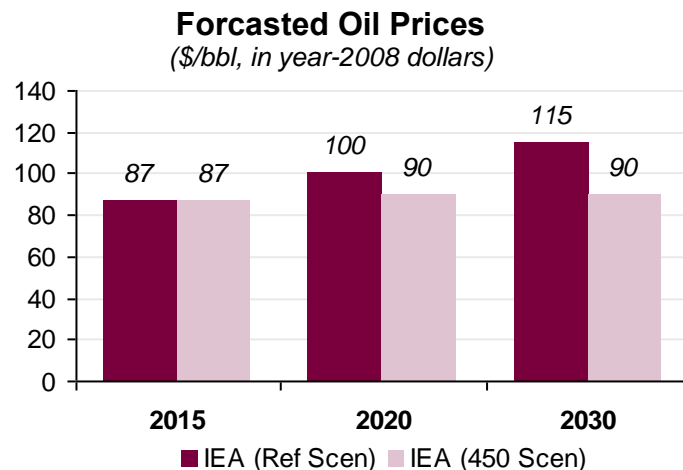


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L&P Energy Insights

Energy outlook in the long, medium and short term

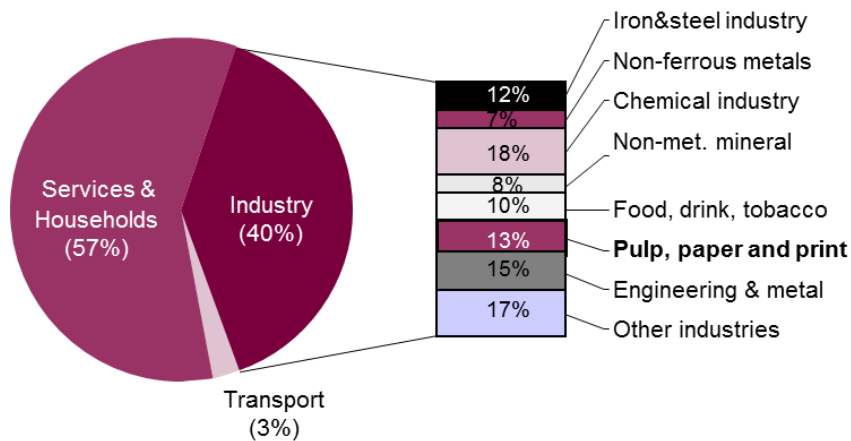
The International energy agency has recently released a report on the future of the world's energy supply and demand. The report paints up a reference scenario where current energy policies including CO₂ reduction policies remain in 2009 mode. The IEA also shows an alternative scenario in which policies greenhouse gas concentration to 450 ppm CO₂. In the alternative scenario, global energy-related CO₂ emission need to peak just before 2020 at 30.9 gigatonnes (Gt) and decline thereafter to 26.4 Gt in 2030 – which is 34% less than in the Reference Scenario. Based on these two scenarios, different long term projections of energy prices are made. Both point to different degrees of increasing oil prices, as illustrated in the graph below.



There are reasons to believe that third scenario for energy price development is possible in the medium term, i.e. up to 2015. On the demand side there are increased energy efficiencies and reduced national energy subsidies. The economic climate is one of debt crisis and generally weak economic growth – this means industrial production is lower and thus energy consumed. On the supply side there are reasons to believe Europe may experience a significant increase in gas supply as the pipelines Nord Stream, South Stream and Nabucco are completed. Improved distribution networks may lead to a more dynamic market to the benefit of businesses and consumers.

For example, consider the effect of the digitalization of print media on energy consumption. Pulp, paper and print constitute 13% of industry energy consumption and 5% of total energy consumption in Europe. As printed media continues its gradual volume decline, energy consumption will decline as well. Prices may follow.

Europe: Share of total energy consumption by type



The price of energy is an important factor in many industries and affects the costs of all businesses. Knowing where energy prices are heading can give a strategic advantage to those who plan accordingly. Contact Lagerkvist & Partners to learn more about how energy scenarios can affect the future of your business.

Sources: L&P, Statistics Sweden; Swedish Energy Agency, International Energy Association