

GAS

Medium-Term Market Report 2016

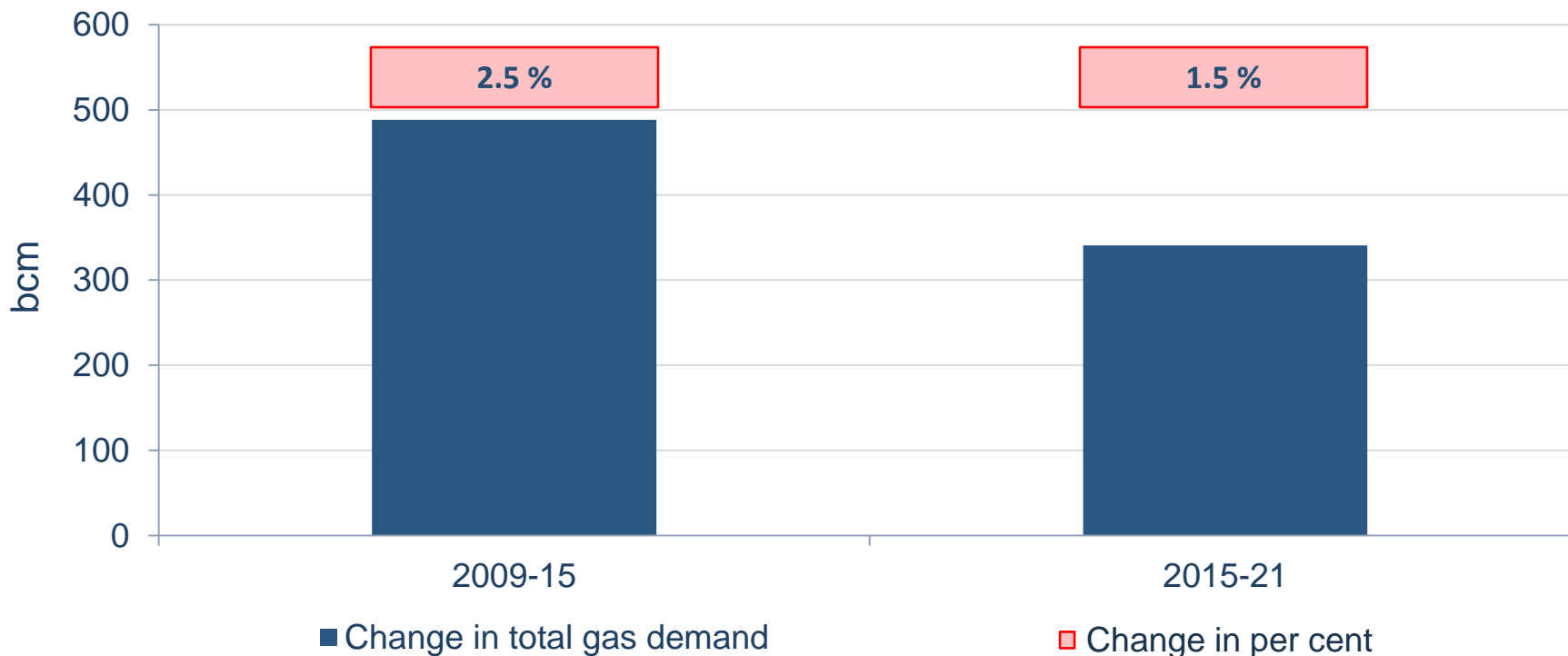
OUTLOOK FOR GAS IN EUROPE: WHAT IS CHANGING?



Market Analysis and Forecasts to 2021

Growth in global gas demand slows

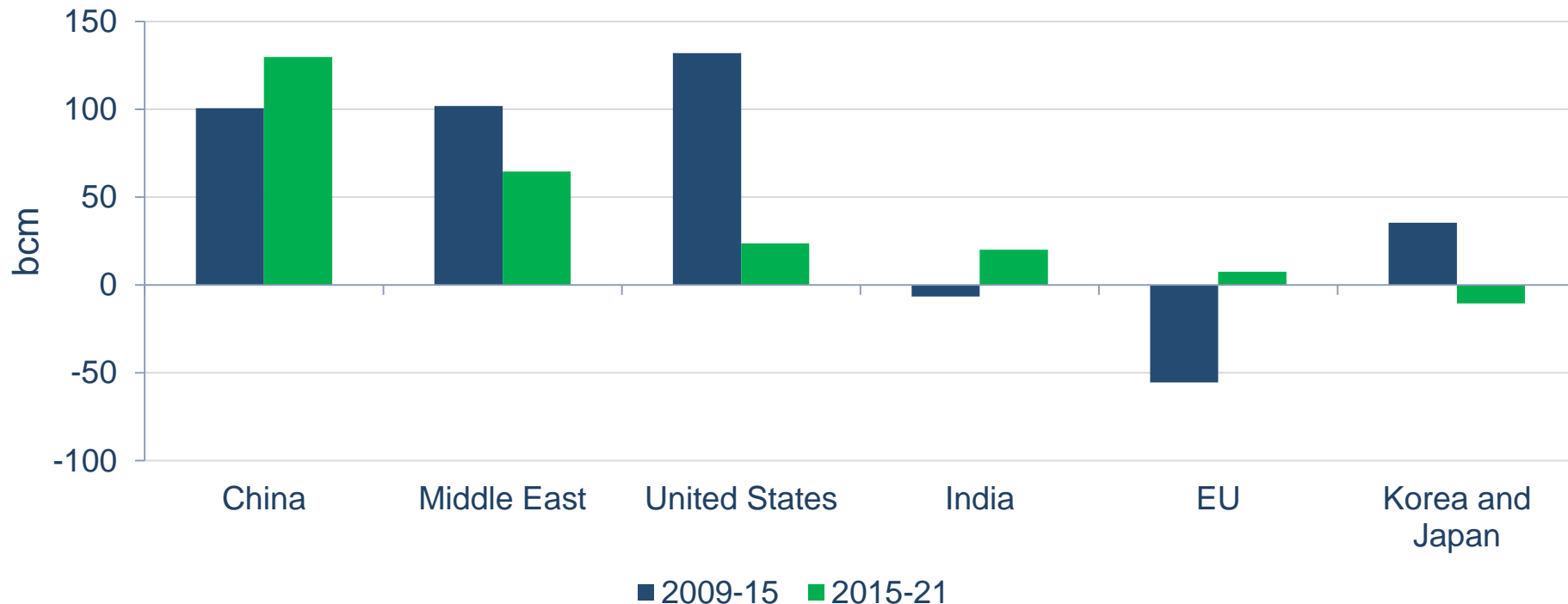
Change in world natural gas demand



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

China drives increase in global gas demand, as the United States takes a back seat

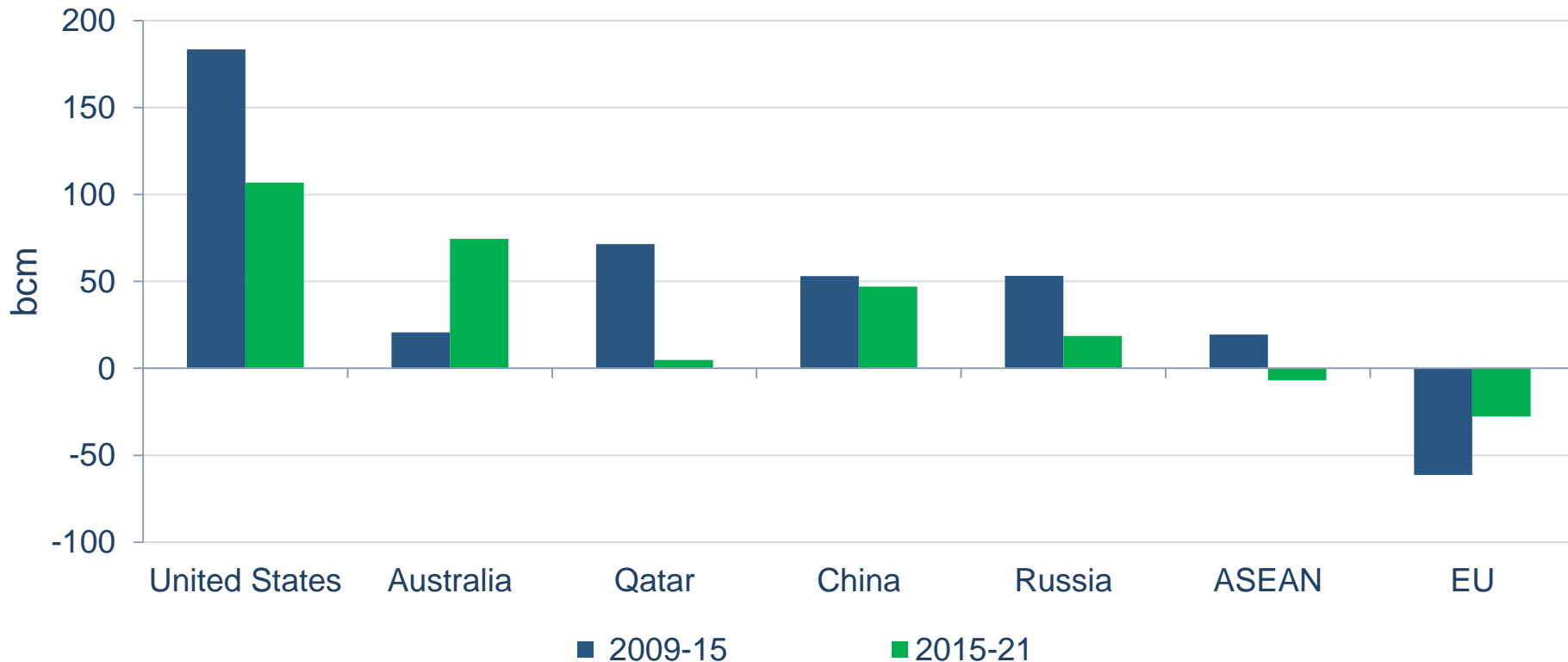
Change in natural gas demand by region (bcm)



***US gas demand growth slows sharply, driven by stagnation in the power sector;
EU gas demand gradually recovers on coal & nuclear power plant retirements***

Growth in gas production is led by the United States and Australia

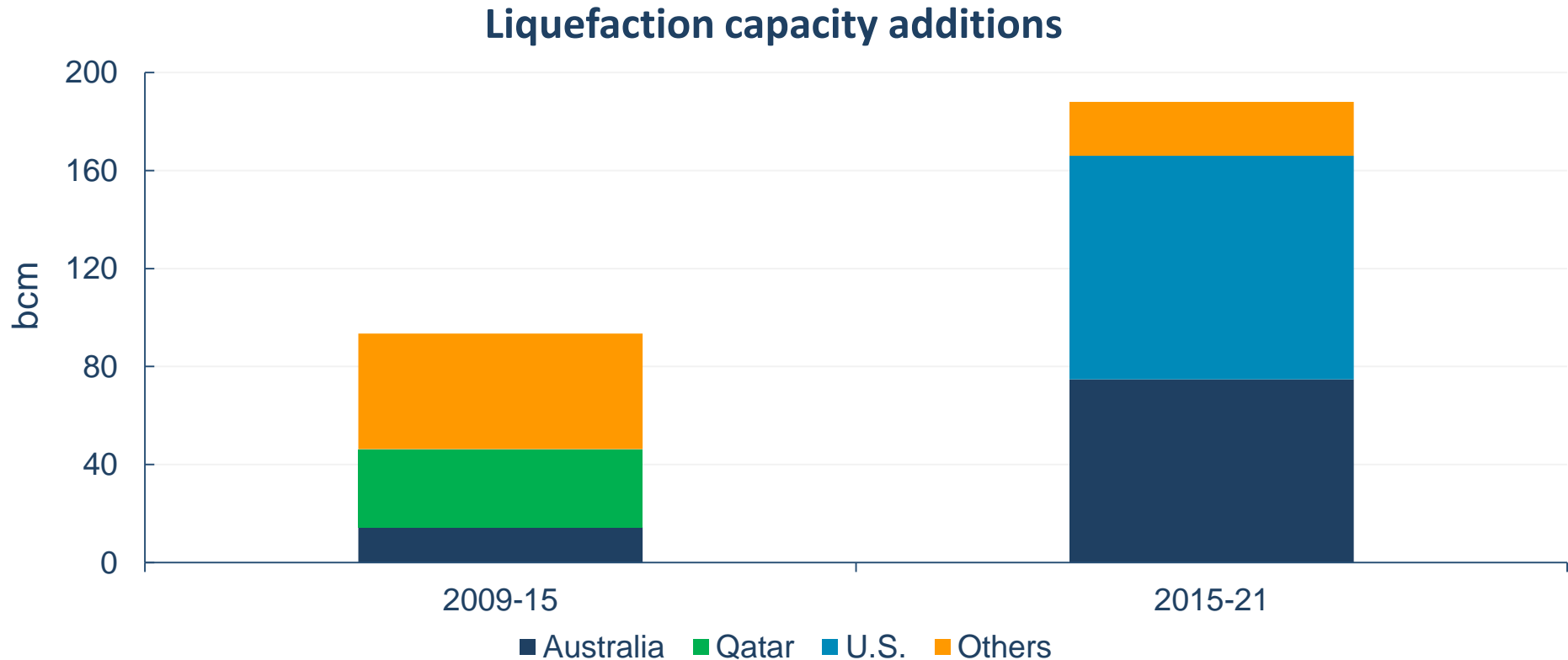
Change in natural gas production by region (bcm)



The United States & Australia rather than the more established exporters – Russia, Qatar & ASEAN – are the main source of production growth

Global LNG export capacity increases sharply

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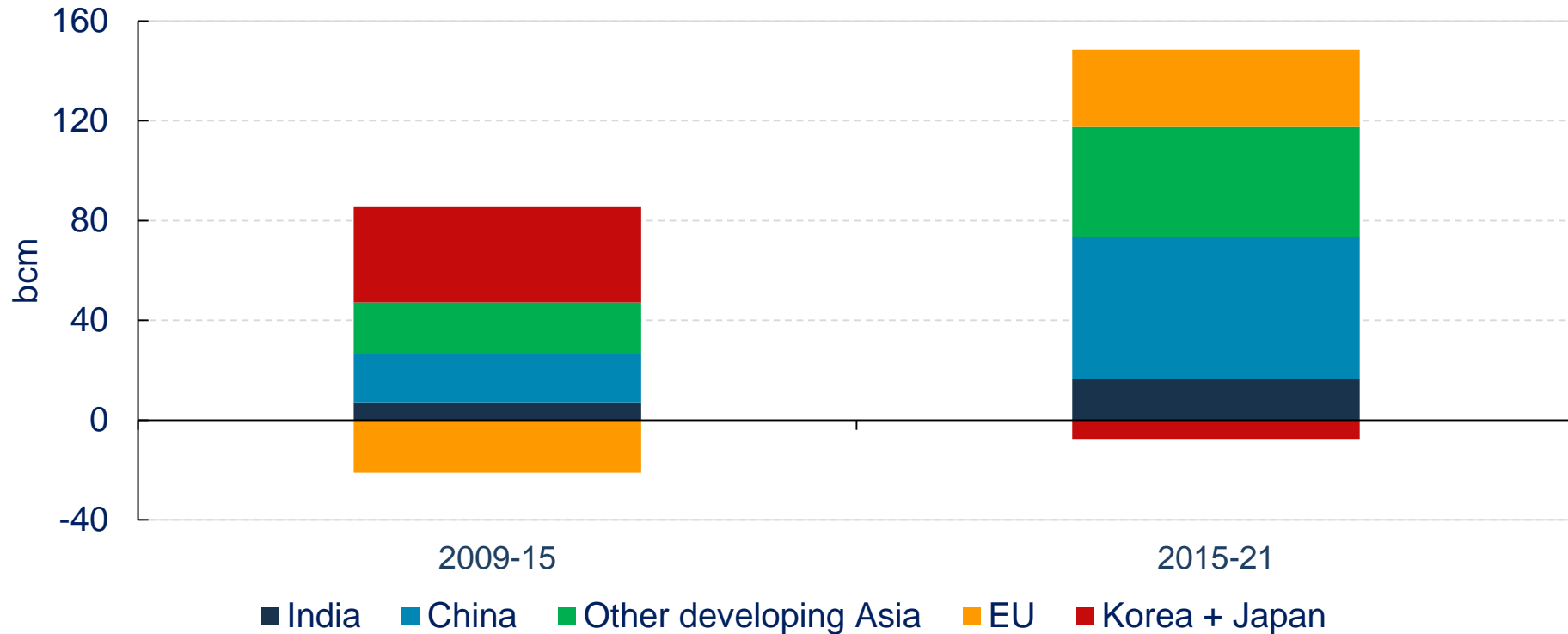


LNG capacity additions will be led by the US & Australia over the next five years; projects in Canada & East Africa could also move ahead if demand & prices recover

Developing Asia emerges as key engine of LNG import growth

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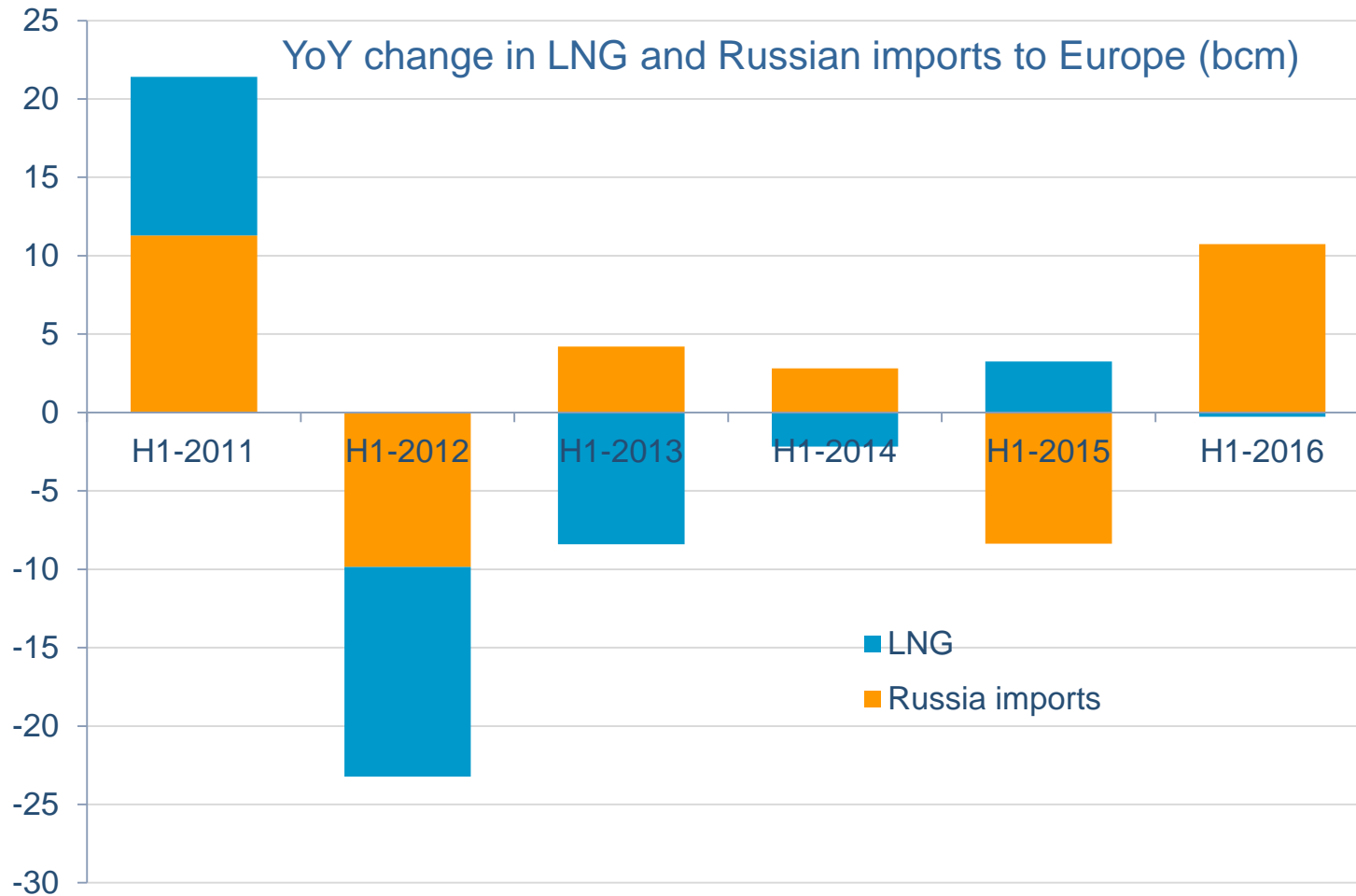
Change in LNG imports by region (bcm)



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

Russian exports to Europe near all time highs

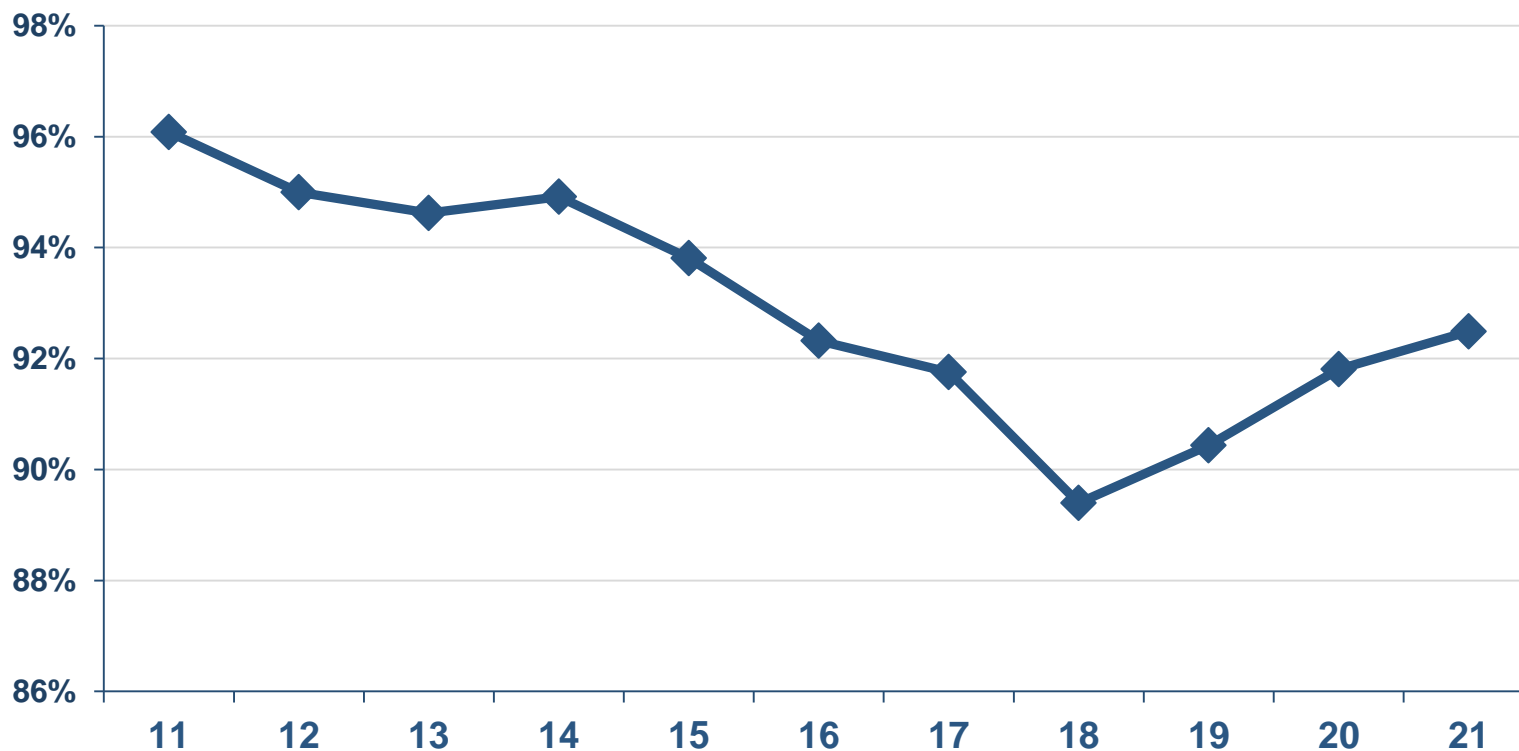
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Liquefaction plants to run below capacity amid supply glut

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Utilization rate

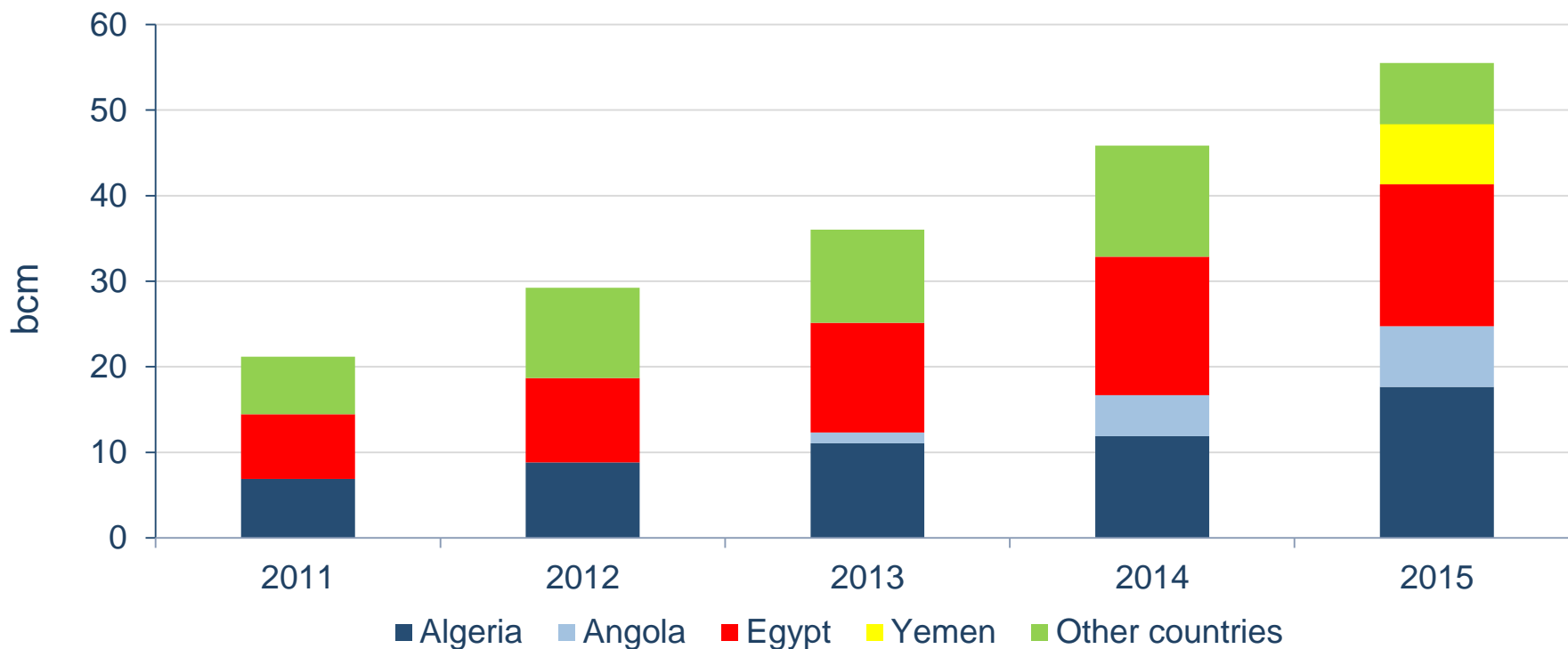


Oversupply in the market will get worse before it gets better. This will put pressure for increased flexibility in contracts and a reduced linkage to oil.

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

Outages and feed gas issues: a growing problem

Liquefaction capacity offline

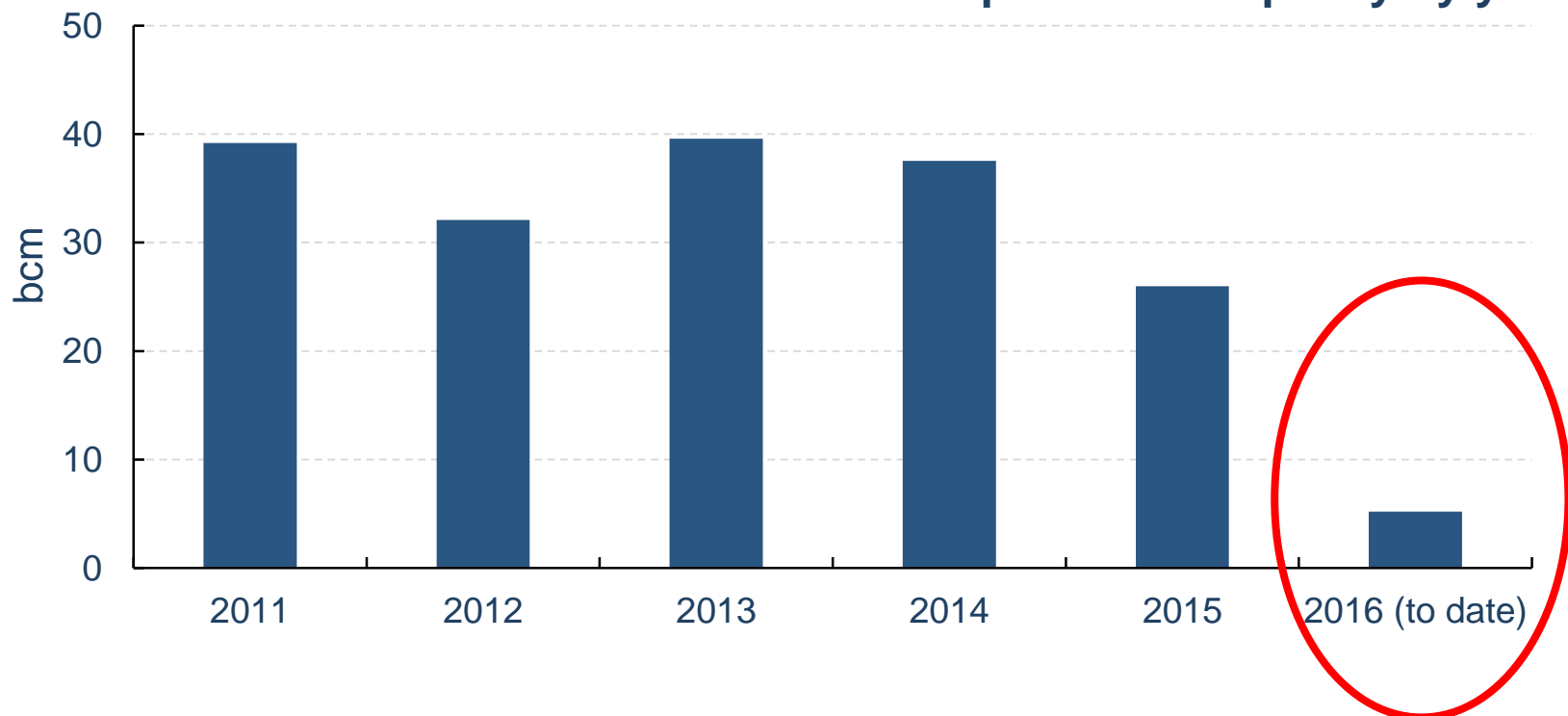


A growing level of LNG export capacity has gone offline over the past five years highlighting security and investment challenges across a host of producers

Investment in new LNG export capacity has ground to a halt

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Final investment decisions in liquefaction capacity by year



The collapse in investment increases the risk of tighter markets in the next decade; concerns about gas supply security could quickly re-emerge

Conclusions

- **The gas landscape is changing: production growth is increasingly driven by the US & Australia; demand growth by developing Asia.**
- **Traditional exporters will come under pressure as competition from new supply sources intensifies.**
- **Global gas prices are set to stay under pressure as a huge amount of LNG export capacity is coming online just as demand slows.**
- **Lower prices have triggered a collapse in new investment. This could seed the sows for tighter markets into next decade.**
- **High uncertainty with respect to the role of gas in the future energy mix.**