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# GASTECH 2021: Bullish prices for suppliers could temper long-term LNG demand



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## HIGHLIGHTS

**Right balance a challenge as conference opens**

**US tries to give Qatar run for production prowess**

Short-term supply needs versus long-term demand uncertainty -- and how new projects will be able to secure financing absent the right balance -- set the stage as the largest in-person gathering of gas market participants since the pandemic got underway in Dubai.

Buyers and sellers from North America, Europe, the Middle East and Asia have been eager to re-engage face-to-face as they work to strike commercial deals that will support new liquefaction and regasification projects.

The three-day Gastech conference that began Sept. 21 provided the backdrop to address the opportunities and challenges facing the sector. Buyers still want shorter terms, pricing flexibility and, more recently, a commitment to reducing carbon emissions amid the global energy transition toward greater use of clean-burning fuels. The venue offered an intersection of the entire gas value chain.

"I think current prices, if they continue, they will be a burden on many countries and we will not see the demand side on the long-term be ready to take such prices," UAE energy minister Suhail al-Mazrouei told reporters on the sidelines of the conference.

The right balance must also consider the return developers need for their projects to be viable, he said.

"What is sustainable I think the market will dictate it," Mazrouei said.

The **S&P Global Platts JKM**, the benchmark for spot-traded LNG delivered to Northeast Asia, has quintupled from a year ago, while in Europe, the Dutch TTF day-ahead contract has jumped more the six-fold over that timeframe.

New long-term offtake deals for North American supplies have been limited to only a few operators and developers, even with the advance in end-user prices.

That has caused some US projects to be scrapped, paused or further delayed. The likelihood that the US liquefaction buildout won't be as extensive as once expected raises the potential for a tighter global supply stack around the middle of the decade.

## Supply diversification

Based on ongoing commercial discussions and its own internal demand, Glenfarne Group believes it will be able to make a final investment decision on its Texas LNG project in Brownsville by the end of 2022 and its Magnolia LNG project in Louisiana by the end of 2023, Project Director John Baguley told Platts on the sidelines of the conference.

Supply diversification is a factor in the long-term calculation.

Engie's deputy CEO, Didier Holleaux, told the conference that US LNG supplies were only a part of the overall picture in Europe. "The people who believe that US LNG can be a replacement for Russian gas are not getting the full reality of what the European market is, the need for gas in the European market is huge," Holleaux said.

The surge in global gas prices, meanwhile, has given a lot for market participants to consider in the near-term, too. At the conference, Qatar's energy minister, Saad al-Kaabi, said he was concerned over the global gas market balance headed into the winter.

"People are realizing now that there is a crunch, there is a supply crunch," Kaabi said. "But the thing that is actually worrying me more is that we are now going into the winter season -- which is the heavier period of demand for gas."

## Golden Pass

Qatar, the world's biggest LNG exporter, currently has an LNG production capacity of some 77 million mt/year, with plans to boost it to 110 million mt/year with the addition of four more trains, and to 126 million mt/year with the addition of two

further trains. That expansion includes the currently under construction Golden Pass liquefaction project in Texas that Qatar Petroleum and ExxonMobil are building.

Golden Pass, thanks to the deep pockets of its backers, was able to move to a financial investment decision without the announcement of any long-term offtake contracts tied to the terminal. Shell-backed LNG Canada also was sanctioned without firm supply contracts in place at the time of the decision.

That type of risk-taking remains the exception rather than the rule in a rapidly evolving market. Most developers still rely on such agreements to finance construction of terminals that cost billions of dollars.

"There are challenges for financing new projects especially for the IOCs," Mazrouei said. "We need to have a realistic view on easing such restrictions to finance new projects. For a new LNG project, you need a long-term supply agreement."