

Global Gas Market Outlook

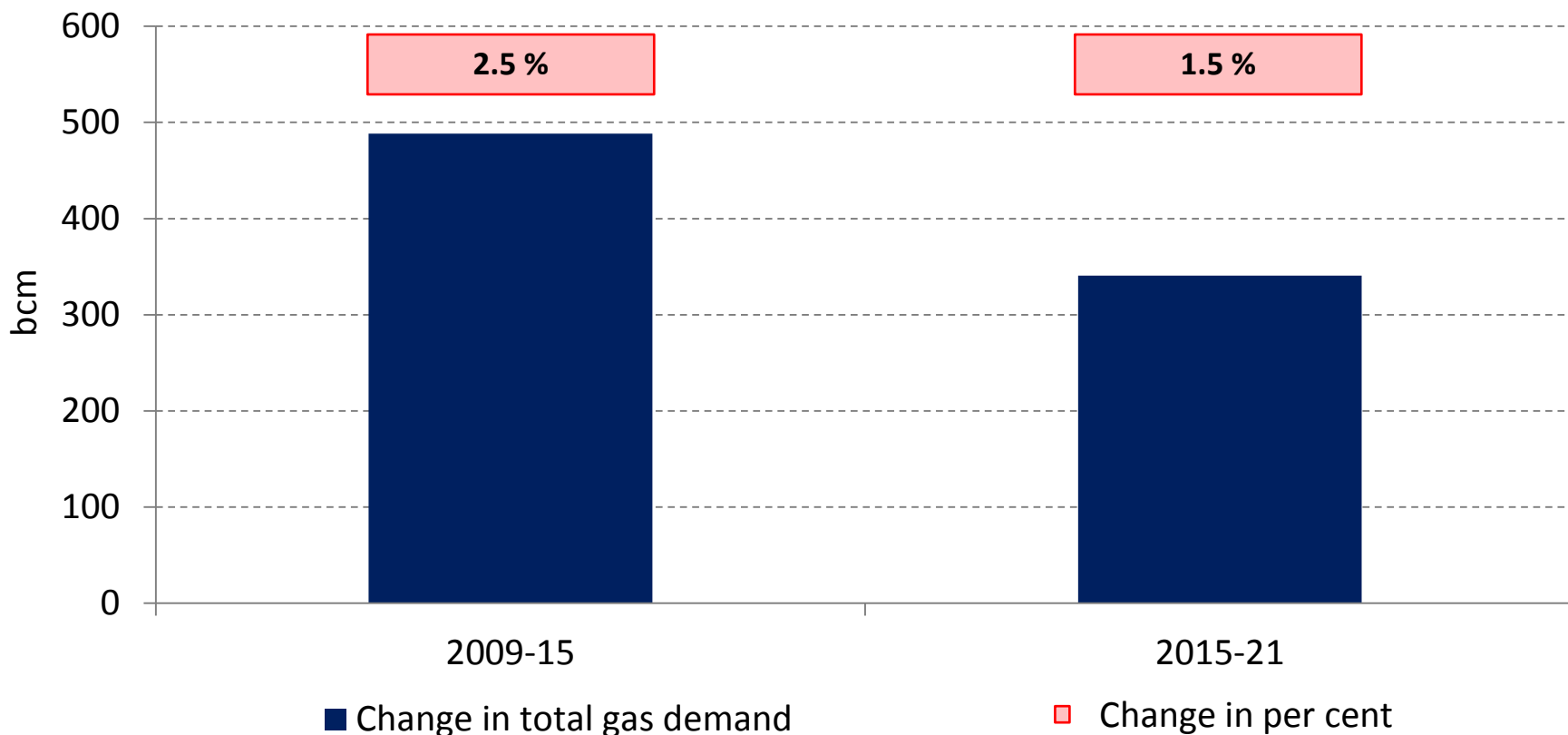
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Growth in global gas demand slows

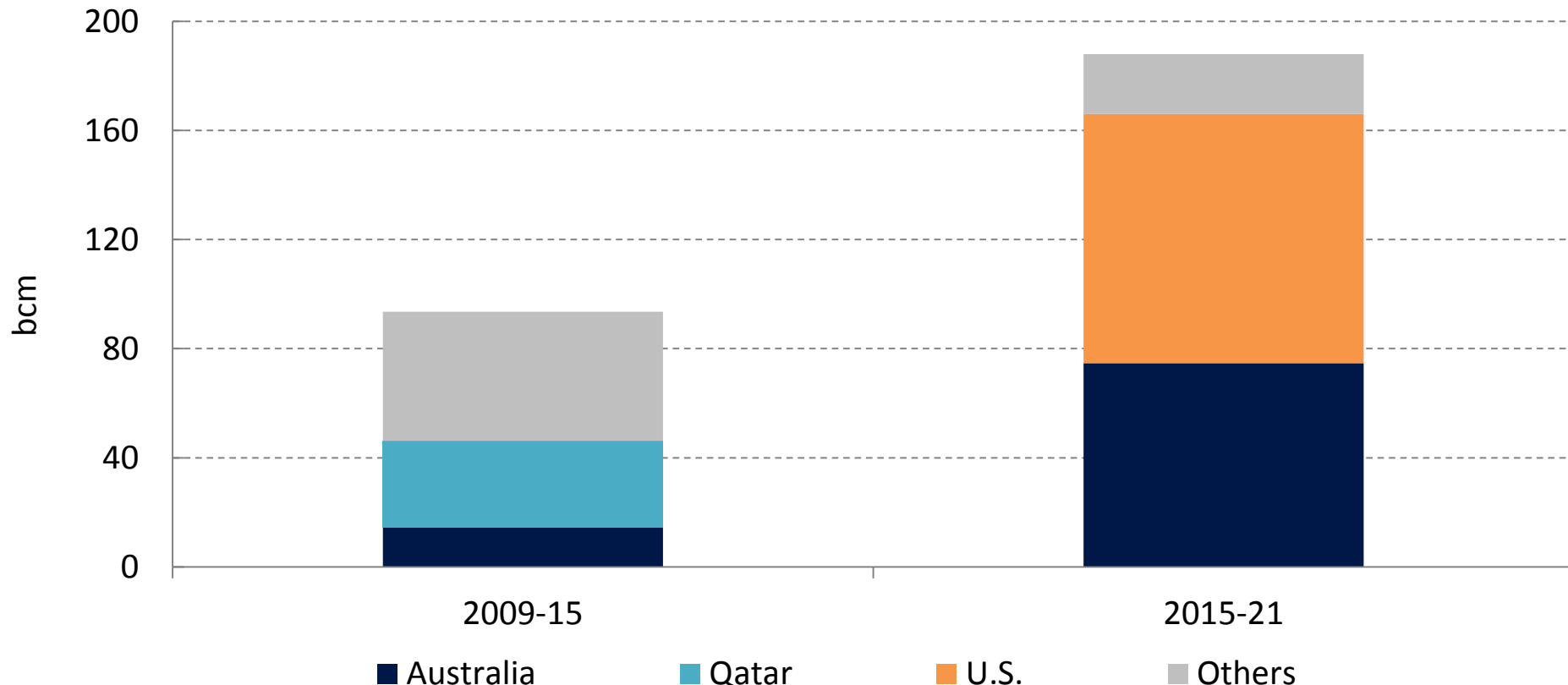
Change in world natural gas demand



Growth in gas demand slows as it faces greater competition in the power sector; yet it is the only fossil fuel that does not suffer a decline in its share of the energy mix

Global LNG export capacity increases sharply

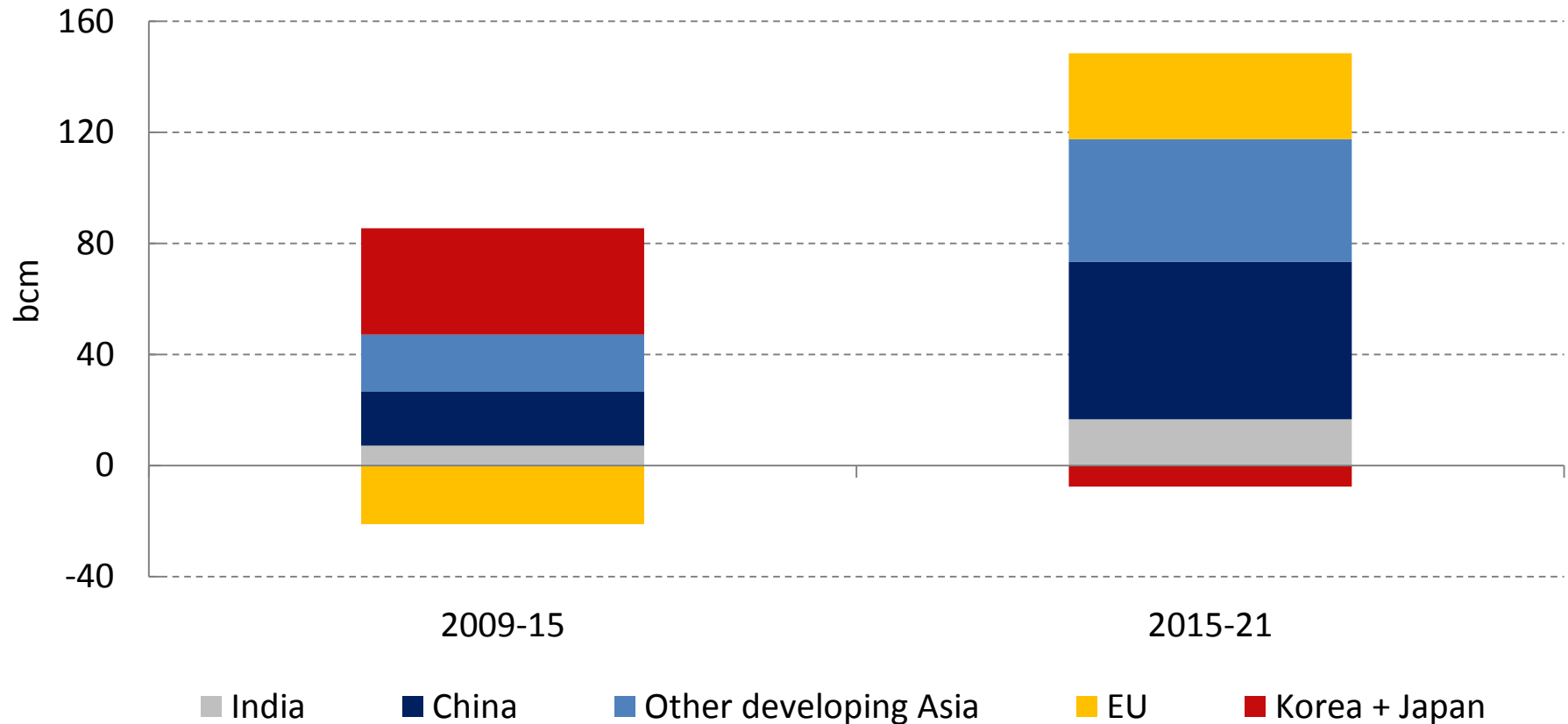
Liquefaction capacity additions



LNG capacity additions will be led by the US & Australia over the next five years; projects in Canada & East Africa could also move ahead if demand & prices recover

Developing Asia emerges as key engine of LNG import growth

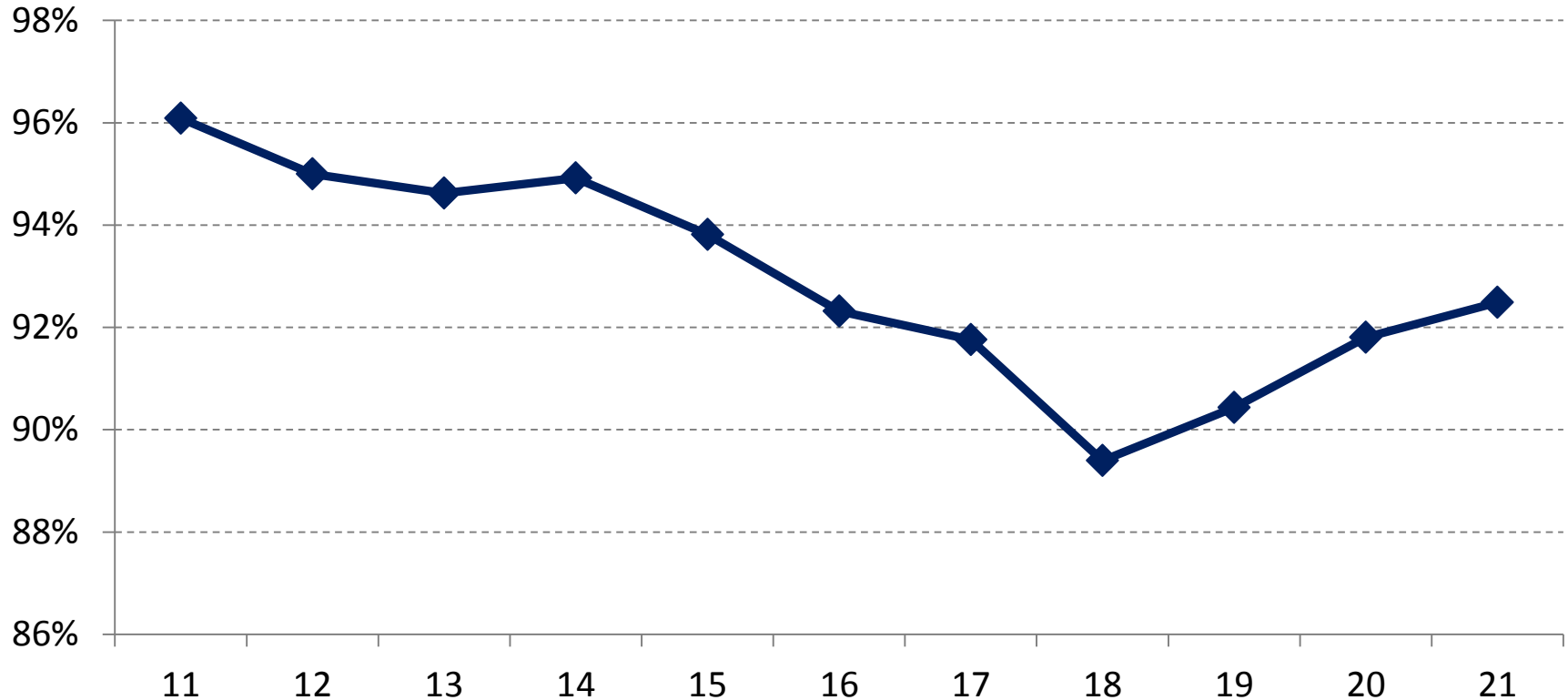
Change in LNG imports by region



As imports from Japan & Korea are set to decline, the rebalancing of global markets will depend on the rate of expansion in China & other developing Asia

Liquefaction plants to run below capacity amid supply glut

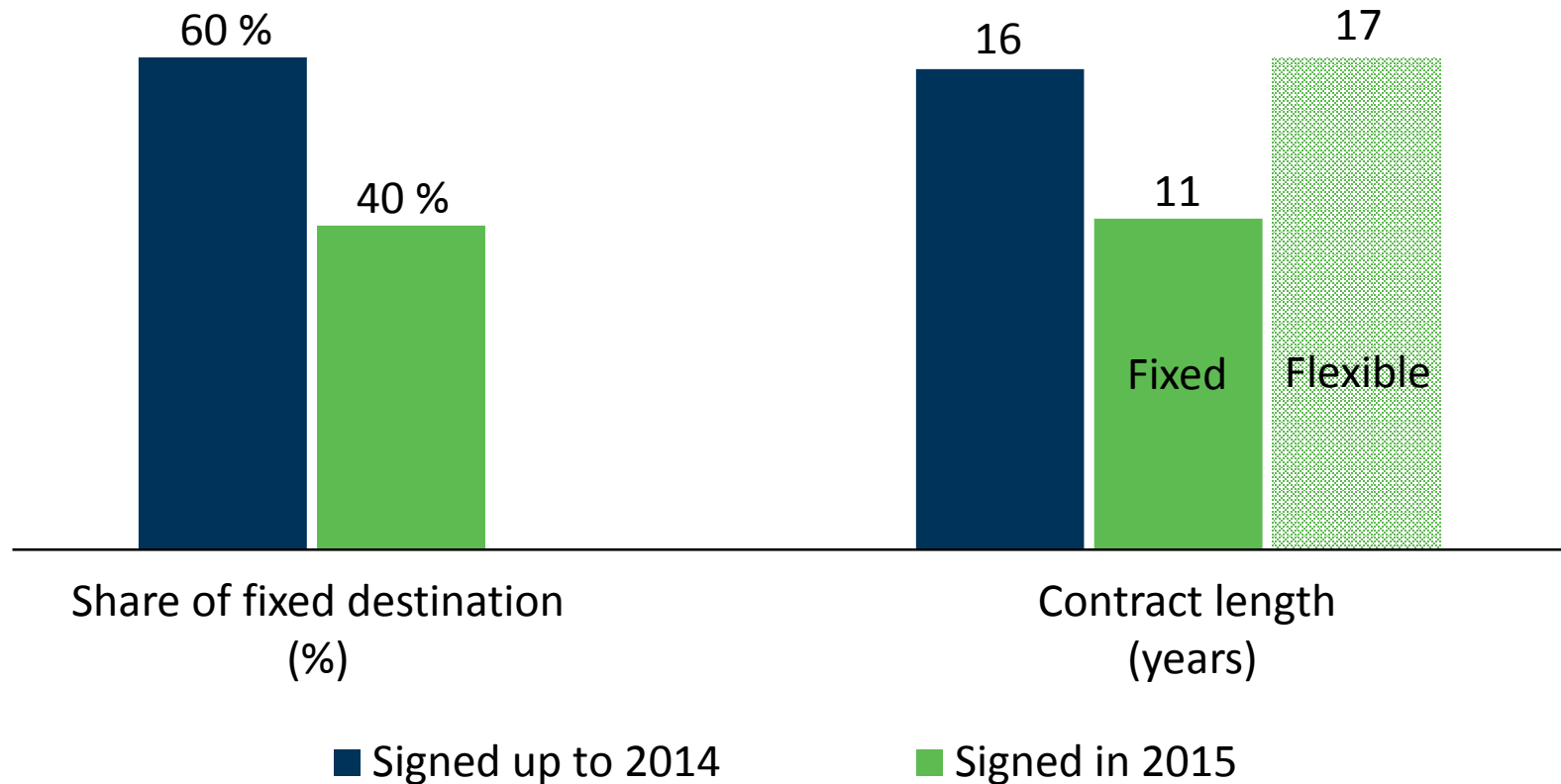
Utilization rate



Note: nameplate capacity has been adjusted to reflect outages, and feed-gas issues

Oversupply in the market will get worse before it gets better. This will put pressure for increased flexibility in contracts and a reduced linkage to oil.

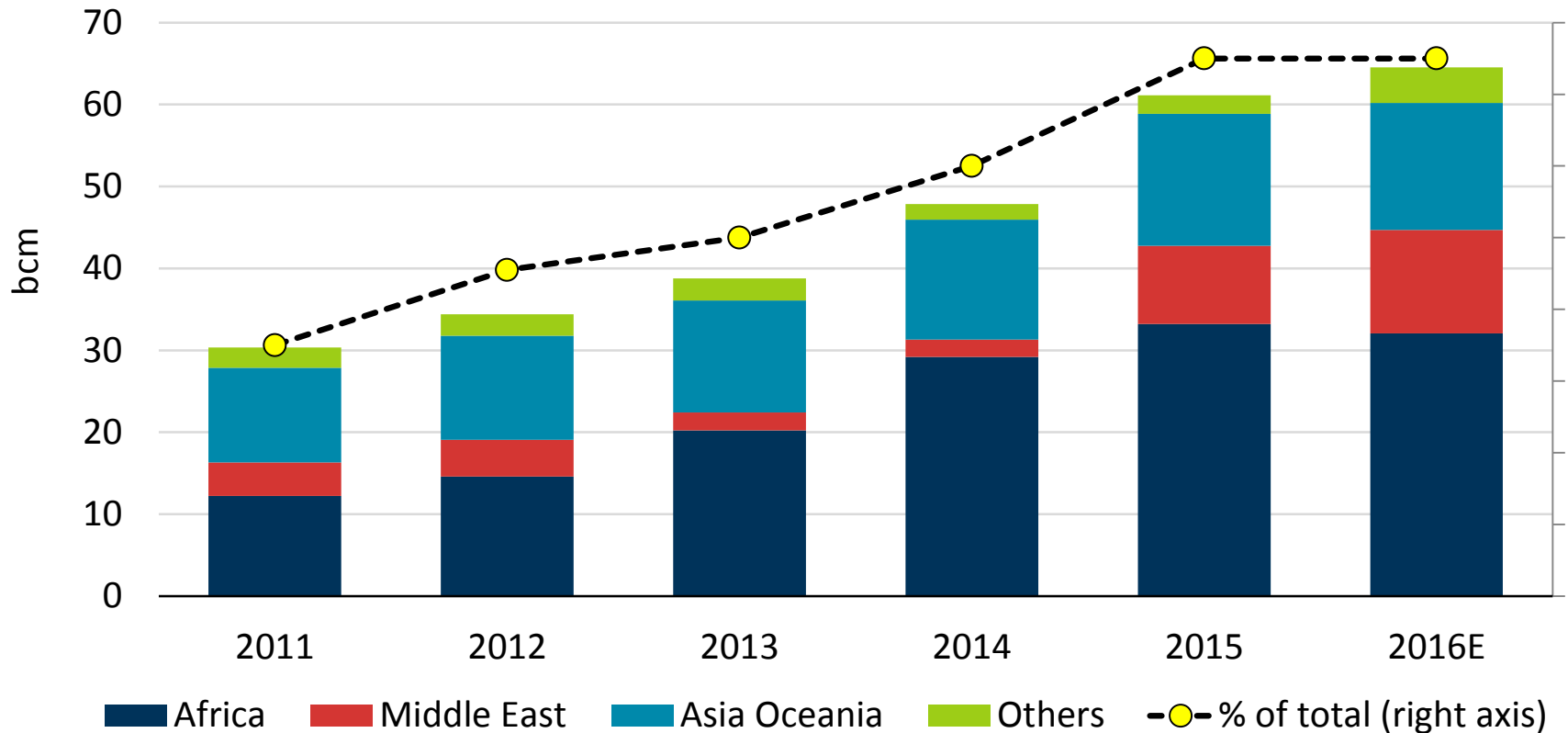
LNG contract structures are becoming less rigid – increasing market efficiency



Contracts with flexible destinations & shorter terms are becoming more common; buyers will accept longer contracts in exchange for increased destination flexibility

LNG markets have less “surge” capacity than commonly thought

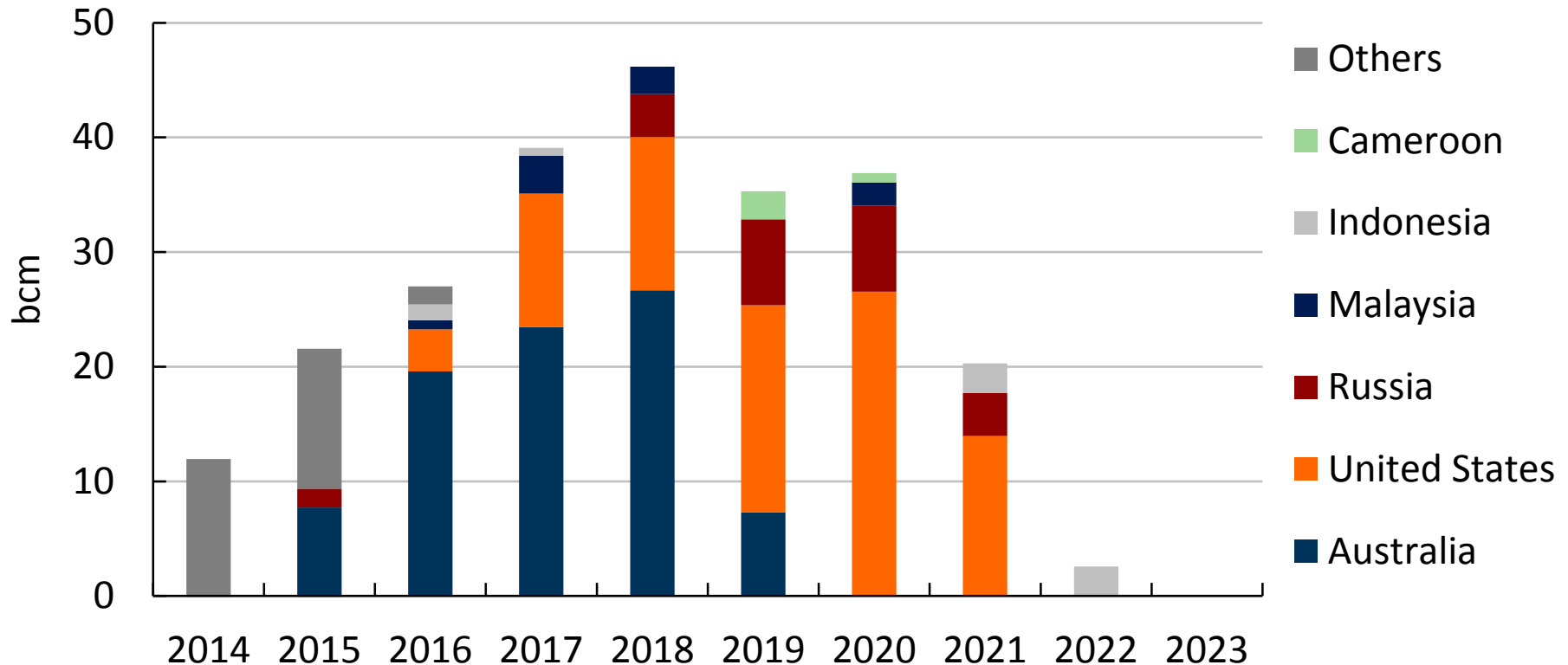
LNG capacity offline by region



LNG capacity out of service has doubled over the past five years to 15%, highlighting security & investment challenges in key producer countries

Lack of investments risk tightening the market next decade

Incremental liquefaction capacity under construction



***By the early 2020's the current wave of new production additions will run out.
New investments needed to avoid future market tightness.***

Key messages

- The gas landscape is changing: production growth is increasingly driven by the US & Australia; demand growth by developing Asia
- Traditional exporters under pressure as competition from new supply sources intensifies
- LNG contract structures are becoming less rigid – trend likely to continue
- LNG markets have less surge capacity than commonly thought
- Lower prices have triggered a collapse in new investments which could seed the sows of tighter markets next decade.