

World LNG Trade 2014 & Outlook 2015

By:

Global LNG Info (GLNGI)

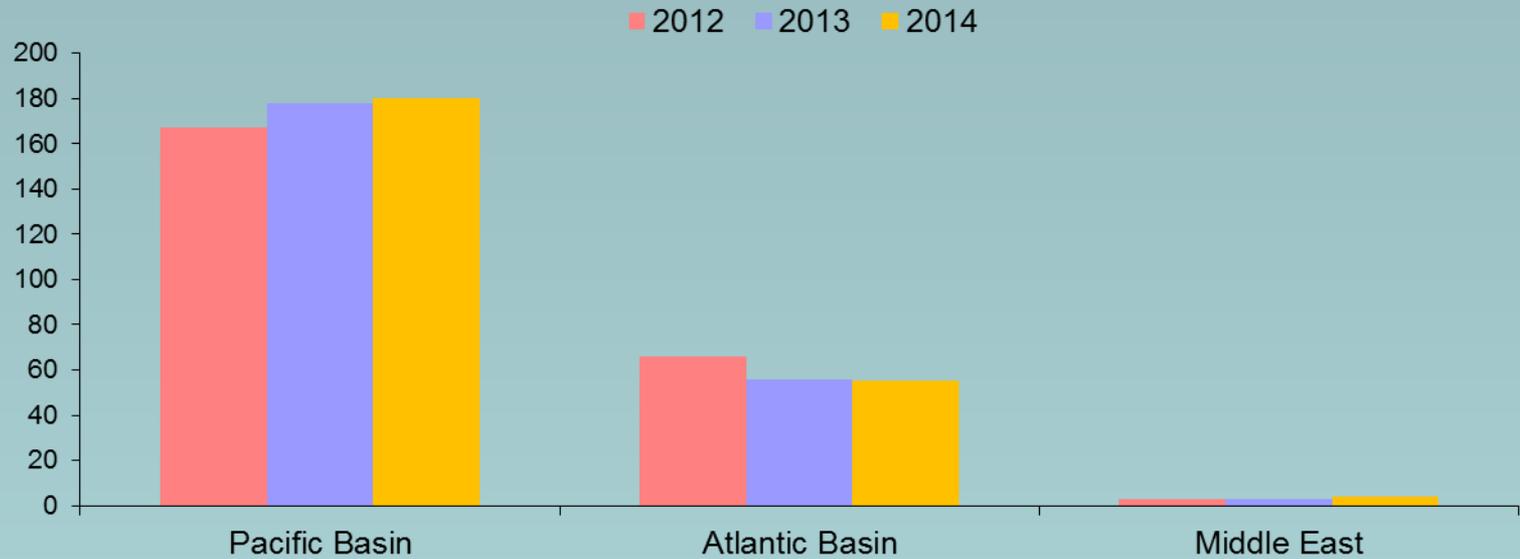
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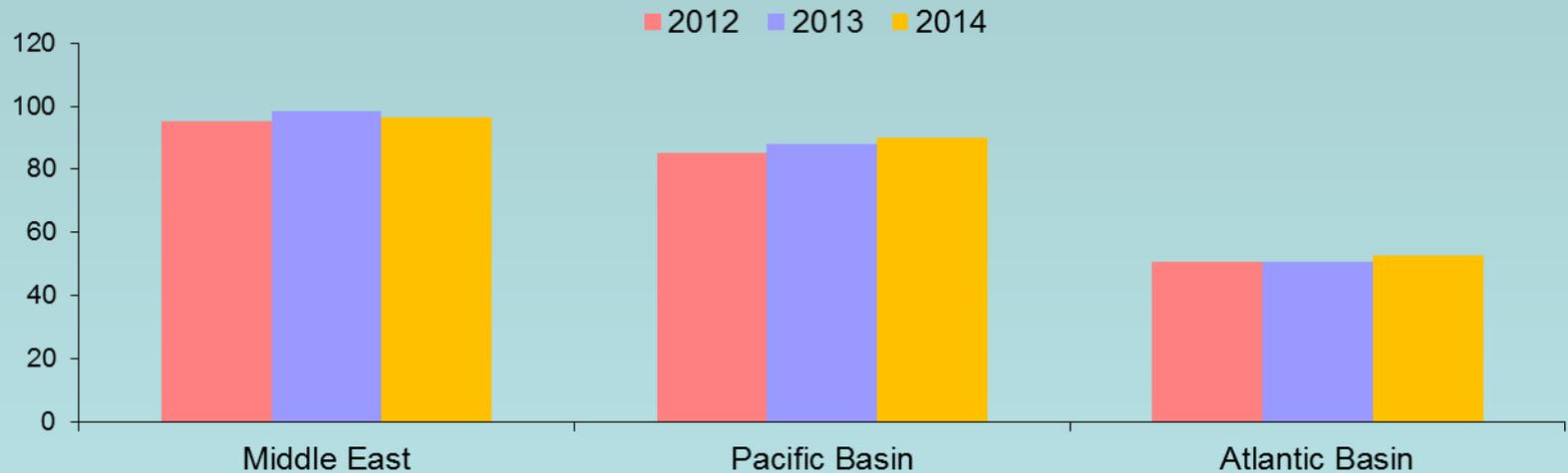
- 239.2 MMT of LNG traded in 2014, effectively flat for the third year running as reduced output from some plants in Egypt, Yemen, Indonesia, Angola and Qatar was mitigated by new supply from PNG LNG project.
- 69.6 MMT of the LNG traded on a spot or short-term basis equal to 29% of the world's total LNG trade.
- 110 LNG receiving terminals were operating in 30 importing countries with 751 MMT/Y total capacity and 88 liquefaction trains were in operation in 19 exporting countries with 298 MMT/Y total capacity.
- Asian LNG demand was 75% of global LNG trade while 38% of global LNG volumes supplied from Asia-Pacific and 40% from the Middle-East.
- Asian LNG demand's growth rates slowed compared to recent years because of demand weakness in South Korea and China, due to seasonal and structural economic factors. The growth in China was weaker than expected, and S. Korea demand was lower YoY.
- The competition between Asia and Europe for spot cargoes decreased, leading to a reduction in spot prices over the summer. Falling oil prices at the end of the year further pressured spot prices downwards. However, the collapse in oil prices has not yet fed through fully to LNG prices in long-term contracts in Asia.
- Japan and Qatar keep their positions as the world's largest LNG importer and exporter, respectively. Qatar exported less LNG in compare to 2013 but Japan imported more LNG in 2014.

- Demand increased in South America, strongly related to weather factors.
- The ongoing drought in Brazil meant that it was the highest growing market in 2014, at 25% YoY, followed by the UK, (which had a stronger summer, at 17% YoY), just ahead of China and India.
- Spain re-exported 3.48 MMT of LNG which was higher than Norway's LNG exports at 3.26 MMT.
- More than 110 MMT of the European LNG regasification capacity not used in 2014 as an average utilization ratio of the region's LNG imports terminals was less than 18%.
- Papua New Guinea has been named as the 19th nation currently exporting LNG in 2014 while Lithuania joined the LNG importers club.
- World's first coal-seam gas (CSG) to LNG plant, QCLNG, commissioned by BG in Australia at the end of 2014.
- Four LNG export projects took FID in 2014, Freeport, Cameron and Cove Point in USA and Petronas FLNG-2 in Malaysia.

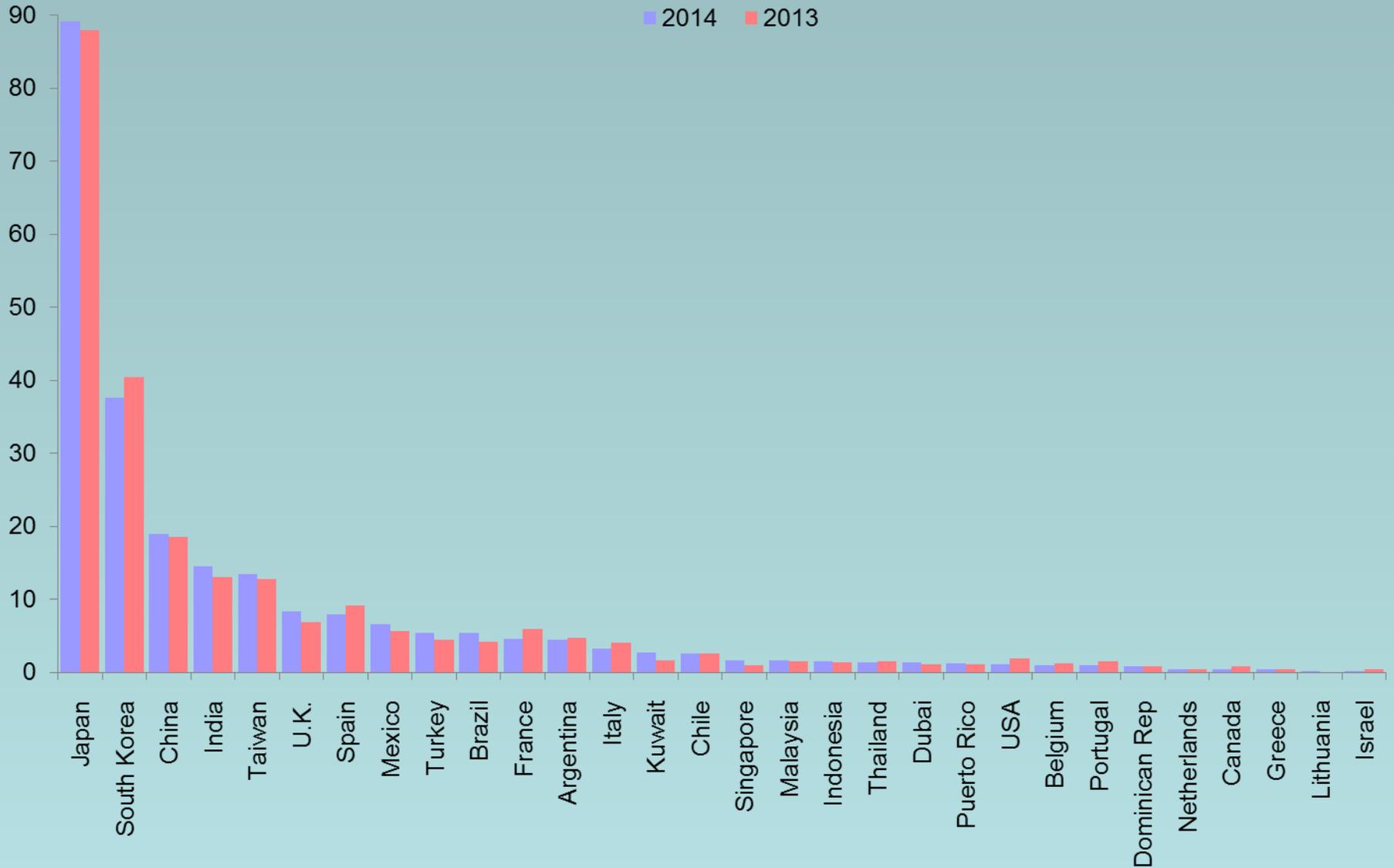
World's LNG Importers by the Region (MMT/Y)



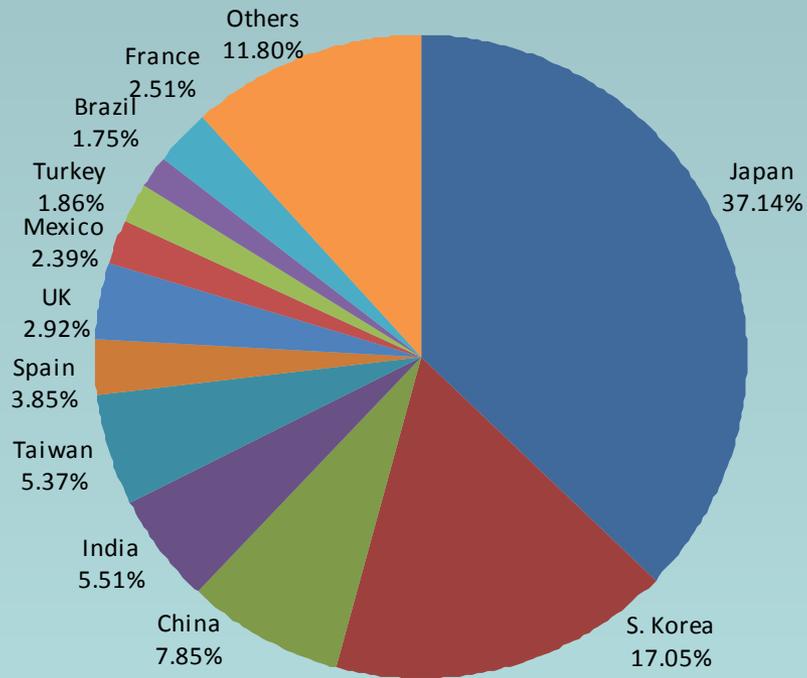
World's LNG Exporters by the Region (MMT/Y)



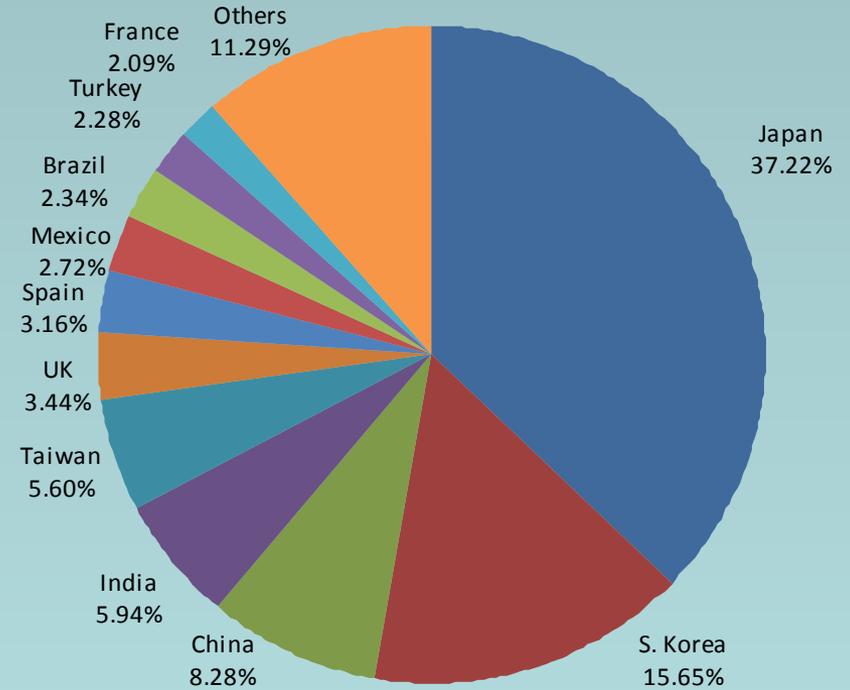
World's LNG Trade by the Importers (MMT/Y)



World LNG Importers by the Share in 2013



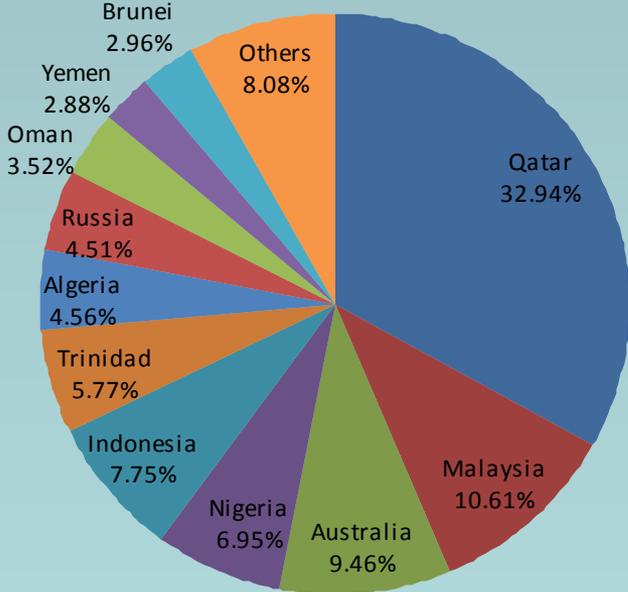
World LNG Importers by the Share in 2014



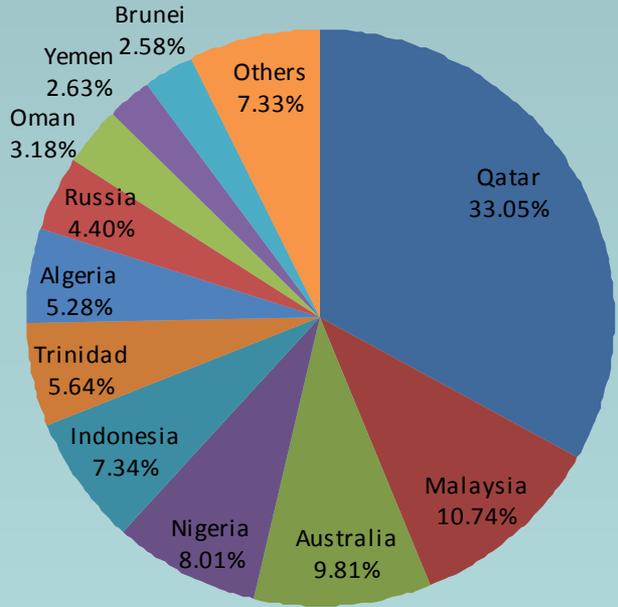
World's LNG Trade by the Exporters (MMT/Y)



World LNG Exporters by the Share in 2013



World LNG Exporters by the Share in 2014

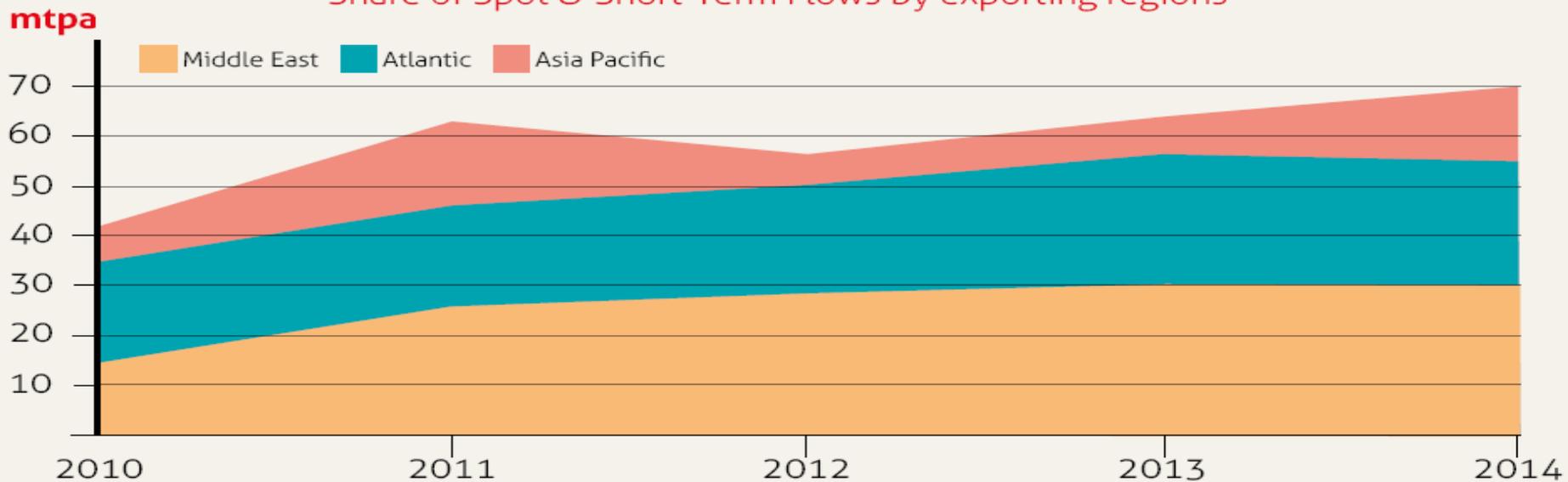


Short term trade accounts for 29% of market

Spot and Short-Term vs Total LNG Trade



Share of Spot & Short-Term Flows by exporting regions



- During the next couple of years the supply-demand balance results in some LNG shipments flowing into European markets. However, it is unlikely Europe will see the levels of LNG imports it experienced in 2011 until much later in the decade as Asian LNG market continues to grow as expected. Therefore Europe will play the balancing role in the market as it did in 2013 & 2014.
- At current oil price levels the range between crude oil prices and the European market price, between which LNG in Asia has historically priced, will be much narrower in 2015 than in recent years. Long-term contracts, which are generally indexed to oil in Asia, but are lagged against oil movements, will see more of an impact in 2015, according to BG.
- Five new regasification terminals: Diefu (China), Dunkirk (France), Hachinohe (Japan), Pagbilao (Philippine) and Swinoujscie (Poland) are planned to start up by the end of 2015.
- Return of Japanese nuclear power generation will remain big question in 2015 as it is expected to be slow following Kyushu Electric's targeted restart of the country's first nuclear reactor around the middle of 2015. For now, all the country's nuclear power plants remain off-line.
- In Korea, demand is expected to remain weak as three new nuclear plants are commissioned and power companies increase the use of coal.
- China's LNG imports fell by 8.9% to 5.12 MMT in the first quarter of 2015, marking the first contraction since the country started buying the fuel in 2006 and raising doubt over the outlook for what was once the fastest-growing major LNG market.
- As President Xi Jinping stated China is entering a "new normal" stage, it means not only slower growth, but more importantly, an improved economic structure and growth quality (sustainable development).

- LNG re-exports from Europe plummeted in early 2015 as a result of weak demand and price convergence between the Atlantic and Pacific Basins. European re-exports had jumped 51% YoY in 2014. Convergence of oil-index prices and hub prices started last year and continued this year (2015) due to oil prices drop.
- Poland is set to become a new LNG importer as Russia-Ukraine dispute could encourage more imports in future. However, technical and financial disputes with EPC contractors may postpone start-up of the country's maiden terminal to the last quarter of 2015.
- At the end of first quarter of 2015 around a dozen gas liquefaction projects were under construction, which together amounted to nearly 135 MMT/Y of new supply to be commissioned by 2025.
- The market expects to see the first LNG cargo exported from the US Gulf of Mexico (Sabine Pass) by the end of 2015 or first quarter of 2016 after Australia's supply wave.
- It is expected that at least one additional US LNG export project (Corpus Christi) will be approved in 2015 and by 2025 the country's supply would approach 60 MMT/Y.
- BG expects that LNG trade to grow 3% to 250 MMT in 2015 with an incremental 7 MMT/Y delivered. On the demand side 12 new regasification terminals and one expansion to start-up, including six new markets; Egypt, Jordan, Pakistan, Philippines, Poland, Uruguay. "How the LNG market responds to the growing volumes will be a key factor to watch in late-2015 and in 2016. We expect the LNG market to become more volatile over the next few years as it responds to 'lumpy' supply and market-side additions plus exogenous supply and demand factors."
- In each of the past four years over 20 MMT of supply capacity has been sanctioned. The extent to which the industry sustains the current supply growth momentum will depend upon how it responds to the current reduction in commodity prices. A key indicator to watch will be the number of FIDs taken in 2015.

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