Towards an efficient LNG market in the Asia - Pacific

Maria van der Hoeven
Executive Director
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For gas the Asian century is just starting

**Primary energy consumption**

- Asia
  - Coal
  - Gas
- Europe and USA

Mtoe

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Natural gas is the key to improving air quality in Asia
Economic growth and energy policies will raise the importance of Asia in global gas.

Due to geology and geography, LNG will have to play a dominant role in supplying Asia.

Share of the Asia-Pacific in global gas demand

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The old business model is an increasing competitiveness burden.
Security issues, depletion and domestic demand growth lead to tight LNG supply

Supply shortfalls double the market impact of Japanese demand increase
New LNG supply is predominantly backed by long-term contracts

Portfolio LNG and secondary re-exports both play an increasing role
Are oil and gas still substitute products?

Oil and gas fired power generation in the Asia Pacific

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Is a destination clause still essential for project financing?
With non-conventional technology and new discoveries, resources will compete for markets

*The proportion of proven reserves projected to be consumed till 2030*

*In 5 years discoveries and reserve additions exceeded production by 175 years worth of Japanese demand*
The United States continues to lead non-conventional development

- Technological improvements in seismic, drilling and fracking
- “Mass manufacturing” methods in oil field services
- Strong financial boost from liquids

With US markets saturated, Canadian production growth depends on LNG exports
North America is emerging as a major exporter

Projects with DOE approval or signed export contracts

LNG from other countries

Can Henry Hub+ emerge as a price signal for Asia?
Russian gas: the East is the manifest destiny?

Source: Gazprom. Note that political boundaries are not endorsed by the IEA

• Production constrained by EU and domestic demand
• Surging independent production backed by NGLs
• Asian exports depend on capital-intensive infrastructure
Facilitating market development

- 3rd party access and unbundling in gas AND electricity
- Wholesale price liberalization
- Flexible infrastructure
- Encouraging entry of new supply
- Diversifying the primary energy mix (nuclear, renewables)

*Investment security and producer confidence needs to be maintained*
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Market Trends and Projections to 2018