

Keynote Address

of

**H.E. Dr. Mohammed Bin Saleh Al-Sada
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on

**“Perspectives on Gas Markets and Economic Growth”
5th IEF – IGU Ministerial Gas Forum**

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Excellencies,
Distinguished Guests,
Ladies and Gentlemen,

Good morning to you all.

The warm reception and traditional Indian hospitality has made this crisp winter morning of New Delhi, additionally beautiful.

It is indeed a great pleasure and honor to be here amongst you distinguished audience. At the outset, I would like to express my sincere thanks to H.E. Dharmendra Pradhan Indian Minister of State for Petroleum and Natural Gas, India and officials of IEF & IGU for organizing this very important Ministerial Gas Forum.

This is a landmark forum focusing on “Gas for Growth”- Improving Economic Prosperity and Living Standards. I may mention, this is very apt for India, as it is already on a fast-track economic growth trajectory. I am pleased to share some thoughts on “Perspectives of Gas markets and Economic growth” which has relevance in the context of world economy and current global environmental challenge related to climate change.

As per recent IMF report, global growth in 2016 will close at 3.1 percent, revised down by 0.1 percent. Projections for 2017 reflect a more subdued outlook for advanced economies. Prospects differ sharply across countries and regions, with emerging Asia in general and India in particular. India recorded a GDP growth of 7.3% in the second quarter of its fiscal year 2016-2017, showing a robust growth; it remains the world’s fastest growing big economy.¹

¹ IMF& India Govt. Report from Internet

Excellencies,
Ladies and Gentlemen,

Energy is central to developmental goals and economic growth of any nation. Ensuring the availability and accessibility of reliable sources of energy is a pivotal challenge the world faces today. Fossil fuel continues to have a dominant share of this reliable primary energy source.

Asia and especially non OECD Asia, represented by China and India will be the main sources of not only economic growth but also energy demand. Asia requires access to affordable and sustainable energy to increase its living standards and to provide it with cleaner energies and clean air. In this regard, I may say, natural gas is well positioned to fulfill all the requirements for sustainable economic and social development.

By 2040, fossil fuels will continue to dominate the energy landscape and are likely to account for 75% of total energy mix. The coming 25-year period is expected to see growing demand for natural gas, as consumers seek an energy source that supports economic development while addressing environmental concerns.

According to the Global Gas Outlook of GECF- *an apex gas exporting countries forum*, the gas share of global energy demand will increase from 21% in 2015 to over 25% in 2040. It is expected that natural gas will represent a share of almost 40% of the energy demand growth. This significant share is mainly explained by many factors and due to the different advantages for the use of gas.²

² Excerpt from the draft speech provided by GECF

Excellencies,
Ladies and Gentlemen,

The global commitment to fight climate change is gaining momentum even faster than expected. The last Conference of Parties in Marrakech (COP 22) confirmed the willingness of countries to pursue these efforts and reaffirm this irreversible momentum.

With its lower carbon content, natural gas can play a key role in reducing CO₂ emissions. I have no doubt that natural gas will benefit from the world's commitment to lower carbon emissions, promoting cleaner and more sustainable environment. It is definitely a very practical fuel of choice available today; a potent source of energy that acts as a bridge allowing the smooth transition to a lower carbon future.

Now, **Ladies and Gentlemen**, let me present the short term and long term perspective of the Gas Markets. I would first like to refer to the short term outlook of GECF which foresees a lower growth rate in 2016, where gas demand will average approximately 3.55 trillion cubic meters registering an average growth between 1.4% and 1.5% compared to last year. This modest growth is mainly driven by Non-OECD economies, primarily China and India. In 2017, it is expected to experience further growth as the economic conditions improve.

Regarding Natural Gas Production, it is expected to average approximately 3.6 trillion cubic meters in 2016, slightly above the 2015 production levels. For the long term perspective, The Global Gas Outlook 2040 of GECF predicts that, the coming 25 year period is expected to see strong growth for gas demand. The global gas production is required to increase by almost 50% by 2040, posing therefore, many challenges

in terms of capital investments for the gas supply industry.³

The annual volume of the global gas trade is expected to increase from around 1,000 bcm currently to 1,650 bcm by 2040; an absolute growth of nearly 60%.⁴ Here I may add that, most of this trade will be carried by sea, in the form of LNG and its trade is expected to grow annually by at least 3% which will allow it to represent a share of about 40-45% of global gas trade by 2040⁵

Excellencies,
Ladies and Gentlemen,

In terms of LNG supply, global LNG after reaching around 250 MTPA last year, is expected to upsurge this year due to incremental volumes brought to the market.

³ GECF draft

⁴ GECF draft

⁵ GECF draft

Asia continues to dominate LNG imports while Europe, the second market for LNG imports, increased LNG volume for the second year as domestic production declined and coal to gas switching took place in the region, driven by rising environmental awareness. The outstanding new emerging LNG demand came notably from the Middle East, particularly driven by LNG imports by Egypt and Jordan.

Asia is active and will still continue to account for more than 70% of the Global LNG trade. Currently, low prices, growing environmental concerns and favorable energy policies are driving a robust gas and LNG demand mainly observed in China, India, Taiwan, and Pakistan. These four countries are set to contribute substantially to reach the balance in the global LNG market over the next five years.

China in particular, the third largest LNG importer in the world, may significantly increase its natural gas use as the Chinese government is determined to reduce pollution and increase natural gas share in its energy mix. It is very likely that this largest economy in Asia will overtake South Korea as the world's second largest importer of LNG in the near future. Likewise, in India, currently the fourth largest LNG importer, is likely to more than double its gas import capacity. We believe in the potential and strong growth of gas in both countries.

We also expect that among the emerging Asian LNG importers - Indonesia, Malaysia, Singapore, and Thailand, LNG demand will continue to rise, driven by more penetration of natural gas in the power generation of these countries.

Ladies and Gentlemen,

Let's now look at investment in natural gas sector, particularly LNG. As we all know, LNG

prices have fallen dramatically during the last couple of years following the path of the oil market. Under this uncertain environment, the industry has no other alternative but to curtail investment and take measures to reduce costs. This in turn negatively impacts the development of future projects. As a result, as markets recover, the energy requirements will not be available to meet the forecasted growth.

Excellencies,

Ladies & Gentlemen,

As per the recent GECF Short Term Gas Market Report, LNG trade has been growing during 2016, and is expected to grow more than 5% to reach around 260 million tons at the end of the year.

In some parts of the transport sector, gas is increasingly being considered as an outright alternative to petroleum, spurred by progress in developing small-scale LNG technology. LNG rather than compressed gas should also make inroads as a transport fuel. It has the big advantage of occupying a smaller physical space than CNG; An LNG tank can carry three times as much fuel as an equivalent-sized CNG tank. That's a big plus for the long-distance road-haulage sector in particular. Besides road transportation, LNG as a maritime fuel has a very bright future. LNG bunkering infrastructure is developing fast along the major international sea lanes.

Ladies and Gentlemen,

My parting thoughts before I conclude my address is that, natural gas has a bright future and is THE FUEL OF CHOICE for sustainable

energy, economic and social development. What we need is a close cooperation between producers and consumers; to develop a Win-Win situation for all, in order to not only stimulate natural gas demand worldwide, but contribute immensely to keep our planet green, eco-friendly and clean.

Wishing all success to this 5th IEF IGU Ministerial Gas Forum! thank you all for your attention.