# Gas Market Report 2017

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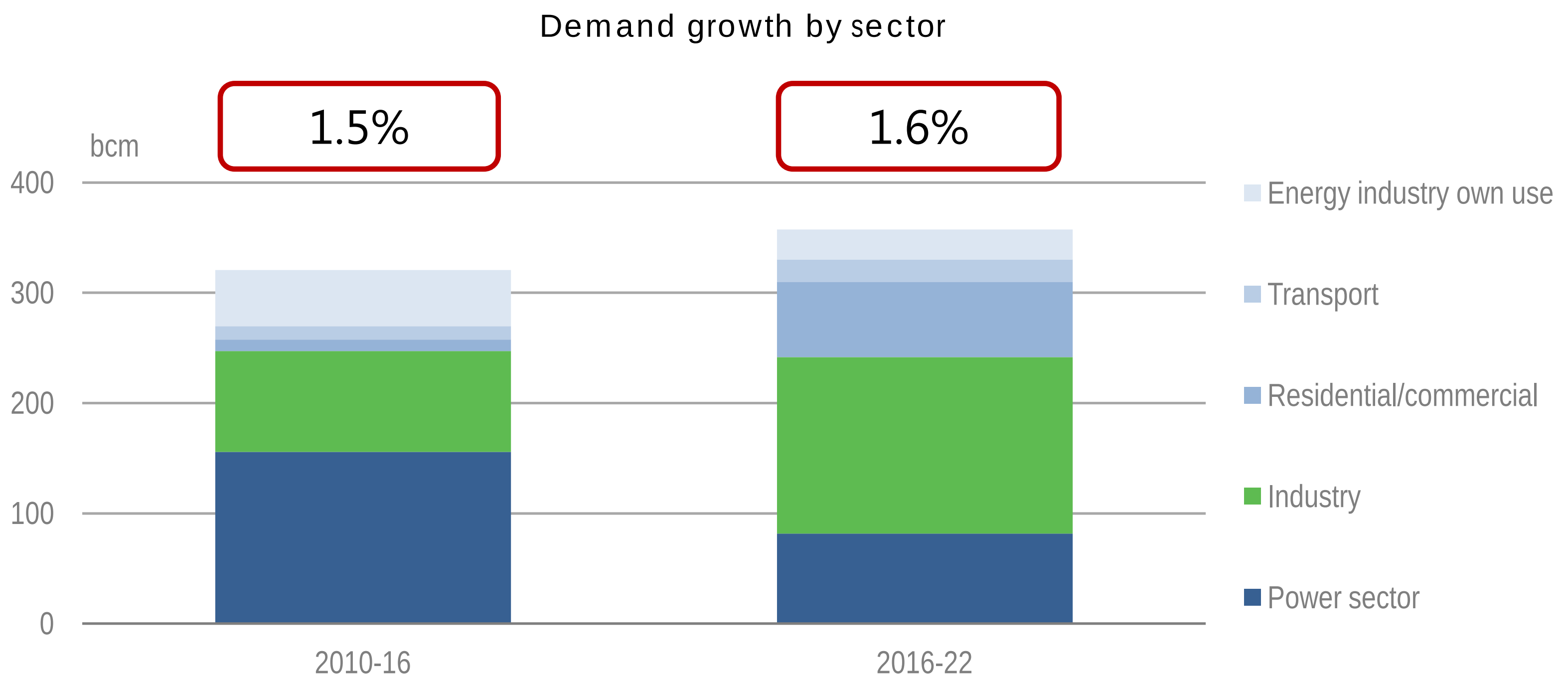
Keisuke SADAMORI, Director, Energy Markets and Security, IEA

IEA

# Gas in today's world

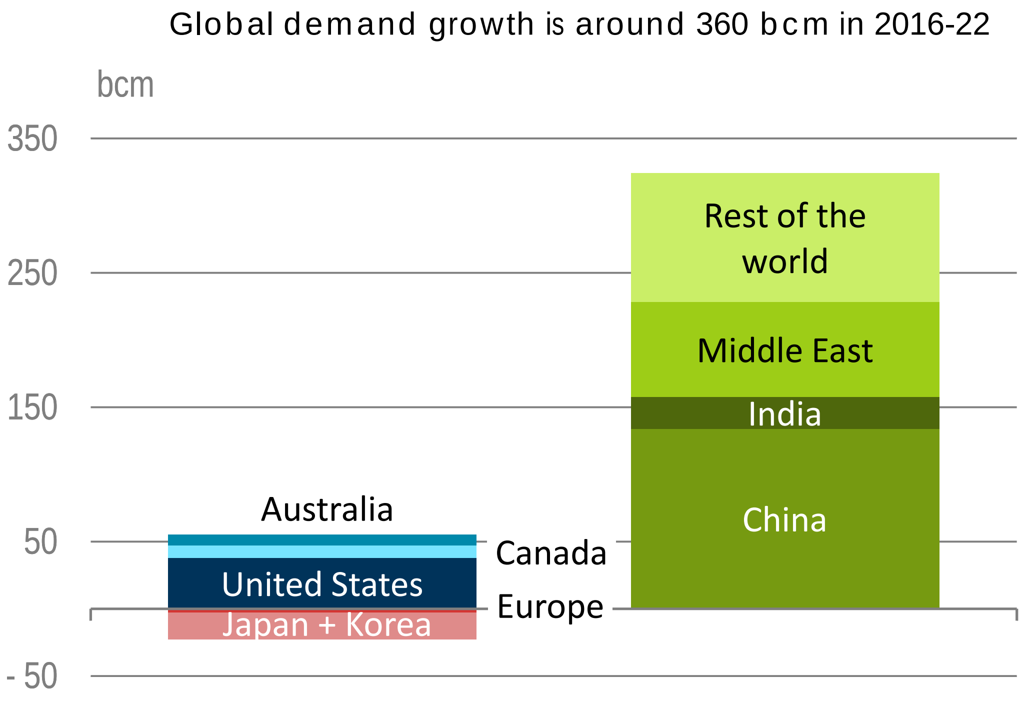
- **The contribution of gas**
  - Versatile fuel within the energy system, helping to address environmental concerns
  - In 2016 gas became the leading power generation source in the US
- **An abundant fuel, but strong competitive pressures, especially in Asia**
  - Space for gas squeezed between renewables and coal in some markets
- **A second natural gas revolution is underway, this time caused by LNG**
  - A new surge in LNG export capacity is helping unconventional gas go global
  - Low prices continue, bringing new LNG-importing countries into the market
- **Strategic & environmental role of gas deserves attention from policy makers**

# Demand growth moves from power generation to industrial sector



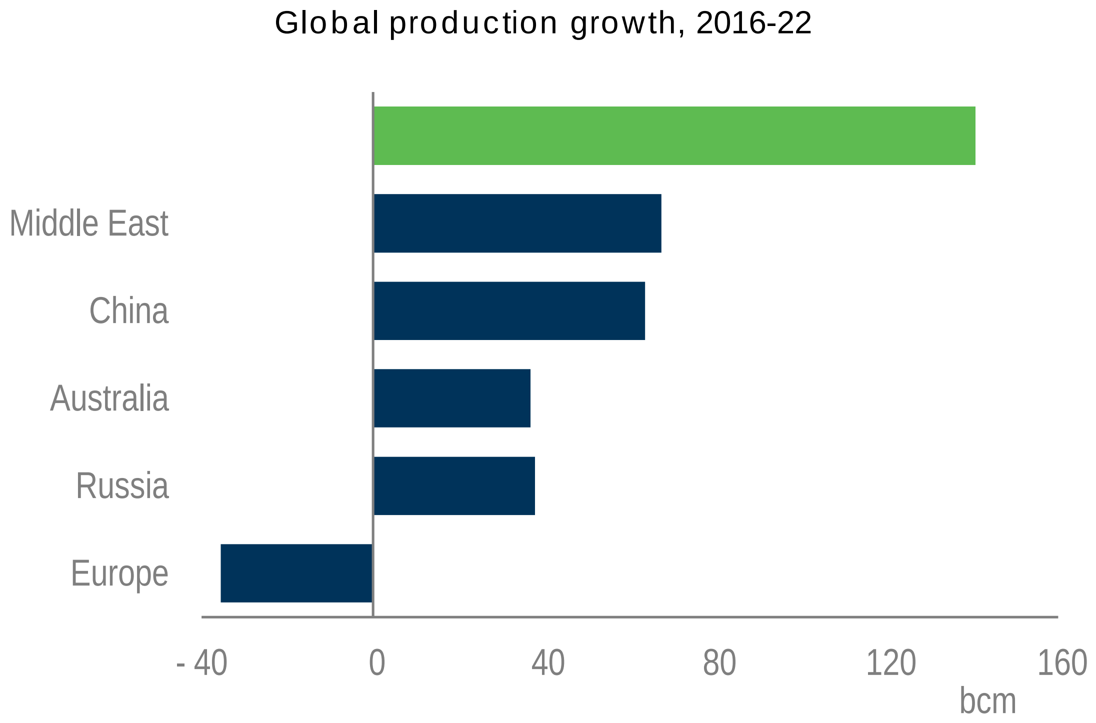

**China, US and India account for half of the growth in industry sector, driven by chemicals and fertilisers**

# Demand growth focuses in developing countries



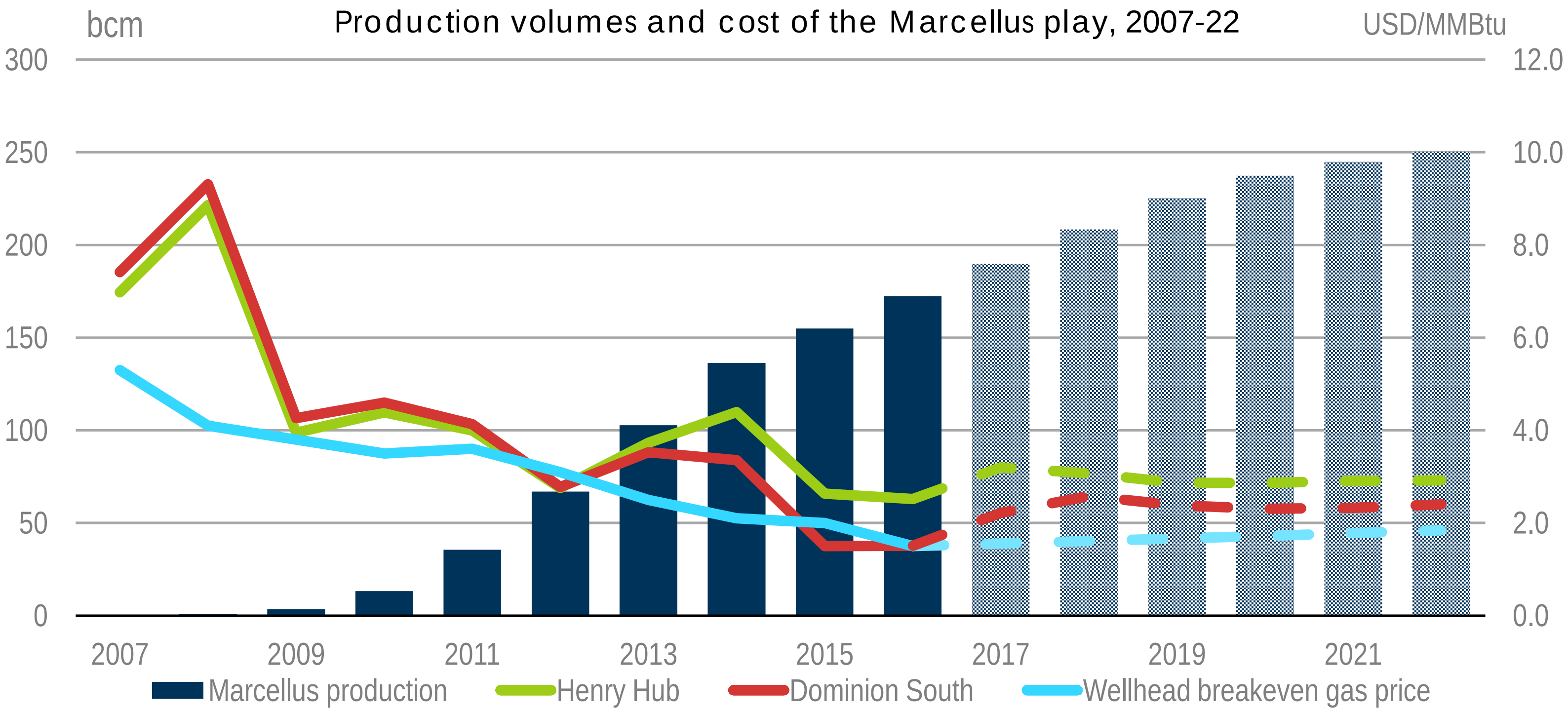

**Developing countries account for around 90% of the incremental demand**
**The United States accounts for most of the growth in the developed economies**

# The United States accounts for 40% of global production growth




**The Middle East will continue its production growth**
**China will become the 4th largest gas producer**

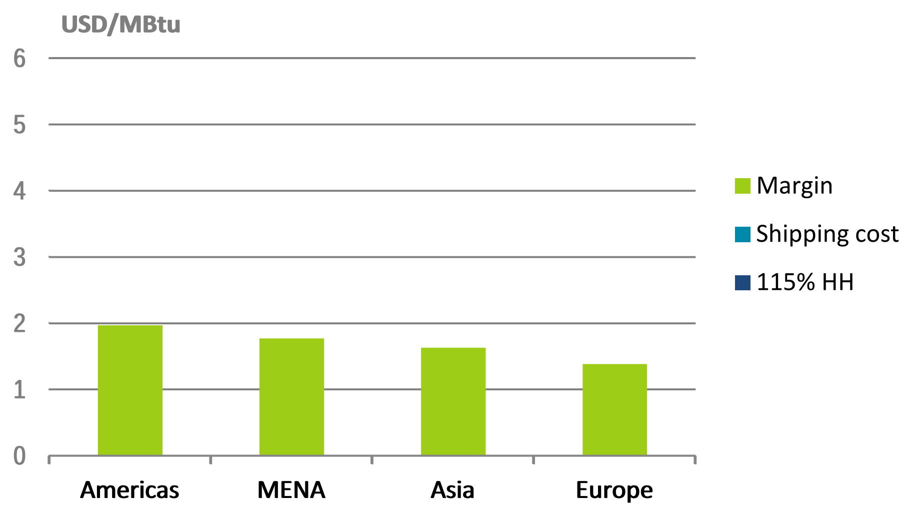
# Low production cost supporting continuous growth



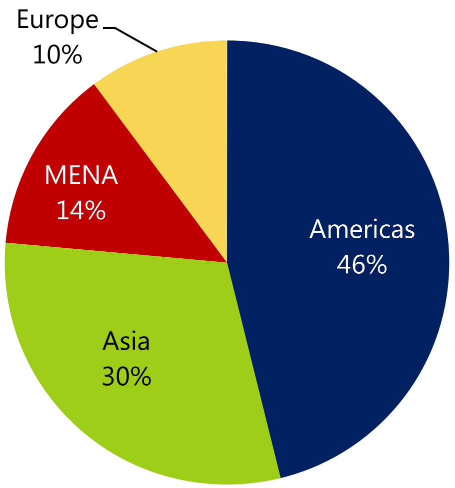

**The Marcellus, one of the largest fields worldwide, will grow by 45% in 2016-22**
**Ensuring pipeline access would be vital**

# US LNG's destinations driven by premium in 2016

US LNG merit order among regions, 2016

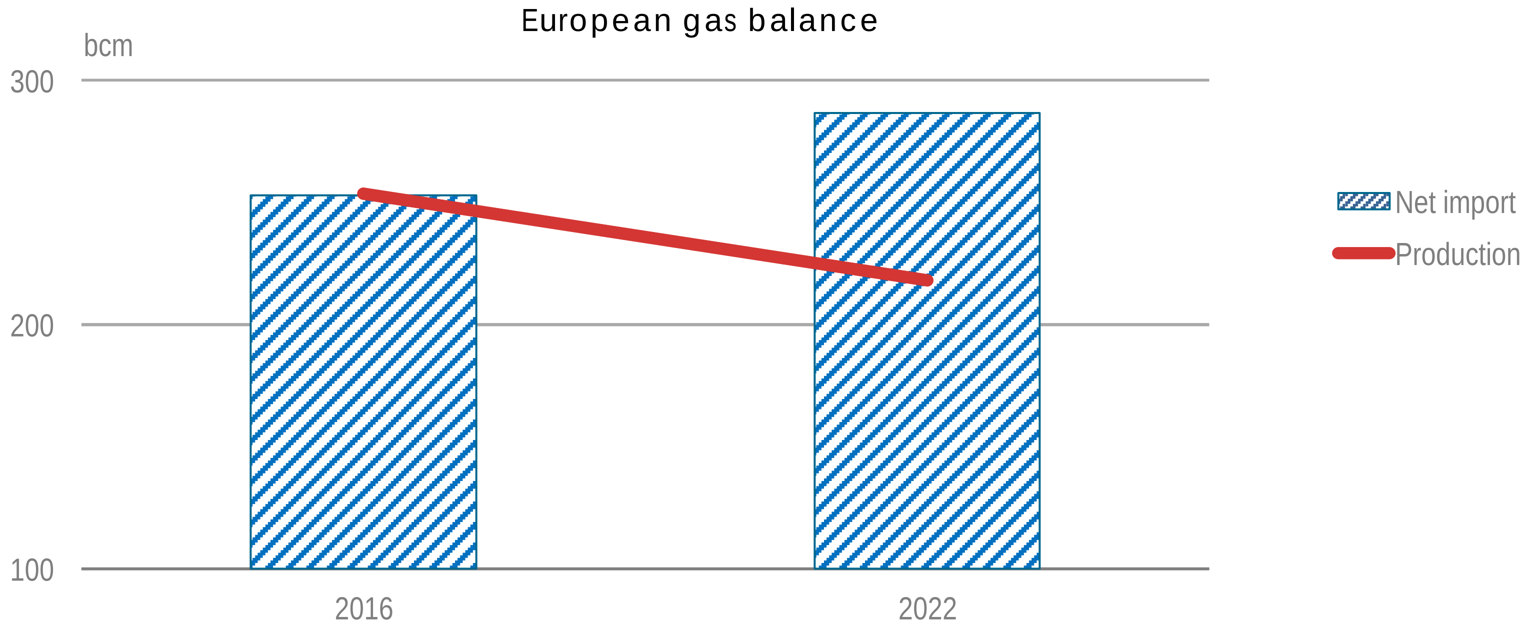



Share of US LNG destination by region, 2016



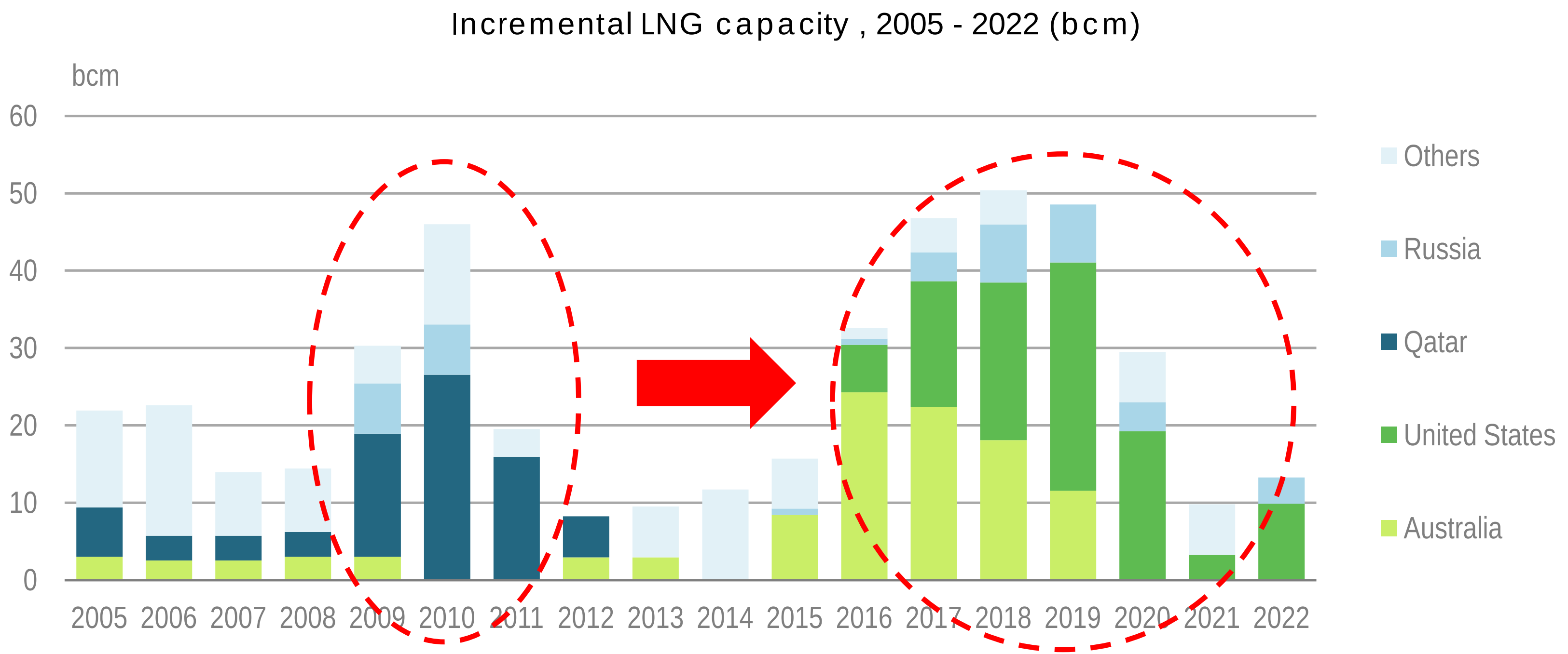

**In 2016, US LNG was exported to destinations which have higher margin**

# Decreasing European production, increasing import needs




**European import requirement grows steadily with flat demand and declining production**
**It is up to competition between pipeline and LNG to fill this gap**

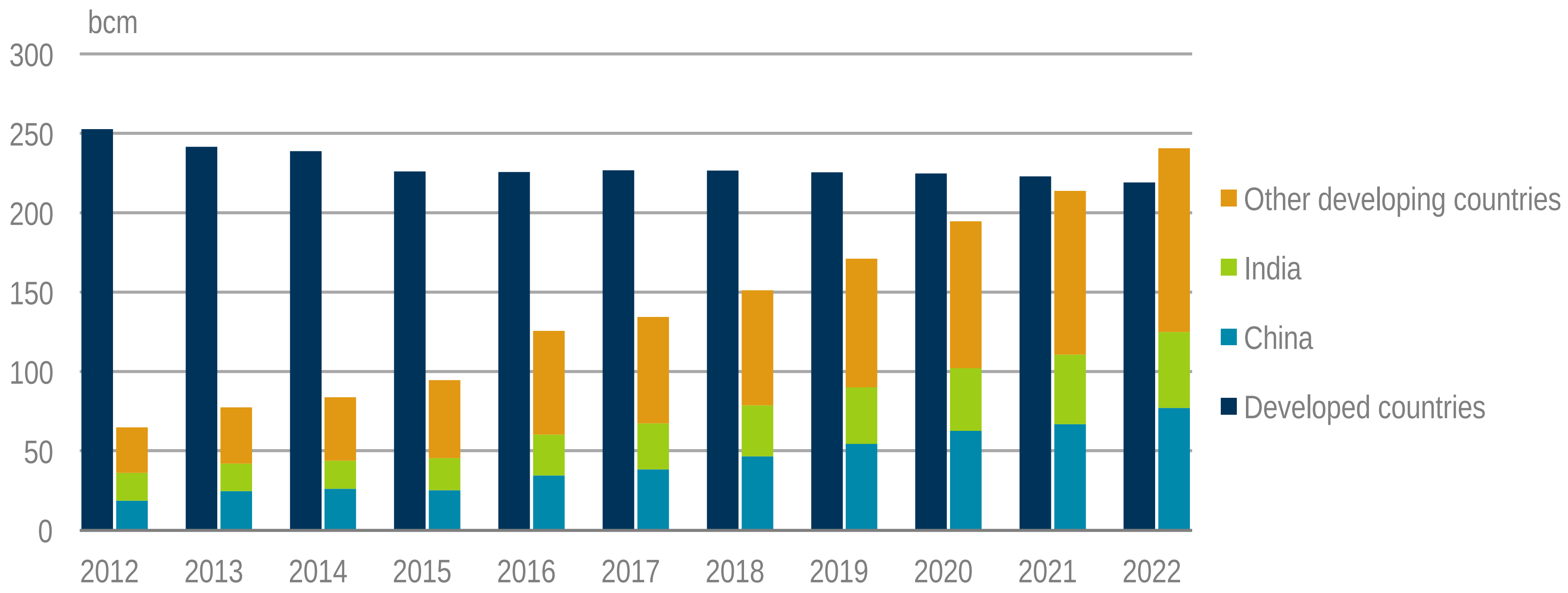
# Second wave of additional LNG supply is already coming online




**15 new projects with total export capacity of around 140 bcm are now under construction**
**Australia and the United States account for 75% of them**

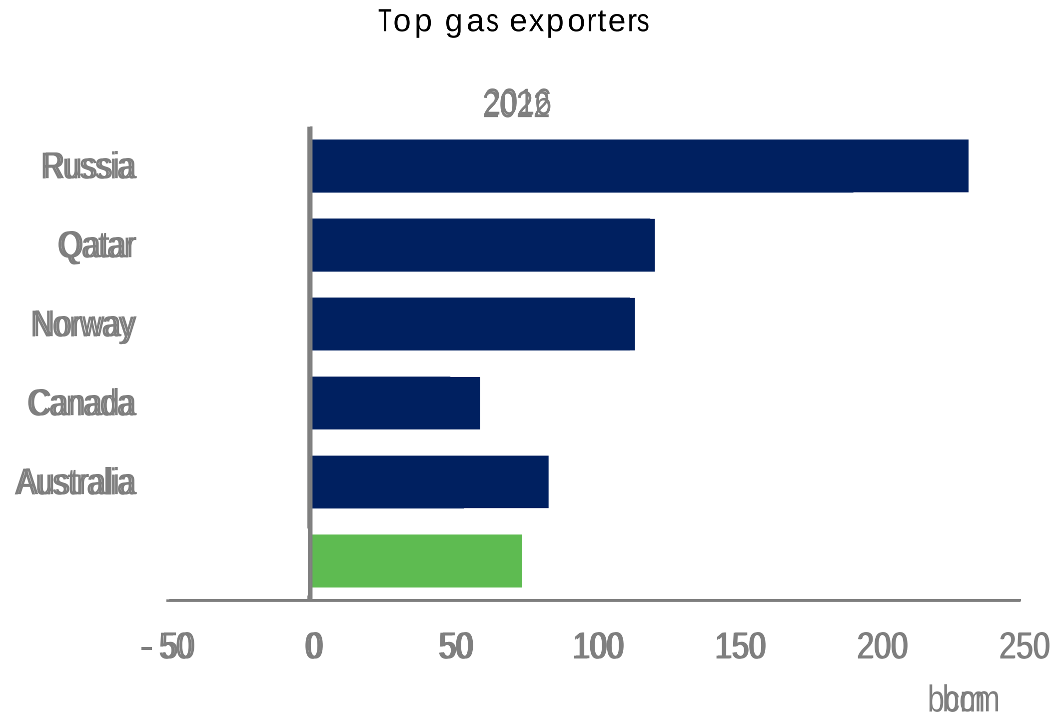
# Demand in developing countries reshaping the LNG market

LNG import volumes, 2012 - 2022 (bcm)




**China, India and other developing countries will import more than 50% of all LNG by 2022**

# United States will join the club of top gas exporters




**A wave of new LNG supply, led by the US, will provide more options to guard against supply shocks, changing the gas security equation**

# Conclusion

- **Lower prices help gas to strengthen its foothold in Asia**
  - Developing countries account for 90% of demand growth, China alone for 40%
  - Industrial consumers take over from power generation as the main source of growth
- **The US takes the lead on global supply as the shale revolution gets a second wind**
  - The US generates almost 40% of the rise in global output & the largest increase in exports
- **New diversity to global supply & trade, with new entrants on demand & supply side**
- **A glut of LNG continues to put pressure on markets**
  - Challenges to existing suppliers, business models and pricing mechanisms
- **Even though markets remain well supplied, recent events remind us that gas security cannot be taken for granted**

Contact :report@tky.ieej.or.jp