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Global LNG market update

• Review of 2014
  – Supply
  – Markets
  – Prices
  – Trade dynamics
• Outlook for 2015
  – Key influences
• And beyond ….
  – Key trends
Summary

• 2014
  – Supply effectively flat / record Asian imports, but growth-rate slowed in 2014
  – Some pockets of demand weakness – in particular S. Korea & China
  – This weighed on the Asian spot market over summer 2014
  – Asian ‘pull’ was still strong enough to keep European volumes at ~2013 levels

• 2015 and beyond
  – Australia ‘supply wave’ ramping up – followed by US
  – Markets continue to grow and diversify
  – Near-term market volatility – based on ‘lumpiness’ of supply & market growth
  – Australia / US eventually remedy recent tightening – but watching 2015+ FIDs
LNG supply by year: 2005 to 2014

Source: BG Group interpretation of IHS Waterborne data (Jan 2015), delivered volumes
Supply: 2014 YOY

Net supply = +3.5 mtpa

Source: BG Group interpretation of IHS Waterborne data (Jan 2015), delivered volumes
Markets: 2014 YOY

Net imports = +3.5 mtpa

Source: BG Group interpretation of IHS Waterborne data (Jan 2015), delivered volumes
M. Europe = France, Greece, Italy, Lithuania, Portugal, Spain and Turkey
N. Europe = Belgium, the Netherlands and the UK
Singapore LNG deliveries

Singapore: largest S.E. Asian importer in 2014

Singapore sources of supply

2014 South East Asia LNG imports

Source: BG Group interpretation of IHS Waterborne data (Mar 2015), delivered volumes
Terminal commissioned in Mar 2013, started commercial operations from May 2013
LNG trade balance: 2014 vs 2013

Source: BG Group interpretation of IHS Waterborne data (Jan 2015), delivered volumes Platts, Petroleum Association of Japan
Latin America = Argentina, Brazil, Chile, Mexico, Puerto Rico, Dominican Republic
M. Europe = France, Greece, Italy, Lithuania, Portugal, Spain and Turkey
European LNG imports: 2010 to 2014

3-month moving average

Source: BG Group interpretation of IHS Waterborne data (Jan 2015), delivered volumes
LNG market balance

LNG imports by region 2008-16 (mtpa)

Market loosening
Supply outpacing Asia demand growth

Market tightening
Asia demand growth outpacing supply

Market volatility

Source: 2008-2014: BG Group interpretation of IHS Waterborne data (Jan 2015), delivered volumes
Asian spot prices have varied between European prices (NBP) and oil parity. Trend expected to continue.

Note: Asia long-term proxy = 14.85% JCC(-3) + 0.50
Oil parity = JCC = Japanese average crude price

Source: Platts, Heren, Petroleum Association of Japan and Bloomberg (Feb 2015)
Gas and LNG prices (2014 – 2016)

Source: Platts, Heren, Petroleum Association of Japan, Bloomberg and World Gas Intelligence (Feb 2015)
Note: Shipping cost is the differential between shipping to Asia versus the UK at current market rates (~$40,000/day charter rate)
2014: Year in review

• Supply
  – Limited growth YOY - four new trains had little volume impact

• Markets
  – Growth & diversification - six new terminals (one new market) added
  – Record imports into Asia and Latin America: slight decrease in Europe
  – S. Korea and China weaker than expected - seasonal or ‘structural’ issues?

• Trade dynamics
  – Growth in Asian imports – but pockets of weakness impacted spot demand
  – End of year spot-price rally cut short by falling oil price
  – Price dynamics suggest prompt spot-trade still has limited market share
Outlook for 2015: key influences

• Supply
  – Timing of new supply from Australia

• Markets
  – Potential start-up of Japanese nuclear capacity H2
  – Up to six new markets; Egypt, Jordan, Pakistan, Philippines, Poland, Uruguay
  – China & South Korea growth rates
  – Latin America – tenders / continued drought

• Trade dynamics
  – Net YOY volume balance looks similar to 2014.
  – Market volatility driven by ‘lumpy’ supply & markets
  – Narrow ‘price path’ for LNG between crude-oil and NBP
LNG supply vs. demand to 2025

2014 to 2025 CAGR(%) = 5.1

Source: BG Group outlook (2014);
*Average of Wood Mackenzie, FACTS Global Energy, PIRA, IHS CERA, Gas Strategies, Poten & Partners outlooks
Looking beyond 2015 …

• Supply factors
  – Ramp-up rate of Australian supply (58 mtpa under construction)
  – Ramp-up rate of US supply (41 mtpa* under significant construction)
  – Watch for FID’s in 2015+ (>20 mtpa sanctioned in each of last 4 years)

• Market factors
  – Asia gas / LNG growth (China, south-east Asia, India)
  – New markets - FSRUs are reducing lead-time and cost of access

• Trade dynamics
  – Continued market volatility
  – Australia / US exports arrest, then reverse, tightening of recent years – but for how long?

*excludes Cove Point: undertaking initial construction
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