

# GAS

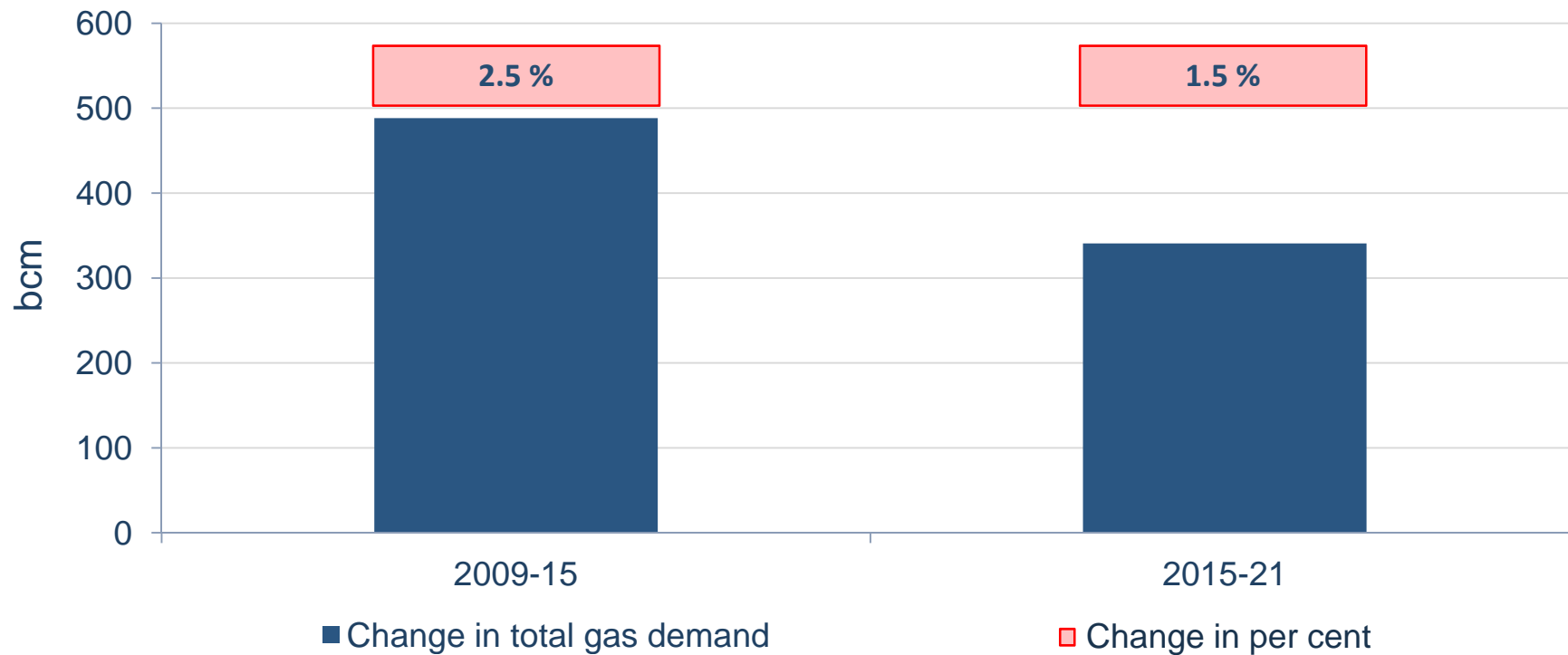
## Medium-Term Market Report 2016

# IEA Medium-Term Gas Market Report 2016

**Market Analysis and Forecasts to 2021**

# Growth in global gas demand slows

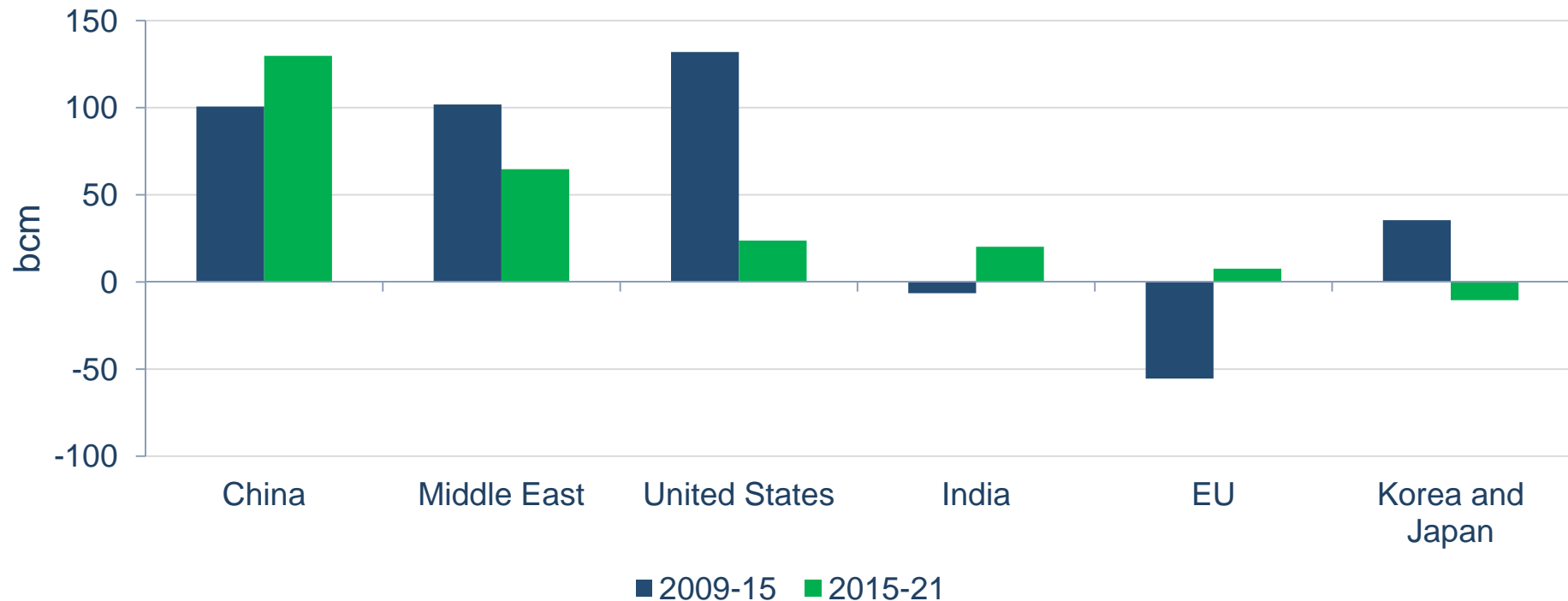
### Change in world natural gas demand



***Growth in gas demand slows as it faces greater competition in the power sector; yet it is the only fossil fuel that does not suffer a decline in its share of the energy mix***

# China drives increase in global gas demand, as the United States takes a back seat

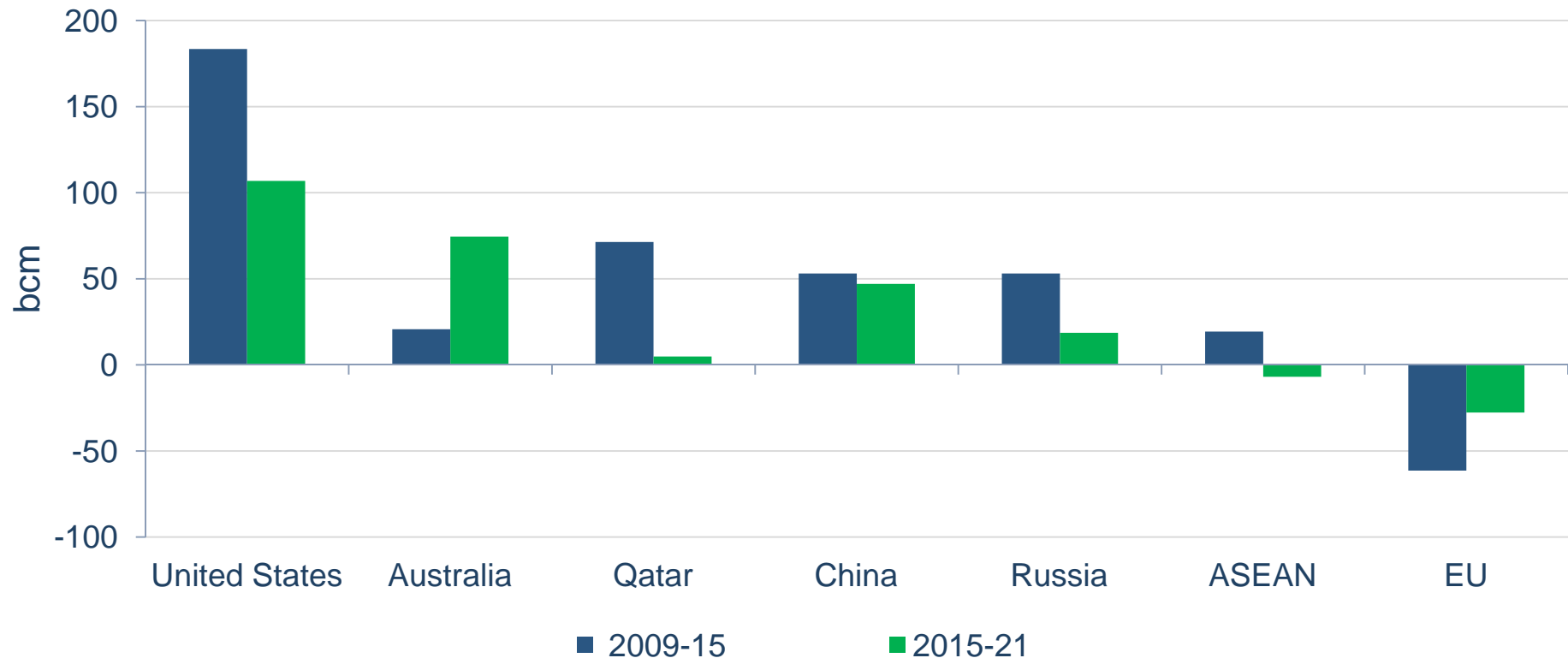
Change in natural gas demand by region (bcm)



***US gas demand growth slows sharply, driven by stagnation in the power sector;  
EU gas demand gradually recovers on coal & nuclear power plant retirements***

# Growth in gas production is led by the United States and Australia

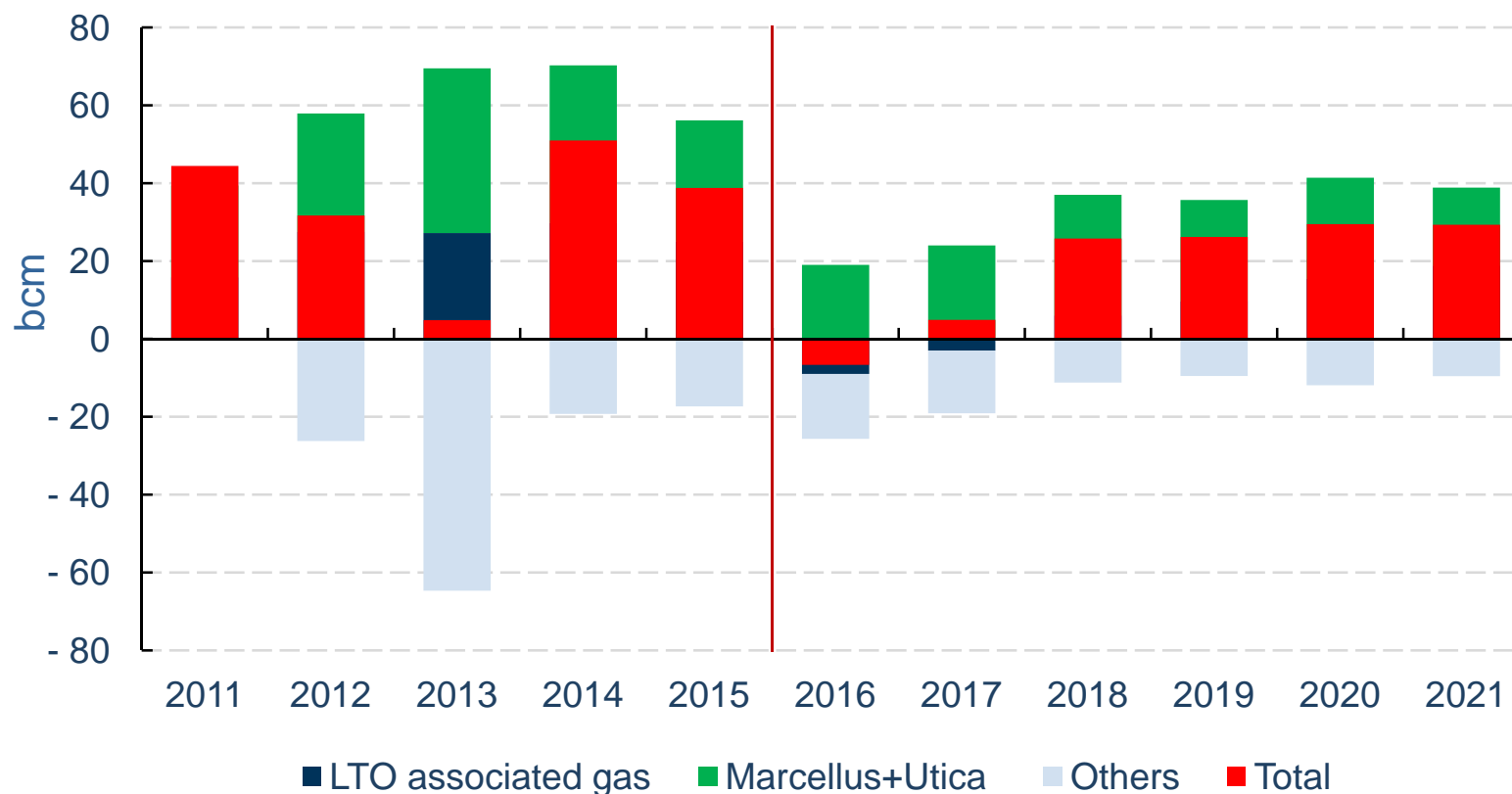
Change in natural gas production by region (bcm)



***The United States & Australia rather than the more established exporters – Russia, Qatar & ASEAN – are the main source of production growth***

# US gas production stagnates in 2016 but a recovery is expected

Change in US gas production, 2011-2021 (bcm)

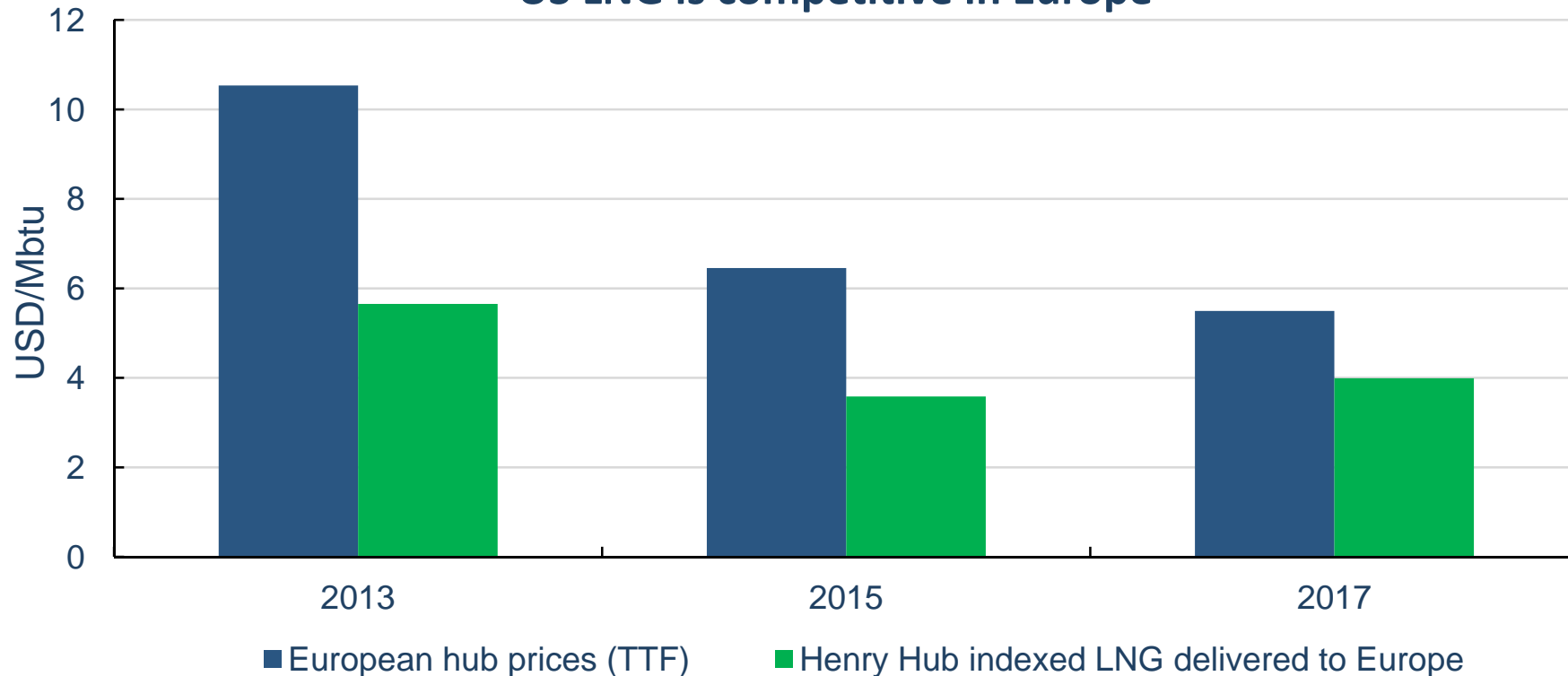


***Low prices have impacted US gas production; but as market balances tighten & prices gradually recover, robust growth is set to resume***

# Greater competition is coming to the European gas market

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## US LNG is competitive in Europe

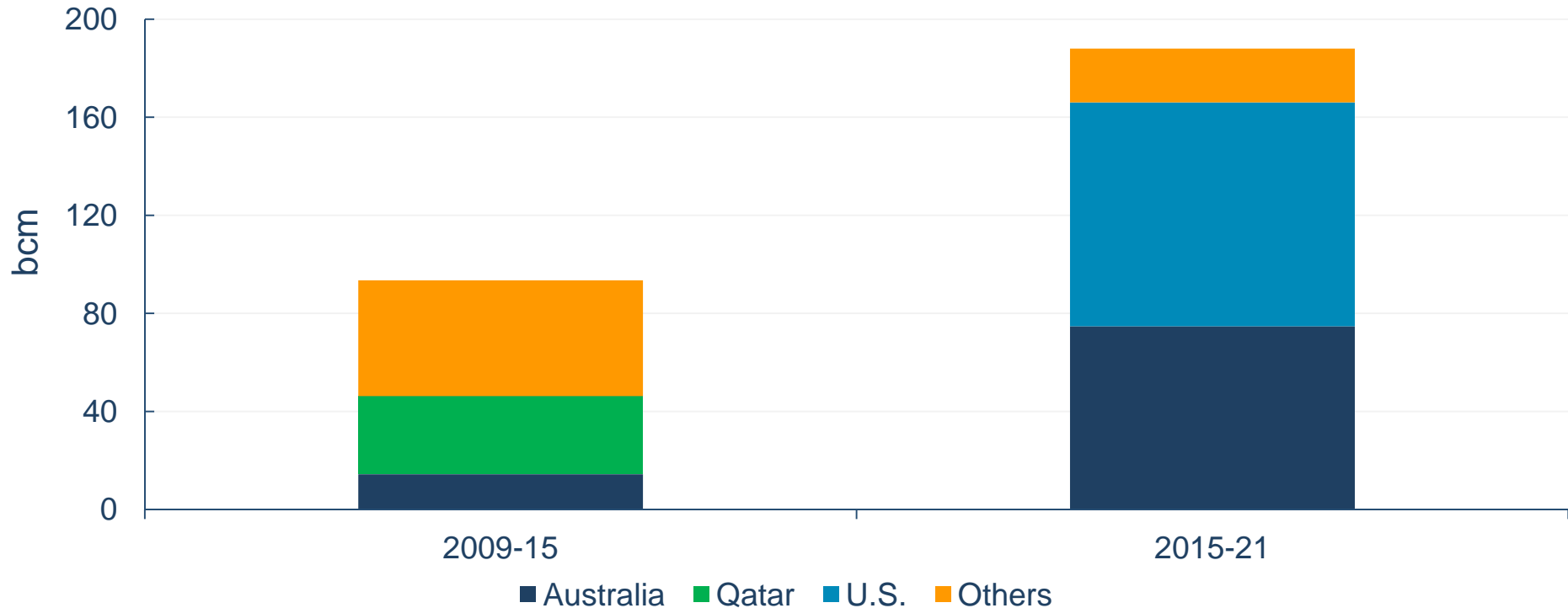


***Oversupply in global LNG markets will intensify competition; flexible US LNG volumes are well-placed to compete in Europe***

# Global LNG export capacity increases sharply

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### Liquefaction capacity additions

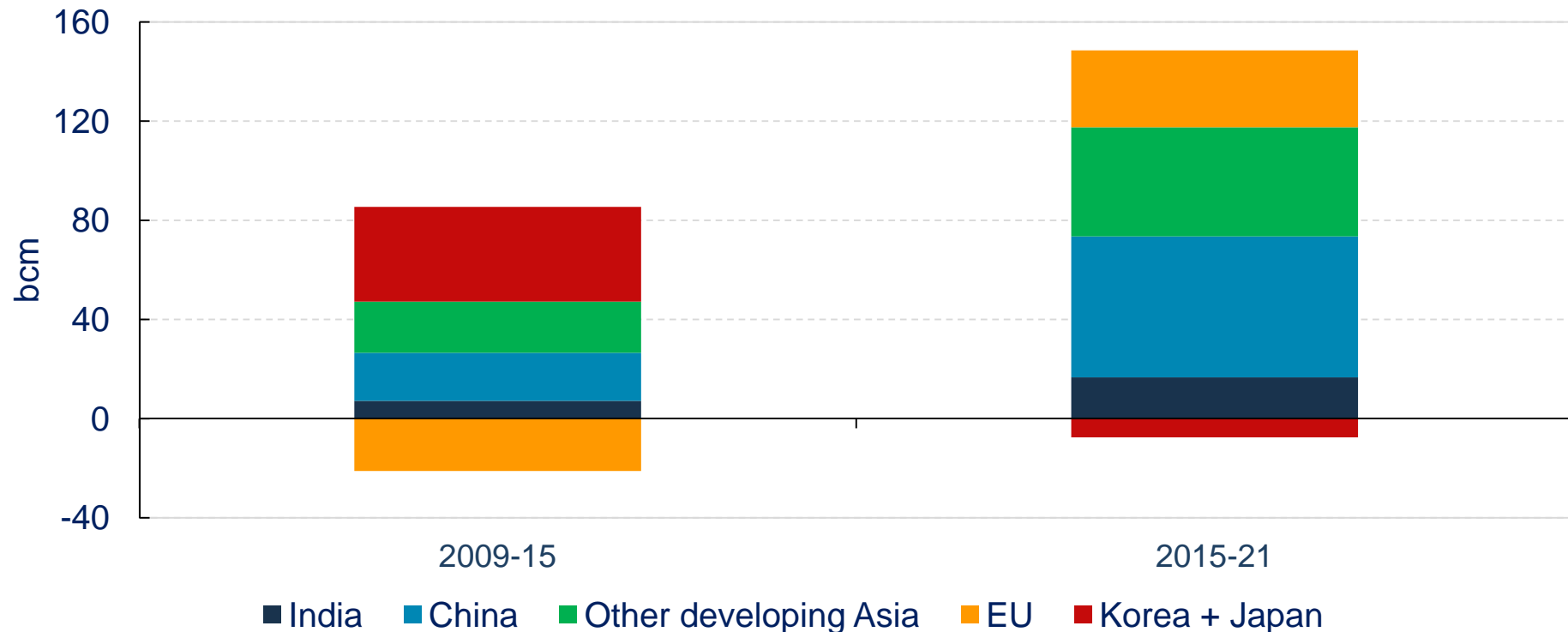


***LNG capacity additions will be led by the US & Australia over the next five years; projects in Canada & East Africa could also move ahead if demand & prices recover***

# Developing Asia emerges as key engine of LNG import growth

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Change in LNG imports by region (bcm)



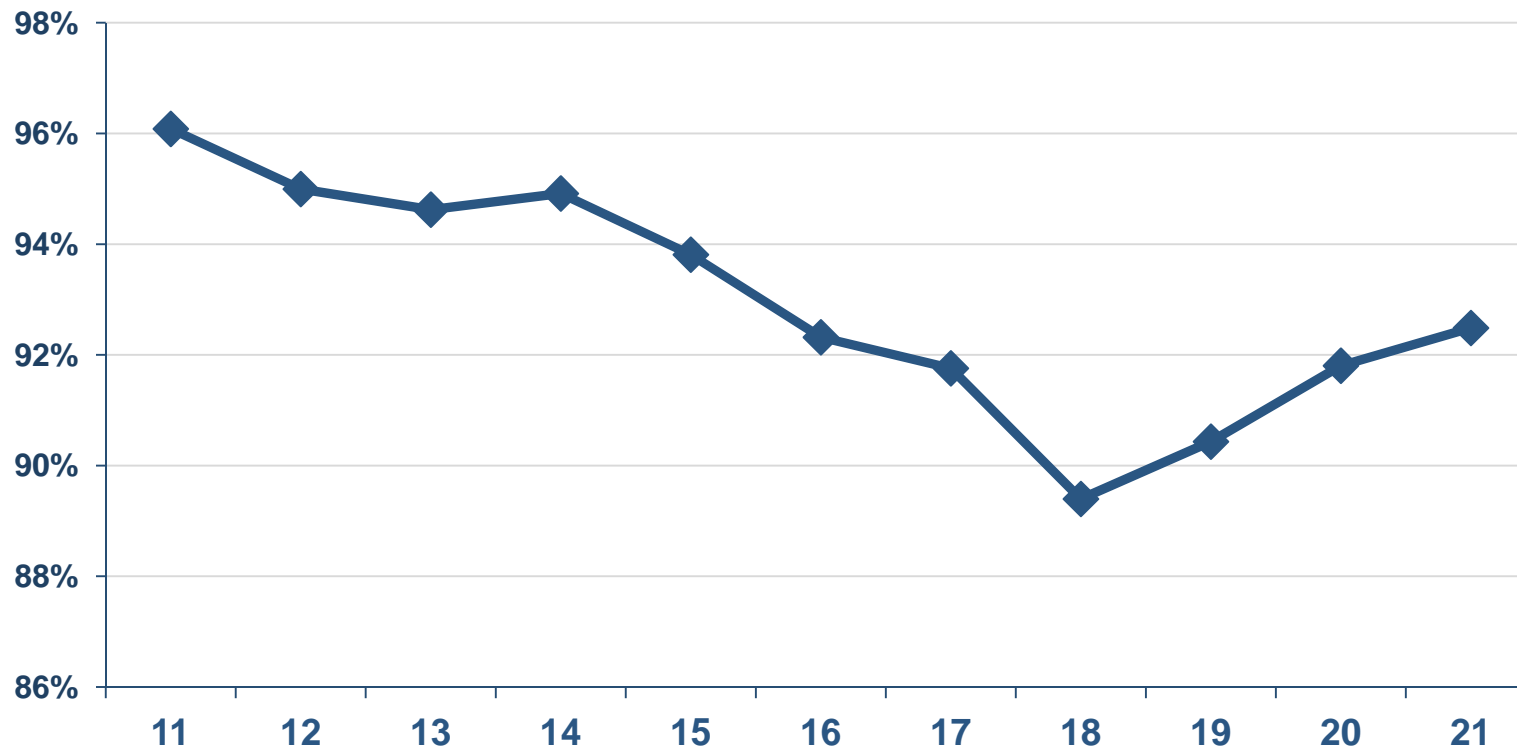
***As imports from Japan & Korea are set to decline, the rebalancing of global markets will depend on the rate of expansion in China & other developing Asia***



# Liquefaction plants to run below capacity amid supply glut

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Utilization rate



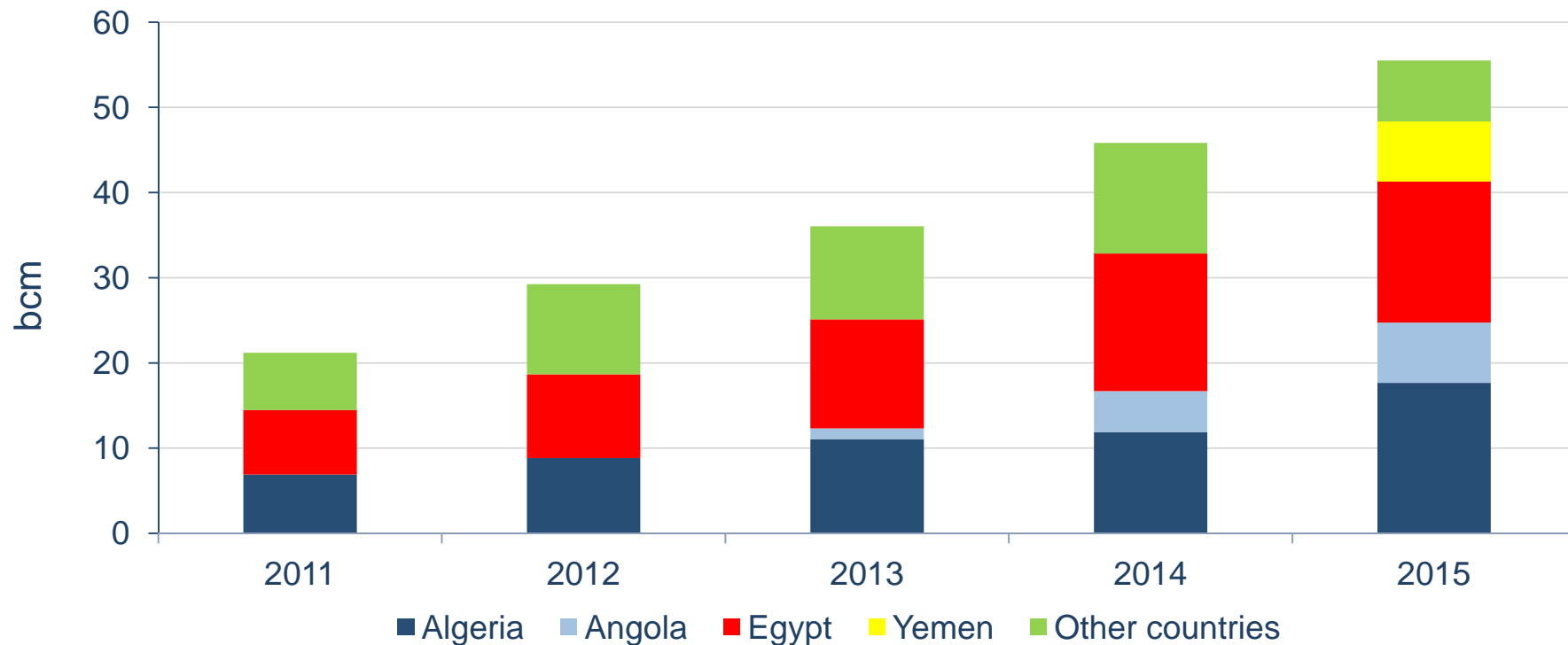
***Oversupply in the market will get worse before it gets better. This will put pressure for increased flexibility in contracts and a reduced linkage to oil.***

*Note: nameplate capacity has been adjusted to reflect outages, and feed-gas issues*

# Outages and feed gas issues: a growing problem

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Liquefaction capacity offline

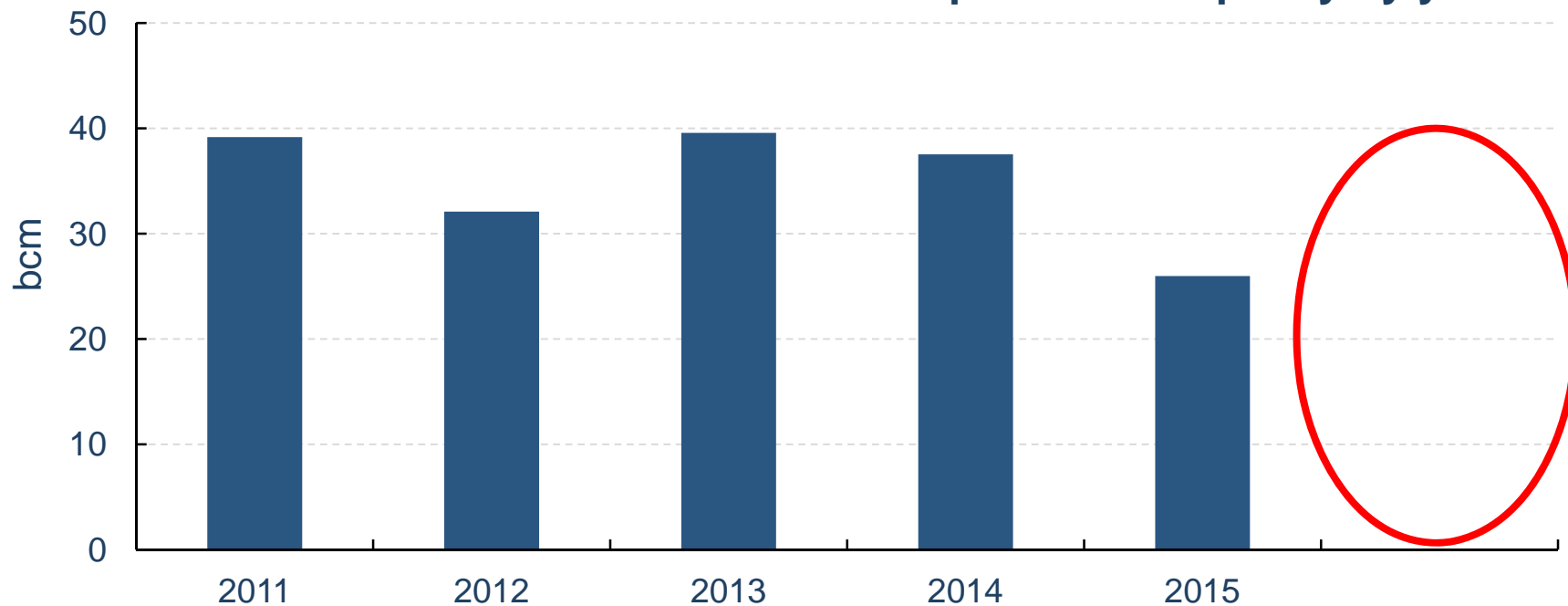


***A growing level of LNG export capacity has gone offline over the past five years highlighting security and investment challenges across a host of producers***

# Investment in new LNG export capacity has ground to a halt

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Final investment decisions in liquefaction capacity by year



***The collapse in investment increases the risk of tighter markets in the next decade; concerns about gas supply security could quickly re-emerge***

# Conclusions

- **The gas landscape is changing: production growth is increasingly driven by the US & Australia; demand growth by developing Asia**
- **Traditional exporters will come under pressure as competition from new supply sources intensifies**
- **Global gas prices are set to stay under pressure as a huge amount of LNG export capacity is coming online just as demand slows**
- **Lower prices have triggered a collapse in new investment. This could seed the sows for tighter markets into next decade.**