

Asia Pacific LNG production to outstrip demand into 2020: BG

Brisbane (Platts)--18May2010/544 am EDT/944 GMT

Production of LNG in the Asia Pacific region is set to outstrip demand well into the future. Catherine Tanna, managing director of Australia's QGC, a subsidiary of the BG Group, said Tuesday.

The supply of LNG from proposed new and expansion projects in the Asia Pacific and volumes from outside the region could amount to more than 250 million mt/year by 2020, Tanna told the Australian Petroleum Production and Exploration Association annual conference in Brisbane. But demand in the region not already satisfied by existing contracts would total only about 65 million mt/year then, she added.

"LNG demand remains healthy but numerous LNG projects in Australia and other countries are competing for this demand," Tanna said. "While new projects and growth are still highly feasible, proponents with multiple trains, expansion projects and large, established LNG portfolios are at an advantage in an environment where customers are seeking security of supply."

The UK-based BG Group, which is pursuing the development of a coal seam gas-based LNG project in the eastern Australian state of Queensland. The project, on Curtis Island in the city of Gladstone, would make a significant contribution to the company's LNG production target of 20 million mt/year worldwide by 2015, Tanna said.

BG currently holds LNG production capacity through equity stakes in liquefaction facilities in Egypt and Trinidad and Tobago. The company's equity share of production from these facilities totaled 7 million mt/year in 2009, comprising 2.4 million mt/year from the two trains at Egyptian LNG and 4.6 million mt/year from the trains at Atlantic LNG in Trinidad and Tobago.

The company's foundation two-train project on Curtis Island has a planned capacity of 8.5 million mt/year, with first LNG shipments targeted for 2014. BG expects to make a final investment decision on the project this year, following the receipt of state and federal environmental approvals.

BG's project is one of four world-scale LNG projects being planned on Curtis Island. Other plants are being pursued by Australian exploration and production company Santos and Malaysian state oil company Petronas; US major ConocoPhillips and local player Origin Energy; and a joint venture between Shell and PetroChina.

Australia is in line to dominate the Asia Pacific region's supply of LNG, but will need to carefully weigh development challenges against demand, Adi Karev, global oil and gas leader at accountancy firm Deloitte told the APPEA conference Tuesday. Forecasts for the LNG sector are strong, but have cooled somewhat recently, he added.

"In 2009, the World Energy Outlook reported that global primary gas demand is predicted to rise by 41% and that more than 80% of this increase will come from buyers in the Asia Pacific," Karev said.

"However, this has been tempered more recently by forecasts of a supply glut in the Atlantic basin gas market in the next five years and the fact that the global financial crisis has somewhat lowered demand in that sector which could see a flow-on to Asia Pacific suppliers."

China is forecast to overtake the US soon after 2025 to become the world's largest spender on oil and gas imports, Karev said. "In addition, India is expected to surpass Japan to become the third-largest importer globally. Australia is well placed to play an important role in the paradigm shift from west to east because of its geographic location and rapidly expanding LNG sector," he added.

In addition to the coal seam gas-based projects being planned in Queensland, Australia is home to a raft of new LNG developments. The next in line for startup, in early 2011, is Woodside Petroleum's 4.3 million mt/year Pluto project in Western Australia, to be followed in 2014 by the 15 million mt/year Chevron-led Gorgon development.

According to Deloitte, China's real gross domestic product is still likely to remain an impressive 8.4% in the period from 2010 to 2014, and the nation is set to more than double its LNG consumption from a relatively low base by 2020.

"China's LNG demand is being driven by climate change and forecast economic growth," Karev said. "At present LNG is relatively small in terms of its overall energy consumption, accounting for only 4% of its current energy mix. However, the country wants to reduce its reliance on coal and crude oil for its energy needs and boost the share of natural gas in its energy mix to

10% by 2020."

Karev added the importance of China was increasing compared with the traditional markets of Japan, South Korea and Taiwan. "Further evidence of China's plans are the many new LNG terminals sprouting up along China's coastline as well as the expansion of existing plants in Shanghai, Guangdong and Fujian," he added.

--Christine Forster, christine_forster@platts.com

Similar stories appear in LNG Daily.

See more information at

<http://www.platts.com/Products.aspx?xmlFile=lngdaily.xml>