

LNG Markets in 2009

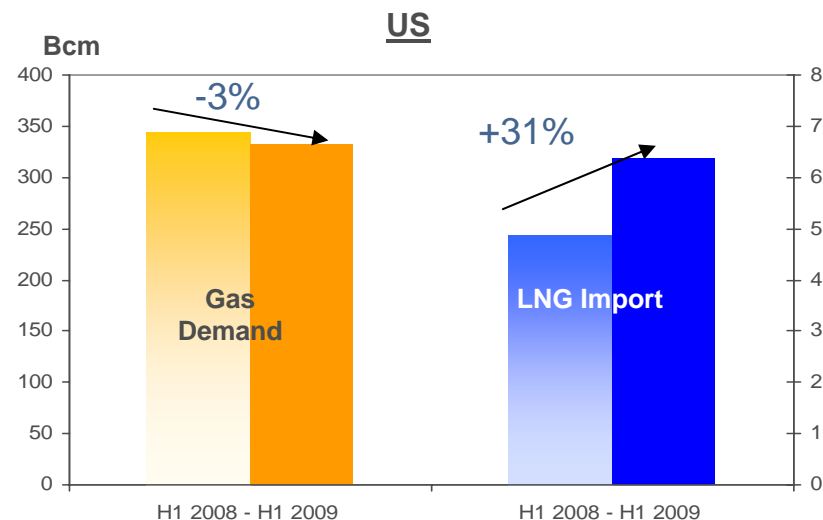
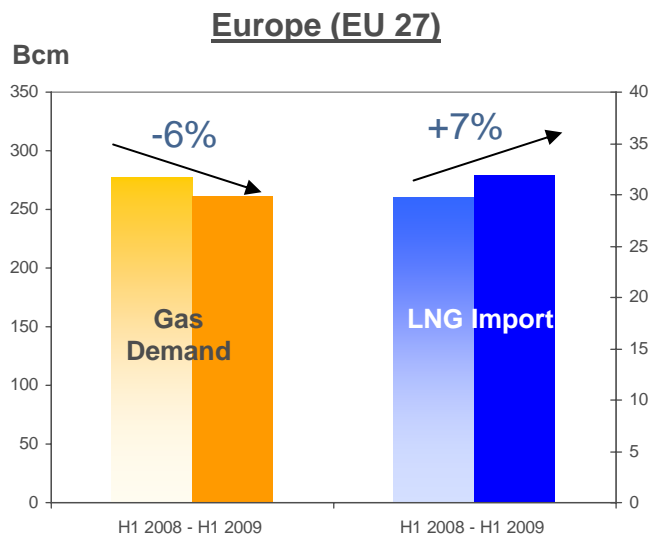
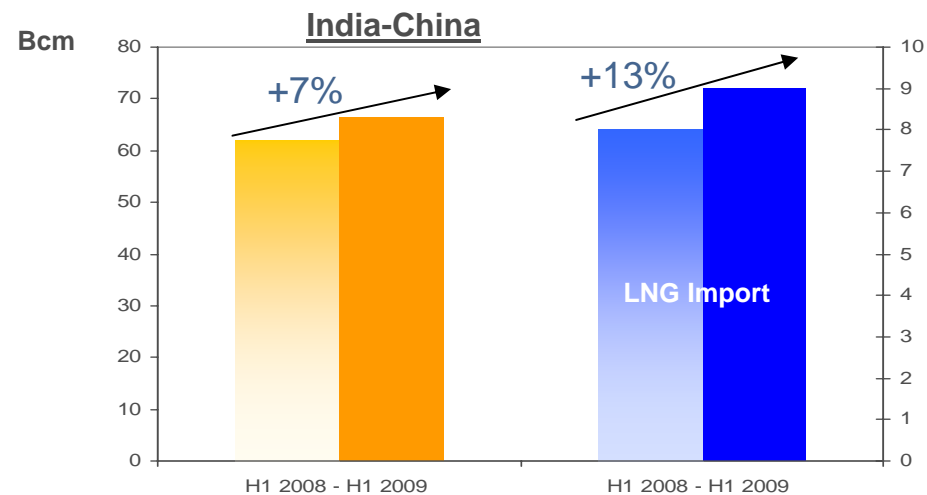
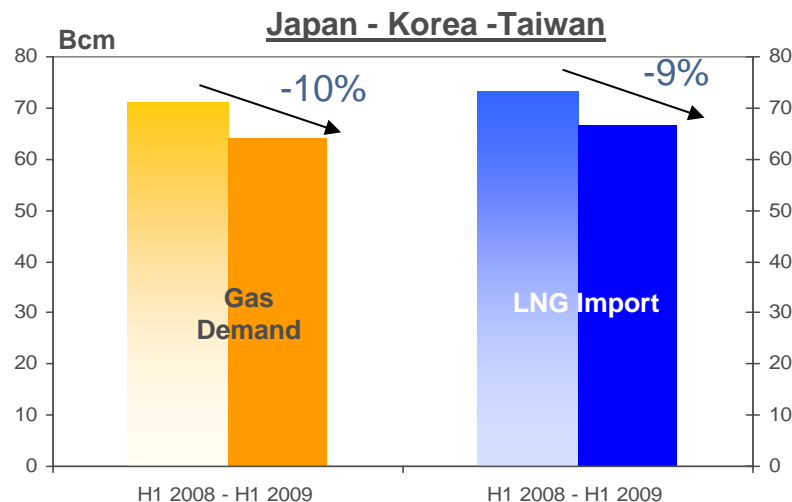
The Great Contango

Jean-Marc Hosanski
Directeur GNL

International Gas and Electricity Summit
Paris October 21st 2009



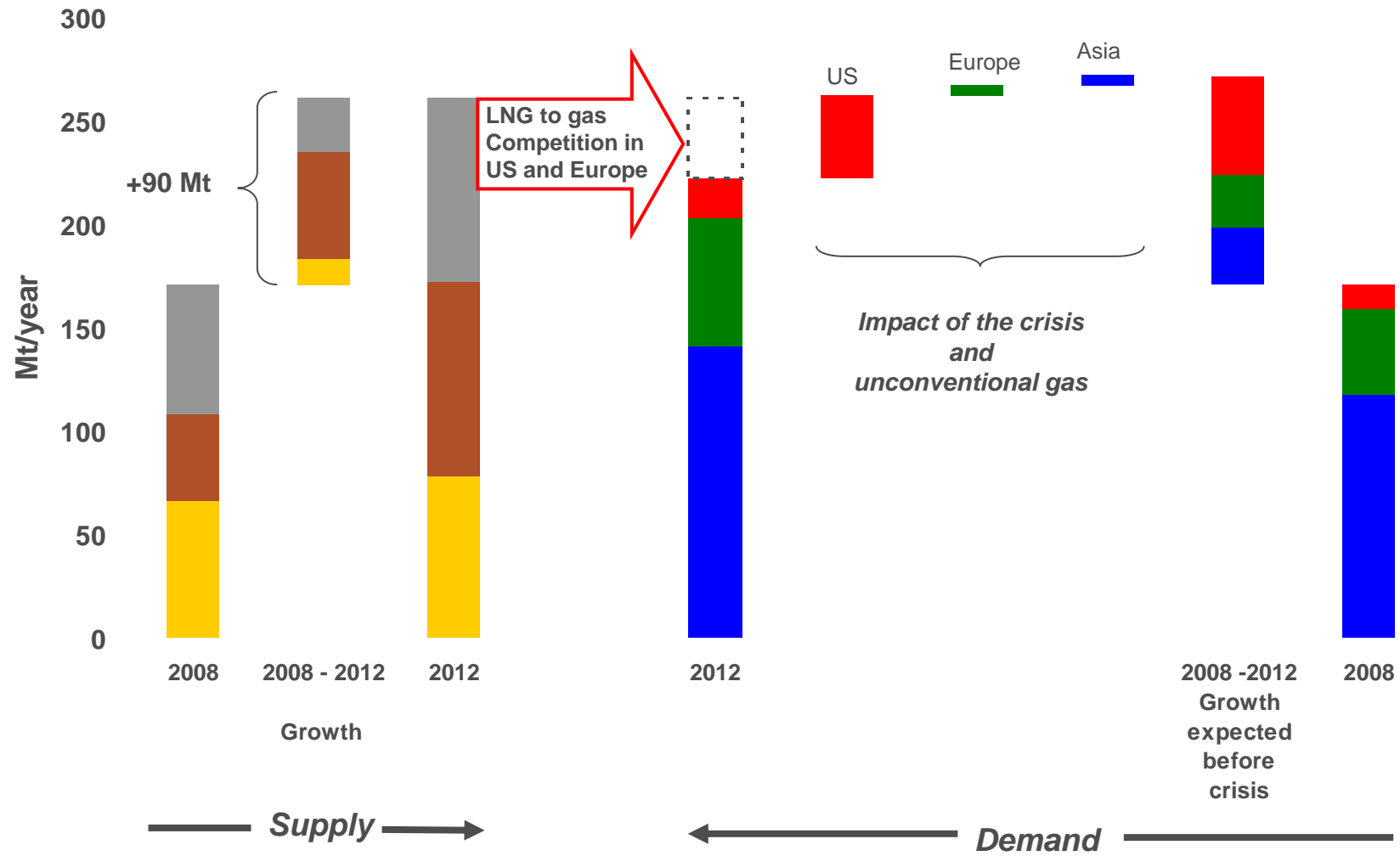
2009: Gas demand is down in most markets but LNG demand resists



The lower demand in traditional Asian LNG markets has redirected some LNG supply to the US and Europe



From a tight to a long market

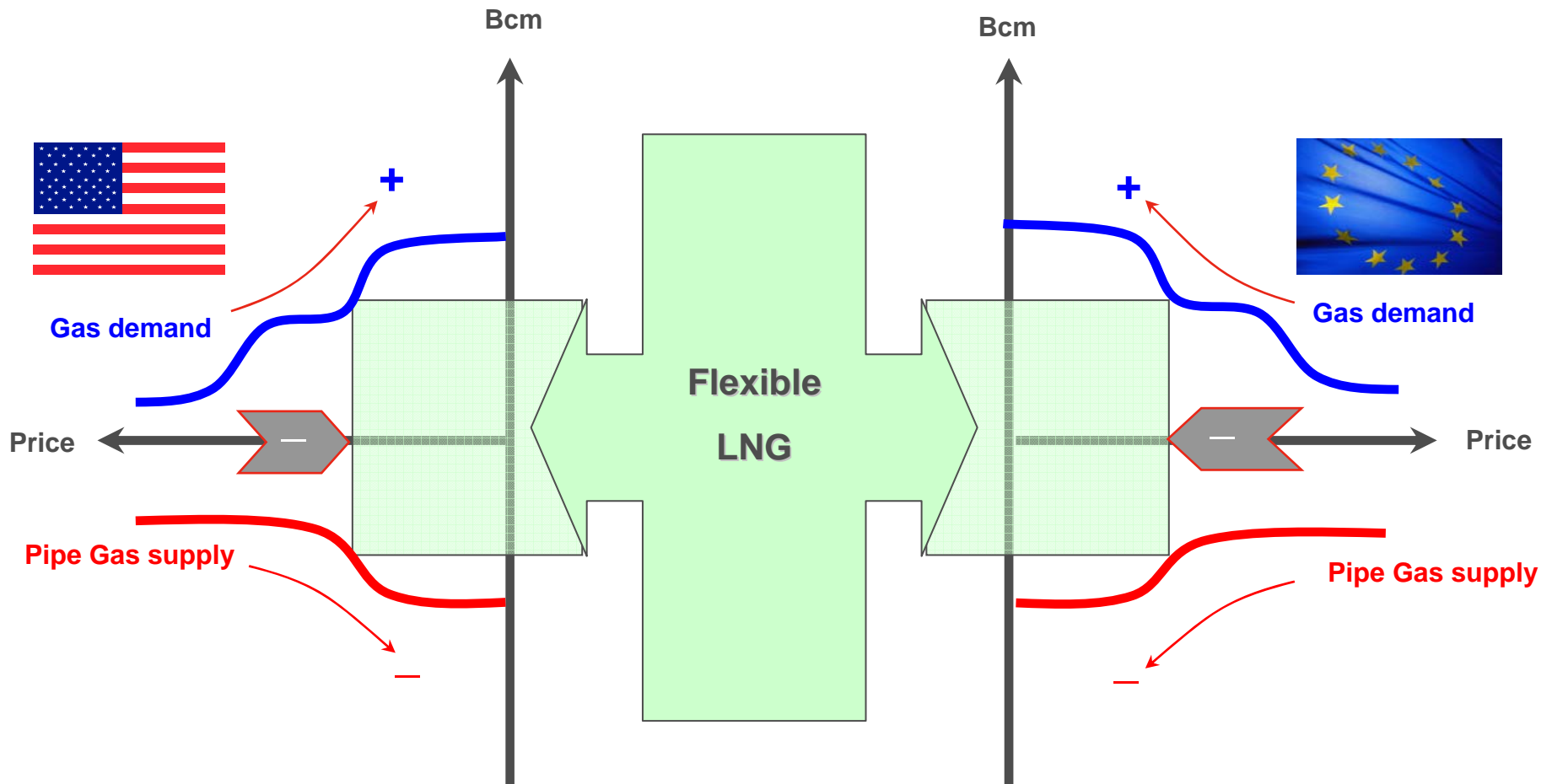


Source : Total

■ Atlantic
 ■ Middle East
 ■ Pacific
 ■ Asia
 ■ Europe
 ■ US

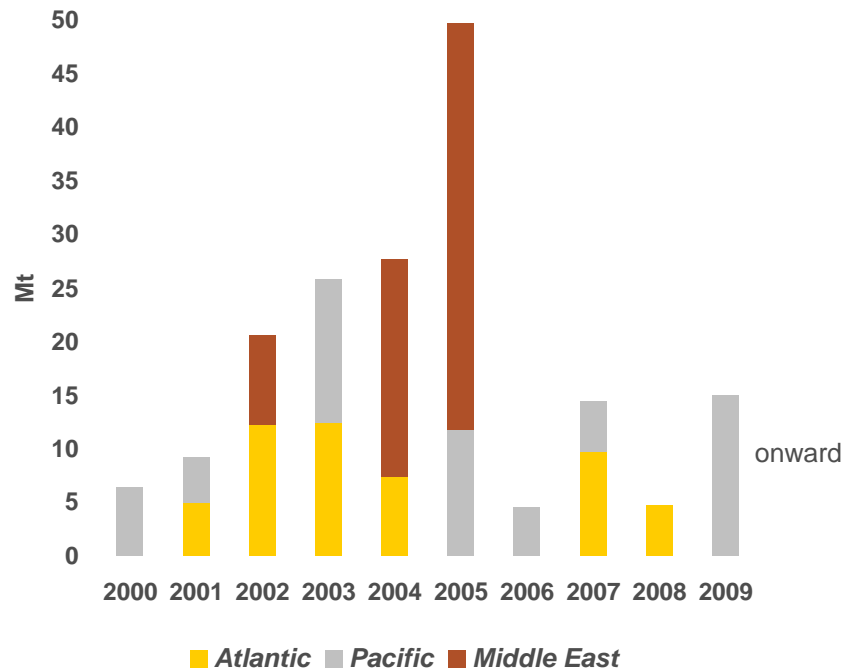


Where will the LNG surplus go ?



The way in for LNG
Increase gas demand : Gas to Coal competition
Reduce pipe gas supply : Gas to Gas competition

Beyond 2013: an LNG supply shortage in the making...



Capacity of new projects committed each year (Mtpa)

Very few projects launched between 2006 and Oct 2009

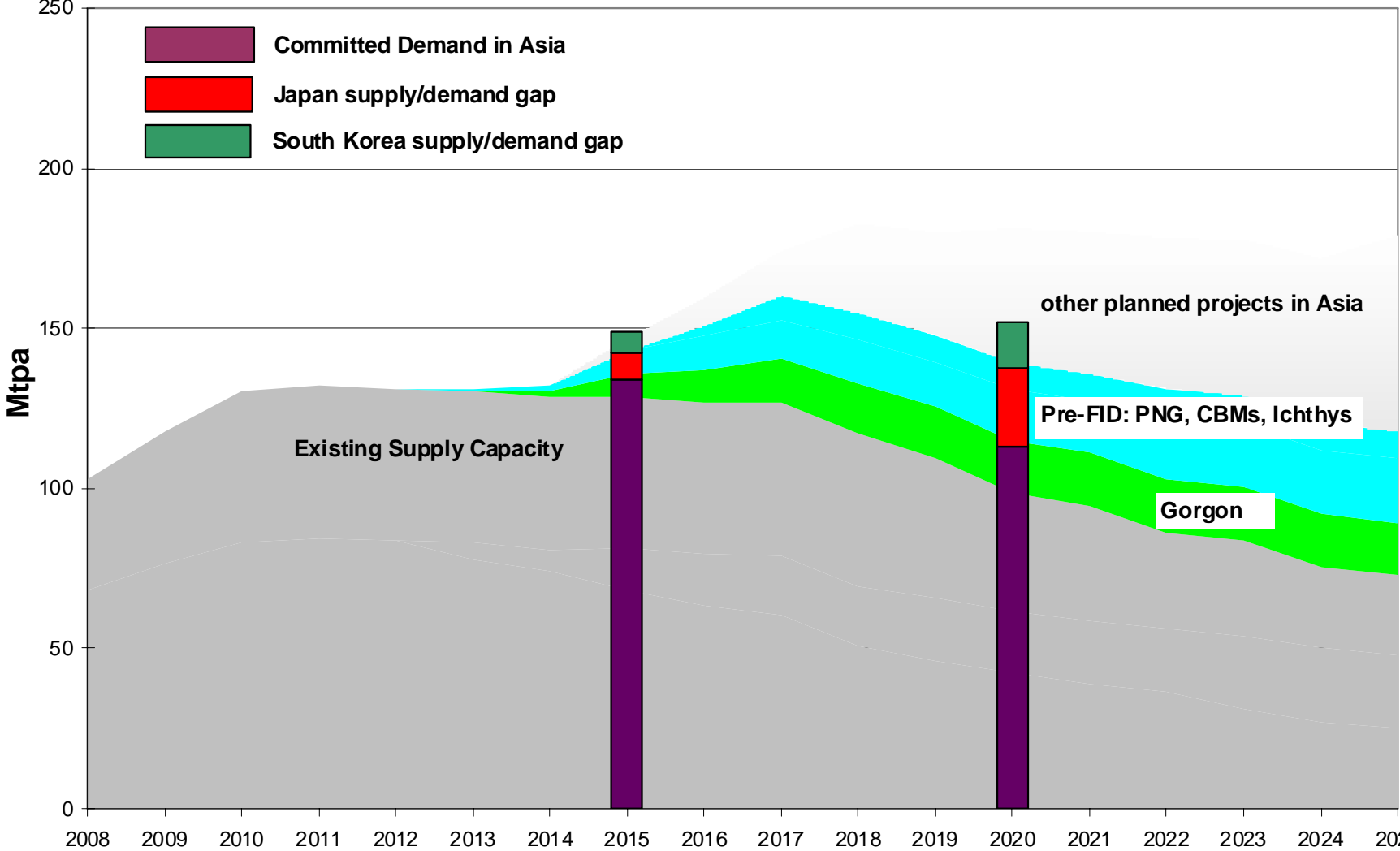
- cost issues
- domestic gas issues
- geopolitical issues

The crisis adds a new set of difficulties

- cost / price hiatus
- financing

LNG demand for the long term is still to be met

Example: Asia



A time for resilient and long term players

- ▶ **The growing share of “flexible LNG” has deeply transformed the market**
 - Neither a global world LNG market nor a regionally segregated market
 - But 2 very distinct types of markets: a global spot market and regional long term markets

- ▶ **On the short term, spot prices will remain under strong downward pressure**
 - Affecting Producers’ revenues ... but also boosting the demand
 - Low cost producers and global players will be less affected

- ▶ **Lessons of the past (1988, 1998): errors not to be repeated**
 - Reluctance of buyers to commit new LT supply, as spot seems abundant and cheaper
 - Under-estimation of lower price impact on gas demand growth
 - Under-investment on the upstream side

- ▶ **The energy price environment will be tensed after 2015**
 - Higher oil prices, gas demand on the rise, gas supply constrained by upstream & midstream
 - Emerging LNG markets growing fast: China, India, South America... changing the LNG map and competing with traditional LNG markets
 - Investment should be kept at high levels