

# Flame Global Pricing Forum: New Markets Competing with Europe for New Supply: Impact on global gas pricing dynamics

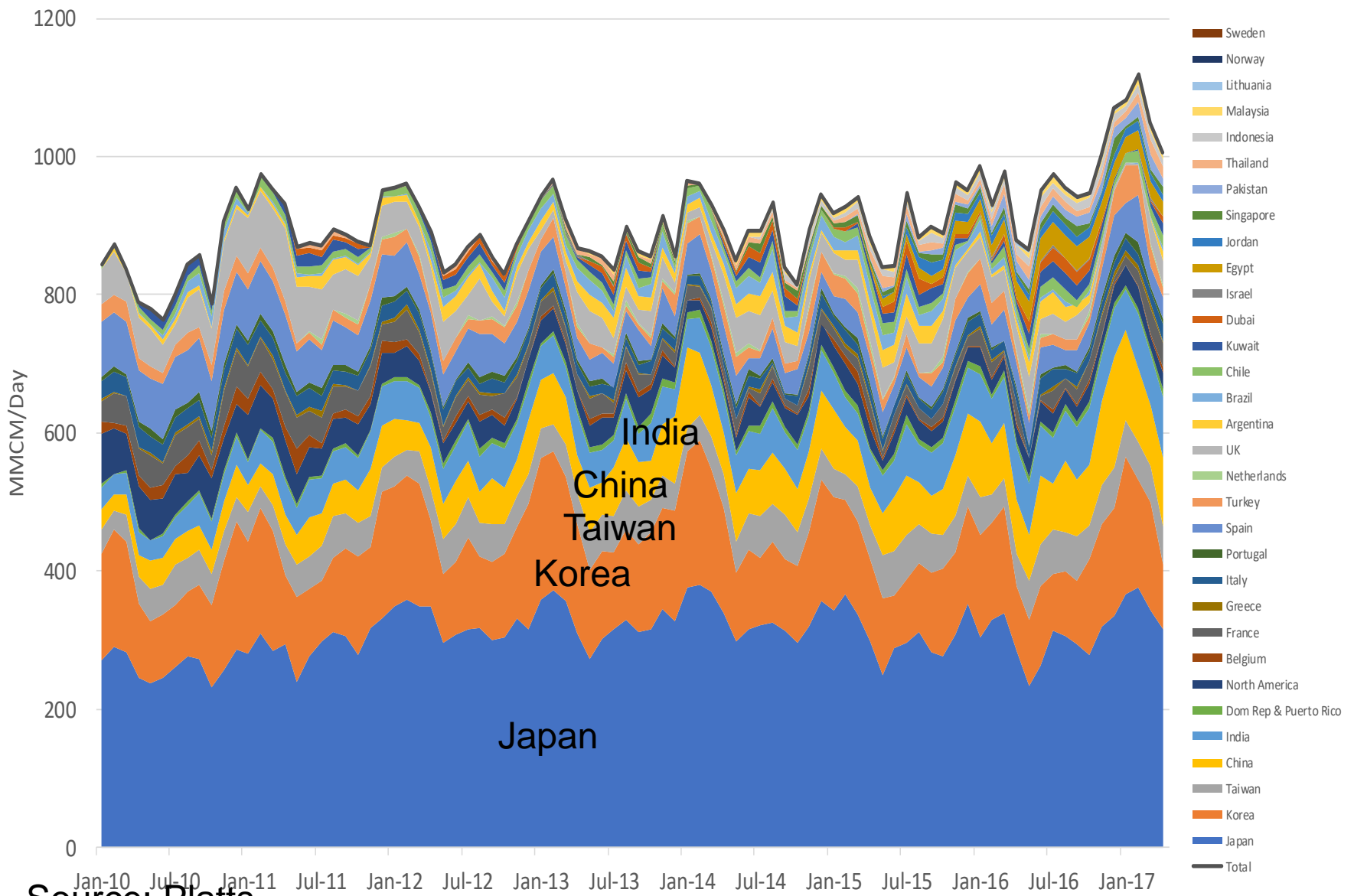
Howard Rogers

Chairman & Senior Research Fellow,  
OIES Gas Programme





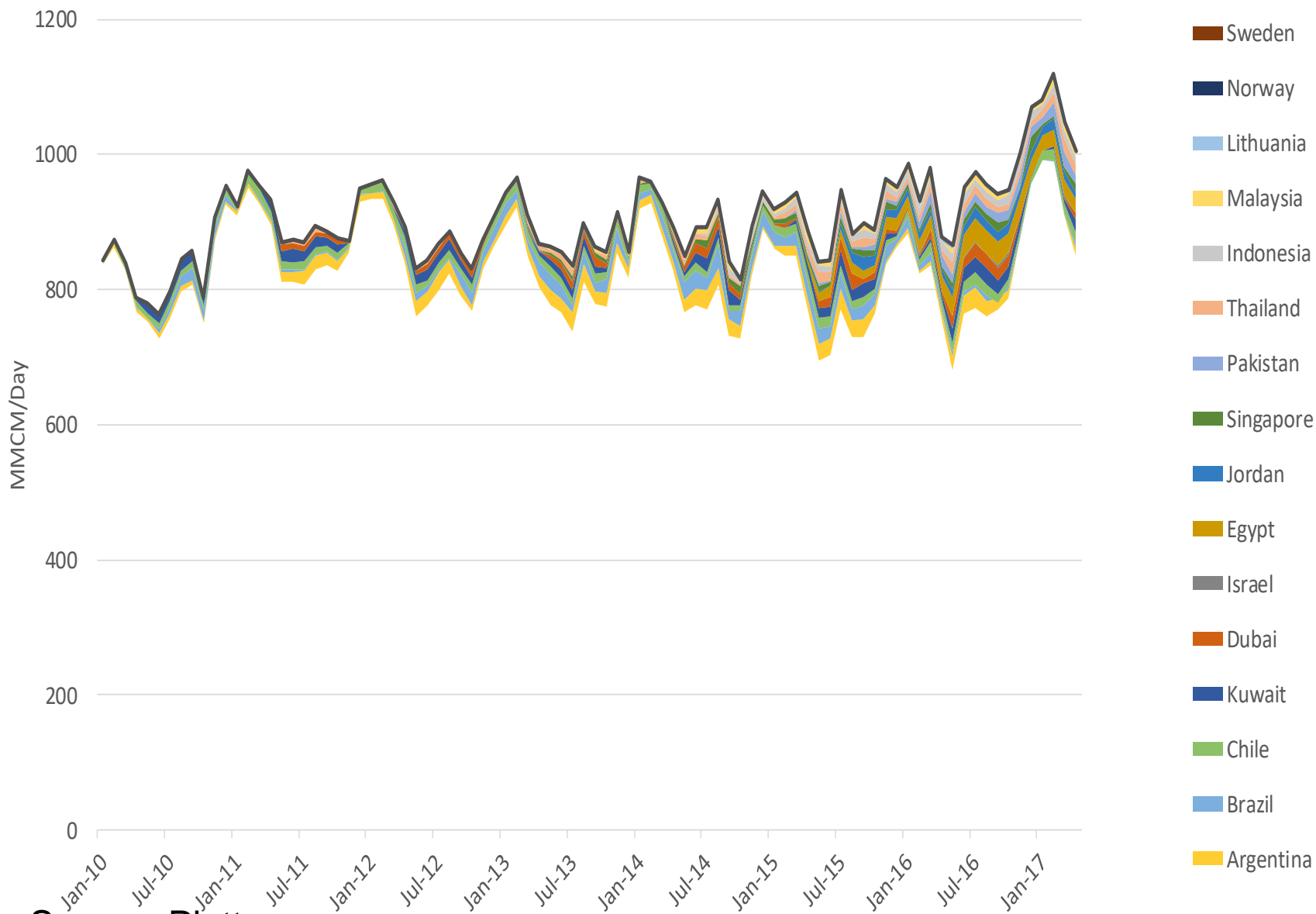
# Global LNG Imports 2010 - 2017



Source: Platts



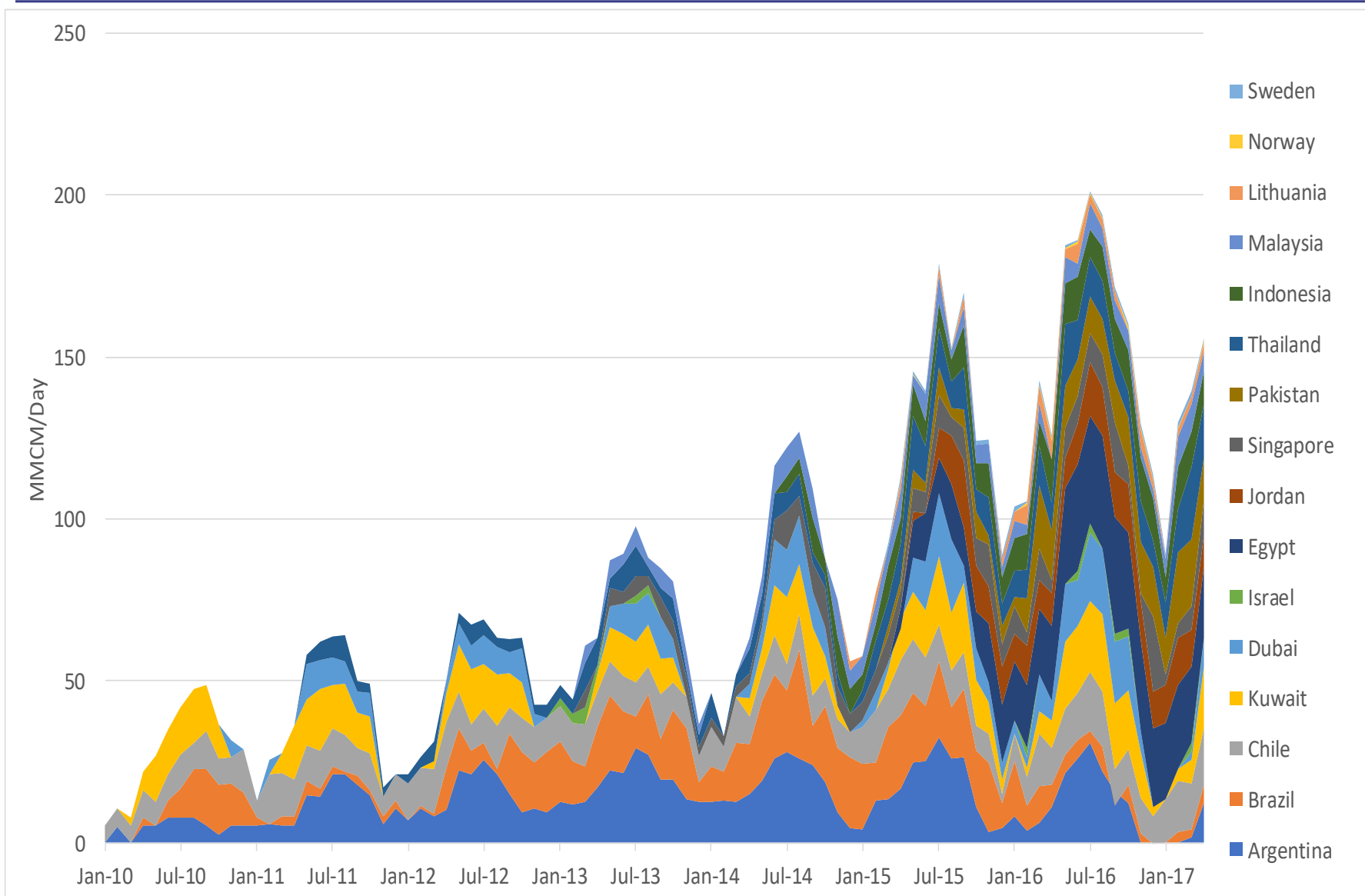
# 'New Market' LNG Imports 2010 - 2017



Source: Platts



# Impact of New Markets 2010 - 2017



Source: Platts



## Key Points

---

- Different Types of ‘New LNG Markets’
  - Domestic Gas Production/Pipeline Supply Supplement
  - Security of Supply Optionality
  - Oil Product Displacement
  - Clean Air Enabling
- Tentative future import Volumes
- Wider Pricing Dynamic Impacts



# Domestic Production/Pipeline Supply Supplement

---

## Historical Examples:

- UK – late recognition of UKCS decline in early 2000s.
- China – with Turkmenistan & Central Asia pipeline also contributing.
- India, Brazil, Argentina, Chile, Singapore, Thailand, Pakistan.

## Future Examples:

- Bangladesh, Vietnam, Philippines, (Indonesia, Malaysia).

**Pros:** Gas already key in energy mix – infrastructure and market partly/mostly exists. FSRUs now a faster enabler.

**Cons:** Low domestic pricing may be an issue – but often urgent need for supply overrides this (Argentina, Egypt, Pakistan). Beware domestic production resurgence (Egypt, Brazil, Argentina)!



# Security of Supply Optionality

---

## Historical Examples:

- Lithuania, Poland, Greece (?), Jordan

## Future Examples:

- Croatia, Ireland (?)

**Pros:** Political will to diversify from dominant supplier. FSRU's make this now more affordable.

**Cons:** Physical existence of LNG import terminal (alone) can serve the purpose of reducing alternative 'monopoly' supply price. Throughput may be low - market less attractive with limited growth.



# Oil Product Displacement

---

## Historical Examples:

- Kuwait, Dubai, Dominican Republic, Puerto Rico

## Future Examples:

- Bahrain, Malta, Caribbean Island markets, African Markets.

**Pros:** For oil producers this frees up oil product consumption volumes in the power sector for export. Also for oil-rich countries – this is ‘easier’ than longer term indigenous resource development which may require upstream/market reform. For Island markets the price differential vs diesel may be compelling.

**Cons:** Size of island markets probably limited and below reasonable economies of scale.





# Clean Air Enabling

---

## Historical Examples:

- Possibly Singapore, (marine ferry fuel – Norway, Sweden)

## Future Examples:

- Marine Bunkers, Heavy road transportation, India, China ?

**Pros:** Focus on SO<sub>x</sub>, NO<sub>x</sub>, PM 2.5, rather than CO<sub>2</sub>. Political imperative for clean air may sidestep long-running coal vs gas & carbon price embroglio.

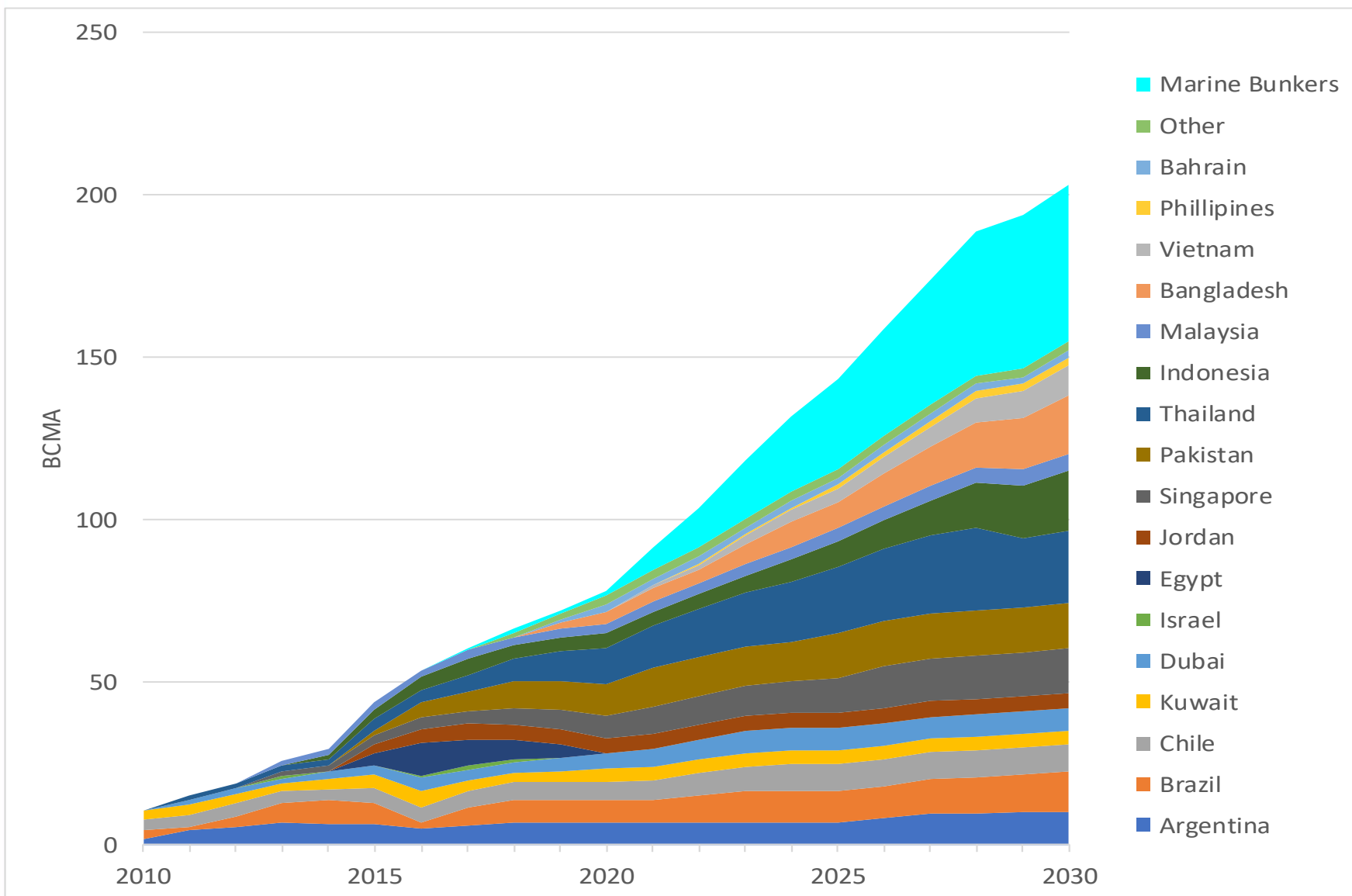
**Cons:** ‘A little less conversation and a little more action\*’ required.

*Marketers in the audience – over to you !*

\* With apologies to Elvis Presley



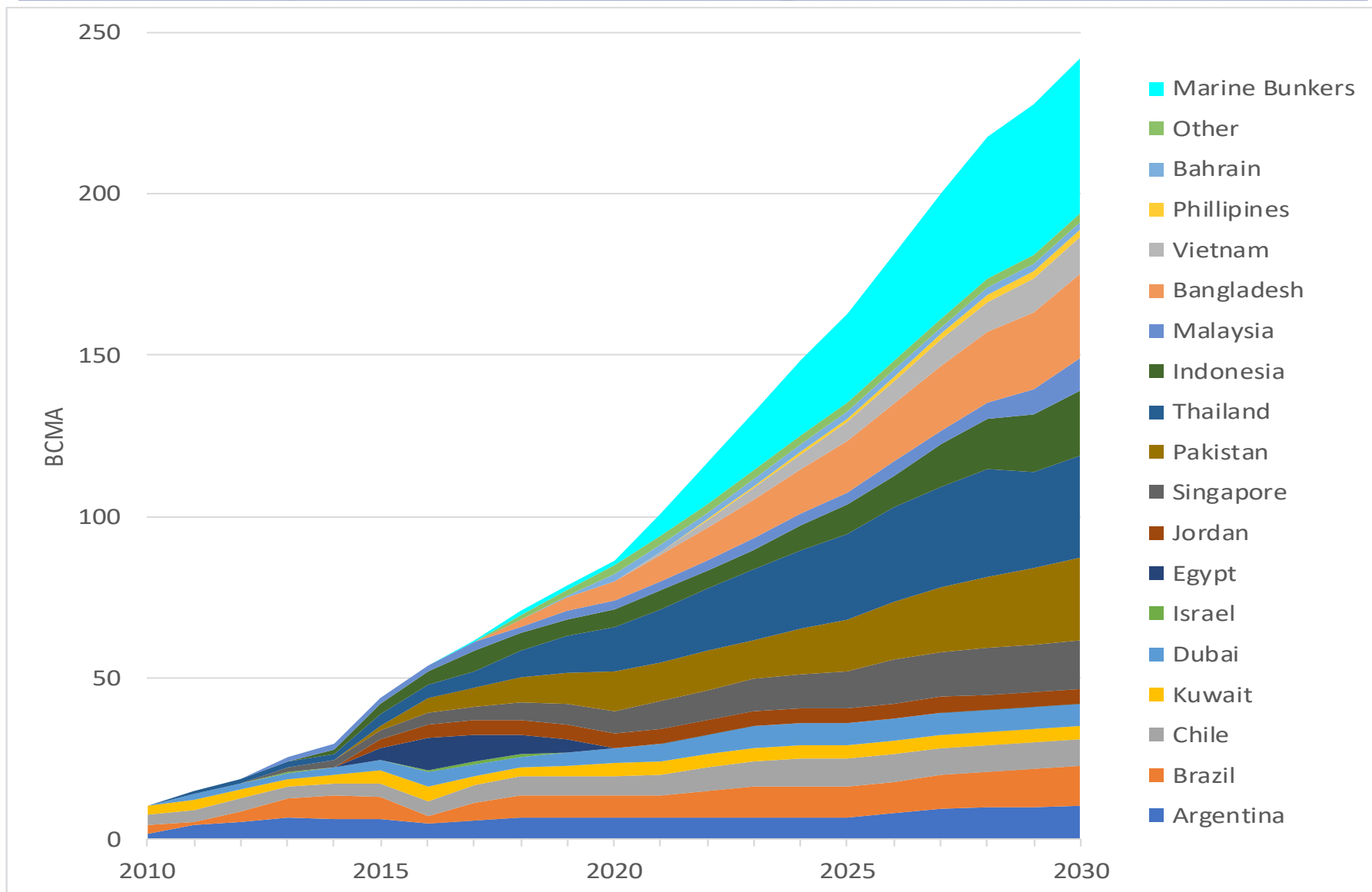
# New Market Tentative Future Import Volumes – Low Case



Source: Platts, Author's Assumptions



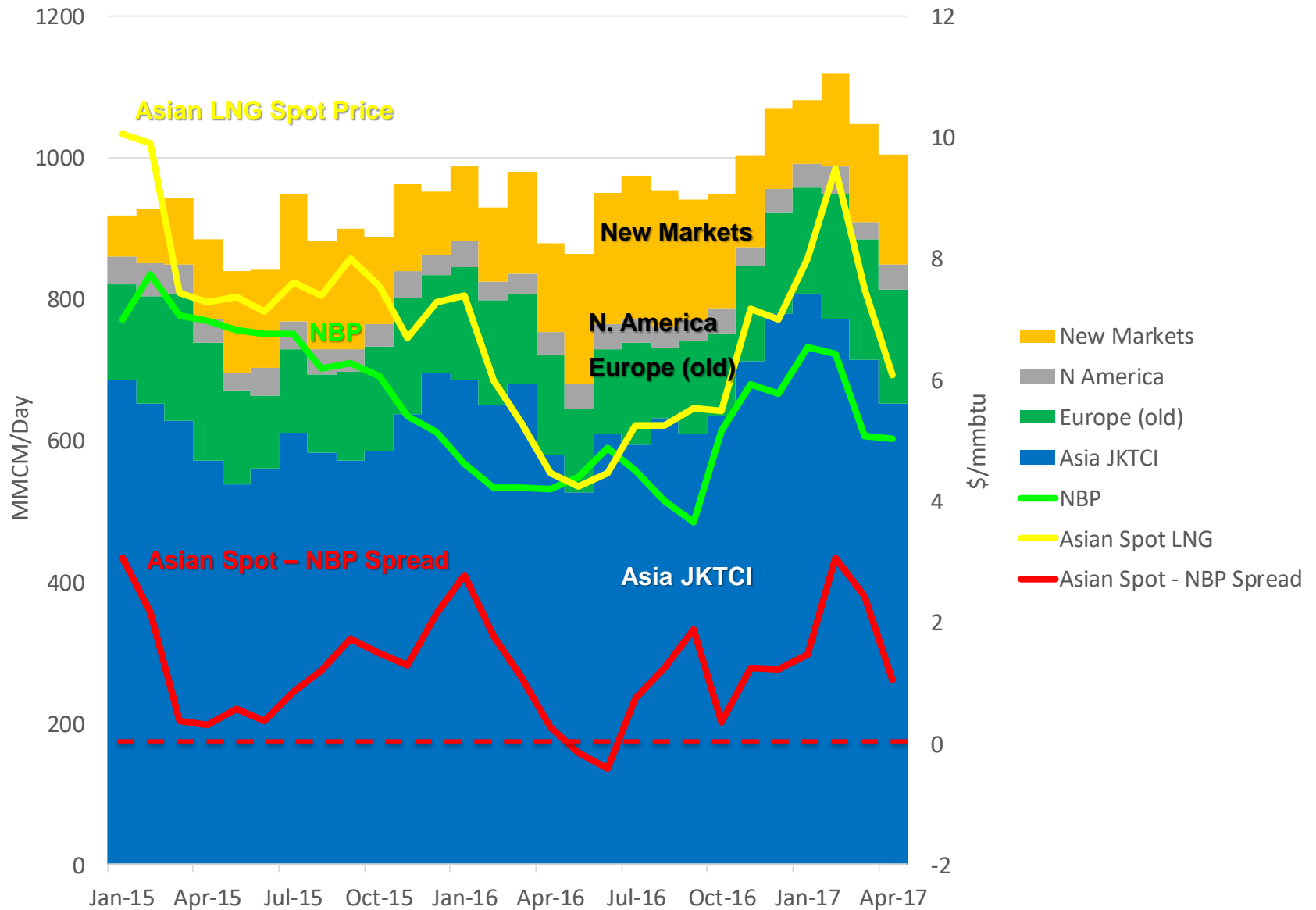
# New Market Tentative Future Import Volumes – High Case



Source: Platts, Author's Assumptions



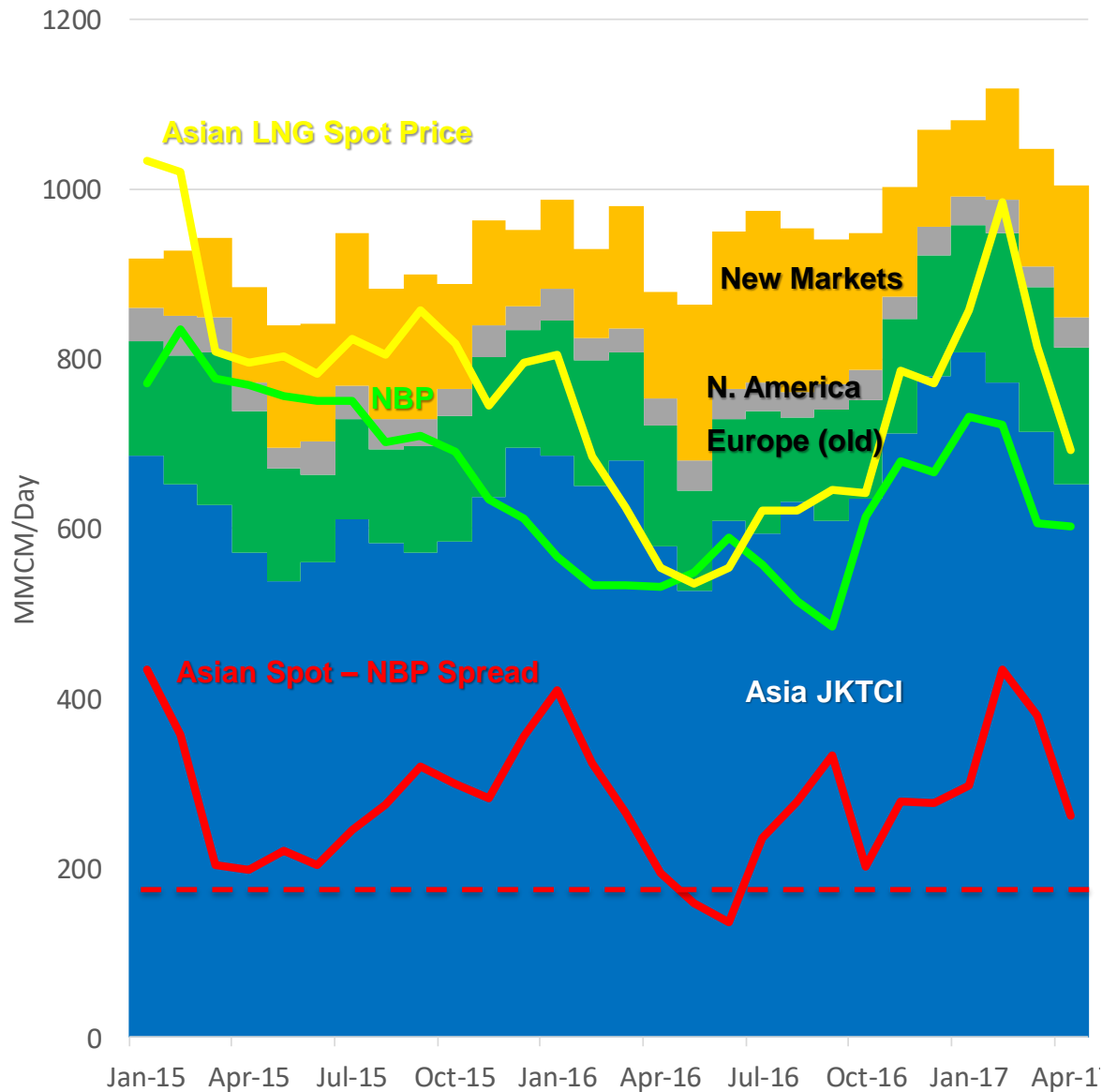
# Wider Pricing Dynamics



Source: Platts, Argus



# Wider Pricing Dynamics - Conclusions



- LNG Supply and Asian LNG Demand are both higher in the N. Hemisphere Winter\*.
- New Market Demand (in aggregate) peaks in the N. Hemisphere Summer\*.
- Europe hub to Asian LNG spot spread 'blow outs' are mainly driven by Asian LNG demand; and,
- The likelihood of higher spreads has been increased by New Market consumption; but,
- Europe needs around 150 MMCM/Day on average\*\*, Blowouts happen when Europe has reached this limit and can no longer divert more to rest of the world.
- If LNG supply grows faster than demand, then with Europe importing more than 150 MMCM/Day of LNG – Russian pipeline gas will provide more of a buffer – blow-outs less likely (but still possible\*\*).

Source: Platts, Argus

\* I'll explain in the bar, \*\*LNG reaches the parts other gas can't reach, \*\*\*As Antony Eden (should have) said 'Events, Dear Girl/Boy'



# Thank You for your attention.

Visit our Website for free-to-download research on current gas market issues.

<https://www.oxfordenergy.org/gas-programme/>

Better Still – Become a Sponsor and get the Insight before your competitors !

**Howard V Rogers**

Chairman & Senior Research Fellow,  
OIES Natural Gas Programme  
[howard.rogers@oxfordenergy.org](mailto:howard.rogers@oxfordenergy.org)