



POTEN & PARTNERS

May
2020

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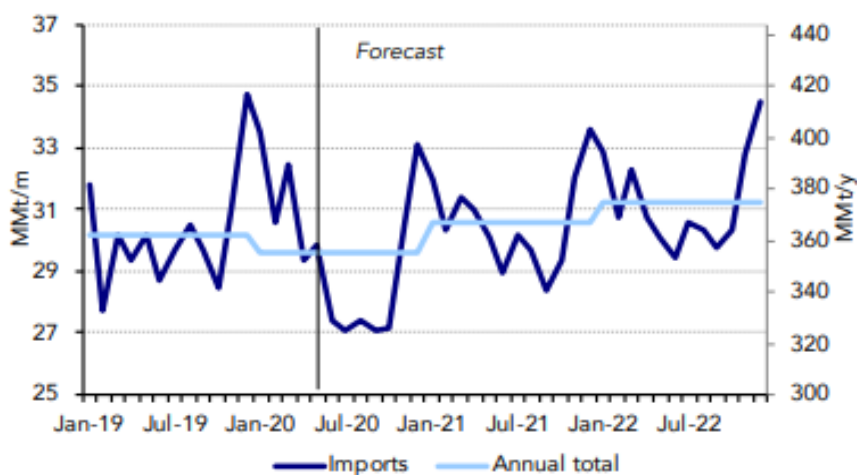
LNG Market Outlook

Risk for longer downturn coming into focus

The current forecast is for LNG demand in 2020 to be 6.7 MMt lower than in 2019, due to the combination of demand destruction caused by the lockdowns and the subsequent recession. This is a substantial revision from the forecasts done before the impact of the coronavirus was widely understood and may still be understating the impact on the industry.

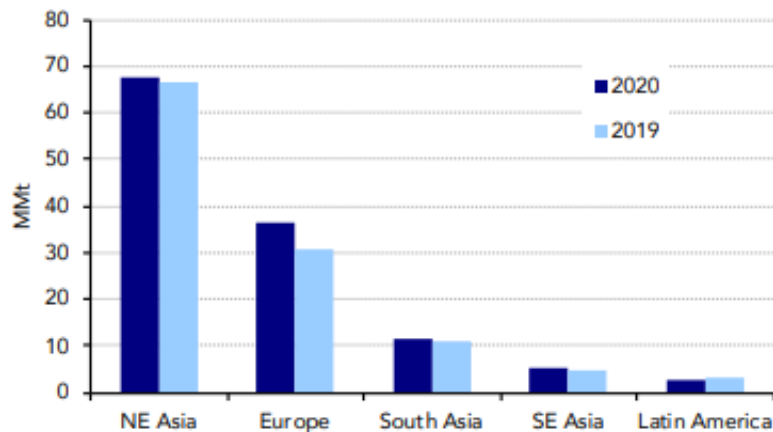
Global imports for the first four months of the year were actually higher than in the first four months of 2019, driven largely by increased imports into Europe which were 5.8 MMt above 2019's already high figure. For perspective, 2018 which was a more normal year for European buying, saw only 15.5 MMt of LNG imports in the first four months of the year compared to 36 MMt in 2020. Imports into Northeast Asia have also been higher but only by 1.2 MMt. Other regions saw marginal increases; however, Latin America has seen a decrease in volumes.

Global LNG demand forecast



Overall, this looks to be a good start to 2020; however, the estimated 33 cancellations out of the US in June and the expectations for July, August and September paint a different picture. In fact, global imports are expected to average only 29 MMt/m from May through December compared to 32 MMt/m from January through April.

January–April LNG import comparison



Even this bearish view may not be bearish enough. In both the US and Europe, signs are pointing to a larger than expected recession following the lockdowns with a potentially slower recovery.

Globally, there are fears of a second wave of infection into the summer and most are expecting a very large wave in the fall with a lot of uncertainty around how the world will look at that time. If some of these scenarios come to pass, the loss of 6.7 MMt of LNG demand for 2020 may not be enough, as shown in the low case scenario in the bottom graph.

Rather, we could be looking at a loss of as much as 13.8 MMt in 2020 compared to 2019 with a slower recovery in 2021 and 2022. If that comes to pass the outlook for LNG market participants from producers to shippers is quite bleak and the prospects for new projects taking

LNG demand scenarios

