

LNG Enters a New Phase of Powerful Expansion



Introduction

As the international LNG industry launches into a new phase of 5-10 years rapid expansion, it is essential for all participants to keep their feet on the ground. We all recognize that past working assumptions, rules of thumb and cozy relationships have been undermined. On the one hand there is an unprecedented surplus of gas reserves seeking markets. On the other hand, the principal markets are being transformed by government measures to liberalize and privatize both gas and electricity supplies. All who wish to share profitably in the next decade of LNG growth need to read and digest this report.

This Report on the LNG industry is available at a critical time:

- long-accepted traditions and norms are being over-turned
- new commercial opportunities abound
- LNG is ideally placed to benefit from the growing emphasis on natural gas as the preferred fossil fuel to meet environmental objectives
- The LNG industry is being forced to adapt to the new era of liberalizing energy markets
- Technological advances coupled with innovative project management are cutting LNG costs radically

The Report provides the facts, the statistics and the analysis for participants in the LNG business to evaluate prospects and opportunities and make the right commercial decisions.

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Executive Summary

The Executive Summary is the key to the Report. It contains the author's conclusions and brings into focus, in an integrated scenario, the several fundamental changes which are now re-shaping the international LNG industry.

The First Section

Where we are now – Facilities, Contracts, Investments, Prices, Technologies

This section comprises four chapters. These, with related tabulations in appendices, give information and statistics which are essential information for decisions on any new or expanded venture in any aspect of the LNG business. The ground covered includes:

- changing patterns of the LNG trade
- locations, capacities and ownership of liquefaction plants today
- LNG carrier fleet: the names, capacities and proportionate ownership of all carriers
- locations and other information on all LNG import terminals
- basis and recent history of LNG prices in Asia and Europe
- liquefaction and shipping technologies, recent radical advances in liquefaction and floating liquefaction plants.

The Second Section

Projects, Plans, Strategies and Prospects

The second section comprises eight chapters, six statistical appendices and a list of reference sources. The eight chapters contain information and analysis directed at giving the reader an insight into the commercial implications of the principal developments foreseen in the LNG business during the next ten years.

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Chapter 5 discusses seven key factors which will determine the pace and commercial success of LNG growth. It identifies these as:

- new and expanded markets opportunities, ranging from the potentially huge new markets of India and China to growing and hopefully, high-priced markets in gas-short U.S.A.
- globalization of natural gas markets, developing unprecedented possibilities for profitable interactions between supplies and prices in distant markets, for which the flexibility of today's growing LNG tanker fleet is ideally adapted
- the "market makers" syndrome, in which major LNG suppliers are pushing downstream to create assured markets for their planned supplies
- short-term contracts, single-voyage sales and swaps. These provide the indispensable means to match fluctuating surpluses in production capacity with seasonal and other short-term peaks of demand
- lower costs which pave the way for lower prices to meet stiffening competition
- abundant supply sources. These imply the necessity of cost reductions upstream including competitive tax regimes
- competition from other gas transport technologies. Most significant, undoubtedly, is the world's vast and ever growing networks of natural gas pipelines. Furthermore, the costs of new pipelines have been sharply reduced and are on course to be cut much further. Fischer-Tropsch gas-to-liquids will also be of major consequence, competing with LNG for access to gas reserves. Other technologies on the periphery – compressed gas and natural gas hydrates – are of interest but not likely to make an important impact on LNG.

Chapters 6-12 provide wide-ranging information on projects, plans, forecasts, and not least an evaluation of major technological developments. In successive chapters and related appendices, the report:

- presents and comments upon three consultants' forecasts of the supply and demand for LNG up to 2010.
- describes the principal developments which have reduced, and promise to reduce further, the costs of liquefaction and shipping
- identifies and discusses 25 new projects for LNG exports with declared onstream dates in the next five years. Important effects if these projects are realized will include shifts in the relative importance of individual exporting countries and significant changes in proportionate equity shares of major players in the equity ownership of liquefaction capacity
- identifies a further 11 projects for LNG exports which are still in the early stages of development
- gives details of all LNG export contracts in force in 2000 and draws attention to the large number of these which will expire if not renewed in the next few years



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- lists new import projects and discusses the problems faced by some and the likelihood of their realization
- provides a lengthy review of the key countries where major increases in LNG demand are foreseen, but where in some cases – South Korea, for instance – market liberalization measures could hinder rather than promote the growth of demand
- analyses future shipping requirements in the light of forecast growth of LNG demand and changes in the pattern of LNG supply
- provides reasons for believing that cheaper pipelines and the spreading commercialization of Fischer-Tropsch GTL will each – in quite distinctive ways – adversely affect the development of the LNG business.

Audience

Why you should read this Report:

As the international LNG industry launches into a new phase of 5-10 years rapid expansion, it is essential for all participants to keep their feet on the ground. We all recognize that past working assumptions, rules of thumb and cozy relationships have been undermined. On the one hand there is an unprecedented surplus of gas reserves seeking markets. On the other hand, the principal markets are being transformed by government measures to liberalize and privatize both gas and electricity supplies. All who wish to share profitably in the next decade of LNG growth need to read and digest this report.

The report published in an easy to use format is essential reading for:

- the gas & power divisions of the international oil companies
- national oil or gas companies and the government oil & gas departments in oil and gas exporting countries
- ministries and departments of energy in oil or gas importing countries
- engineering and design contractors in the oil and gas processing industries
- ship builders and brokers
- international institutions financing energy projects
- investment banks
- international bodies analyzing energy developments

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