

BGC PARTNERS

Evolving LNG Markets and Pricing Benchmarks

August 2018



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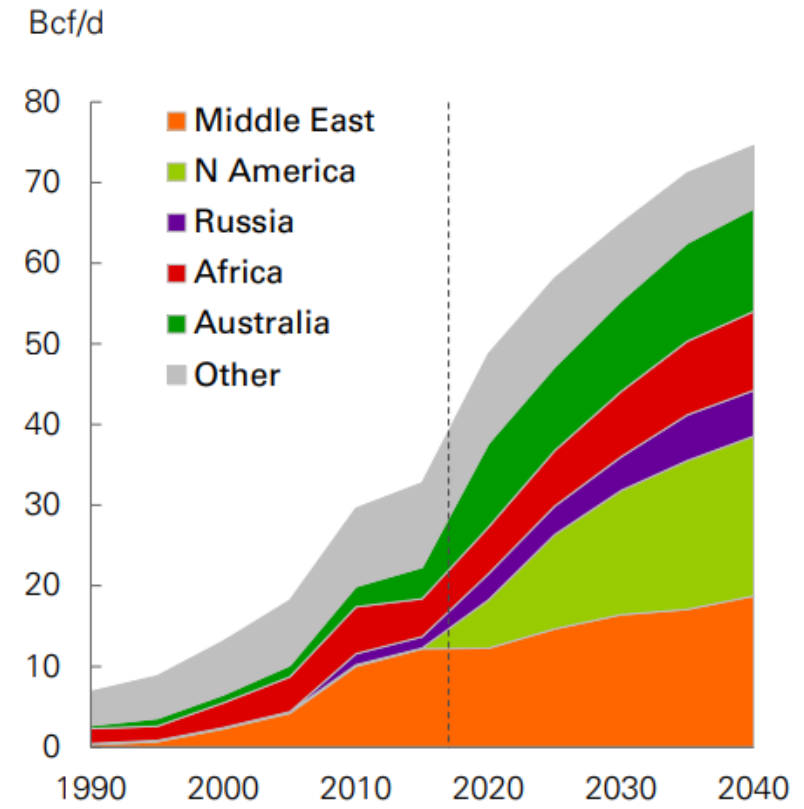
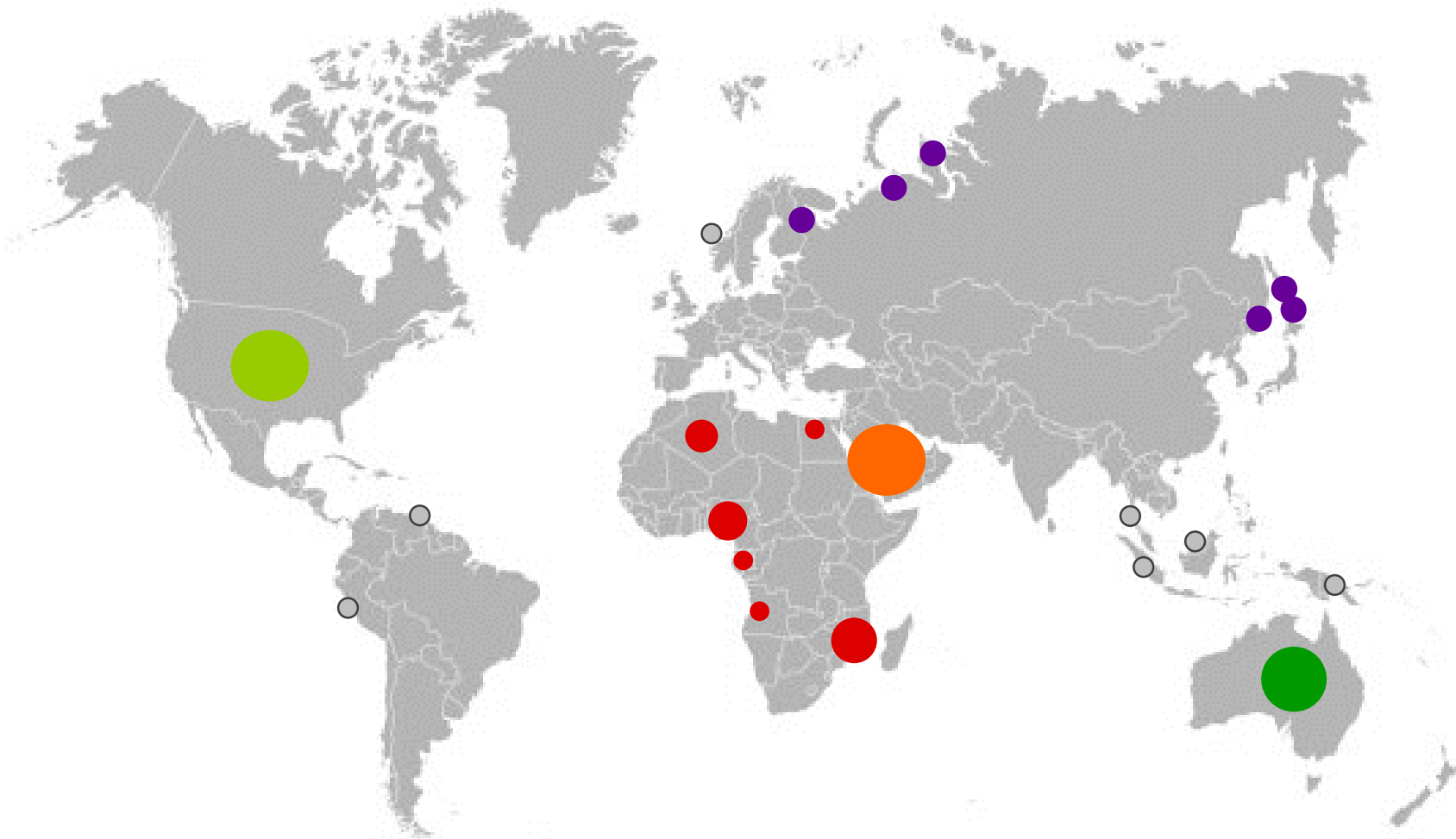
I aim to provide a brief overview of;

Key supply and demand forecasts,

The emerging price benchmarks, and

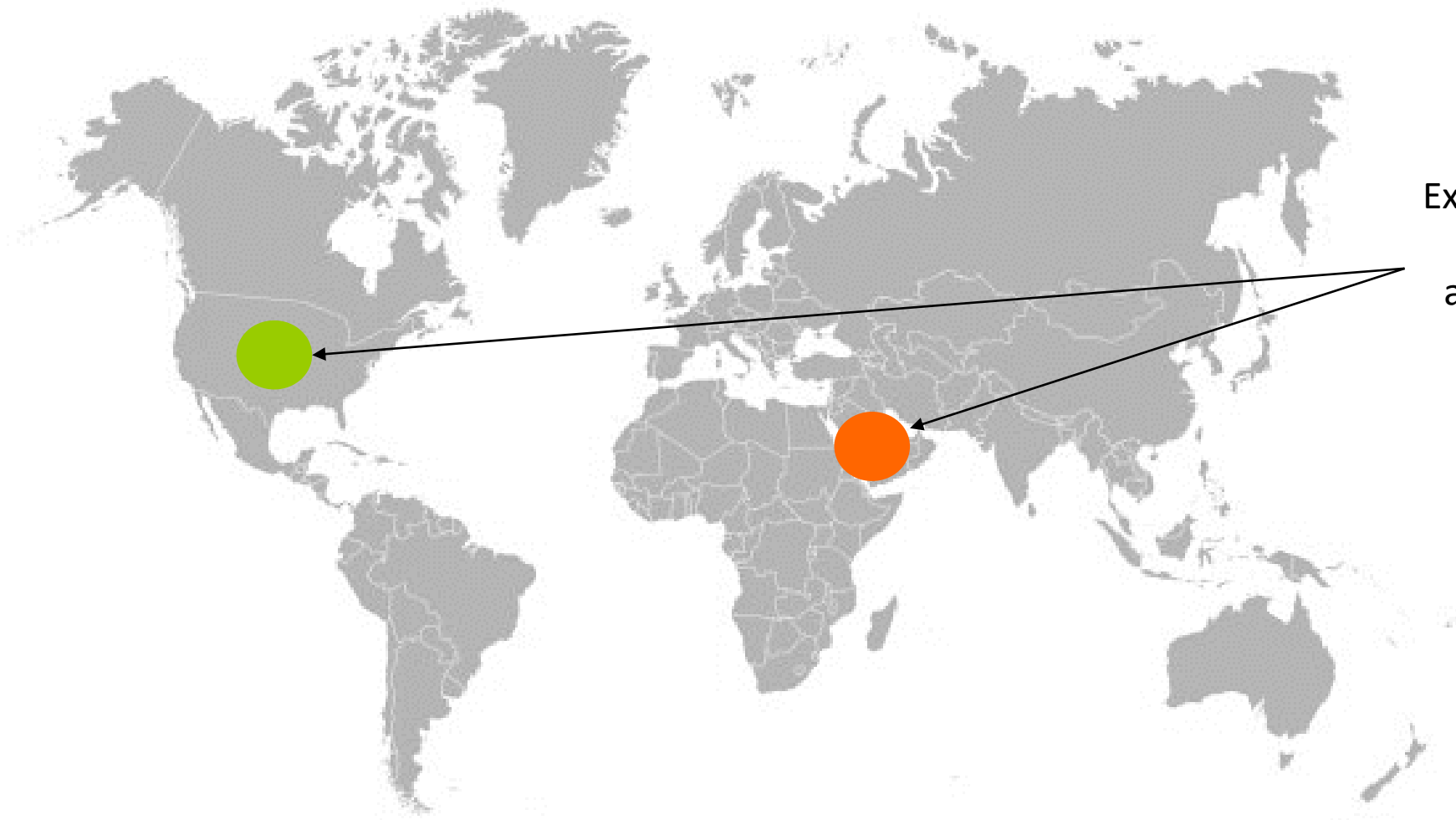
Spur debate about where we are heading...

Key Supply Trends: Next 10 years dominated by US & Qatar export capacity growth



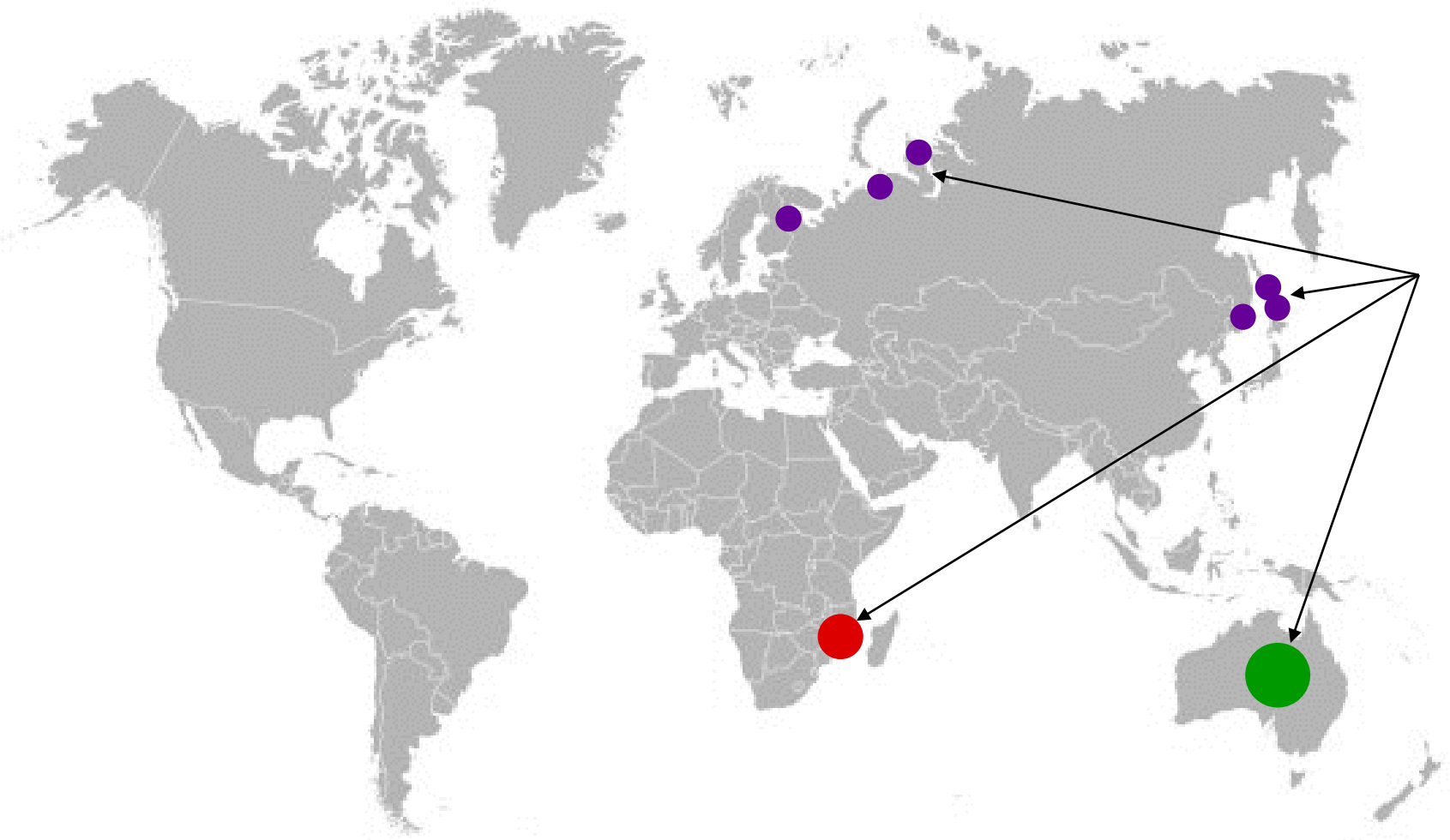
Source: '18 BP Energy Outlook, IEA

Key Supply Trends: Next 10 years dominated by US & Qatar export capacity growth (cont.)



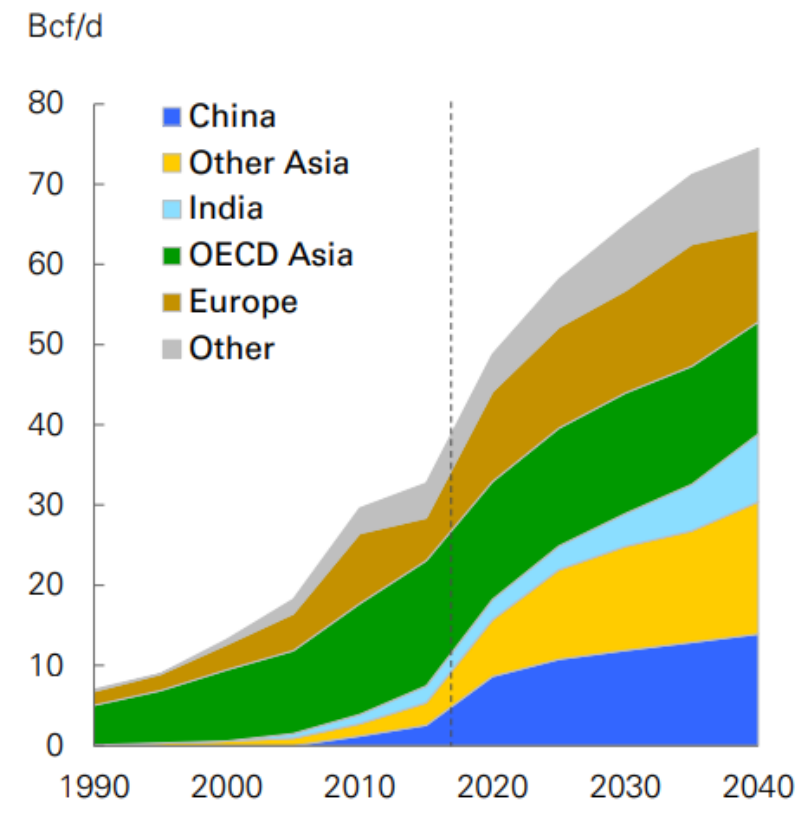
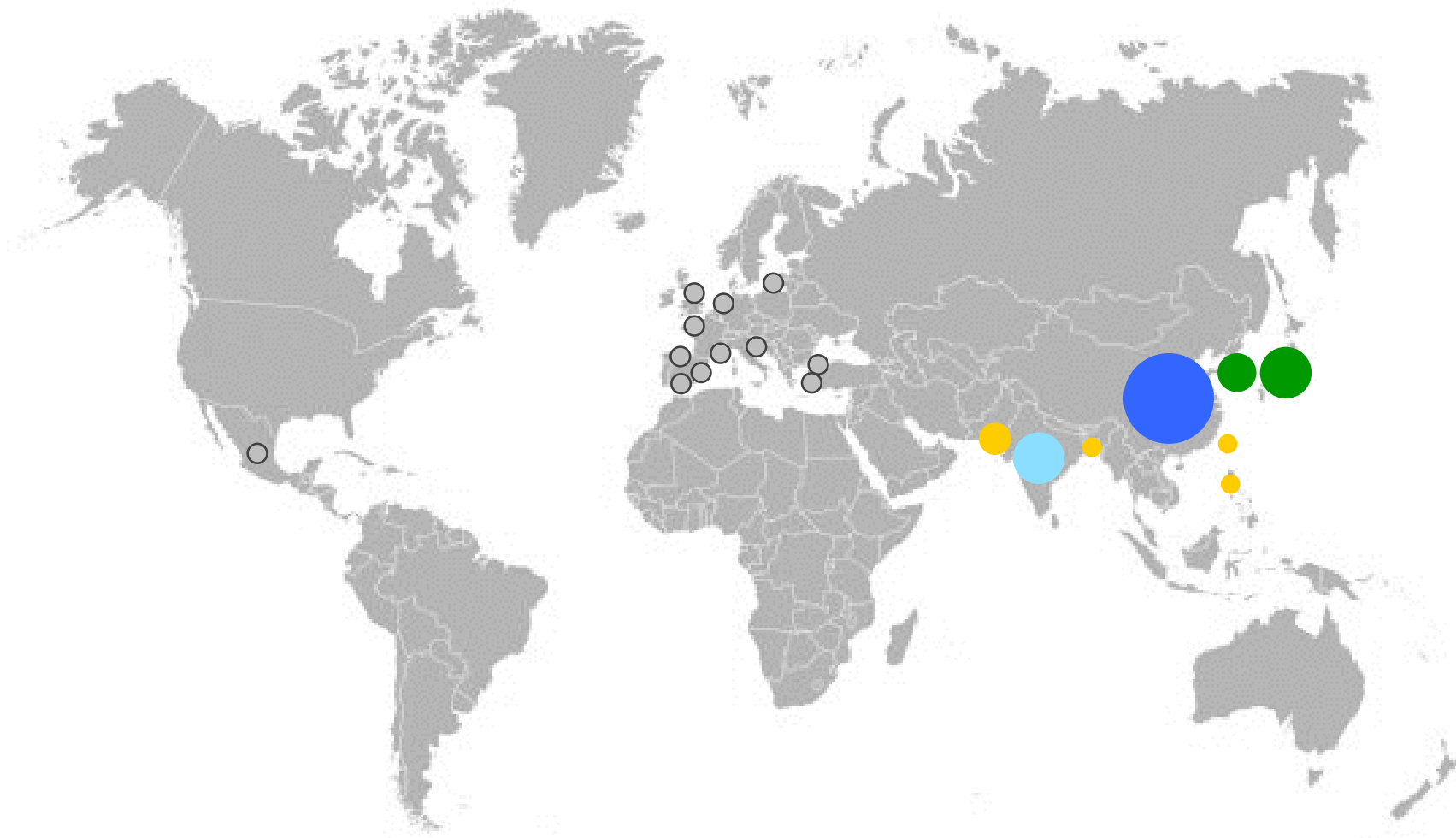
Export growth will be dominated by the US and Qatar, forecast to account for almost 50% of supply by 2040, but...

Key Supply Trends: Next 10 years dominated by US & Qatar export capacity growth (cont.)

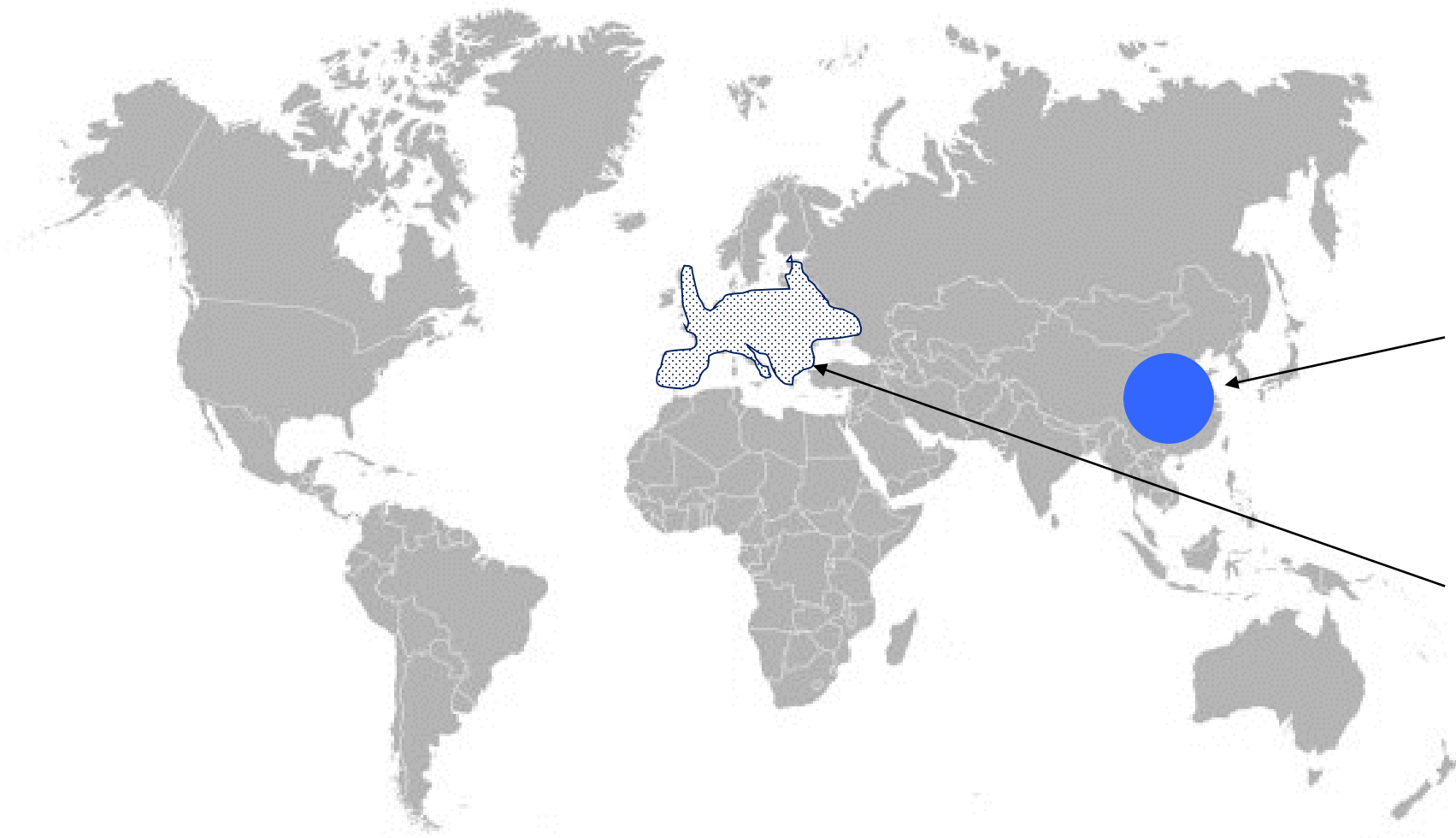


...this is supported by significant supply growth in Australia, Mozambique and various projects across Russia

Key Demand Trends: The emergence of China and Non-OECD Asia



Source: '18 BP Energy Outlook, IEA



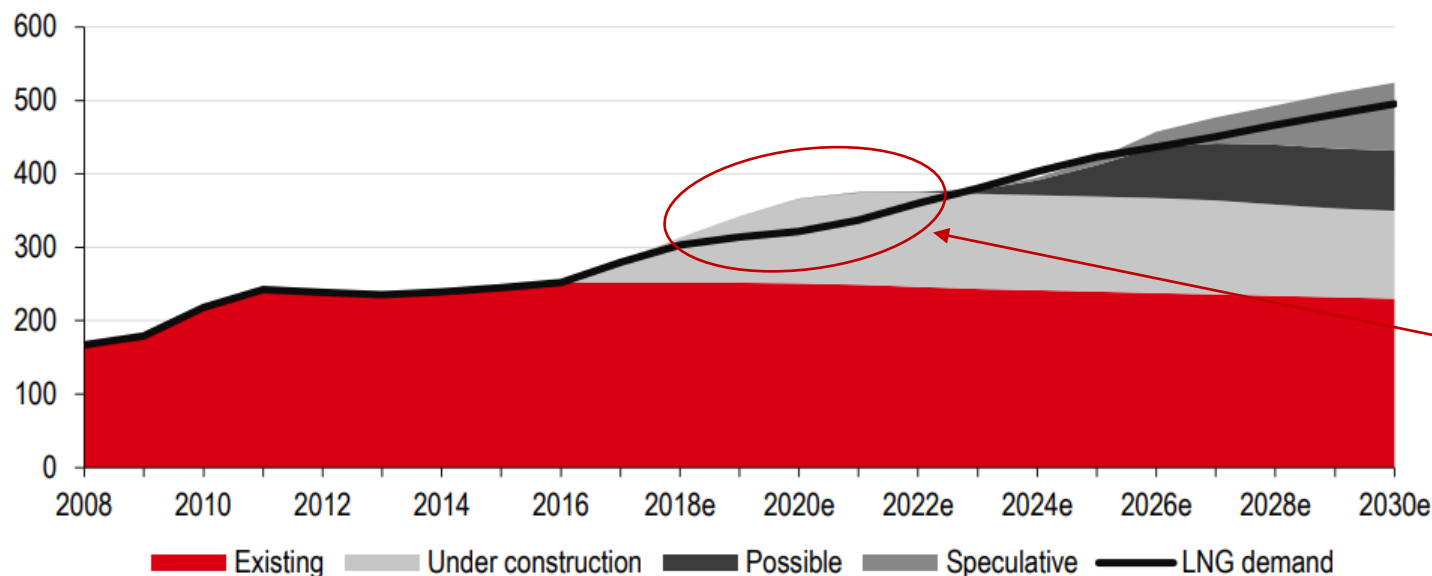
Supply competition will drive new markets and demand is forecast to double by 2040

The main force behind this is China, which is forecast to be >20% of global LNG demand by 2030

Mainland Europe will become an increasingly important swing market to absorb supply surplus and set competition for gas-on-gas

Supply / Demand Balance: Glut now seems unlikely, possible crunch post-2022

Global LNG supply vs demand to 2030e (mtpa)



Source: HSBC analysis, company reports

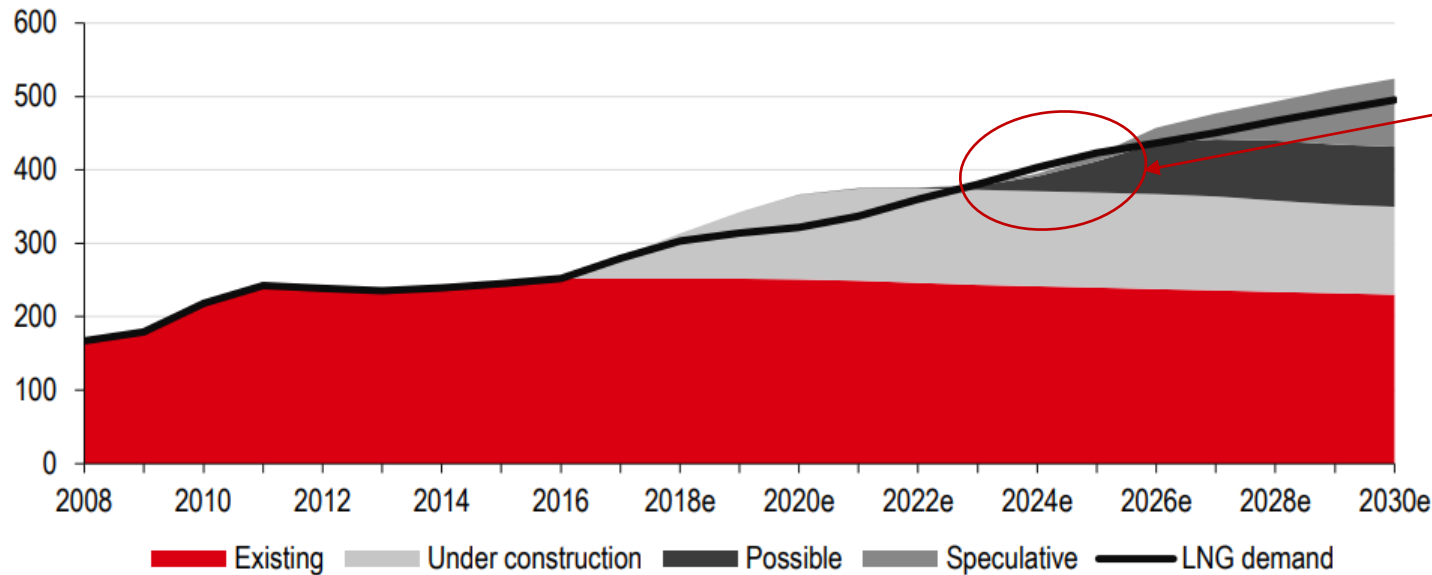
Demand is now expected to reasonably keep up with supply and an outright glut is now looking unlikely according to most reputable analysts

“Well-supplied”, rather than over-supplied, is becoming analysts’ key mid-term view with solid demand growth cushioning most of the excess supply and seasonality playing a larger role...

...with potential over-supply in summer and under-supply in winter setting pricing trends

Supply / Demand Balance: Glut now seems unlikely, possible crunch post-2022

Global LNG supply vs demand to 2030e (mtpa)

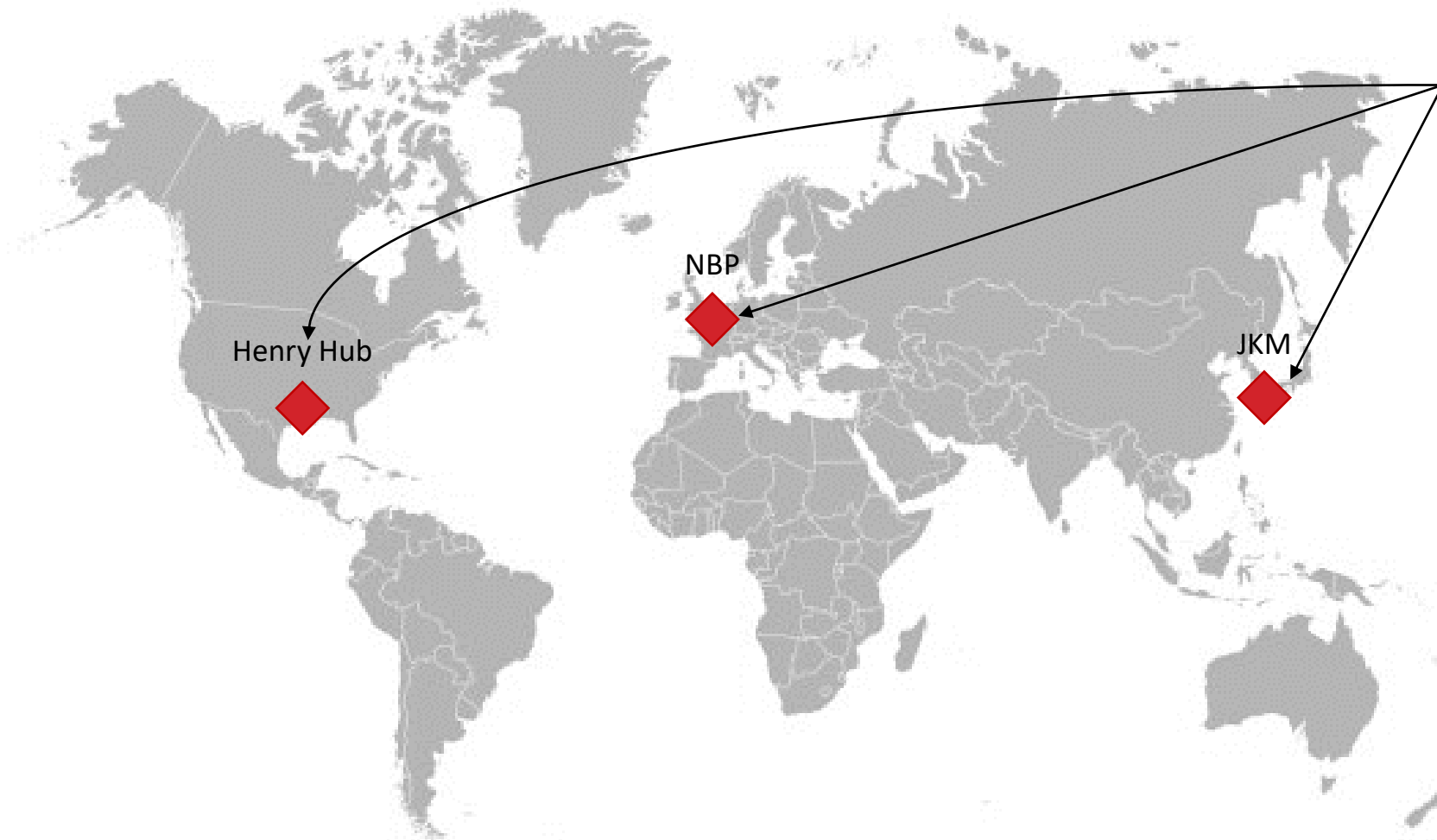


Source: HSBC analysis, company reports

From 2022, the current wave of new export projects is forecast to end and we may be looking at a post-2022 supply crunch...

Everything will depend on the flow of LNG export project sanctions...

Lots of projections to consider, but our view is that some projects will struggle gain positive FID due to scale and buyers' clear trend towards shorter-term SPA's

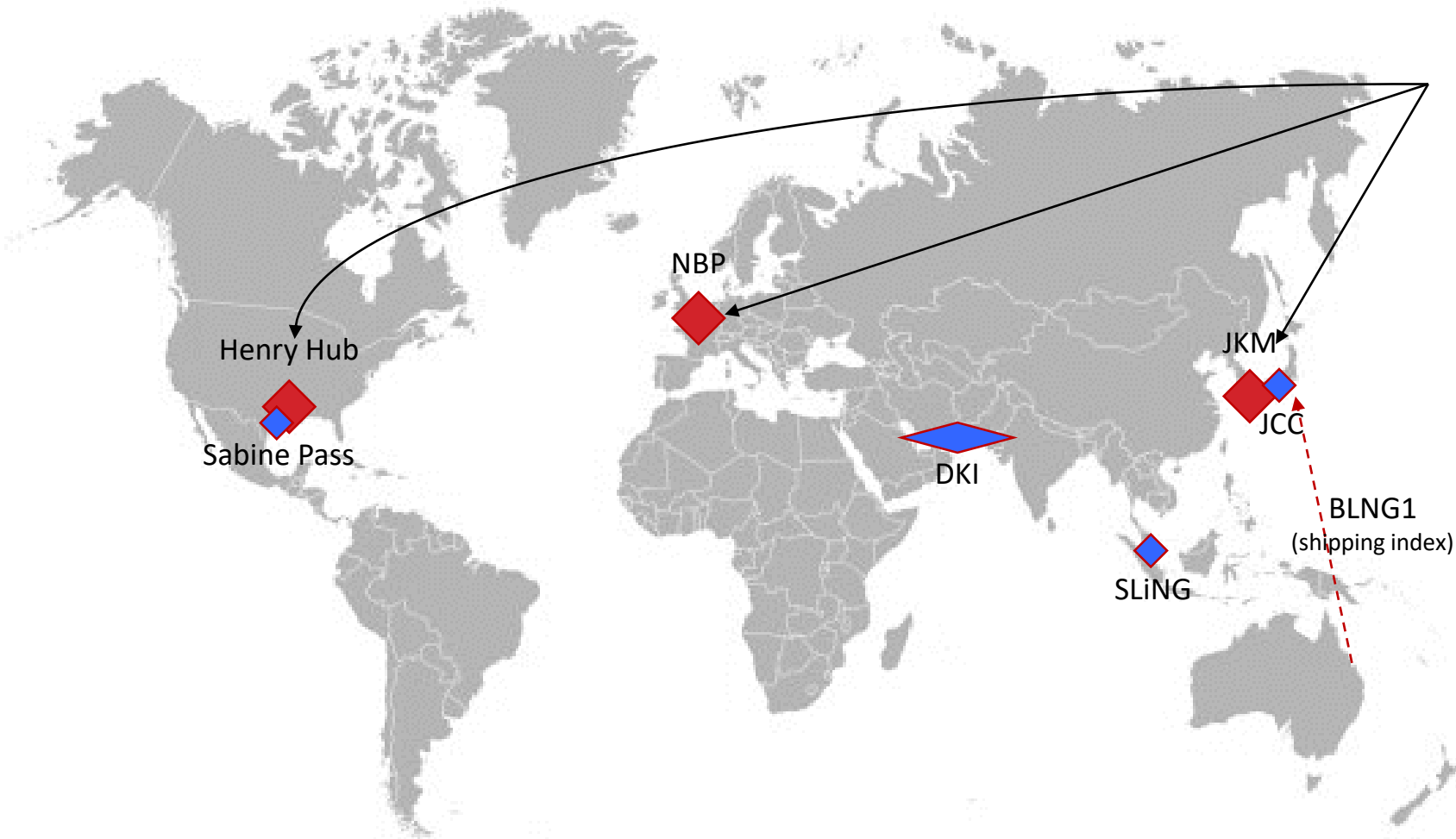


Henry Hub

NBP

JKM

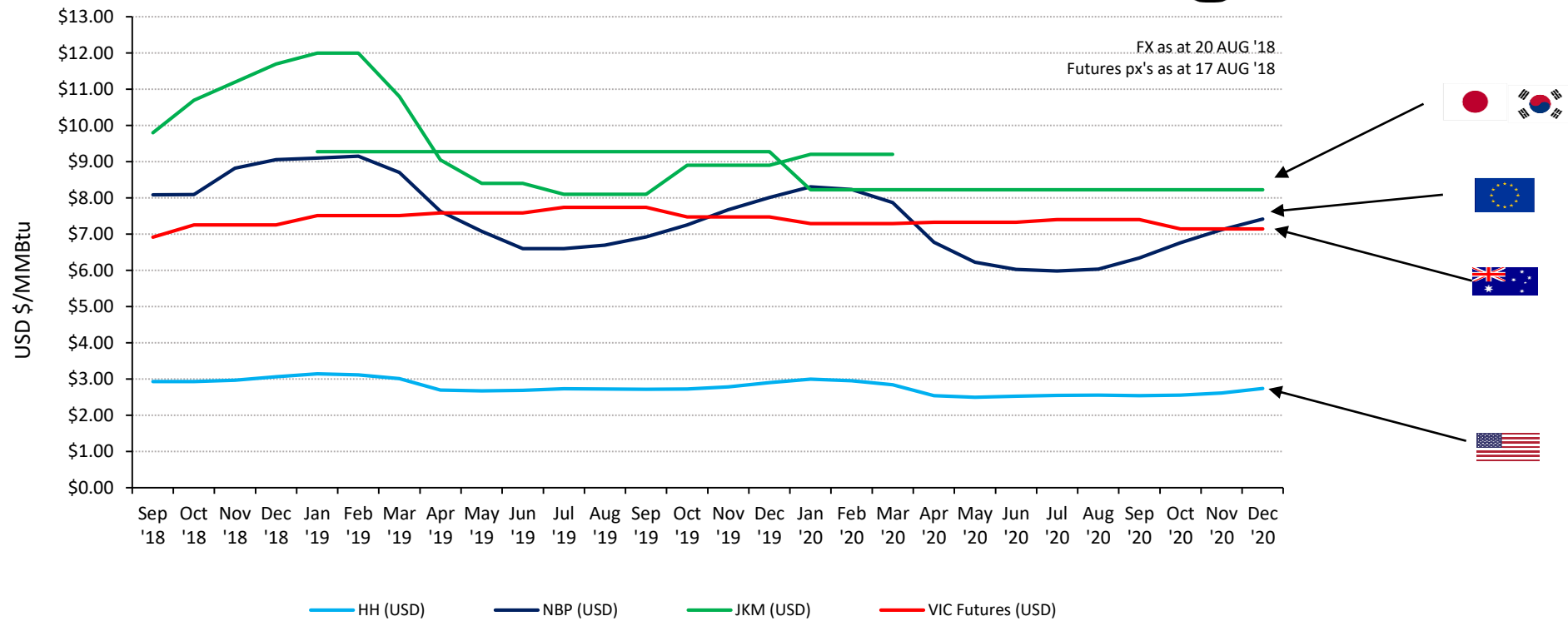
There are three clear benchmarks that have relevance in the LNG spot / index pricing mechanism...



There are three clear benchmarks that have relevance in the LNG spot / index pricing mechanism...

... but there are many index methodologies vying for relevance

Global LNG Pricing Benchmarks



Source: ASX, ICE, NYMEX

Thank You



QUESTIONS?



For more information on Natural Gas and LNG:

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