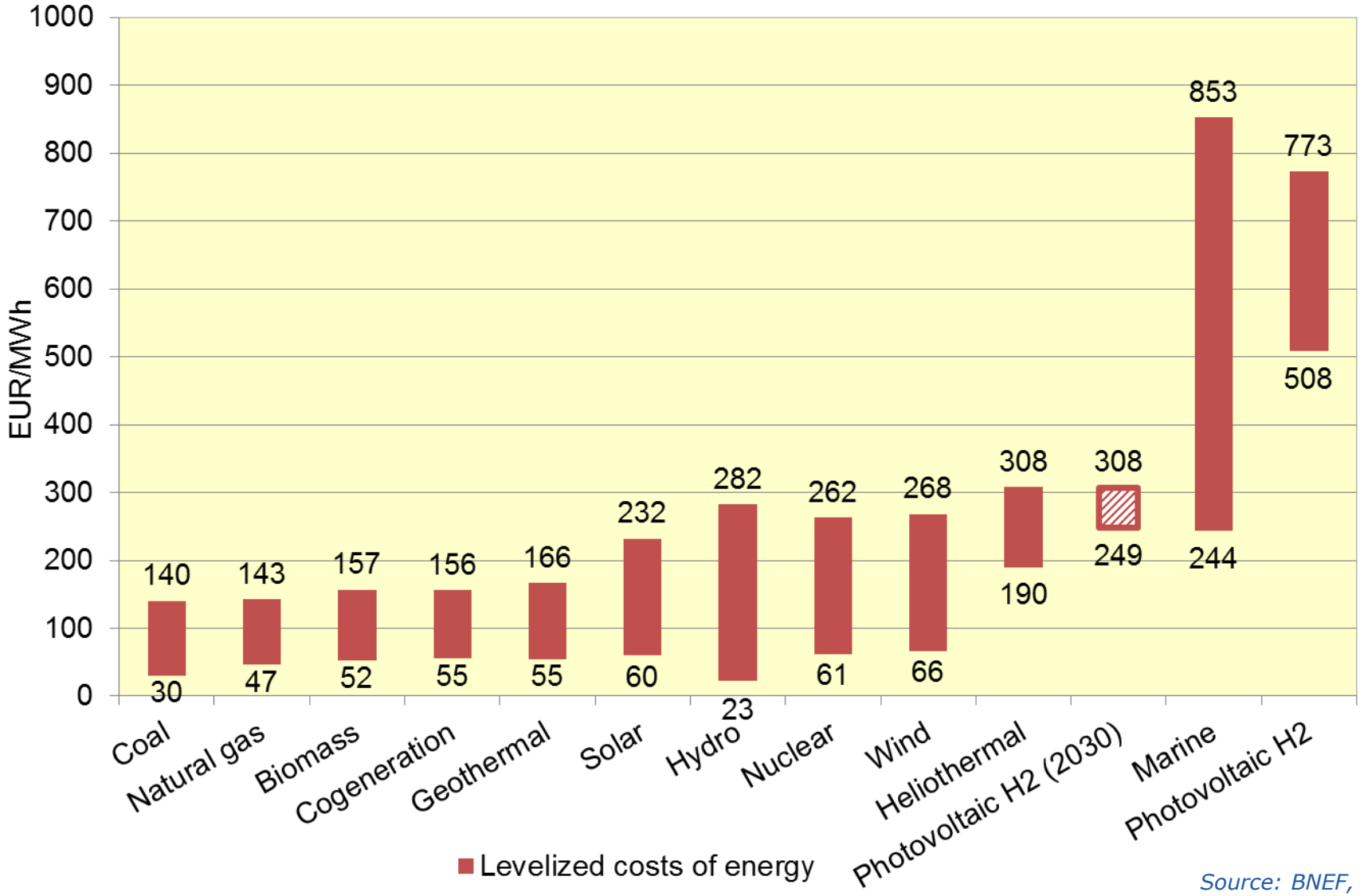

*Source: ENTSO-E*

# Natural Gas Provides Flexibility to Power Generation in Italy



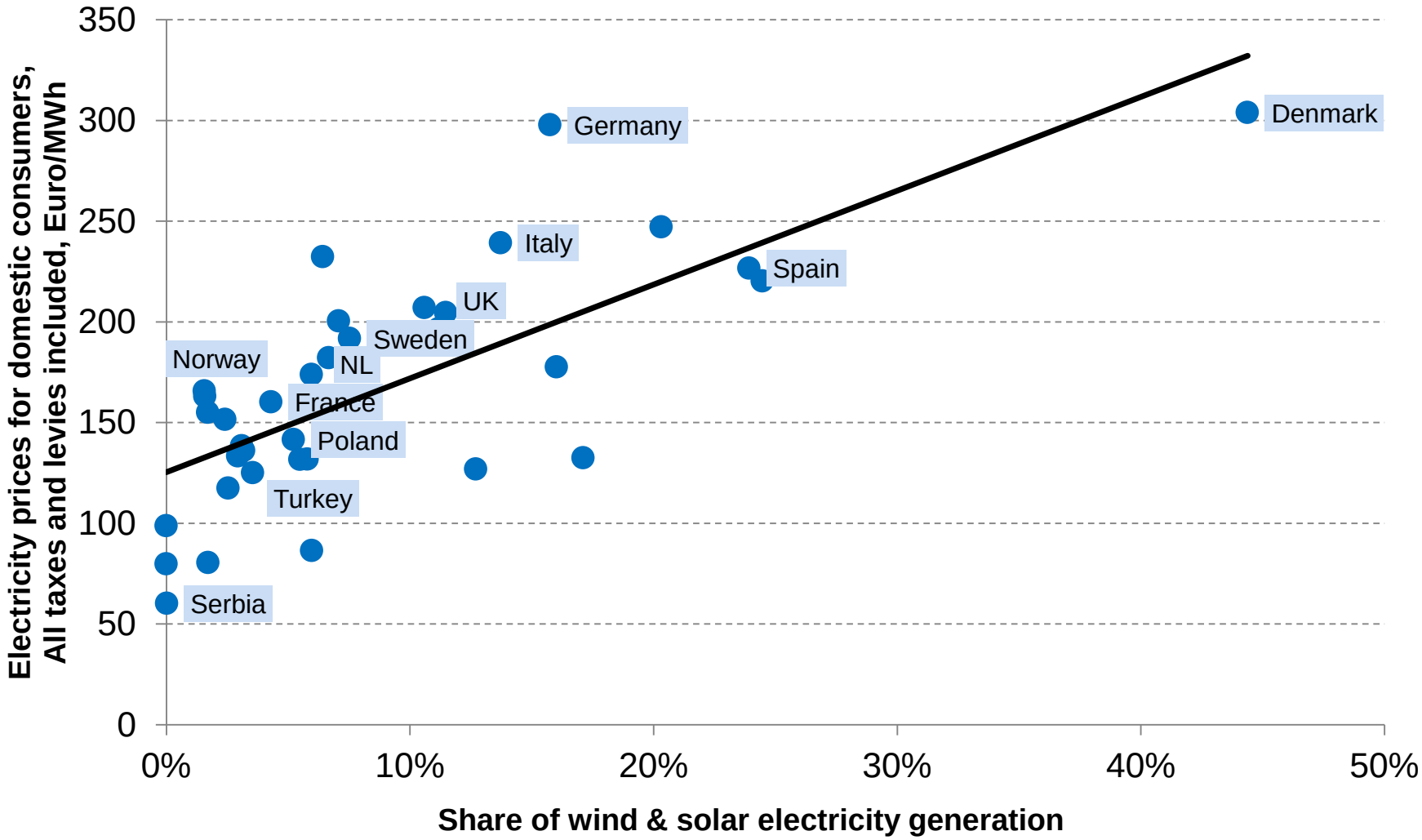

*Source: ENTSO-E*

# In 2015 Natural was the Cheapest Source of Clean Energy, while Hydrogen will remain One of the Most Expensive even in 2030

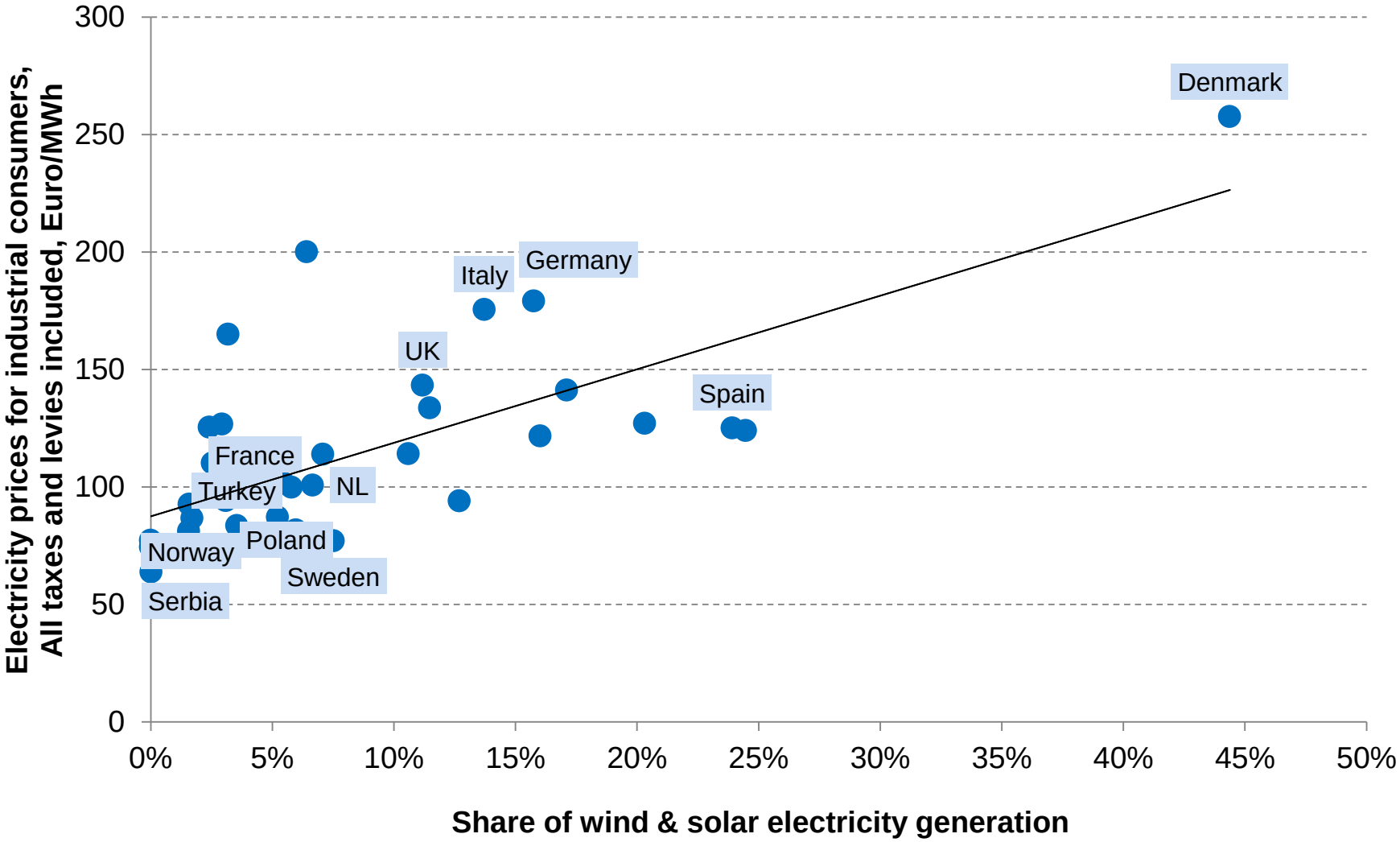



*Source: BNEF, CSIRO*

# Strong Positive Correlation between the Share of RES and Electricity Prices for End Users (Households)

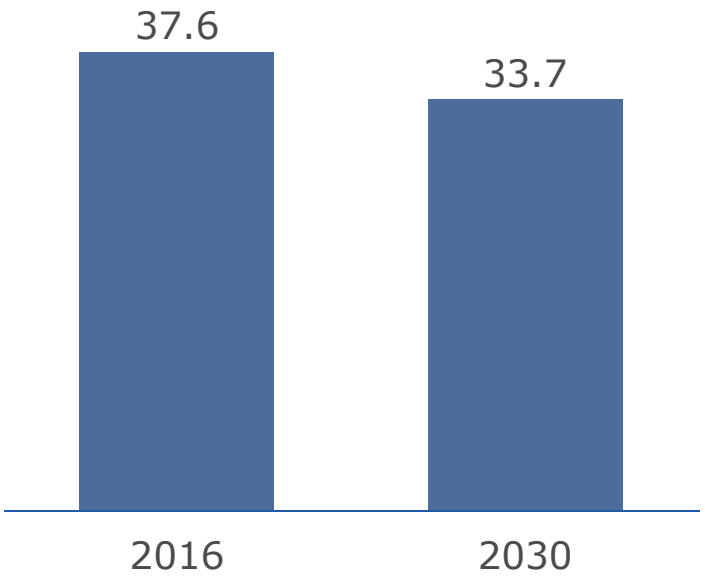


# Strong Positive Correlation between the Share of RES and Electricity Prices for End Users (Industry)



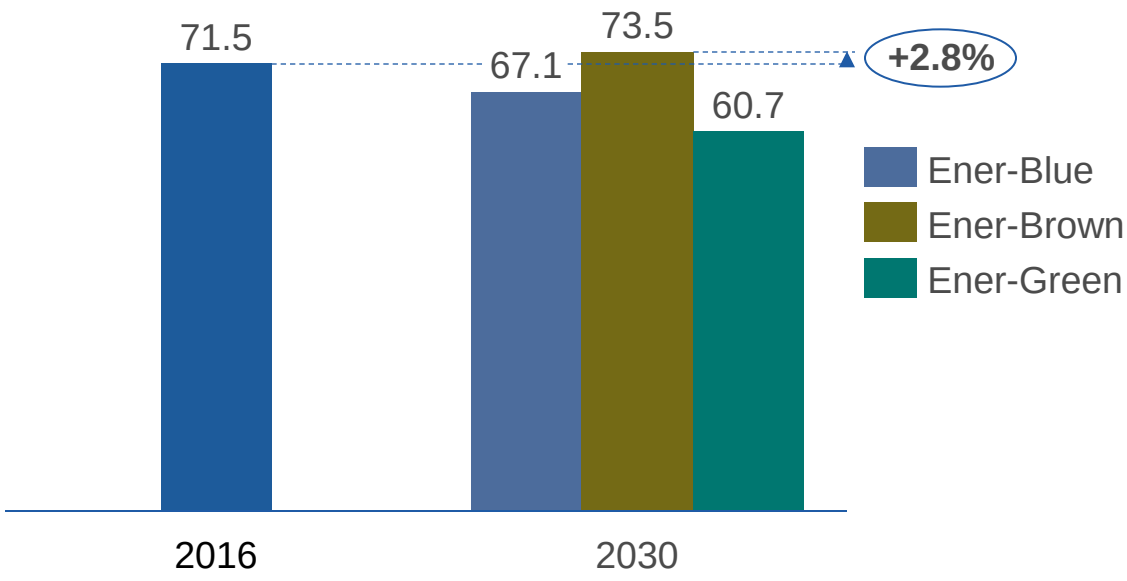
# Prospects of Natural Gas in Italy

- According to EU Reference Scenario 2016, due to the growth of renewables natural gas consumption should decrease by 19.2 bcm compared to 2010.
- However, according to Enerdata scenarios, natural gas consumption **may even increase** under favorable conditions including low prices and technological improvements. Thus, natural gas may retain its role as economically sound and reliable energy source
- Russia will provide no less than one third of Italian natural gas imports by 2030




**Share of Russian gas in imports, %**

*Source: IHS*




**Enerdata scenarios of natural gas consumption in Italy, bcm**

*Source: EC, Enerdata, IEA*

THANK YOU FOR YOUR ATTENTION!