



GECF

LONG-TERM STRATEGY

OF THE GAS EXPORTING COUNTRIES FORUM

(Second Edition)

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1. INTRODUCTION

The Gas Exporting Countries Forum (GECF or Forum) is an intergovernmental organisation convened with the aim to support the sovereign rights of its Member Countries over their natural gas resources and their abilities to develop, preserve and use such resources for the benefit of their people, through the exchange of experiences, views, information and coordination in gas-related matters. The GECF was established in 2001 in Tehran, the Islamic Republic of Iran, and the GECF Statute was signed in 2008 in Moscow, the Russian Federation. Headquartered in Doha, the State of Qatar, the Forum comprises today eleven Member Countries and eight Observer Countries from four continents. Cooperation has been extended to technology with the establishment of the Gas Research Institute in 2019, headquartered in Algiers, the People's Democratic Republic of Algeria.

Considering the importance of natural gas to the world economy, the multi-faceted changes affecting global gas markets, and the challenges and opportunities with regard to the expansion of natural gas demand, the GECF developed a Long-Term Strategy (LTS) document, in line with the GECF Statute and Summit Declarations. This LTS reflects the common interests of its Member Countries, defines the vision and mission of the GECF, and sets forth its strategic goals and priority objectives, while paving the way for a shared course of action. In this context, a specially-convened High-Level Working Group (HLWG) drafted the LTS, which was approved by the 19th Ministerial Meeting on 4 October 2017.

The LTS is targeted for review every five years. In this regard, in 2022 the HLWG was reactivated to review the LTS. To this end, it held five meetings to consider the drafts prepared by the Secretariat. The second edition of the LTS was approved by the 24th Ministerial Meeting on 25 October 2022.

2. GLOBAL ENERGY CONTEXT

The development of the natural gas industry depends highly on the energy landscape, which has been constantly evolving in recent years.

The global economy enters into a period of instability and uncertainty, with the pace of the post-COVID-19 recovery losing momentum due to escalating geopolitical tensions, soaring energy prices, rising inflation, tightening financial conditions, and supply-chain disruptions. This evolution has a direct impact on the gas markets. Although natural gas has proved its resilience and cemented its role in attaining global energy security, the industry has been challenged by years of underinvestment, policies and pressures to limit financing for gas projects, as well as the misguided narrative presenting natural gas as not consistent with the combat against climate change.

Natural gas plays a pivotal role in achieving the 17 UN Sustainable Development Goals (UN SDGs), fuelling economic growth, expanding social prosperity, and contributing to the protection of the environment. In particular, natural gas is crucial to achieving SDG #7, which aims to “ensure access to affordable, reliable, sustainable and modern energy for all”. Furthermore, intense scrutiny on the contribution of the energy industry to climate change leads to global pressure for the reduction of greenhouse gas (GHG) emissions, through the shift to cleaner energy sources, and investment in decarbonisation technologies such as carbon capture, use and storage. Therefore, natural gas has a major role to play in the ongoing energy transition, being the cleanest-burning hydrocarbon and ideal partner to intermittent renewables.

Market stability is another important facet, which heavily influences the global natural gas industry. On the demand side, the growing energy demand, amidst rising population and improving living standards, as well as energy policies encourage further gas consumption in existing and new regional and sectoral markets. On the supply side, unconventional gas brings about fundamental changes to the markets, while geopolitical tensions may result in supply disruptions and undermine energy security. Gas trade expands, particularly via LNG, due to the emergence of new markets and development of the relevant infrastructure. Spot prices are marked by extreme volatility, demonstrating large swings from historic lows in 2020 to record highs in 2022.

A more detailed analysis of the factors influencing gas markets can be found in Annex A.

3. GECF VISION AND MISSION

Recalling the GECF Statute and the Declarations of the GECF Summits;

Reaffirming the permanent sovereignty of Member Countries over their natural gas resources and their abilities to independently plan and manage the sustainable, efficient and environmentally conscious development, use and conservation of natural gas resources for the benefit of their peoples;

Acknowledging the importance of strengthening of the global energy security, with its intertwined and mutually supportive pillars of security of supply and security of demand;

Expressing openness to dialogue and cooperation with all stakeholders;

Reiterating support for efficient, open, unhindered and non-discriminatory functioning of natural gas markets;

the GECF has defined its Vision and Mission.

The **Vision** of the GECF is *“to make natural gas the pivotal resource for inclusive and sustainable development”*

The **Mission** of the GECF is *“to shape the energy future as a global advocate of natural gas and a platform for cooperation and dialogue, with the view to support the sovereign rights of Member Countries over their natural gas resources and to contribute to global sustainable development and energy security”*

4. STRATEGIC GOALS

The Vision and Mission of the GECF are reflected in four (4) strategic goals:

- 1) Expand the role of natural gas in sustainable development, in the context of economic, social, and environmental progress;
- 2) Promote fair value of natural gas;
- 3) Advance modern technologies in the natural gas industry;
- 4) Strengthen the international positioning of the GECF as a global platform for energy dialogue.

5. PRIORITY OBJECTIVES AND KEY INSTRUMENTS

Priority Objectives are defined for each Strategic Goal.

1. Priority Objectives for Strategic Goal “Expand the role of natural gas in sustainable development, in the context of economic, social and environmental progress”

- 1.1. *Enhance the role of natural gas in fostering global economic development and social progress*

Natural gas is a key energy source for meeting the energy requirements of the world, and is critical to achieving global ambitions such as the UN SDGs, particularly the UN SDG #7 to "ensure access to affordable, reliable, sustainable and modern energy for all". Economic development, social progress and environmental protection are crucial pillars to achieving sustainable development. With regard to economic development, the natural gas industry contributes to industrial and GDP growth, while fostering innovation, encouraging infrastructure construction and attracting investment. Natural gas can be utilized as a fuel or feedstock, spanning such sectors as power generation, petrochemicals, heavy industry, and transportation. With respect to social progress, natural gas can support job creation and serve as a clean energy source for electricity, and as a cooking fuel, which can help to reduce energy poverty. It is of utmost importance today to improve the living standards of the most vulnerable in our society, as globally over 700 million people lack access to electricity and over 2.4 billion people lack clean cooking options. Additionally, natural gas can play a crucial role in attaining food security as an essential component of fertilizers. The GECF will provide a platform for collaboration among all industry stakeholders.

- 1.2. *Advance natural gas as an environmentally-friendly, affordable, reliable, flexible, versatile, and abundant energy source, capable of mitigating climate change*

The GECF will act as a global advocator for natural gas, emphasising its environmental and economic advantages. In particular, the Forum will promote natural gas as an enabler fuel in the energy transition, as a means to switch away from coal and oil to reduce carbon emissions and improve air quality, as a partner of renewables, as a cost-effective input to produce hydrogen, and as a contributor to the long-term goals of the Paris Agreement. To this end, the GECF will undertake in-depth analysis of the credentials of natural gas, develop relevant supporting studies and reports, and hold workshops and events to gather

policymakers, industry leaders and academia. At the same time, the Forum will develop this advocacy of natural gas in international fora to promote complementarity of energy security and climate goals.

1.3. Promote energy policies favouring natural gas

Supportive energy policies are a crucial element for natural gas to become a pillar for building flexible, resilient and sustainable energy systems. In this context, the GECF will foster cooperation and dialogue with policymakers to promote natural gas in various sectors for economic development, energy poverty eradication, and the protection of the environment. Moreover, the GECF will pay special attention to countries, which are newcomers to gas markets, by intensifying interaction with their governments as well as local energy and industrial companies to encourage policies favouring natural gas. The GECF will share best practices on the usage of natural gas and establishment of gas infrastructure, such as gas-fired power plants, LNG terminals, and gas transportation and distribution networks. The Forum will emphasise the benefits of natural gas in emerging sectoral markets and, inter alia, will aim at increasing the share of natural gas in the transport sector and advocate developing necessary infrastructure, including small-scale LNG. Moreover, the GECF will support efficient, open and non-discriminatory functioning of natural gas markets, and oppose unilateral restrictions in the energy trade, finance, transportation, and technology transfer, as well as any attempt to alter the price discovery function of natural gas markets. Furthermore, it is important for the GECF to collaborate in protecting critical gas infrastructure, specifically enhancing its resilience to natural disasters, technological incidents, and man-made threats, including malicious use of information and communication technologies.

2. Priority Objectives for Strategic Goal “Promote fair value of natural gas”

2.1. Seek fair and stable prices on the global gas market and efficient contractual practices in the international gas trade to ensure sustainable export revenues and continued investments in the natural gas industry

Gas price stability is of utmost importance for GECF Member Countries since it provides predictable export revenue streams in order to facilitate state budget planning and investment programmes of national energy companies. Price stability may be guaranteed by long-term contracts that provide security of supply for buyers and security of demand for sellers, as well as reduce the potential negative impacts of any market shocks. Long-

term contracts are still a major requirement by financial institutions to ensure funding for capital-intensive projects. In the meantime, oil-indexed contracts have proven to be significantly more competitive than spot prices due to the surge in prices in 2021. As such, long-term oil-indexed contracts are one of the best instruments for sustainable export revenues for sellers and investments in the natural gas industry. The GECF will favour sharing of experiences and best practices, provide high quality studies, and encourage the development of common approaches for promoting the role of long-term contracts in ensuring market stability as well as innovative approaches to maximise gas value to exporting countries.

2.2. Monitor the evolution of the natural gas market landscape

The GECF will strive to maintain its role in the global market and provide support to Member Countries by conducting studies on the competitive landscape, including benchmarking studies, as well as on new policies and technologies, and evolving marketing strategies. This also involves developing dialogue with consuming countries, and getting recognition for Member Countries as reliable and resilient suppliers of natural gas. The GECF shall also act as a listening post to alert Member Countries on possible market environment changes in the future. In order to support gas exports and encourage sustainable investment in the gas industry, the GECF will analyse energy policies as well as trends in gas demand, project financing, marketing strategies and contracting practices in the gas industry.

2.3. Enhance monetisation of natural gas reserves through production of higher value-added gas-based products and reduction of production costs

Member Countries, possessing the world's largest proven natural gas reserves, have a prominent potential for the monetisation of natural gas for the maximum benefit of their nations by promoting alternative ways to export natural gas molecules. There are many opportunities for further penetration of natural gas in the industrial sector, mainly in the petrochemical industry, with gas being used as a feedstock to make higher value-added products. The GECF will provide Member Countries with analysis on monetising natural gas reserves through petrochemical products, including fertilisers, and its role in the diversification of economies and social development. Furthermore, better monetisation may be achieved through the reduction of production costs, as well as an increase in the local content. Although Member Countries are amongst the lowest-cost producers globally,

they may seek ways to further decrease costs and remain competitive through technological advancement, such as increasing production efficiency, reducing gas flaring, and optimising upstream operations.

3. Priority Objectives for Strategic Goal “Advance modern technologies in the natural gas industry”

3.1. *Strengthen environmental credentials of natural gas through cleaner technologies such as gas flaring and methane emissions reduction, CCUS, low-carbon ammonia and hydrogen*

Whilst upholding that natural gas is the cleanest of the fossil fuels, it is important, amidst the rising pressure on the gas industry, to deploy technologies that will make it even cleaner and reduce the GHG footprint of the natural gas industry. In order to comply with tightening environmental regulations, it is crucial to promote deep gas decarbonisation options, notably through improving energy efficiency of operations, gas flaring and methane emissions reductions, CCUS deployment, and development of low-carbon ammonia and blue hydrogen. These options will be the subject of great attention, given their potential advantages in a carbon-constrained world. Hydrogen will also be an area of focus as it presents a great opportunity for the gas industry, both as a new gas demand sector and as a way to ensure the long-term viability of gas infrastructure.

3.2. *Expand technological cooperation through development, deployment and transfer of technologies across the entire gas value chain, as well as human capacity building*

Technological advancement is crucial for the gas industry to remain economically competitive and comply with the climate agenda. It offers significant value creation opportunities for GECF Member Countries, which may strengthen their cooperation on development, deployment and transfer of technologies. In this context, the Gas Research Institute (GRI) will provide a framework for scientific and technological cooperation along the entire gas value chain. Firstly, exploiting high-tech knowledge, scientific methods, advanced analytics and digitalisation will play a critical role in the advancement of the natural gas industry. Secondly, in human capacity development, the GRI will develop a suite of training programmes for experts from Member Countries, who upon the completion of training will share the gained experience and knowledge with the expert communities in their respective countries. Thirdly, the GRI will develop mapping of experts under the

umbrella of knowledge management, to establish a comprehensive platform for knowledge sharing and capacity building within the GECF. Fourthly, the GRI will develop partnerships with research centres and universities of Member Countries and otherwise.

4. Priority Objectives for Strategic Goal “Strengthen the international positioning of the GECF as a global platform for energy dialogue”

4.1. Reinforce recognition as the global voice for natural gas advocacy in the energy industry

The GECF will provide authoritative data, analysis and outlook, and present high-quality deliverables to the global energy community. These deliverables will include the Annual and Monthly Short-Term Gas Market Reports, the Global Gas Outlook, the Annual Statistical Bulletin and other regular reports, as well as studies, working papers and expert commentaries. In this context, the GECF will promote interaction with high-profile experts from international institutions and conduct joint workshops and research activities. The GECF will increase its collaboration with UN specialised bodies, the G20, governments, private sector, academic institutions, and actors of the Symposium on Energy Outlooks to ensure a balanced transformation of energy systems. The GECF will also cultivate closer relations with the international media to facilitate prominence, recognition and visibility in the global energy arena.

4.2. Develop dialogue with natural gas producing and consuming countries as well as with intergovernmental organizations

The GECF will position itself as the leading voice on natural gas and a prominent platform for the exchange of views, knowledge and experience. The GECF will continuously explore the potential of new Member Countries joining the Forum. The Forum will build goodwill around natural gas in producing and consuming countries, as well as intergovernmental organisations, mainly at a grassroots level by harnessing the power of clear, transparent and rightly framed communication. The GECF will highlight the complexity of the gas industry, the positive impact it has had on the economies of the Member Countries, and the value of natural gas in a sustainability-focused world. The Forum will also explore possible new partnerships with other entities that reinforce the vision and mission of the GECF. By establishing strategic alliances that extend far beyond natural gas and encompass the discussion at the interplay of energy and sustainable development, the GECF will position itself as an emblem of authority and credibility. Furthermore, new

approaches and innovative ways for dialogue between producers and consumers will also be adopted to support a distinctive culture of openness and informal information sharing.

4.3. Promote relations between gas industry entities of Member Countries

In the continued efforts to promote mutually beneficial relations between gas industry entities of Member Countries, the GECF will explore ways and means to strengthen these relationships.

Key Instruments, in particular advocacy, analysis, cooperation and communication, are designed to achieve Strategic Goals and Priority Objectives.

Firstly, the advocacy for natural gas within the global arena can be a powerful medium for promoting natural gas. The Forum will maximise all of the available resources to increase its presence and influence on the world stage. In this way, the GECF can cement its place as the leading voice for natural gas-related policies, analyses and viewpoints. The GECF will host flagship events to encourage and enrich the dialogue on natural gas-related issues. The Forum will strive to share its views and expertise through participation at international conferences, workshops and seminars. The GECF will collaborate with other organisations to jointly produce technical analyses and reports, as well as to organise events and training. The Forum will continue to build upon existing partnerships, while reaching out to develop new audiences with external stakeholders.

Secondly, analysis is a crucial tool that will be used by the Forum. The GECF will provide high-quality data, analysis, as well as short and long-term outlooks based on reliable data sources, with appropriate benchmarking to ensure the highest data quality. Moreover, the Forum will strive to uphold the guidelines of confidentiality with regards to data supplied by Member Countries, in order to ensure complete compliance with all relevant laws and regulations.

Thirdly, cooperation is another key tool for achieving strategic goals of the GECF. As an intergovernmental organization comprising members from around the world, one of the main functions of the Forum must be to facilitate active and tangible cooperation amongst Member Countries, on areas of common interest. For example, such collaboration may take the form of partnerships in field of technological and scientific research, through avenues such as the GRI. Moreover, this can also be extended to bilateral trade

agreements, or transfer of specialized expertise regarding the natural gas industry. Member Countries working together in this manner, sharing common experiences and knowledge, will also be advantageous to the GECF pursuing its targets in the advocacy of natural gas in sustainable development, and the protection of the environment.

Finally, communication is a critical tool in the current digital age. The Forum will work closely with international media to distribute its messages, through means such as covering events and publishing technical analyses. The GECF will also make use of digital tools such as the website and social media platforms to increase its engagement and widen the demographic of its target audiences. In this way, the GECF will strive to ensure that most of its deliverables are communicated publicly, when applicable, to convey its messages to a global community.

6. RESOURCE BASE

Two key components of the resource base required to implement the LTS are a competent human resource base and a sustainable source of funding. Meeting the requirements of each of these aspects should be equitable to all Member and Observer Countries.

The overall implementation of the LTS highly depends on strategic human resources management. The Secretariat will continue to recruit the most qualified experts from Member Countries to contribute to and assist the GECF Secretariat in achieving its strategic goals. In addition, the Secretariat will expand its internship programme by including more universities from the Host Country and other Member Countries to support students with putting their knowledge into practice and preparing them for future professional roles. These experts working jointly with the Secretariat team will allow the sharing of experiences and expertise. The initiative will support the human resource needs of the Secretariat with minimal financial resources requirements. Their term of engagement would be for the duration of the project only, and the remuneration would be fully compensated for by the Member or Observer Country.

Member Contributions and Observer Subscriptions are the core resources for funding the annual GECF budget. The budget supports the implementation of the annual programme of work by funding the costs of meetings, direct and indirect personnel costs, database subscriptions, update and support services of the Global Gas Model, GECF workshops and events, missions, and other expenditures. To facilitate deliverables and projects implementation, the GECF may explore options to attract additional funding. Finally, collaborations and partnerships with other intergovernmental organisations will bring access to experiences, expertise, and shared funding/resources for projects.

7. IMPLEMENTATION, MONITORING AND EVALUATION

Implementation is the process that the GECF Secretariat will take to carry out the strategy and achieve the strategic goals. These steps will be highlighted in the 5-year Working Plan, which will be designed as a roadmap to achieve the strategic goals. Based on the 5-Year Working Plan, the detailed planning of activities and projects to be accomplished by each department will be included in the Programme of Work for specific years.

Monitoring is the regular gathering of information about activities and projects to learn from past experiences and improve the deliverables. Monitoring will aim at ensuring alignment of the outcome of the GECF activities and projects with the strategic goals. Furthermore, it allows the identification of areas of improvement on the activity/project level as well as on the strategic goal level, while feeding into the evaluation process. This way, monitoring will identify areas of high and low progress for learning.

Evaluation is the systematic assessment of activities and projects accomplished by the GECF Secretariat, to determine their effectiveness in terms of achieving the strategic goals of the Long-Term Strategy. Evaluation will aim to strengthen the deliverables with a view to maintaining relevance and effectiveness. The Long-Term Strategy will be evaluated every five years, with an evaluation report drafted, which will act as an input to feed the design, structure and content of an updated Long-Term Strategy. In the meantime, the Programmes of Work for specific years would indicate key performance indicators (KPIs) for an activity/project of each Department. In addition, the KPIs would be aggregated on the level of strategic goals to ensure a balanced approach.

ANNEX A: CHALLENGES AND OPPORTUNITIES IN THE GLOBAL ENERGY LANDSCAPE

Over the past few years, the global energy context has changed significantly, with its impact on the global gas industry in general, and GECF Member Countries in particular, changing as well. The factors below, influencing the gas markets, have been identified as both challenges and opportunities for GECF Member Countries.

Global economy: The global economic prospects have been notably impacted recently due to major factors, including the COVID-19 pandemic, supply chain disruptions, rising inflation, and escalating geopolitical tensions. The most important shock to the global economy was the COVID-19 pandemic, which resulted in the deepest economic recession experienced over the past few decades. The pandemic has severely affected developing economies, with weaker financial conditions leading to growing sovereign debt levels, deep budget deficits, and rising poverty. Vaccine deployment, as well as policy and fiscal stimulus by major advanced economies, led to a strong albeit uneven global economic recovery in 2021. However, the long-term adverse impacts of the pandemic have remained, and as of 2022, the global economy still faces large uncertainties. The global recovery has lost momentum, while inflation has surged to levels unseen in decades, driven mainly by commodity markets tightness, supply chain disruptions, and the adverse effects of economic sanctions. The risks of stagflation have risen. In this context, the combination of weak economic growth and high natural gas prices could have negative consequences on the gas industry, in the form of gas demand destruction as well as higher capital and operating costs.

Energy security: Having continuous access to reliable, affordable energy sources, as well as developing resilient energy systems is imperative for the global sustainable development. This can be achieved by reinforcing the security of gas supply and security of gas demand, which are the two sides of the same coin. On one side, security of gas supply is a key element for gas consuming countries to design and implement their energy policies in support of natural gas. The escalation of regional geopolitical tensions in Europe has resulted in record-high gas prices and unprecedented price volatility, as well as trade barriers and investment risks for involved countries. Underinvestment in the gas industry is another vital issue that has contributed to the undermining of security of gas supply. On the other side, security of gas demand is critical to ensure sustained investment in the upstream and midstream in gas producing countries, given the capital intensive nature of

gas projects with long lead times and payback periods. In this regard, the recent past has proven that policies of consuming countries aimed at reducing investments in natural gas are detrimental in the long term, as undermining of the security of gas demand can only lead to market tightness and diminished security of supply. Signing of long-term contracts is crucial to reinforce stability of gas deliveries in an increasingly uncertain environment, which may stimulate the exploitation of natural gas resources in producing countries.

Climate change: Climate change has come under the spotlight of the global community, and this has a significant impact on energy industry development. There is an increasing awareness of the need to prevent global warming, driven to a large extent by the expanded use of hydrocarbon resources. Most countries, representing over 90% of global GDP and 90% of worldwide GHG emissions, have pledged net-zero targets around the mid-century. While promoting the climate agenda, the global community encourages the accelerated development of cleaner energy sources, which poses a growing challenge for the hydrocarbon industry. Although natural gas has several environmental advantages to position itself as a low-carbon fossil fuel, the gas industry needs to adapt to recent trends, mitigating its carbon footprint and scaling up deep decarbonisation solutions.

Energy transition: The energy transition, driven mainly by the climate agenda, has gathered momentum, with the focus being on the development of renewables, greater electrification, increasing energy efficiency, and raising hydrogen ambitions. It is nevertheless true that there is no one-size-fits-all model. The energy transition takes various forms and speeds across the world. As a matter of fact, natural gas is an energy source that constitutes the balanced solution, given its numerous advantages on economic, social and environmental dimensions, and that it fits most emissions-reduction pathways. It has a huge potential to contribute to achieving the UN SDGs, while replacing carbon-intensive fuels in a range of sectors, eradicating energy poverty and helping to move away from the use of traditional biomass for cooking, thereby arresting air pollution and deforestation. Natural gas provides the necessary backup and stability to power grids that rely on intermittent and variable sources of energy. Furthermore, technology to make gas even cleaner, such as methane emissions reduction and CCUS, is mature and readily available. The gas industry needs to further develop, transfer and deploy these cleaner technologies, making the energy transition an opportunity for expanded use of natural gas.

Gas demand: Natural gas consumption has steadily increased, driven by the power generation, residential and industrial sectors across all regions of the world. It is the second fastest growing energy source in the last 10 years, after renewables. During the COVID-19 pandemic, natural gas proved to be the most resilient hydrocarbon resource. Amidst the rising global energy needs, the expansion of natural gas demand will be supported by economic and policy factors. Natural gas, with its cost and environmental advantages over other fuels (natural gas produces 30% and 45% less CO₂ emissions than crude oil and coal respectively), is considered to be the best available solution to displace coal and oil in various sectors and to complement renewables, while supporting the climate agenda. The expansion of the group of gas consuming countries in Africa, Latin America and the Caribbean, and South and Southeast Asia will represent another driver of demand growth, specifically in the power generation and industrial sectors. However, attempts to demonise the use of gas do exist, in particular through the narrative that natural gas is just another fossil fuel and that methane emissions are harmful to the environment.

Gas supply: Natural gas supply has constantly risen, driven by factors such as the expansion of gas demand, development of associated gas production, growth in oil and gas prices, commissioning of new gas fields and increase in wells productivity, with unconventional natural gas production becoming the main source of this growth. The increase in shale gas, tight gas and coal bed methane production will further enable unconventional gas supply to strengthen its position in the global gas market. Technological advancement will improve the efficiency of exploration and production operations and decarbonise the natural gas industry through the deployment of technologies such as methane emissions reduction, as well as CCUS. In the meantime, underinvestment in the gas industry over the last several years has negatively impacted the supply side, and is one of the reasons for supply concerns amidst growing global gas demand. The low-price environment since 2014, and in particular during the Covid-19 pandemic period, as well as the accelerated energy transition and Environmental, Social, and Governance (ESG) pressures on companies and financial institutions, have made financing of gas projects costlier and more difficult to put in place.

Gas trade: Global gas trade has continued to expand to meet the stronger gas demand in major gas importing countries, particularly China, with LNG trade growing at a faster pace. Unlike pipeline gas deliveries, which are restricted by destination, LNG offers greater flexibility in supplying gas across all corners of the world. As such, there has been more

investment in LNG export projects compared to pipeline gas export projects. In the short- to medium-term, the start-up of several new LNG export projects will result in LNG surpassing pipeline gas in global gas trade. Historically, global LNG trade was characterised by long-term oil-indexed contracts of more than 20 years between a buyer and seller. However, recently, there have been significant changes in LNG contracting based on shorter contract duration and new pricing mechanisms. Over the last five years, the average duration of new LNG contracts was around 15 years, with new contracts of 20 years or more accounting for a quarter of all the contracts signed during this period. This highlights buyers' preference for shorter-term LNG contracts in the past few years. Although oil-indexation in new contracts was the dominant pricing mechanism, the level of the oil-indexed slope has declined sharply since 2017 to a historic low of around 10% in 2020-21. However, with the LNG market forecasted to remain tight through 2025, this trend may reverse to support the longer duration as well as the recovery in oil-indexed slopes in new LNG contracts.

Price volatility: Over the past two years, the global gas market has been significantly impacted by unexpected market shocks, which have sent spot prices from historical lows in 2020 to record highs in 2021 and 2022, punctuated by extreme volatility. While a high price environment can spur investment in the industry, it can also lead to demand destruction, particularly in price sensitive markets. Furthermore, such unpredictability and extreme price fluctuations are not desirable for both producers and consumers. These current market conditions have highlighted the increasing importance of efficient contractual practices such as the use of oil-indexed pricing formulae in gas and LNG contracts, aimed at creating price stability and greater predictability, while securing investment in the industry.

ANNEX B: LIST OF ABBREVIATIONS

Abbreviation	Explanation
CCUS	Carbon Capture, Utilisation and Storage
ESG	Environmental, Social, and Governance
G20	Group of Twenty
GDP	Gross Domestic Product
GECF	Gas Exporting Countries Forum
GHG	Greenhouse Gas
GRI	Gas Research Institute of the GECF
HLWG	High-Level Working Group
KPIs	Key Performance Indicators
LNG	Liquefied Natural Gas
LTS	Long-Term Strategy
SDGs	Sustainable Development Goals
UN	United Nations



GECF