



Third IEA-IEF-OPEC Symposium Gas and Coal Market Outlooks

**Who Will Invest in an Oversupplied Gas Market
and the Current Low-Price Environment?**

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45 years of experience

- ⌘ European Union-accredited **independent TSO**
- ⌘ **Technical Manager** of Spain's Gas System
- ⌘ **International player** with presence in **8 countries**

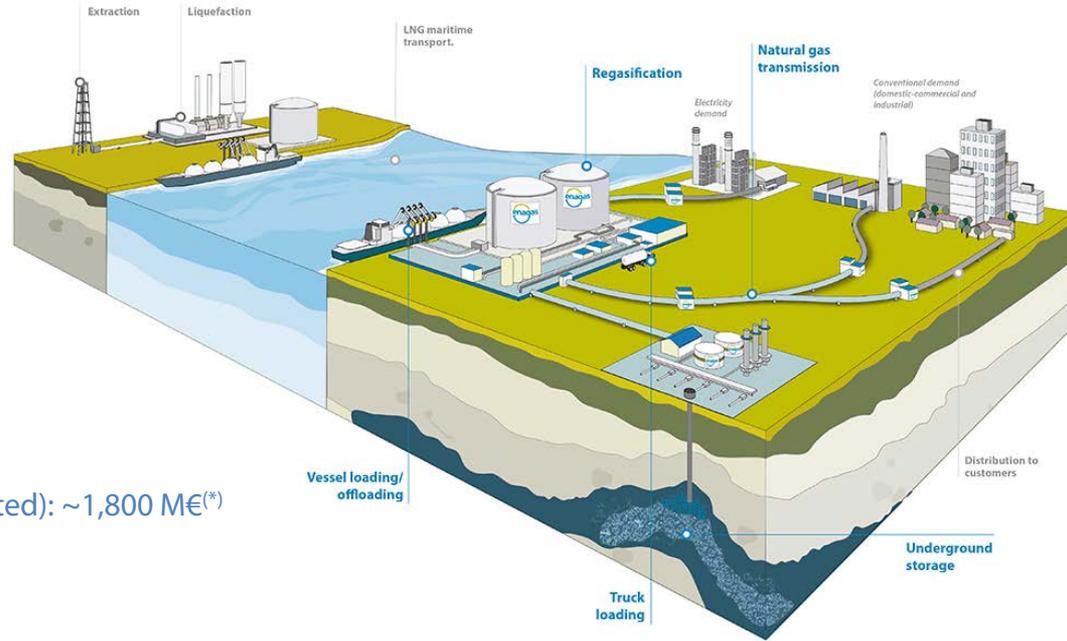
- ✔ **National Regulated Asset Base: ~5B€**
- ✔ **International equity investment (Executed + Committed): ~1,800 M€(*)**

(*) November.16

A midstream company

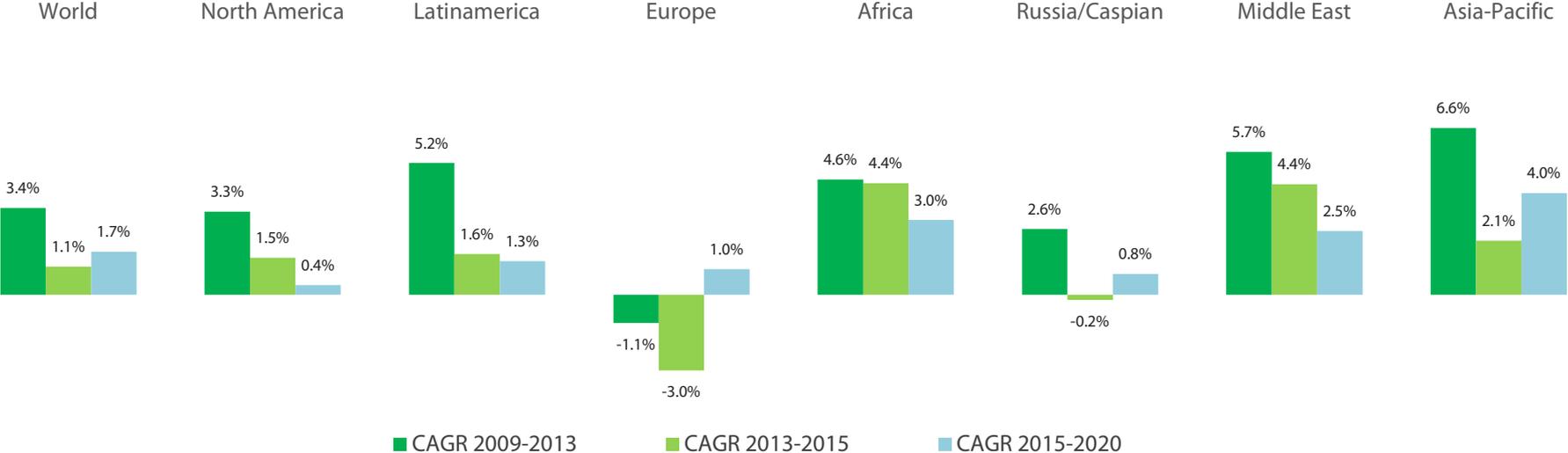
Leader in natural gas infrastructures

Our technological skills, expertise, leadership and experience in managing gas infrastructure development, operation and maintenance, combined with our sound financial structure, position us as leading international player.



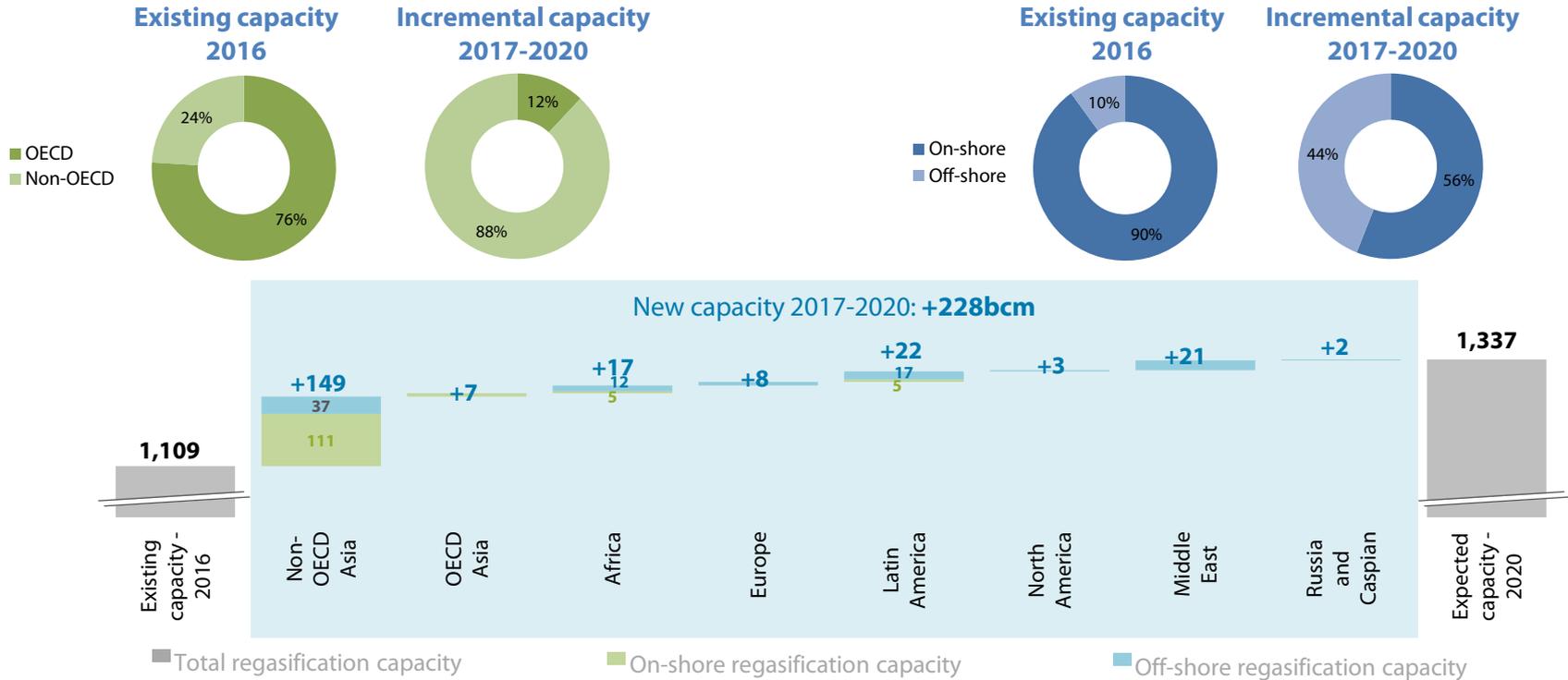
Current market context favors downstream infrastructure' developments

Gas demand growth



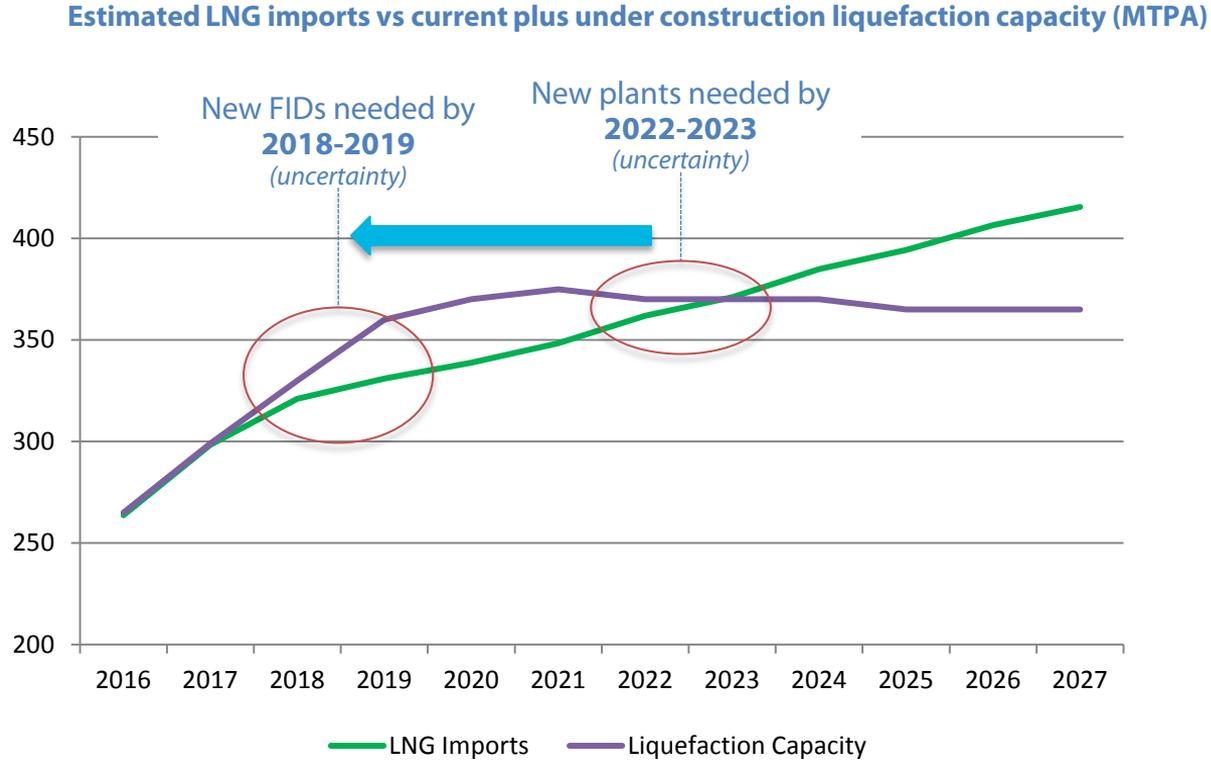
These developments will be driven by either demand growth or security of supply concerns, although different uncertainties reduce the appetite for long term commitments on the demand side

LNG market context improves the prospects for flexible LNG infrastructure and the opening of new importing markets



However, the risk profile of regasification investments changes

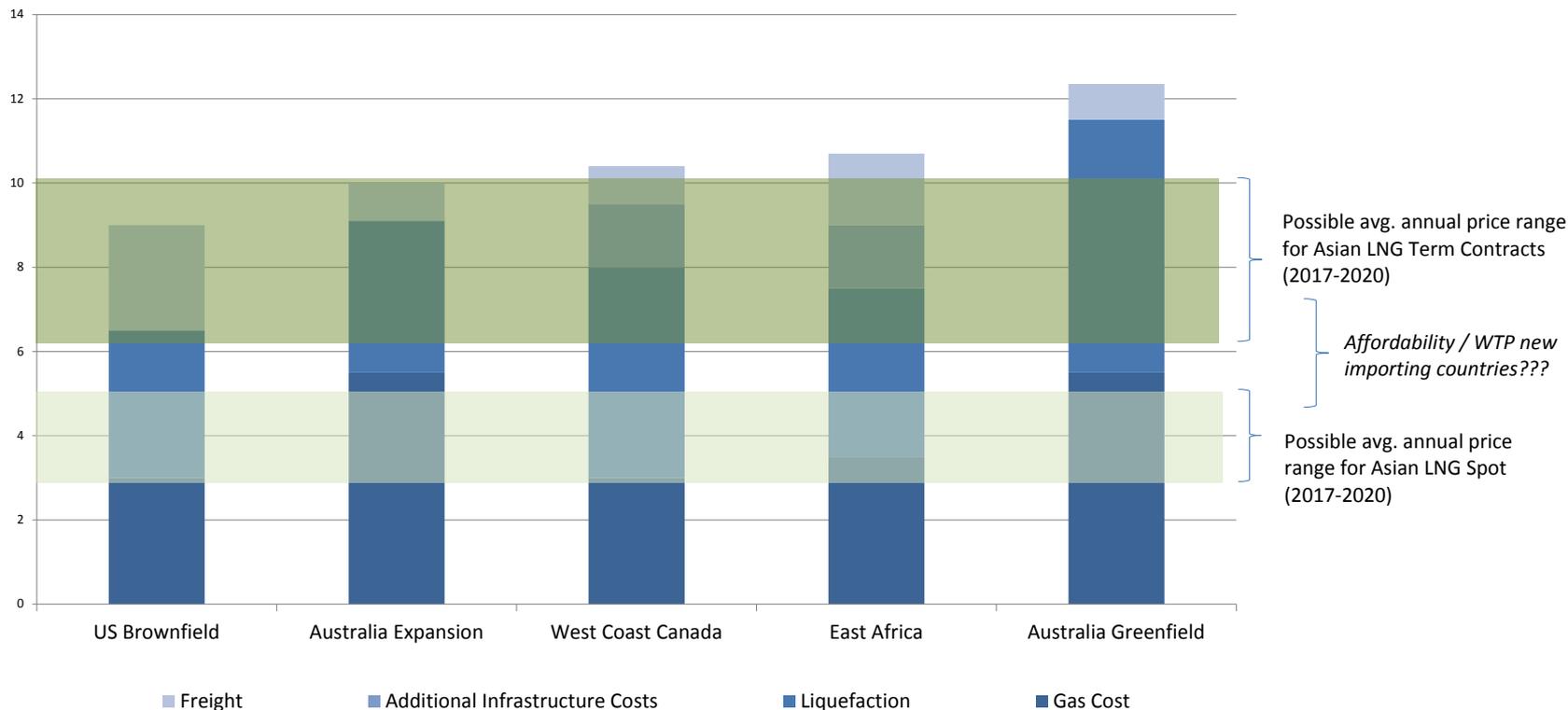
LNG market outlook does not support taking FID on new liquefaction projects



However, in order to adequately balance supply with demand prospects, those FID decisions will have to be taken sooner rather than later

LNG supply costs vs market prices and capacity/willingness to pay

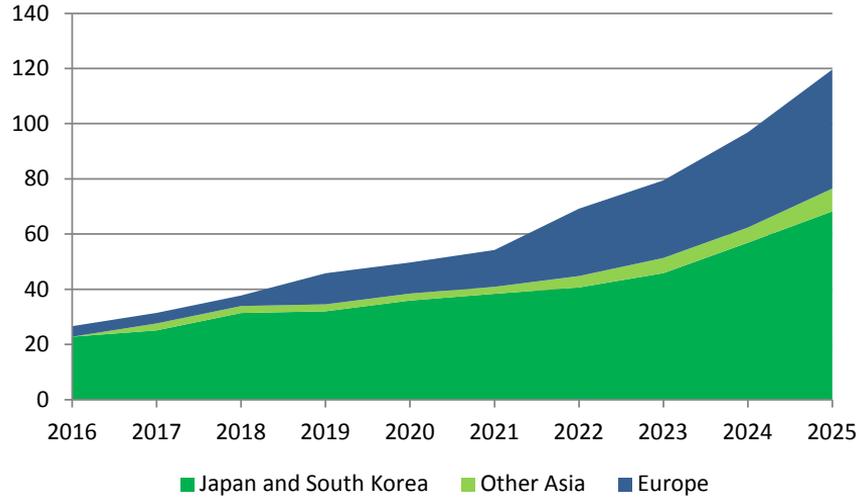
LNG supply costs from new projects to Asian markets and estimated ranges of LNG spot and term prices



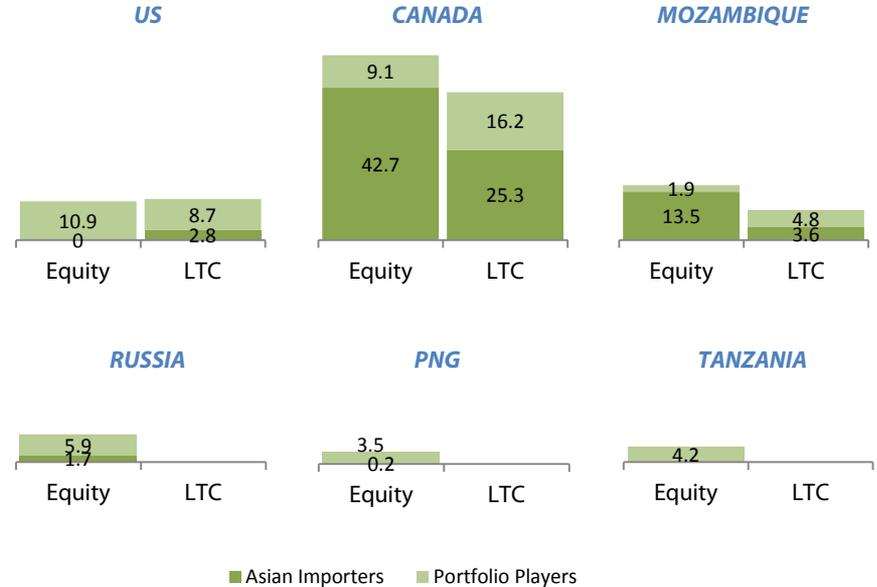
For the gas industry to fulfill its positive outlook, it is important to further reduce supply costs

Who will invest in new liquefaction?

Volume of term contracts (>10y) to Asian and European buyers expiring in the next years (bcma)



Equity capacity and capacity contracted long-term by Asian Importers and Portfolio Players in pre-FID liquefaction projects (bcma)



Source: Own elaboration based on data from IHS

Source: Own elaboration based on data from IHS, projects public information and press reports.

Investors will have to reduce costs and assume higher risks: squaring the circle?

Conclusions

- ∴ There is **appetite for midstream and downstream infrastructure investment** enabling gas demand growth and LNG imports, both **demand driven and for diversification and security of supply purposes**.
- ∴ While expected gas demand growth rates are moderate, **LNG demand in the next few years is expected to grow rapidly and attract significant investment in the short to medium term**. In particular, **floating LNG solutions promise quick start up and low cost compared to traditional onshore terminals**, however **requiring adaptation of industry players' strategies and business models**.
- ∴ The **current market context does not support new FIDs in liquefaction** projects before 2020 **but new capacity will have to come on stream in order to adequately balance supply with demand prospects by mid-next decade**.
- ∴ Looking ahead, a **key issue** for the industry will be **to reduce supply costs to enhance the competitiveness and affordability of natural gas**