



# Leadership Roundtables

EXHIBITION & CONFERENCE

SINGAPORE EXPO | SINGAPORE | 5-8 SEPTEMBER 2023

Knowledge Partner



## The LNG supply/demand conundrum – achieving alignment on market fundamentals

Gastech 2023 Leadership Roundtables – Key Outcomes

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# The Gastech Leadership Roundtables

The Leadership Roundtables formed an integral part of the Gastech 2023 strategic leadership agenda, with nine closed-door roundtables taking place within the exclusive Gastech Energy Club.

Gastech's invitation-only Leadership Roundtables brought together the energy sector's most distinguished industry leaders, strategists, and policymakers. It facilitated important discussions about the future of energy production, LNG supply and demand, financing the energy transition and more, whilst providing excellent networking opportunities which empowered attendees to build new high-level industry connections.

No comments are attributable to any one participant.

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Gastech was pleased to host Wood Mackenzie as the Leadership Roundtables Knowledge Partner for 2023.





# The LNG supply/demand conundrum – achieving alignment on market fundamentals

6 September 2023

Executive Boardroom, Gastech Energy Club

The insatiable appetite for LNG volumes and the associated price volatility that characterised 2022, transformed supply and demand dynamics across the global LNG market, with multiple potential mid and long-term implications.

With coal consumption on the rise, China's gas/LNG demand growth trajectory comes into question, with significant implications for overall LNG market growth. China's willingness to engage in long-term contracts could also influence the future shape of contracting models between sellers and buyers across the sector. As well as curtailing their spot purchases, extreme market volatility impacted the willingness of many emerging market buyers' to bank on LNG as a vital component of their governments' decarbonisation strategies in the medium term. It also brought into sharp focus the cost of LNG supply, and in aggregate highlighted the challenges the industry could face in dealing with a future gas/LNG demand curve that no longer always trends upwards, and the difficulties of new supply development in that environment. In Europe, import capacity will increase by 40 bcm in 2023, but with governments under continued pressure to decarbonise at pace, the anticipated timeline for replacing natural gas with lower carbon fuels in Europe is unclear with significant implications for mid to long-term demand.

## Roundtable participants:

### Facilitator:



**Frank Harris**  
Head of Global LNG Consulting  
Wood Mackenzie

### Moderators:



**Giles Farrer**  
Head of Gas & LNG Asset  
Research  
Wood Mackenzie



**Kristy Kramer**  
Head of Markets,  
Gas & LNG Research  
Wood Mackenzie

### Participants:



**Iqbal Z Ahmed**  
Chairman  
Pakistan Gasport Consortium Ltd



**Jouni Liimatta**  
Head of Trading & Optimisation  
GASUM



**Rodrigo Vilanova**  
Energy Management of  
the Executive Committee and  
Member of the Board  
of Directors  
Galp



**Steve Hill**  
Executive Vice President  
Shell



**Egbert Laege**  
Chief Executive Officer  
SEFE



**Rajnish Goswami**  
Vice President – LNG  
Marketing & Shipping  
TotalEnergies EP Singapore  
Pte. Ltd



**Thomas Thorkildsen**  
Chief Commercial Officer  
Höegh LNG



**Iain Scott**  
Vice President – Global LNG  
Trading  
Woodside



**Sarah Bairstow**  
President & Chief Commercial  
Officer  
MexicoPacific



**Richard Holtum**  
Global Head of Gas and Power  
Trafigura Group Pte Ltd



**Philip Mshelbila**  
Managing Director & Chief  
Executive Officer  
Nigeria LNG Limited



**Shamsairi M. Ibrahim**  
Vice President, LNG Marketing  
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**Takafumi Yanagisawa**  
Senior Analyst Gas Group  
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**Olalekan Ogunleye**  
Deputy Managing Director  
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VP, Strategy & Commercial, IET  
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**Julius D. Rone**  
Managing Director  
and CEO,  
UTM Offshore Ltd



**Wooi Leong Tan**  
Managing Director, Energy  
& Industrial Division  
Surbana Jurong Group



**Keith Martin**  
Senior Vice President  
PetroChina International



**Paul Varello**  
Chairman &  
Co-Founder  
Commonwealth LNG



**Peter Mackey**  
Chief Executive Officer  
Avenir LNG



**Yaguang Peng**  
Vice President  
PetroChina International



## The LNG supply/demand conundrum – achieving alignment on market fundamentals

The focus of a recent roundtable consisting of industry leaders, organised by Gastech, revolved around the dynamics of gas and LNG demand, primarily in the context of the energy transition and its impact on the industry's future.

Set in the context of the energy transition and its impact on the industry's future, the focus of this roundtable revolved around the dynamics of gas and LNG demand, high (and low) growth regional markets, the critical role of aggregators and LNG affordability.



## Key outcomes from participants

### 1. Robust long-term outlook

Participants expressed confidence in the long-term demand for gas and LNG, which appeared more positive compared to the previous year. Several factors support this optimism, including strong underlying energy demand, the potential for gas to displace dirtier fuels, its reputation as a clean and reliable energy source, and the complexity and duration of the energy transition.

### 2. Decarbonisation and CCUS

To maintain its relevance, the participants agreed that gas/LNG must focus on improving its ESG attributes, and continue decarbonisation through Carbon Capture, Utilisation, and Storage (CCUS). Additionally, advocating for gas in emerging markets, especially among younger populations, was considered crucial.

### 3. Potential for no peak in gas demand

Contrary to expectations, some participants disputed the idea of a peak in gas demand within this century, especially if affordable gas supplies are available for developing markets. However, achieving this requires decarbonisation efforts along the value chain, and global consensus on CO<sub>2</sub> shipment.

### 4. Short-term uncertainties

Short-term gas demand outlook was seen as more complex, influenced by the ongoing Ukraine conflict, and uncertainties surrounding the energy transition. The group anticipated price volatility in the LNG market over the next few years.

### 5. Focus on Asia

The market in Asia was considered robust, with affordability and price certainty being essential factors. High and volatile prices in 2022 impacted Asian LNG demand, but as prices normalise, growth in countries like Pakistan and Bangladesh is expected to resume. Clear solutions are needed to manage volatility more effectively – panellists were sceptical on the feasibility of fixed-price LNG deals, but Henry Hub-linked deals could be a possibility. China's role in the LNG market's growth was highlighted, with confidence that it would drive demand in the future, while meeting forecasted demand in emerging markets, like Vietnam, requires significant infrastructure development, including import terminals, storage, and power plants.



## 6. European demand

While LNG will continue to play a role in ensuring the security of supply in Europe, it is not expected to be a growth market in the next decade. Concerns about energy transition impacts on demand and the financial health of major utilities were discussed as potential impediments. Participants also suggested that the industry tends to underestimate demand in emerging markets, and that there is greater potential for gas use, especially in domestic markets. Africa was highlighted as a region often overlooked in demand discussions.

## 7. The importance of aggregators

Aggregators were recognised as vital intermediaries bridging the gap between demand and supply. Many buyers rely on aggregators to provide LNG as needed, emphasising the importance of their role, while some prefer tailored deals over managing their supply chains independently. The participants added that aggregators would need robust risk mitigation strategies to manage long-term LNG portfolio positions effectively. Large Chinese buyers were noted for their increasing role as aggregators in balancing global LNG markets.

## 8. Ensuring affordability

The affordability of LNG was highlighted as crucial for its long-term viability. Lower-cost modular solutions, smaller scale Floating Liquefied Natural Gas (FLNG) facilities, and risk mitigation strategies were suggested to keep prices low and reduce financing costs. The discussion also noted uncertainty regarding LNG pricing solutions that ensure long-term affordability. Fixed-cost supply options had limited traction, and addressing volatility remained a challenge.

## Conclusion

The roundtable discussion offered valuable insights into the future of gas and LNG demand, with key takeaways that emphasised the robustness of long-term demand, the challenge of ensuring affordability, and the critical role of aggregators. Additionally, China's evolving role in the LNG market and the importance of risk-mitigation strategies were highlighted as significant factors shaping the industry's trajectory. Despite short-term uncertainties and the potential impact of the energy transition, maintaining affordability is essential to facilitate global demand growth in the LNG market.





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