

Gas Exporters Face 'Major Debate' on Contracts in 2011

By [The Moscow Times](#)

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Natural-gas exporters will face pressure this year amid a “major debate” with consumers about how contracts are structured, Fatih Birol, the International Energy Agency’s chief economist, said Wednesday.

“This could be a year that we will see a major debate between the gas importers and the gas exporters about how the contracts should be formulated, and perhaps move away from the oil price-based formula,” Birol said at a conference in Moscow. “This will be pressure on gas exporters in 2011.”

Most gas in Europe is sold under multiyear contracts linked to the cost of crude and oil products, with a lag of as long as nine months. Brent touched \$102.36 a barrel Wednesday, its highest since September 2008. Liquefied natural gas shipments to Europe increased last year as the United States boosted domestic output from shale, leading to an oversupply that damped spot prices.

European gas consumers, such as E.On, Germany's largest utility, sought flexible supply terms with producers such as Gazprom and Statoil, Norway's biggest producer.

Last year's solutions were "very good," which may exclude any additional changes, Marina Surzhenko, an official at Gazprom's export unit, said Wednesday.

"We are not closing the door," she told reporters at the conference. "We are talking to our consumers, but at the moment we don't see any serious grounds for additional and significant changes to the existing system of contracts."

Gazprom last year agreed to introduce lower spot prices in its long-term contracts with some customers, as well as postponing supplies of 15 billion cubic meters of gas between 2010 and 2012, the company has said. The fundamentals, such as long-term contracts and the take-or-pay principles haven't changed, it said.

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