

2013



The LNG Industry



The LNG Industry in 2013

Editorial



Over the years our annual statistical report about "The LNG Industry" has become a reference document and convenient source of information on LNG to companies, analysts and researchers. It is widely distributed and downloaded from our website, thus validating our group's contribution to a better understanding of the LNG industry.

We hope you will find this 2013 issue equally helpful in your analyses and search for information.

In 2013 the LNG markets remained extremely tight due to the demand pull from nuclear closures in Japan and South Korea and the difficulties to ramp-up production of new facilities in Angola and Algeria, bringing LNG price levels in the Far East to record highs in the first quarter.

In addition to Chenière's Sabine Pass, three new liquefaction projects received full approvals in the U.S.A. last year, confirming the country's path to become the world's third largest LNG exporter by the end of the decade. Cameron joined their ranks in early 2014 so that at the time of this writing, a total 62.5 Mt/y of capacity have been approved to export to non-FTA countries by the Department of Energy, already impacting the LNG industry, if not in physical volume then in contracting strategy.

2013 could be considered a transition year. LNG traded volumes as a whole remained at the same level as in 2012, but new trade patterns seem to emerge. The past year may have seen a slowdown in the number of FIDs, counting only one greenfield (Yamal LNG) and two expansion projects, but not in capacity increase with a respectable 29 Mt/y committed in total.

Demand remained strong in Asia, mainly in China and South Korea. In Japan, imports continued to increase, although more moderately in a response to high prices and the yen devaluation, shifting the energy mix towards other sources of energy. Demand also increased in South America, strongly related to weather factors.

Europe remained the swing provider to the world's LNG market. In a context of depressed local demand and with the utilization rate of the regasification terminals in their region at a historical low, European players continued with innovative transactions in search for business (such as re-loadings, two-port loadings, ship-to-ship transfers) while developing new markets for LNG as a transportation fuel.

Three new countries joined the ranks of LNG importers in 2013: Israel, Malaysia, and Singapore.

Total production remained basically unchanged compared to 2012, mainly due to unplanned outages in Angola, Norway and Nigeria, political unrest in some countries and the shortfall in feed gas, particularly in Egypt as priority was given to domestic consumption. Production curtailment also affected the availability of flexible LNG and hence the volume of short term trade, though showing a small growth versus last year, in absolute terms and as a percentage of total trade.

Looking at the medium to long-term, strong demand in Asia is expected to continue, especially in emerging markets, driven among others by China, with 4 terminalling projects under construction with a combined capacity of 12 Mt/y. Worldwide, more than 25 new terminals or terminal expansions are under construction with possible start-up by the end of 2015.

The pace of nuclear restarts in Japan and the role of nuclear in South Korea, factors not yet fully determined, will have a crucial impact on other LNG markets, in Asia and elsewhere.

On the supply side, markets should remain tight until 2016, depending mostly on the completion performance of the Australian projects. From 2017 onwards we should expect a steep LNG supply growth in several regions (North America, Australia, East Africa, Russia) competing for the demand growth in Asia, South America and possibly the Middle East.

New supply sources will bring more diversification and enhanced security of supply for buyers and could lead to a rebalancing of market forces. In Asia, the keyword is diversification: diversification of supply sources and of pricing, with indexation being viewed as a solution for high price levels. The expected new wave of exports from the U.S.A. may put pressure on oil-linked pricing though the latter remains key to the development of many new high cost projects. At the time of this writing, new LNG capacities from Australia and U.S.A. have already largely been underwritten. This does not apply yet for Canada and East Africa.

Players are increasingly looking for flexibility and cost reductions. In this context, floating LNG projects are in the limelight. With four new deliveries in 2013, the FSRU fleet is developing at a fast pace, while on the liquefaction side three FLNG projects (Prelude, Pacific Rubiales and PFLNG 1) are currently under construction.

Development of the small-scale business – whereby LNG leaves receiving terminals in liquid form via loadings into small ships and trucks - is taking off, particularly in marine Emission Control Areas for which more severe air emission limits should apply from 2015 onwards, bringing new players into the industry and reinforcing the necessity to find innovative, reliable and safe solutions. Attention to safety in this new domain of the LNG market continues to be of paramount importance.

Our association continues to offer a forum for exchange of information and experience among LNG executives and experts of member companies, with a view to benefit the LNG community at large. With six new members joining our ranks in 2013 (DONG Naturgas, GNL Italia, Hokkaido Gas, Inpex, Polskie LNG and PTT Thailand) GIIGNL is now composed of 74 members, representing almost all LNG importers and terminal owners/operators worldwide. Our overarching aim is the promotion of safe, reliable and cost effective operation of our industry.

Domenico Dispenza
President

74 Member Companies in 24 countries

GIIGNL (International Group of LNG Importers) is the worldwide association of LNG importers. Founded in 1971, at the outset of the LNG industry, its membership has grown to 74 companies worldwide, comprising nearly all companies active in LNG imports or in the operation of LNG terminals. It is a non profit organization and its resources only come from the membership fees. The association constitutes a forum for exchange of experience among its members, with a view to enhance safety, reliability and efficiency of LNG imports. GIIGNL members are coming from 24 countries located in the main three regions: Americas, 10 members, Asia, 32, Europe, 32.

Every year, GIIGNL conducts a wide survey amongst its members in order to publish this global statistical report, The LNG Industry.

6 companies joined the group in 2013: Dong Naturgas, GNL Italia, Hokkaido Gas Co., Inpex, Polskie LNG and PTT Public Company Ltd.

ASIA - 32 members

Chubu Electric Power Company, Inc.
CNOOC Gas & Power Group
CPC Corporation, Taiwan
Gail India Limited
Guangdong Dapeng LNG Company, Ltd.
Gujarat State Petroleum Corp. Ltd. (G.S.P.C.)
Hiroshima Gas Company, Ltd.
Hokkaido Gas Co
Inpex
Itochu Corporation
JX Nippon Oil & Energy Corp
Korea Gas Corporation
Kyushu Electric Power Company, Inc.
LNG Japan Corporation
Marubeni Corporation
Mitsubishi Corporation
Mitsui & Company, Ltd.
Nippon Gas Company, Ltd.
Osaka Gas Company, Ltd.
Petronet LNG Limited
PTT Public Company, Ltd.
Saibu Gas Company, Ltd.
Shikoku Electric Power Company
Shizuoka Gas Company, Ltd.
SK E&S Company, Ltd.
Sumitomo Corporation
The Chugoku Electric Power Company, Inc.
The Kansai Electric Power Company, Inc.
The Tokyo Electric Power Company, Inc.
Toho Gas Company, Ltd.
Tohoku Electric Power Company, Inc.
Tokyo Gas Company, Ltd.

EUROPE - 32 members

BP Global LNG
Botas
Centrica LNG Company
DEPA
Dong Naturgas
Dragon LNG Limited
Dunkerque LNG
Edison S.p.A.
Elengy S.A.
EDF Trading Limited
EDP Energias de Portugal, S.A.
Enagas
Enel Trade
Eni S.p.A.
E.ON Ruhrgas A.G.
Fluxys LNG S.A.
Gas Natural Fenosa
Gate Terminal B.V.
GDF SUEZ
GNL Italia
Iberdrola Generacion S.A.U.
National Grid Grain LNG, Ltd.
N.V. Nederlandse Gasunie
O.M.V. Gas and Power GmbH
Polskie LNG
Ren Atlántico, S.A.
Shell Western LNG B.V.
Sonatrach Gas Marketing UK Limited
South Hook LNG Terminal Company, Ltd.
Statoil ASA
Total S.A.
Vopak LNG Holding B.V.

AMERICAS - 10 members

BG Group Plc.
Cheniere Energy, Inc.
Chevron Global Gas
Freeport LNG Development, L.P.
GDF SUEZ GAS NA
GNL Quintero S.A.
Repsol Energy Canada
Sempra LNG
Southern LNG Company, LLC
YPF S.A.



NE PAS FUMER NO SMOKING



International Group of Liquefied Natural Gas Importers

Media/Industry Inquiries:
Vincent Demoury
+33 1 56 65 51 56
vincent.demoury@giignl.org

Groupe International des Importateurs de Gaz Naturel Liquéfié (G.I.I.G.N.L.)

8, rue de l'Hôtel de Ville - 92200 Neuilly-sur-Seine - France
Tel: + 33 1 56 65 51 60
E-mail: central-office@giignl.org - web site: www.giignl.org