



# LNG Markets: Implications of Low Prices for Demand and U.S. Exports

“The Australian Perspective”

2016 EIA Energy Conference

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# Introduction to Nexant

Who we are

# Nexant provides global knowledge and regional expertise



## Our people

- Over 650 consultants worldwide
- Our consultants blend strategic consulting, operational and technical expertise with deep energy and chemicals sector knowledge

## Proven track record

- Highly experienced in project development and execution engagements:
  - Feasibility studies
  - Independent Market Consultant
  - Independent Engineer

***Nexant has over 650 Consultants which provides regional expertise for Lenders and Sponsors***

# Nexant has a thriving gas consulting practice

## Nexant's Global Gas Practice

- Core Competencies
  - Gas market analysis and forecasts
  - Gas pricing and contracting
  - Market structuring and project development

**Nexant Hubs: Houston, New York, Washington D.C., London, Bahrain, Bangkok, Singapore, Shanghai**

## World Gas Model

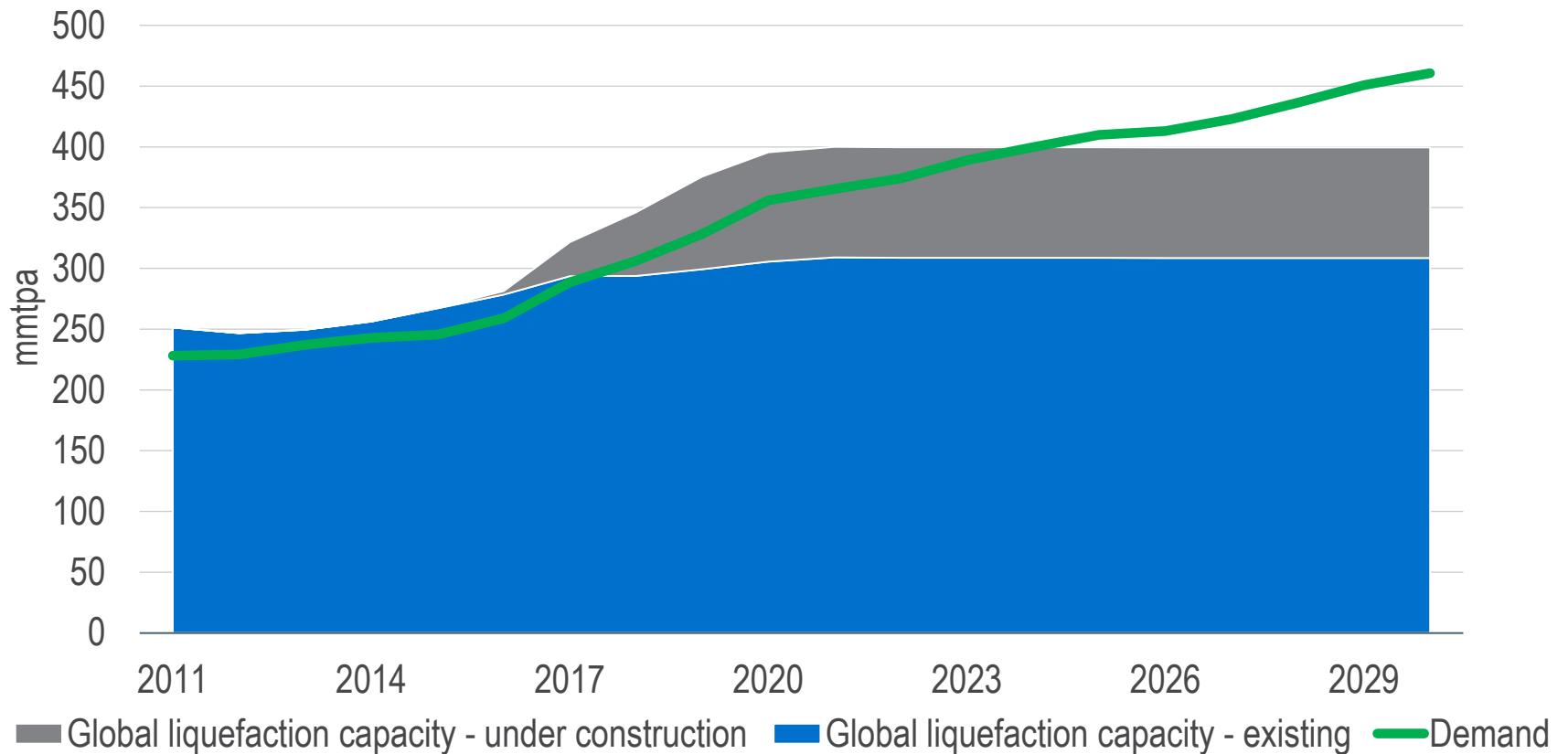
- Used internally and for consultancy assignments
- Licensed to major companies and organizations to use on their own systems



# Nexant's Global LNG Outlook

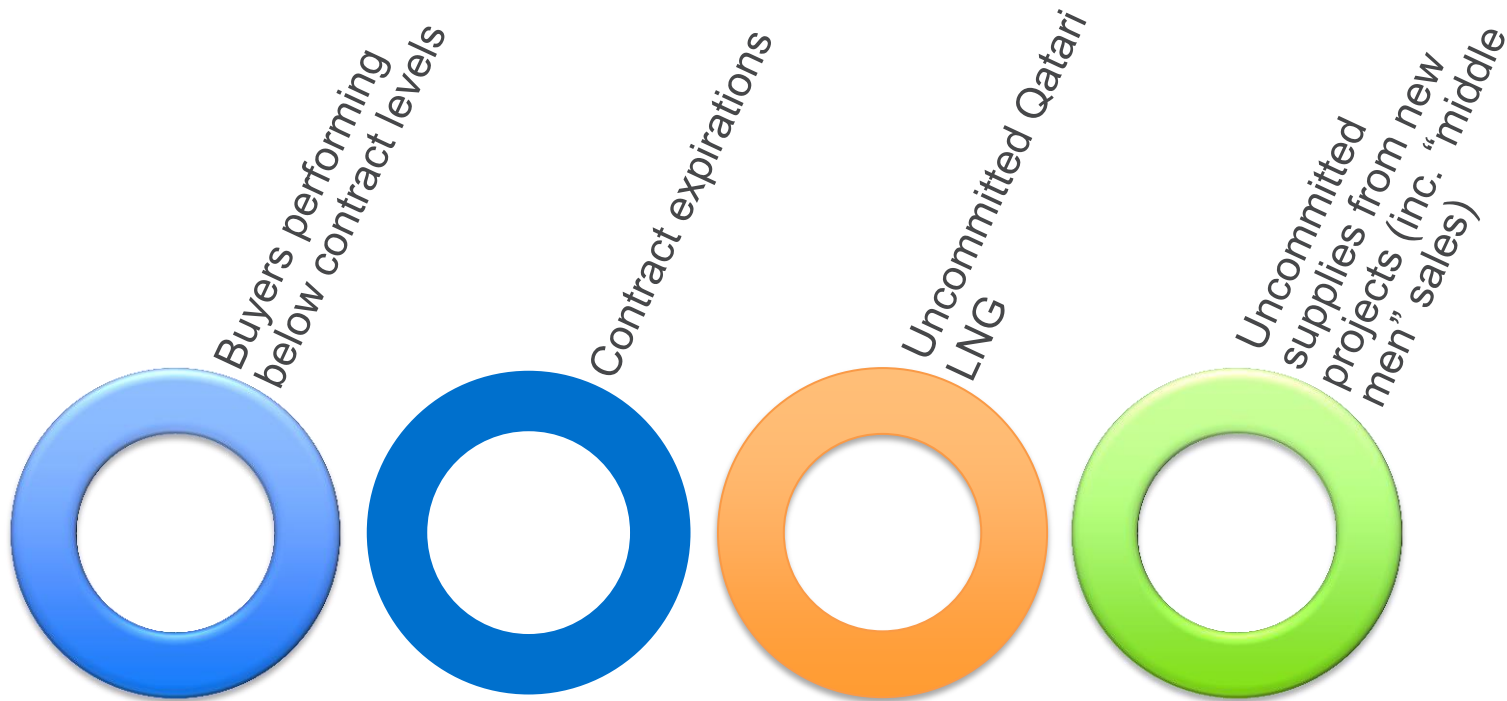
# Global LNG supply shortfall emerges next decade

## Global LNG Export Capacity vs Projected Demand



# Several factors exacerbate current LNG oversupply

## Oversupply: Exacerbating Factors



**Over 100 mmtpa of LNG is unsold from existing ventures and projects under construction**

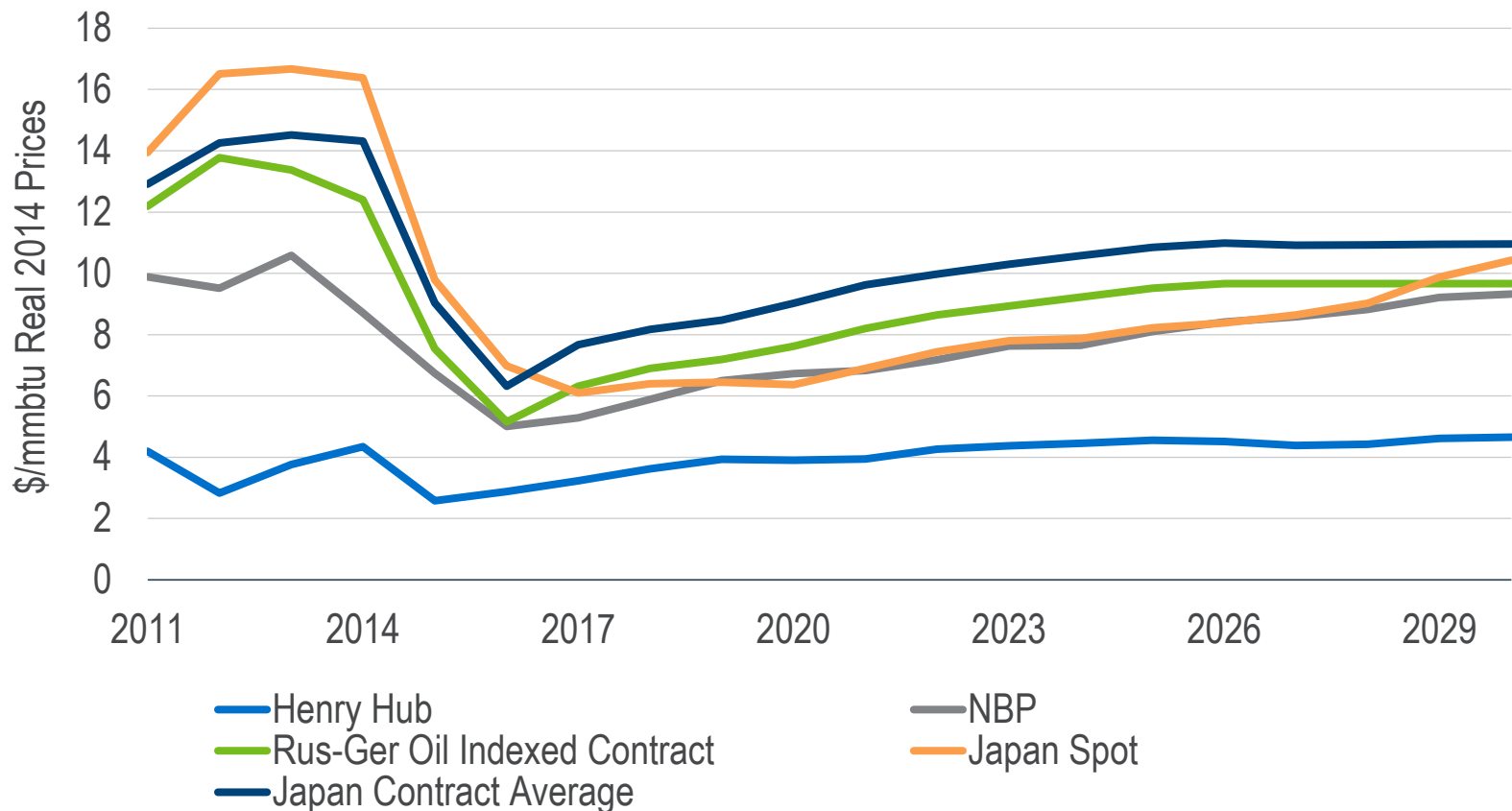


# Several contenders vying to fill forecast supply shortfall

Country	Existing Capacity (mmtpa)	Under Construction (mmtpa)	Planned (mmtpa)	Nexant Forecast (through 2030 only; mmtpa)
Canada	0	0	305	20
U.S.	4.5	50.2	335	35.5
East Africa	0	0	53.4	53.4
West Africa	30.7	0	83	5
Russia	>10	16.5	44	5
Qatar	77	0	12	0
Papua New Guinea	7.3	0	11	3.5
Australia	50.1	36.3	Up to 78	0

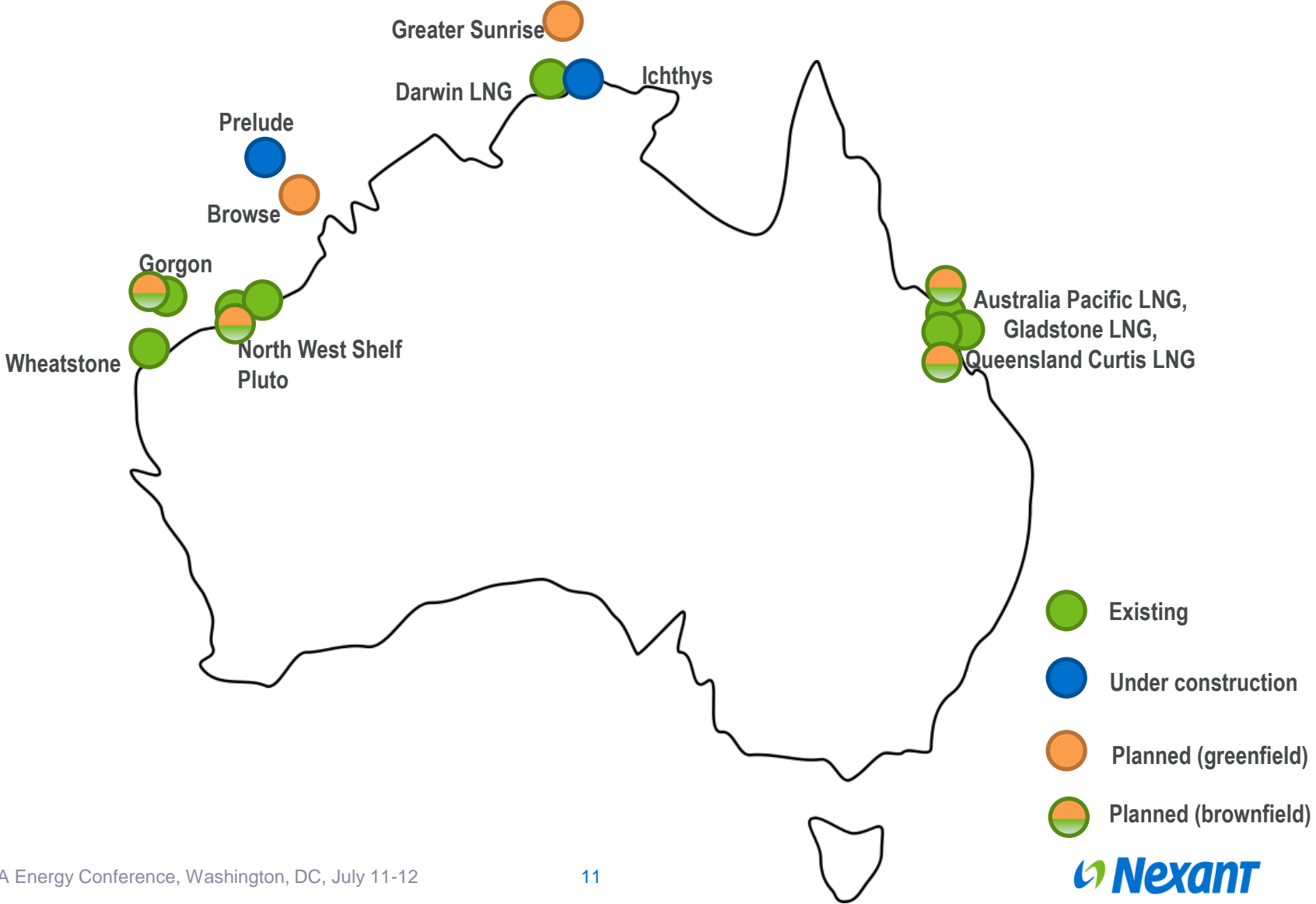
# Japan's contractual and spot price differential narrows post-2025

## Global Gas Benchmarks, 2011-2030



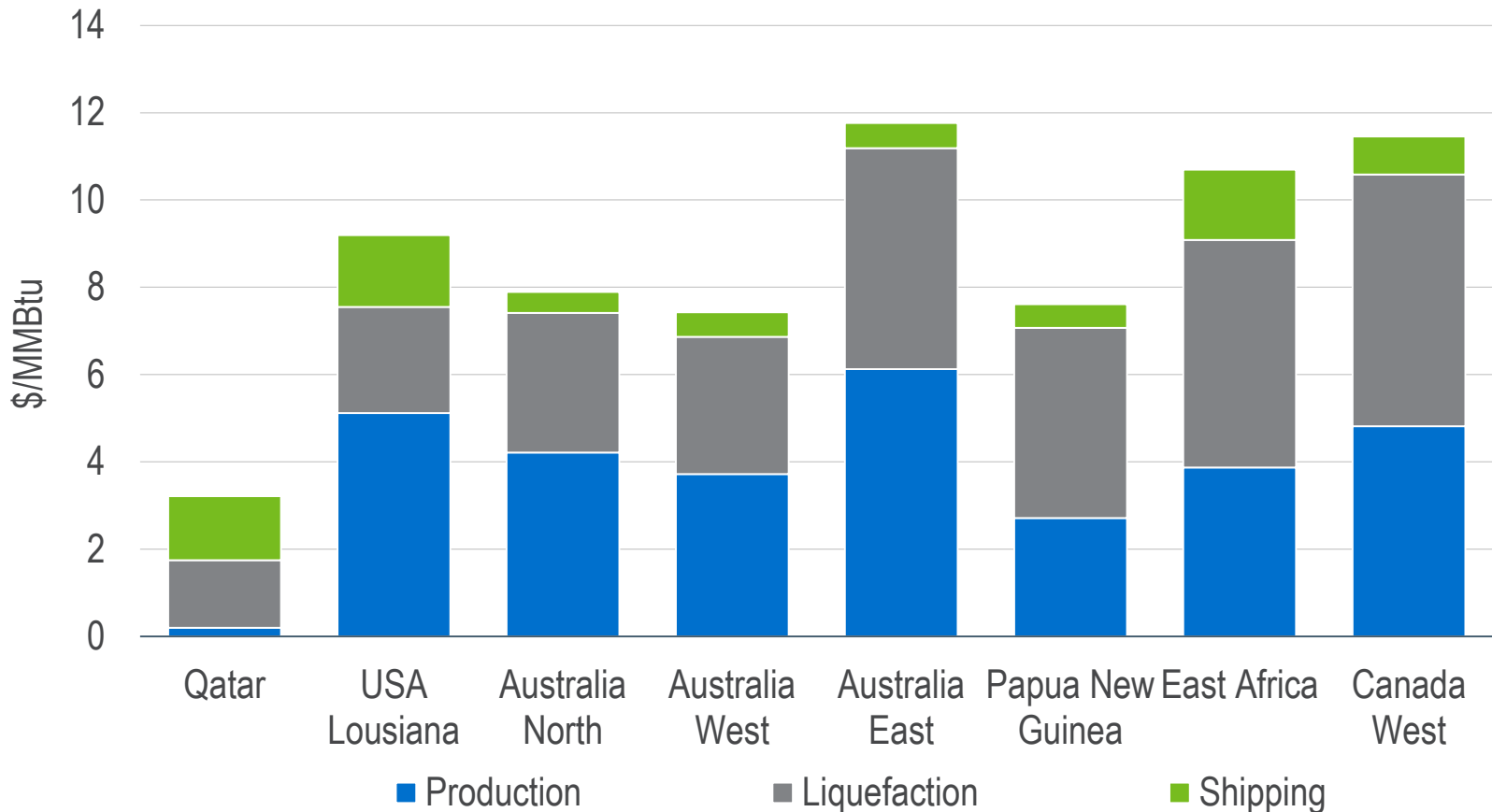
# Focus on Australia

# Australia hosts ~86 mmtpa of LNG export capacity by 2020



# Not all LNG supply projects are created equal

## Cost Stack From Various Supply Sources to Japan (DES)\*



\*For calendar year 2024

# Australia has several hurdles to overcome, but...

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## Australia is expensive

History of high project development costs and delay



Oil-linked, long-term deals needed to justify development  
Expensive projects need solid netbacks to proceed

## Australian LNG Faces Many Challenges

## Few instances of industry collaboration

Track record of stakeholders refusing to pool projects and/or gas resources



Australian stakeholders have competing interests. Companies might prioritize development of projects abroad

# Multiple tactics exist for Australia to expand market share

## Focus on low-cost plays

Backfill NWS

Debottlenecking initiatives and brownfield projects

## Create markets

Focus on new import provinces: offer supply and co-sponsor regas facility

Become portfolio players

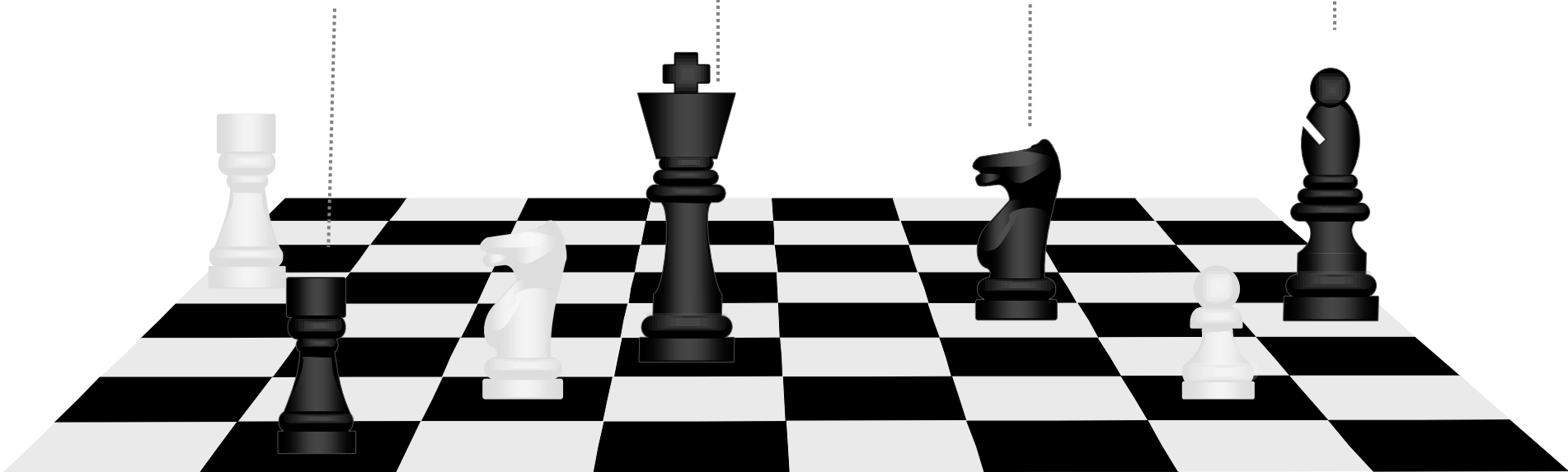
## Improve cooperation efforts

Third party gas for tolling

Shared infrastructure?

## Domestic market

Certain markets offer opportunities comparable to LNG export netbacks



# Conclusion

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- **A global LNG supply surplus persists through 2024, but a gap emerges thereafter**
- **North America is well-positioned to fill the looming supply gap; but**
- **Australian project sponsors have several ways to compete for market share**
  - **Actively developing import terminals and becoming LNG suppliers; leveraging existing assets; making domestic gas sales**
  - **Some of these will be more economically competitive than others**





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