



Foundations of Natural Gas Price Formation

Misunderstandings Jeopardizing the Future of the Industry

By *Sergei Komlev*, Edited by *Daniel Satinsky*

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In-depth analysis of the fundamentals of natural gas price formation

Natural gas pricing should be as critically important to the general public as it is to industry specialists. Pricing is the basis of balancing the interests of European and Asian consumers of power and electricity with those of the limited number of potential suppliers of natural gas. Given that natural gas is a foundational transition fuel source that will not be supplanted by renewals for many, many years, the consequences of market failure from incorrect pricing mechanisms could result in the industry missing the new investment cycle. In addressing the critical balancing role of natural gas pricing, 'Foundations of Natural Gas Price Formation' presents an in-depth analysis of the fundamentals of natural gas price formation and outlines the distinctive characteristics of natural gas that make it a unique commodity by examining the specific factors underpinning gas pricing that result in a hybrid pricing system special to natural gas. The book argues that the patrons of spot pricing through gas hubs are promoting an incorrect understanding of gas markets that will lead to market failure and to potential critical supply shortages in the near future. 'Foundations of Natural Gas Price Formation' defends the system of oil-indexed pricing as an accurate, market-based mechanism that has stood the test of time.

Contents

Preface; 1. What Makes Natural Gas Unique and How It Affects Pricing; 2. Role of Gas-on-Substitute Competition in Natural Gas; 3. Hybrid Pricing Mechanisms and How They Affect Price Levels; 4. Natural Gas as Waste Product of Oil and Liquids Extraction; 5. Natural Gas as a Financial Asset; 6. Pricing for Natural Gas and Investment Cycle; 7. Market Structures Affecting Gas-on-Gas Competition; 8. Pricing and Competition with Renewable Energy; Conclusion; Index.

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Sergei Komlev, head of Contract Structuring and Price Formation Directorate at Gazprom Export, is a well-recognized name in the European natural gas industry and a frequent participant in international gas conferences.

Daniel Satinsky, attorney, author and independent scholar, has collaborated with Sergei Komlev for more than 25 years in presenting his ideas to English-speaking audiences.

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