

# GAS

## Medium-Term Market Report 2013

# Towards an efficient LNG market in the Asia - Pacific

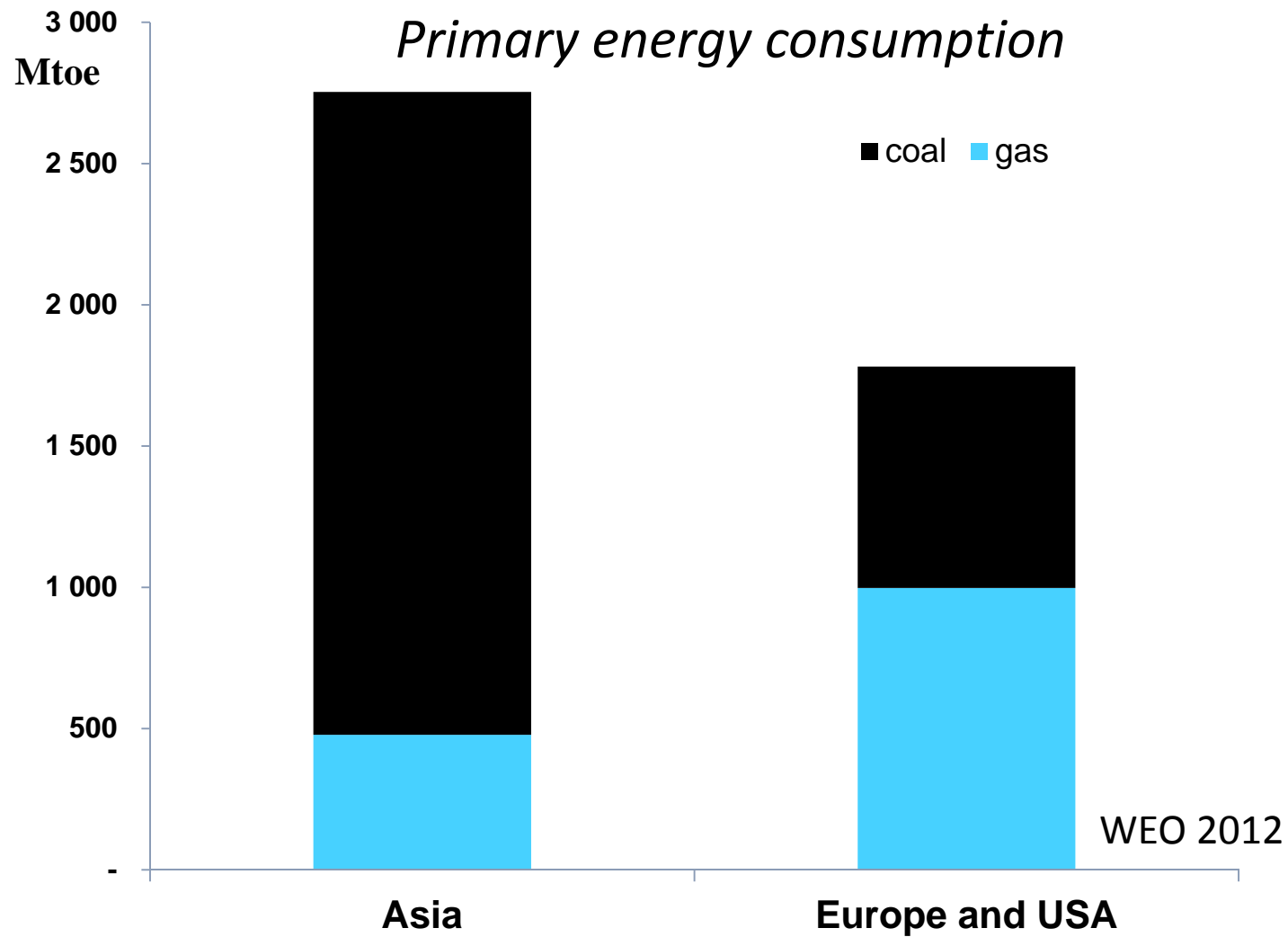
Maria van der Hoeven

Executive Director

10 September, 2013

**Market Trends and Projections to 2018**

# For gas the Asian century is just starting





# Natural gas is the key to improving air quality in Asia

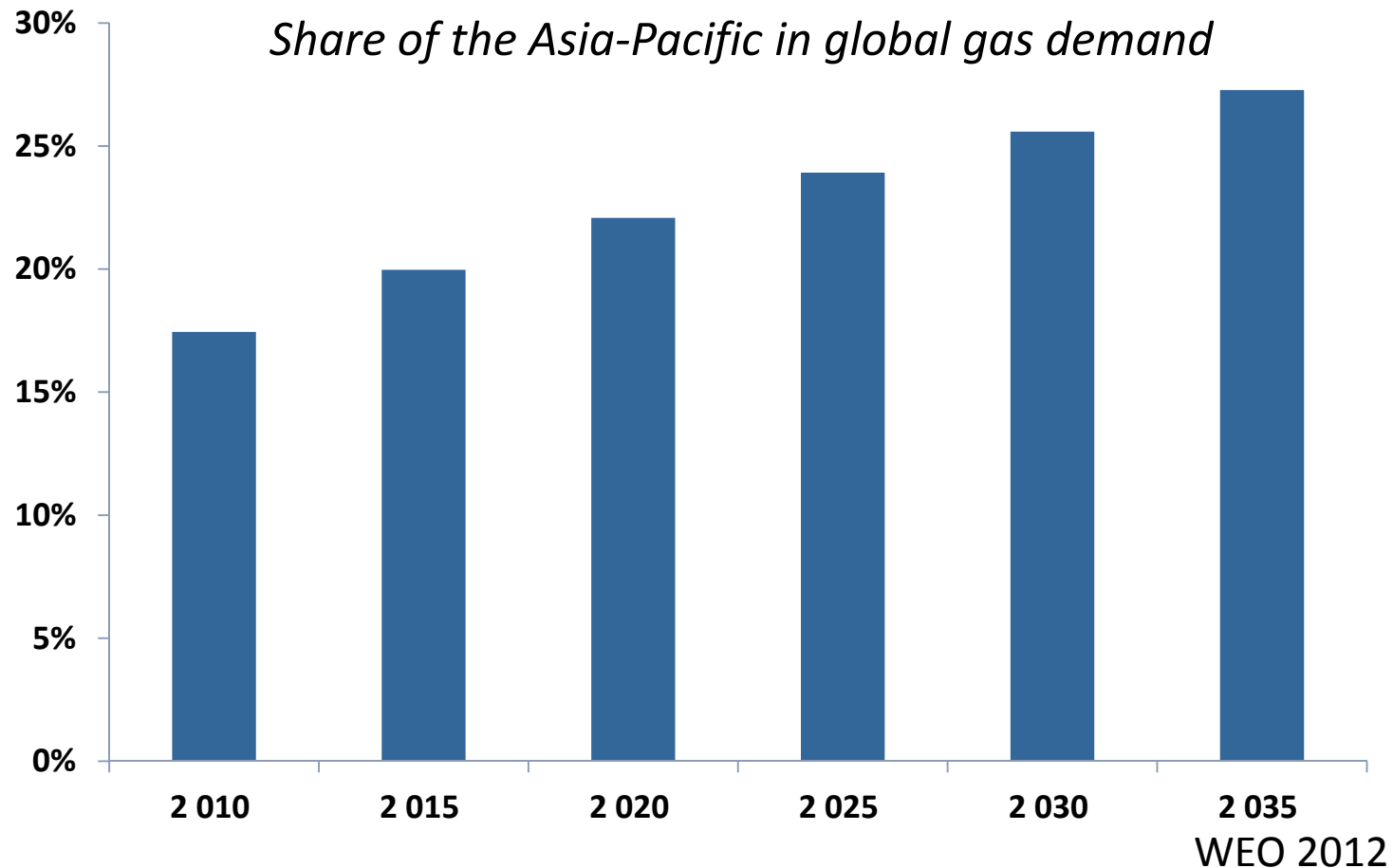


Osaka 1965



Osaka 2013

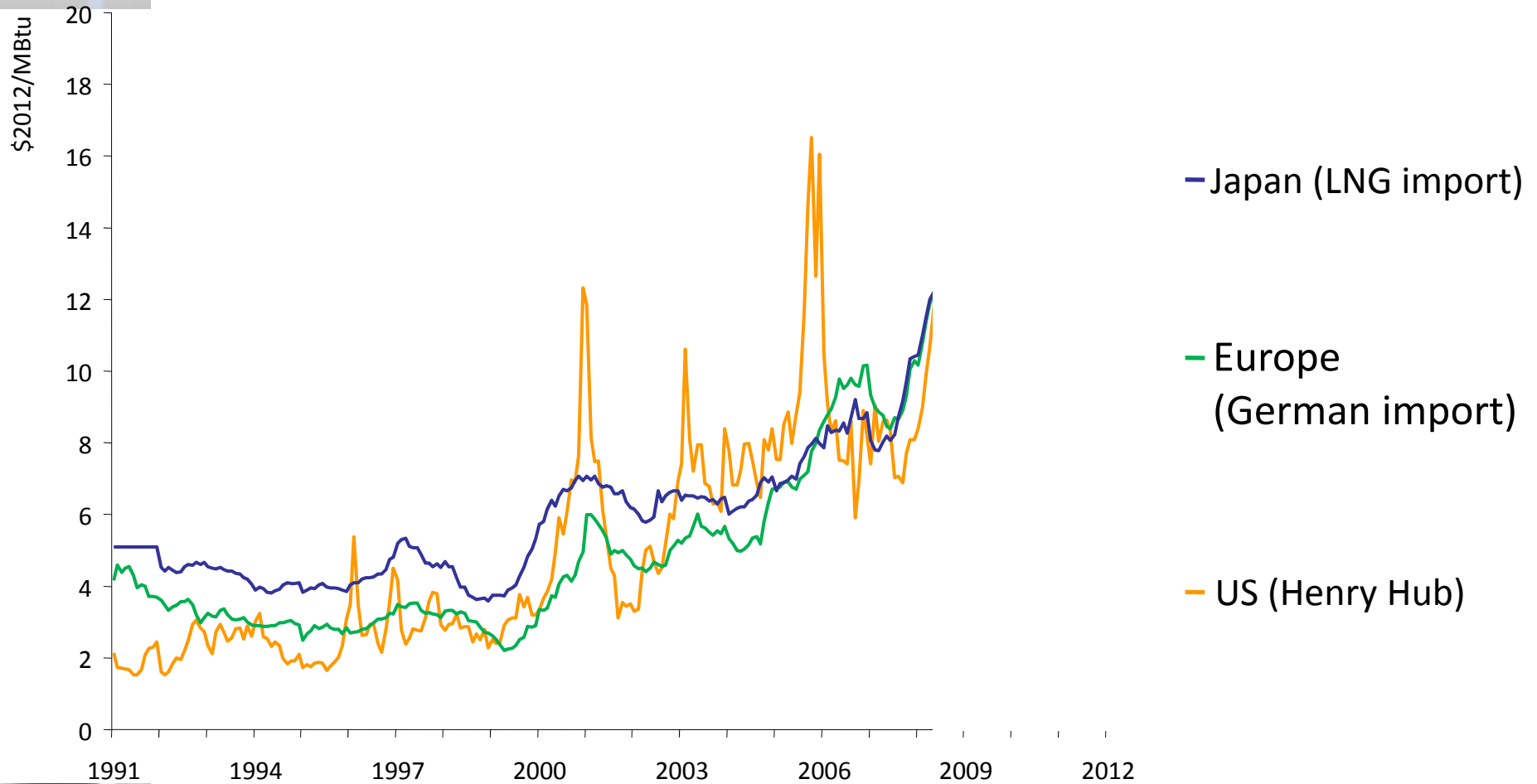
# Economic growth and energy policies will raise the importance of Asia in global gas



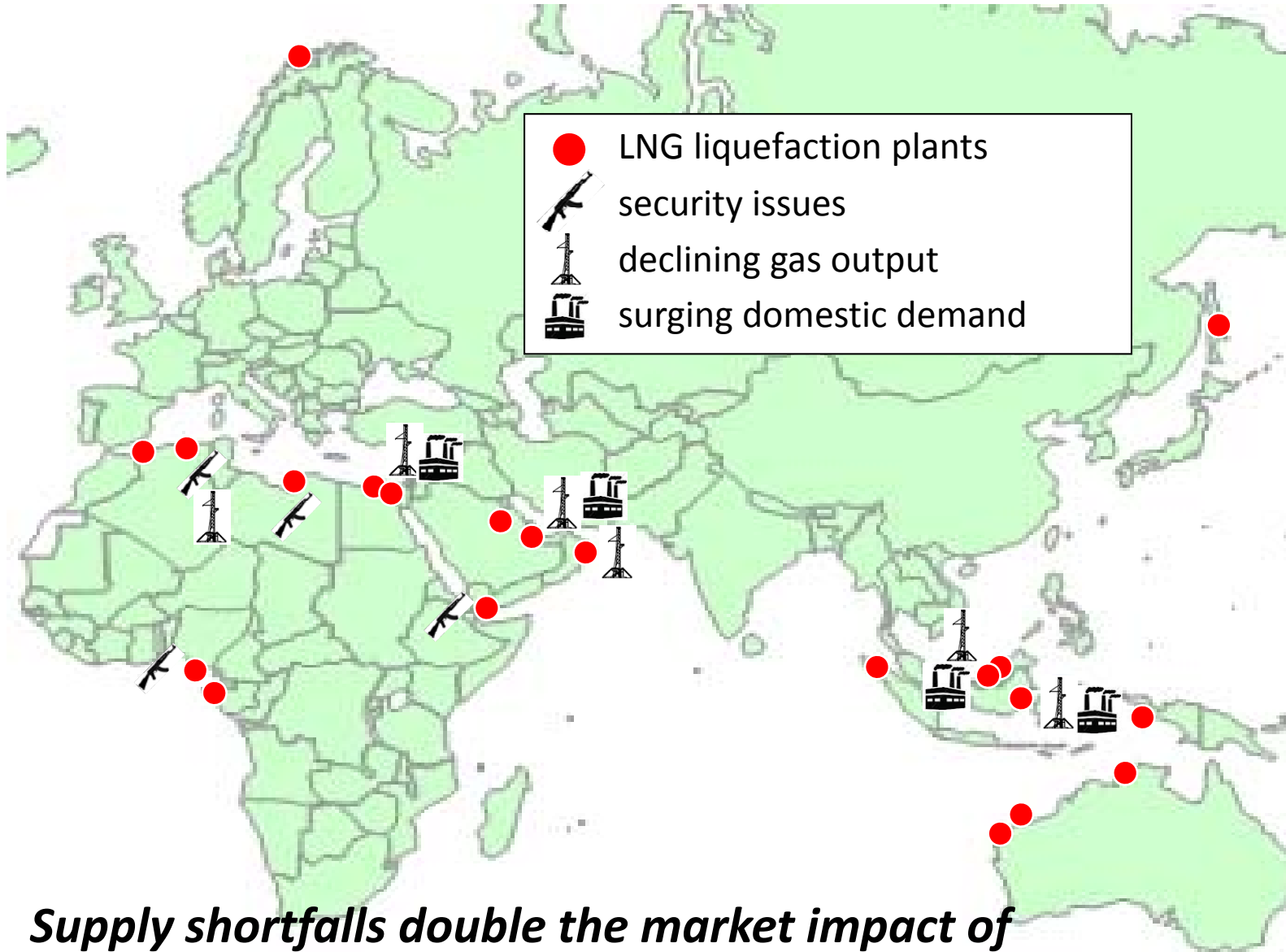
***Due to geology and geography, LNG will have to play a dominant role in supplying Asia***



# The old business model is an increasing competitiveness burden

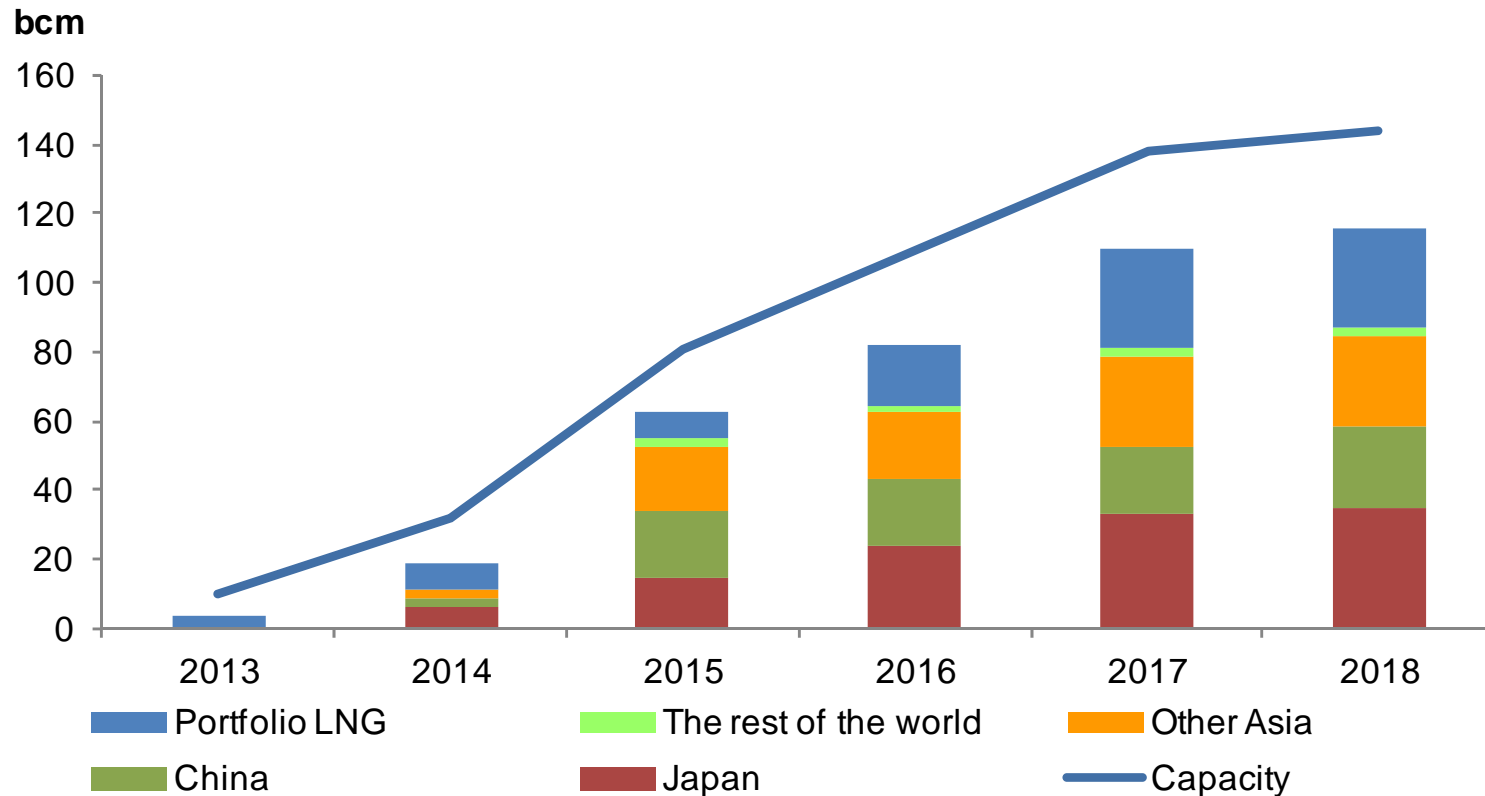


# Security issues, depletion and domestic demand growth lead to tight LNG supply



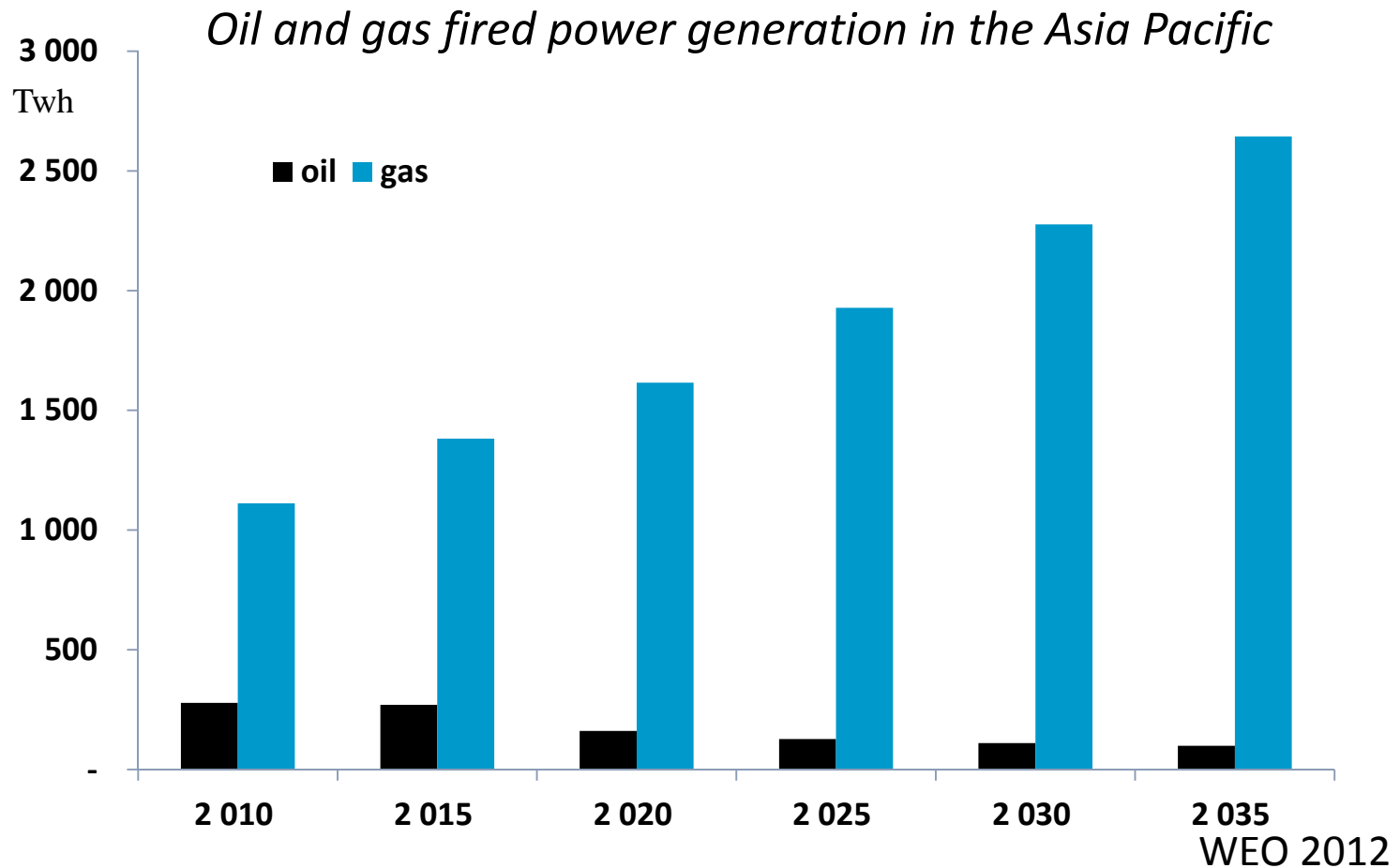
***Supply shortfalls double the market impact of Japanese demand increase***

# 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?



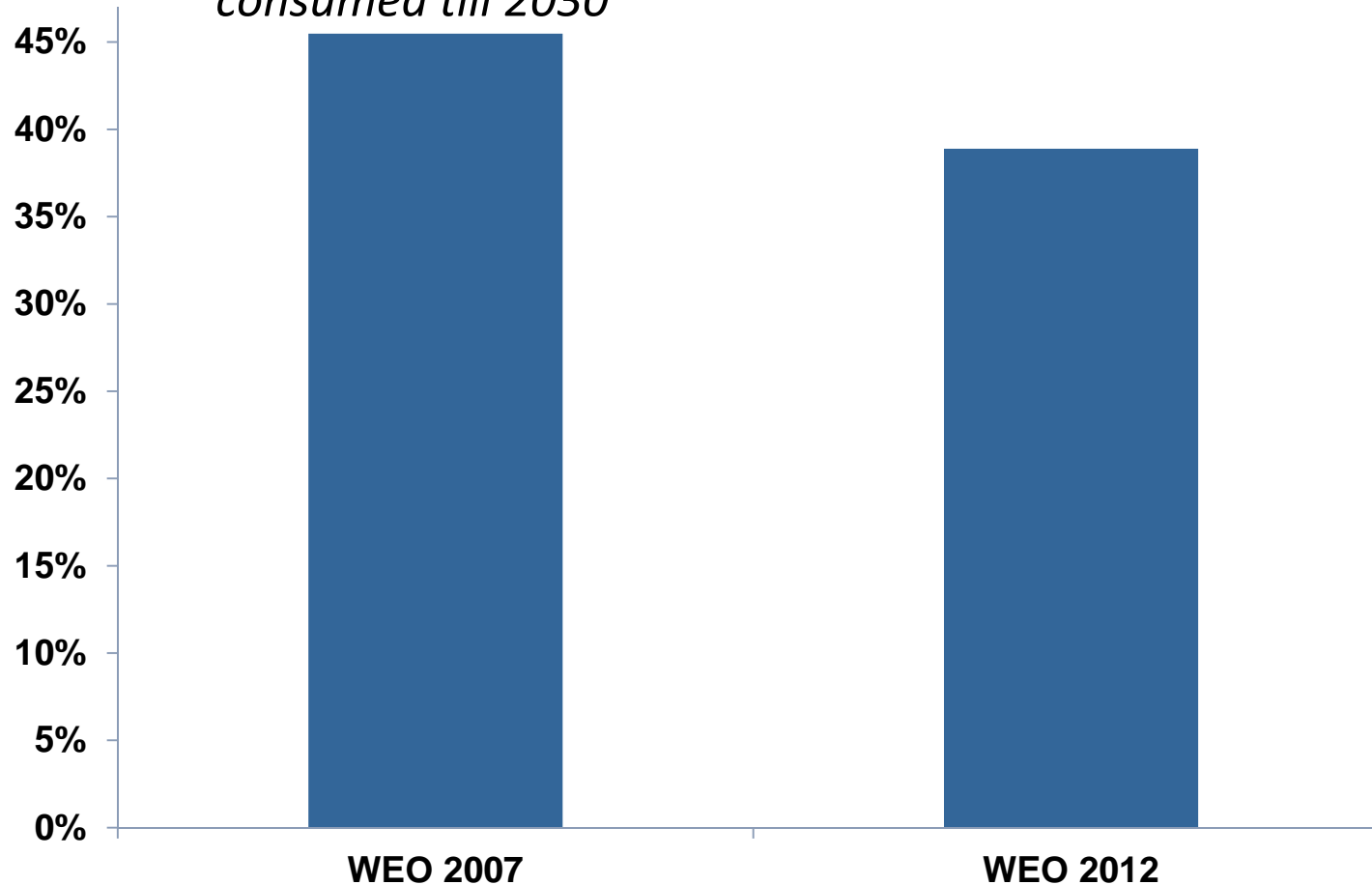






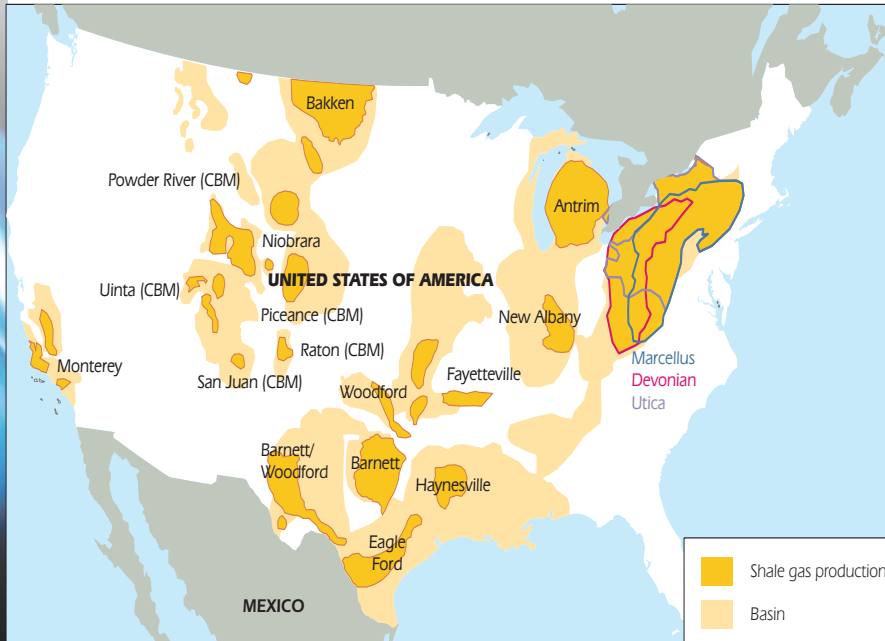
## With non-conventional technology and new discoveries, resources will compete for markets

*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

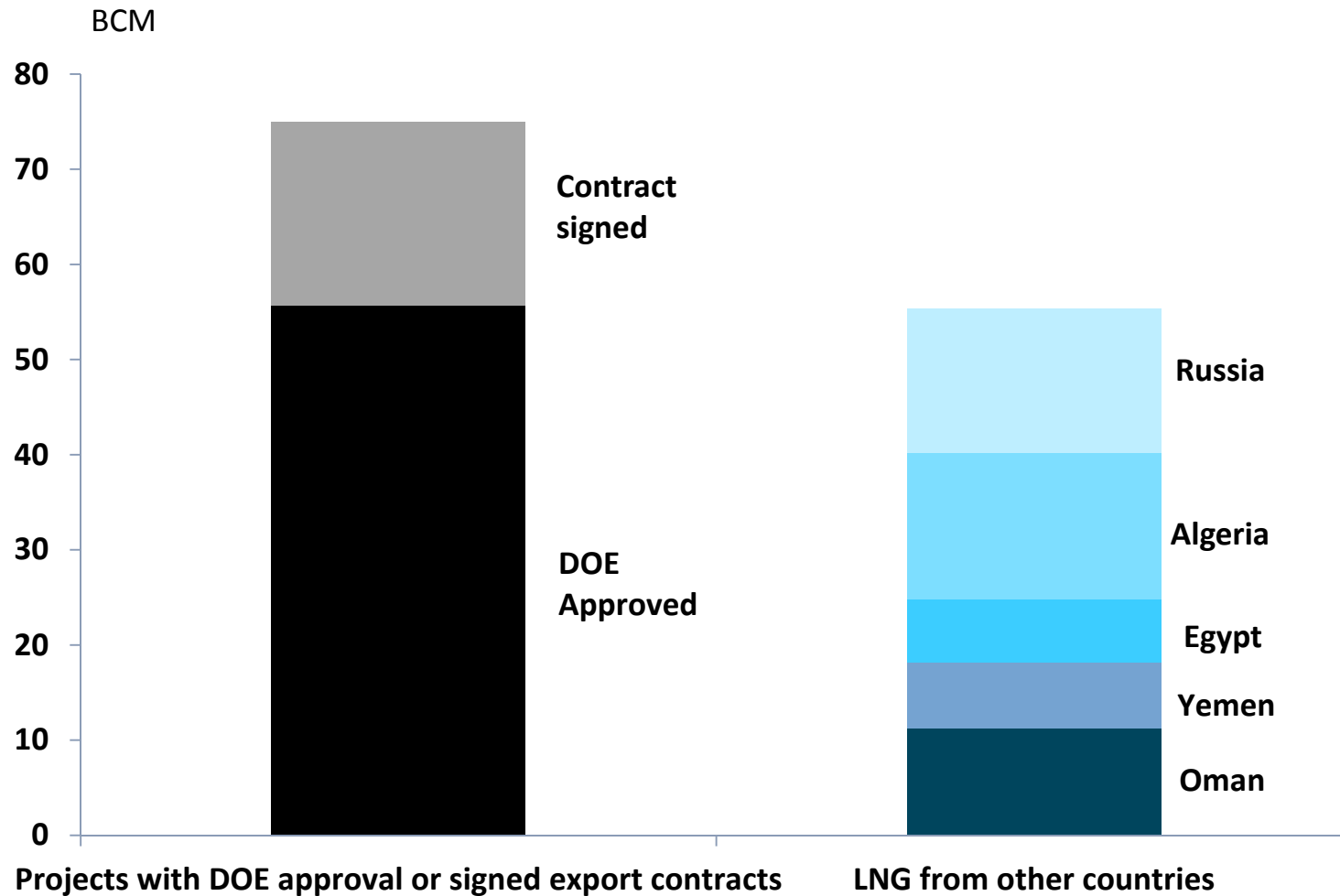


This map is without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

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

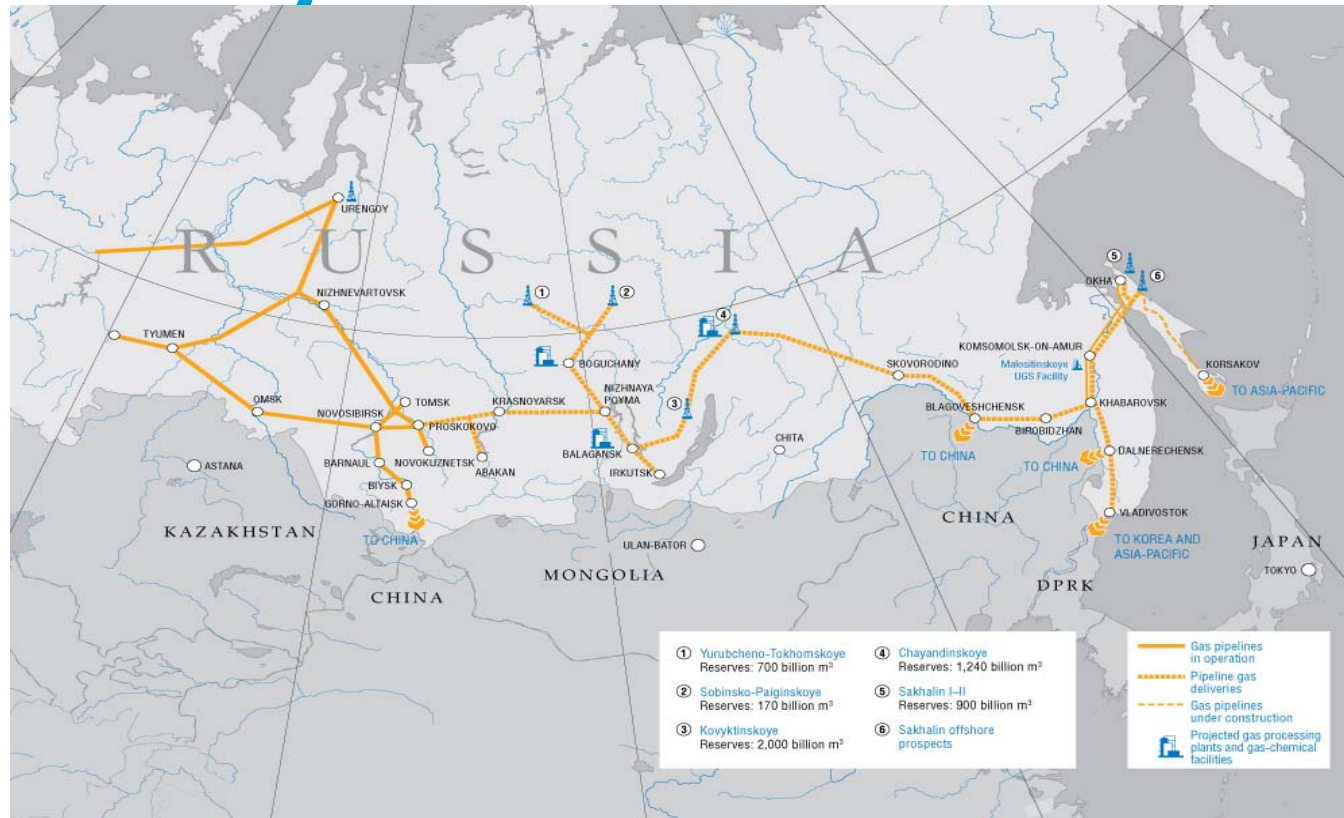
***With US markets saturated, Canadian production growth depends on LNG exports***

# North America is emerging as a major exporter



***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



- 3<sup>rd</sup> 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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