Trends in Global LNG

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Martin Wilkes
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Content

Global Overview

Australia

USA

FLNG and other projects

Canada and East Africa

Thoughts and Insights
A quick global overview
LNG development traditionally supported by long term contracts
  - Small resources unable to commit to long term contracts.

Strong growth in LNG market
  - Significant increase in short term trade.

Development of short term market means:
  - Buyers less reliant on long term contracts
  - Security of Supply through diversification
  - Increased diversity and more liquidity
  - Increased confidence in sales
  - More confidence in smaller developments.

Sources: GIIGNL, BP and Shell
Changes in export and import countries....

2005

- FLNG Exporter
- FLNG Importer

Middle East Detail
Changes in export and import countries....
Changes in export and import countries....
Current Exporters and Importers

Major LNG Export Countries

- Malaysia
- Australia
- Nigeria
- Indonesia
- Trinidad
- Algeria
- Russia
- Other Exporters

Major LNG Import Countries

- South Korea
- China
- India
- Taiwan
- UK
- Spain
- France
- Mexico
- Turkey
- Brazil
- Other Importers
Significant new export in next 4 years

Major LNG Export Countries

Major LNG Export Countries 2020

Following are the major LNG exporters:

- Qatar
- Malaysia
- Australia
- Nigeria
- Indonesia
- Trinidad
- Algeria
- Russia
- Other Exporters

LNG Export, MTPA

2014
2015
2016

Australia
Qatar
USA
Russia
Malaysia
Indonesia
Nigeria
Trinidad
Algeria
Other Exporters
Increasing diversification of imports

**Major LNG Import Countries**

- Japan
- South Korea
- China
- India
- Taiwan
- UK
- Spain
- France
- Mexico
- Turkey
- Brazil
- Other Importers

**Major LNG Import Countries 2020**

- Japan
- South Korea
- China
- India
- Taiwan
- Argentina / Chile
- UK
- Spain
- Other Importers
**Mid and Long Term**

**Between now and ~2020 a further 85+MTPA of capacity will be brought into production, mainly in the USA**

- A significant amount of this, but not all, is already contracted.
- Remainder of uncontracted LNG will create an overhang in supply into the early 2020’s.
- Rapid diversification of LNG imports both geographic and market segment will see this rebalance.
  - Growth in importing countries - Asia, South America and Middle East
  - FSRU’s now the “entry level”, which significantly reduces both cost and time to begin imports
  - Smaller scale regional distribution gaining momentum both in Europe and Asia
  - Transportation gaining momentum
  - …but timing is unclear.
- FLNG offers the same change in “entry level” potential for upstream projects.

**The rise of renewable energy creates both opportunity and risk**

- Gas is the natural companion to renewables because of its ability to react quickly in line with variable renewable changes.
- Is Gas experiencing a “Green-Cheap Squeeze”
  - Not as green as renewables
  - Not as cheap as coal.
- Large scale electricity storage is a potential game-changer in the power generation arena, but appears to be some way off.
Australian LNG
Australia’s LNG areas
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<tr>
<th>Year</th>
<th>Event</th>
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<td>1963</td>
<td>Woodside awarded &gt;370,000km² of NWS acreage</td>
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<td>1971/2</td>
<td>North Rankin and Torosa (Browse Basin) discovered; Goodwyn discovered</td>
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<td>1980/1</td>
<td>WA State Government agrees to underwrite domestic gas with take or pay contract and building DBNGP; Gorgon discovered</td>
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<td>1984/5</td>
<td>Domestic Gas supply starts form North Rankin A; NWSV signs agreements to supply LNG to Japan</td>
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<td>1989</td>
<td>LNG Shipments begin to Japan</td>
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<td>1995/6</td>
<td>Goodwyn A platform starts up; Perseus field discovered next to North Rankin</td>
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<td>2002/4</td>
<td>NWSV agrees LNG contracts with China</td>
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<td>2004</td>
<td>NWSV Train 4 start up: Darwin LNG Start up</td>
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<td>2007/8</td>
<td>Pluto FID; NWSV Train 5 start up</td>
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<td>2009</td>
<td>Gorgon FID</td>
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<td>2010-11</td>
<td>QCLNG; GLNG; Prelude: APLNG; Wheatstone; Ichthys FIDs</td>
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<td>2012</td>
<td>NWSV 3500th Cargo; Pluto Start up</td>
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<td>2015</td>
<td>QCLNG Start up; GLNG Start up; APLNG Start up</td>
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<td>2016</td>
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<td>2017</td>
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### Australia’s LNG projects overview

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- **Planned FID**: Milestones for projects that have received final investment decisions.
- **FID**: Milestones for projects that have initiated the final investment decision process.
- **Expected First Production**: Milestones for projects that are expected to start production.
- **Proposed First Production**: Milestones for projects that are proposed to start production.
- **Studying alternative concepts**: Indicating that the project is currently studying alternative concepts.
- **Political Issues**: Indicating potential political issues that could affect the project.
- **Unlikely**: Projects that are unlikely to proceed.
- **Unlikely until after foundation project complete**: Projects that are unlikely to proceed until after the foundation project is complete.

**Key Dates**:
- May 2011: Prelude FLNG FID
- Sep 2009: Ichthys FID
- Oct 2010: Prelude FLNG Planned FID
North American LNG Import/Export Terminals

Approved

Import Terminals

U.S.
APPROVED - UNDER CONSTRUCTION - FERC
1. Corpus Christi, TX: 0.4 Bcf/d (Chevron- Corpus Christi LNG) (CP12-507)

APPROVED - NOT UNDER CONSTRUCTION - FERC
2. Salinas, PR: 0.8 Bcf/d (Aguirre Offshore GasPort, LLC) (CP13-193)

APPROVED - NOT UNDER CONSTRUCTION - MARAD/Caost Guard
3. Gulf of Mexico: 1.0 Bcf/d (Main Pass McMoRan Exp.)
4. Gulf of Mexico: 1.4 Bcf/d (TORP Technology-Grimaldi LNG)

Export Terminals

U.S.
APPROVED - UNDER CONSTRUCTION - FERC
5. Hackberry, LA: 2.1 Bcf/d (Sempra- Cameron LNG) (CP13-25)
6. Freeport, TX: 2.14 Bcf/d (Freeport LNG Dev/Freeport LNG Expansion/FLNG
Liquefaction) (CP12-509) (CP15-518)
7. Cove Point, MD: 0.82 Bcf/d (Dominion Cove Point LNG) (CP13-113)
8. Corpus Christi, TX: 2.14 Bcf/d (Chevron- Corpus Christi LNG) (CP12-507)
10. Elba Island, GA: 0.35 Bcf/d (Southern LNG Company) (CP14-103) *

APPROVED – NOT UNDER CONSTRUCTION - FERC
11. Lake Charles, LA: 2.2 Bcf/d (Southern Union – Lake Charles LNG) (CP14-120)
12. Lake Charles, LA: 1.08 Bcf/d (Magnolia LNG) (CP14-347)
13. Hackberry, LA: 1.41 Bcf/d (Sempra- Cameron LNG) (CP15-560)
14. Sabine Pass, TX: 2.1 Bcf/d (ExxonMobil – Golden Pass) (CP14-517)

Canada
APPROVED – NOT UNDER CONSTRUCTION
15. Port Hawkesbury, NS: 0.6 Bcf/d (Bear Head LNG)
16. Kitimat, BC: 3.23 Bcf/d (LNG Canada)
17. Squamish, BC: 0.29 Bcf/d (Woodfibre LNG Ltd)

* Trains 5 & 6 with Train 5 under construction

Source: FERC
## US LNG projects overview

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- **FID**: Planned FID
- **Expected/Actual First Production**: Proposed First Production
FLNG and Other Projects
## FLNG projects overview

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<td>Tortue FLNG (2)</td>
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<td>Total planned not Sanctioned</td>
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- **May 2011**: planned FID for Prelude FLNG

### Notations
- **FID**: Planned FID
- **Expected/Actual First Production**: Proposed First Production

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20
Other Projects

- MLNG T9 started up in 2016, 3.6MTPA
- Yamal LNG – 16.5MTPA, FID end 2013, Started up late 2017
- Tangguh T3 Sanction in July 2016, 3.8MTPA in 2020
- Abadi – 9.5 MTPA, FID 2020, RFSU 2025
- PNGLNG / PAPUA LNG expansion initial announcements
  - 3 new Trains, 8MTPA RFSU 2020's.
Canada and East Africa
Massive Gas Resources in Canada and East Africa

**Canada**
- West Coast (Pacific) – Multiple possible projects
- Greenfield, remote, high cost, native title, active opposition
  - Similar issues to Australia.

**East Africa**
- East Coast (Indian Ocean) - >100Tcf
- Lack of petroleum legislation
- Gov’t debt crisis
- Greenfield, remote, low skills base.
Canadian Projects – info...

Canadian LNG projects are having delays in getting to FIDs....

- “Unforeseen global conditions are challenging projects...low global prices will impact timelines” (BC Gov’).
- “global industry challenges, including capital constraints“ (LNG Canada).
- Woodfibre
  - RGE celebrated FID, but Squamish First Nation approvals not yet received, no date for construction.
- LNG Canada
  - Shell/Petrochina/Mitsubishi/KOGAS, delay to end 2016 in 2015, “Unspecified delay” July 2016.
- Kitimat
  - Chevron/Woodside - “activity levels in 2016 will be lower than 2015” ...no firm dates.

...or have been cancelled

- Cancelled in 2017
  - Aurora LNG: Inpex and CNOOC (Nexen) cancelled project in September 2017
  - Pacific NorthWest LNG: Project cancelled July 2017 after gov’t approval Sep 2016 with 190 conditions
  - Prince Rupert LNG: Shell cancelled project in March 2017.
- Cancelled in 2016
  - Douglas Channel LNG, Canaport LNG.
East African Projects

- Mozambique ENI’s Coral FLNG project (Area 4):
  - Gov’t approvals received Q1 2016
  - FID targeted for end 2016 following contract and trade agreement approvals
  - FID announced June 2017.

- Mozambique onshore LNG:
  - 2014/15 Gov’t urging collaboration, Anadarko and ENI “strongly committed to Mozambique LNG”
  - Unitisation agreement across Areas 1 and 4, December 2015 (yet to be ratified)
  - Exxon take 25% stake in Area 4 from ENI, March 2017
  - Anadarko project “signs 2 marine concessions” for 2 train development of Area 1, July 2017
  - Gov’t announcement that two separate LNG projects will be built, August 2017.
  - Anadarko announces key terms for ~5MTPA of offtake agreements.

- Tanzania
  - Gov’t sanctioned collaboration for onshore project
  - Project proponents working together (BG/Shell, Statoil, E-M, Ophir, Pavilion)
  - LNG site land agreements finalised early 2016
  - Host Gov’t Agreement (re)-drafted July 2017, negotiations on contracts and conditions anticipated for 18 months
  - No clear indication of a timeline to FID (Various reports between 2018/20).
Closing thoughts & insights
What happens now?

- Australia will become the number 1 exporter of LNG sometime in 2018/19.
- The vast majority of new LNG capacity up to 2020 will come from USA.

Beyond 2020 the future is less clear

- USA could overtake Australia as #1 exporter in the early 2020's....
- There are a number of large scale LNG opportunities in East Africa and Canada
  - but new greenfield LNG project will still need robust pricing wherever they are.

- FLNG will lower the “barrier to entry”
  - The increasing liquidity of the market will enable shorter term contracts and the development of smaller resource pools
- Brownfield developments will have potential advantages.