



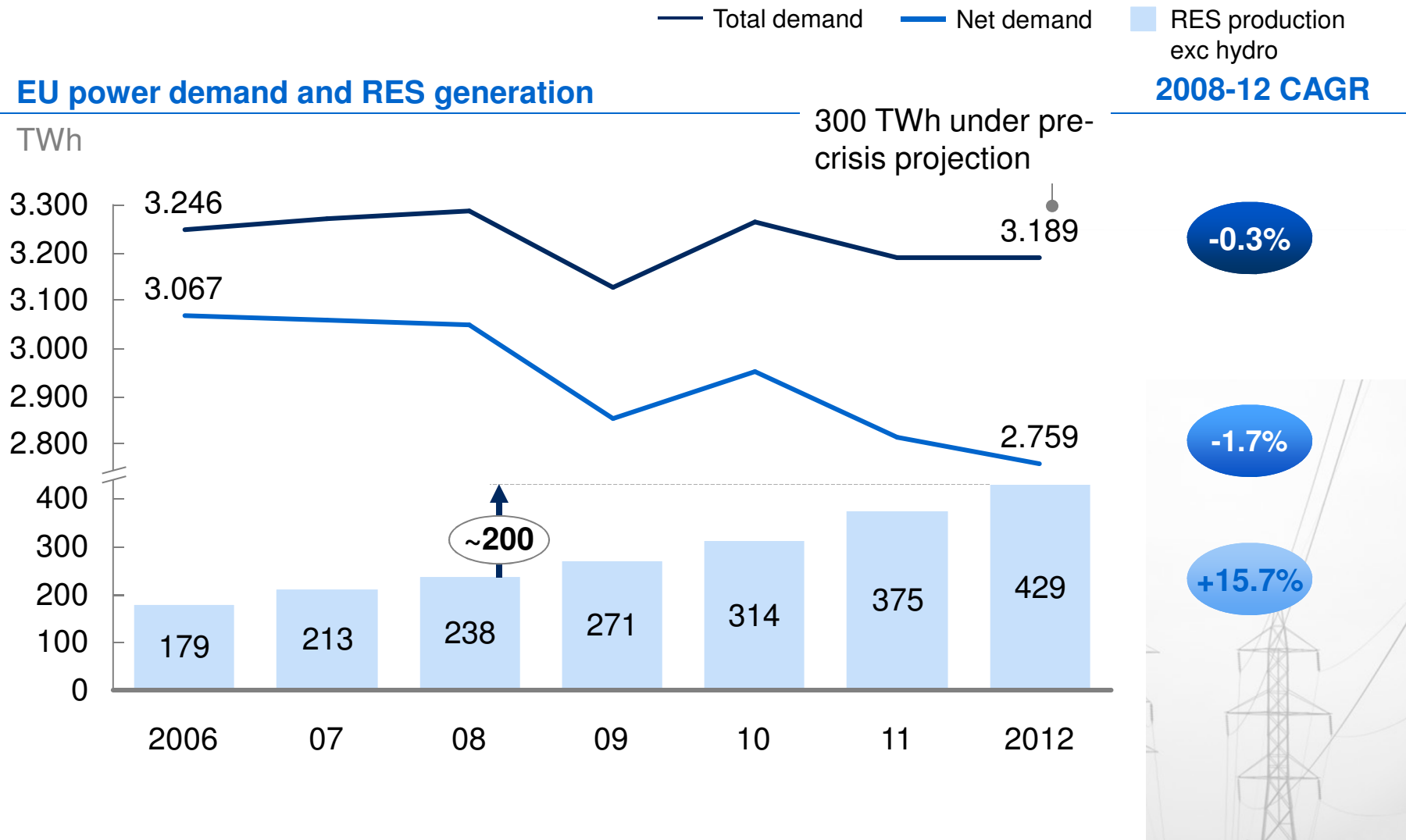
# Beyond the storm – Outlook for gas demand for power

Paris, March 18, 2015

CONFIDENTIAL AND PROPRIETARY  
Any use of this material without specific permission of McKinsey & Company is strictly prohibited

# Market for merchant generation lost 500 TWh within 4 years due to stagnant demand (-300) and RES build-up (-200)

## EU power demand and RES generation

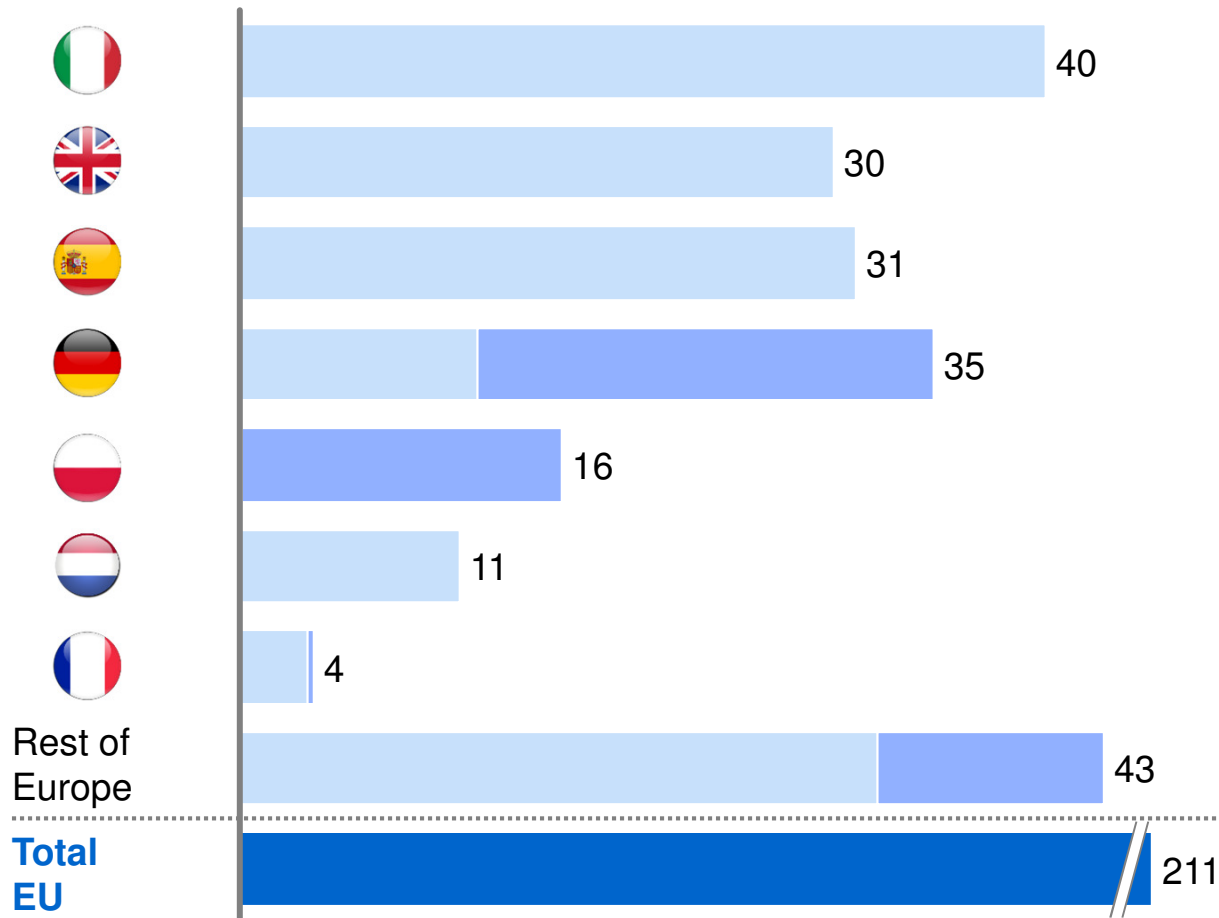


# Over 200 GW of conventional generation capacity are unprofitable based on energy market revenues

Gas  
Coal

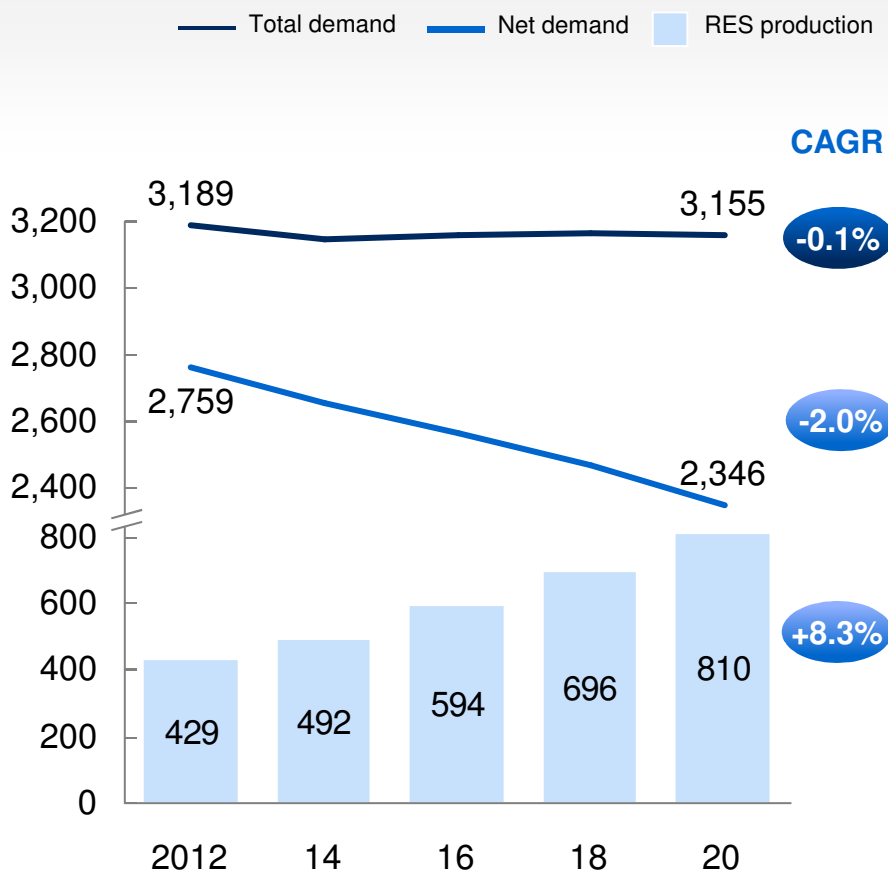
## Coal and gas generation capacity with negative EBITDA on energy market

GW, 2013



# Load factors for fossil generation expected to keep decreasing

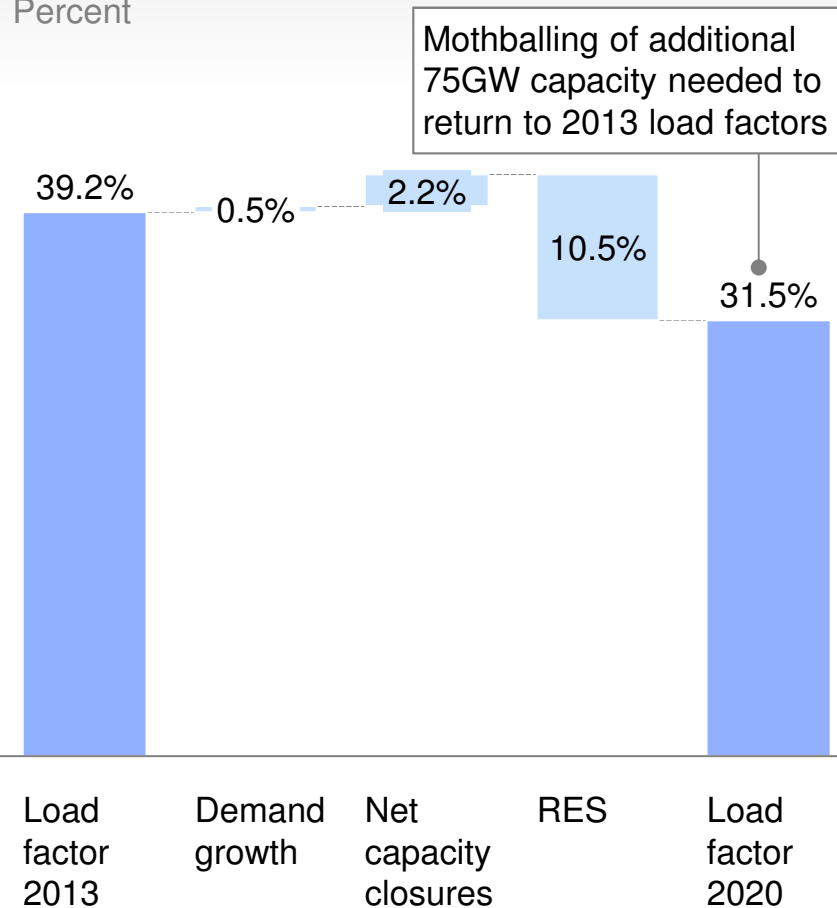
## Net demand for traditional generation keeps decreasing




## Load factors keep declining as RES capacity build-up maintains overcapacity

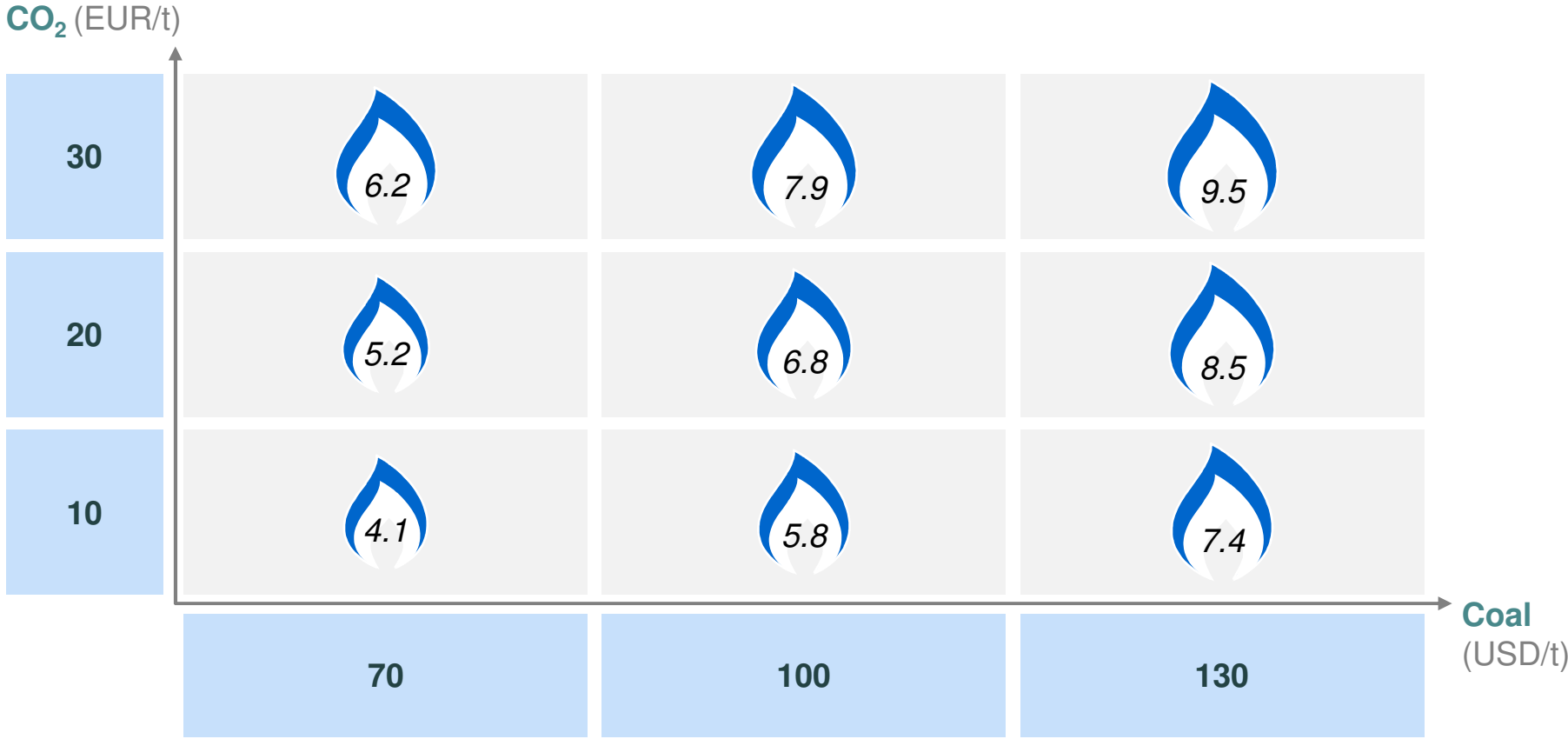
### Load factor for fossil plants

Percent



# European gas prices need to fall to be competitive at current CO2 and coal price

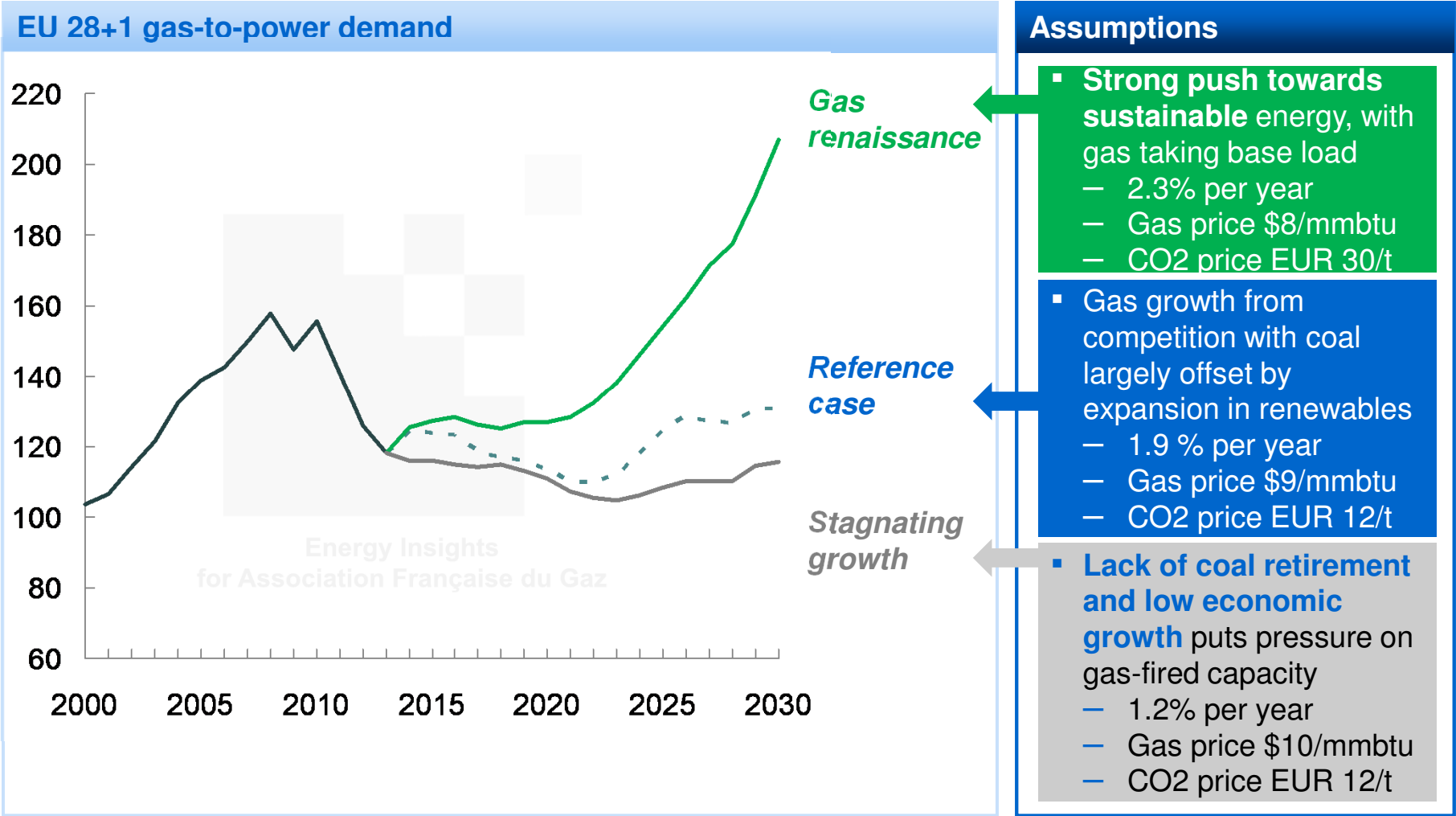
 Natural gas prices in USD/mmbtu needed to compete with coal in power generation



**Depending on coal prices, CCGT's becomes cost competitive with coal plant at gas prices of \$4.1-\$9.5/MMBtu**

# Gas-to-power demand decreasing until 2020 with potential upside post 2020

Gas demand, bcm

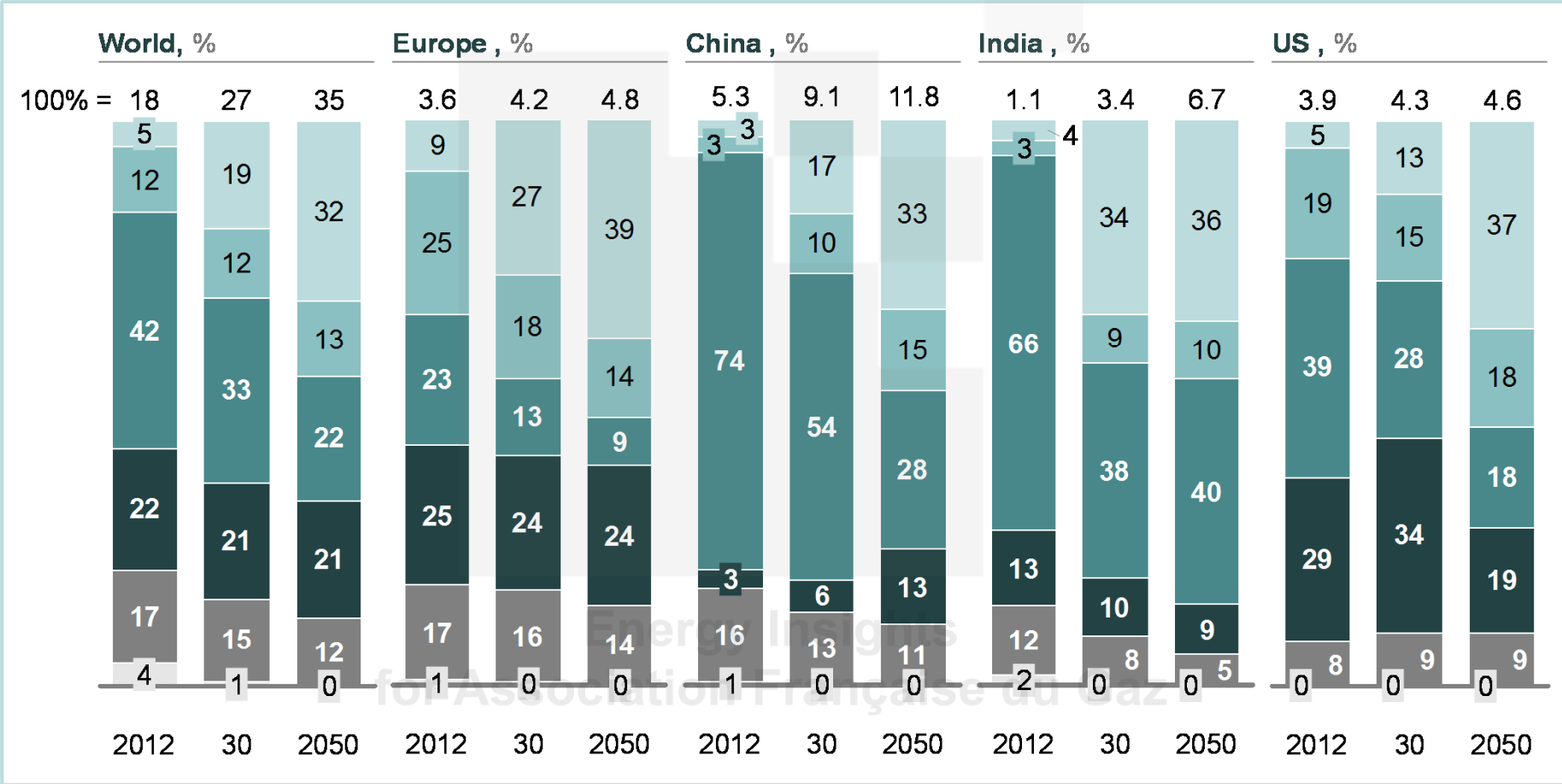


SOURCE: Energy Insights European Gas Model;

# At global level, gas share in power production expected to be stable in the long term

Fuel mix of power production (Thousand TWh), percent

- RES
- Coal
- Hydro
- Nuclear
- Gas
- Liquids



## To go deeper...

McKinsey&Company


European Electric Power and Natural Gas



Beyond the storm –  
value growth in the EU power sector

McKinsey&Company

McKinsey Global Energy Perspective



Global energy's uncertain future

How energy players should choose their best moves

[sebastien\\_leger@mckinsey.com](mailto:sebastien_leger@mckinsey.com)  
+33 1 40 69 93 76