

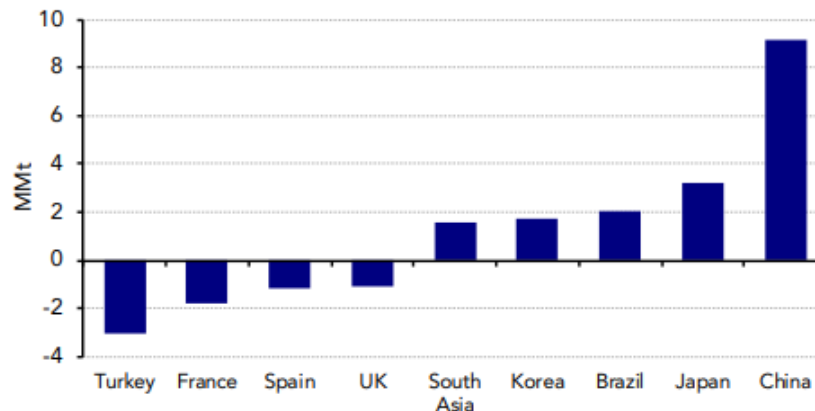


LNG Market Outlook

Tight market result of high demand colliding with supply issues

Demand was high for the first six months of 2021, up 10 MMt from the same period last year. Nearly all this growth occurred in Asia with total demand in the region up roughly 16 MMt compared to last year. The increase in Asian demand was higher than the global increase in supply as Asia bought tons away from Europe. Europe had been absorbing the world's excess supply since late-2019; however, with the unexpectedly cold winter in Asia and the healthy appetite for LNG since then, the buying power of Europe has cooled.

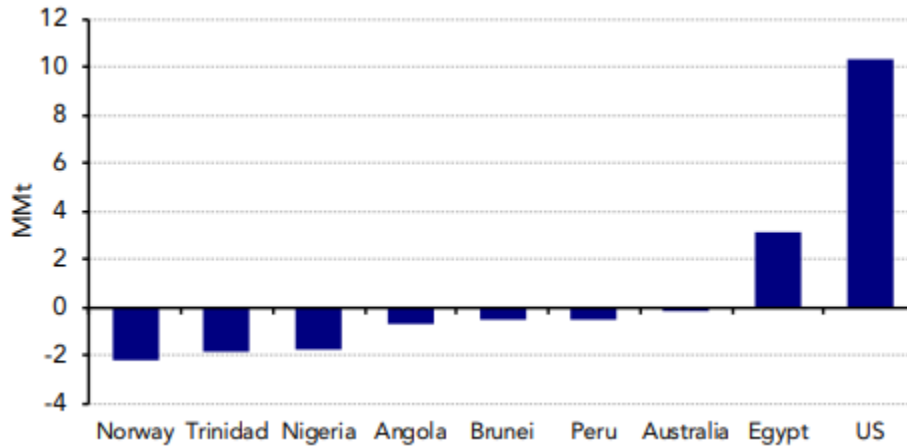
1H 2021 vs. 1H 2020 LNG import comparison



Turkey, on the other hand, is importing lower volumes of LNG because of the new pipeline from Russia. Brazilian imports are also extremely high due to low hydro reserves (see Brazil section). Global gas/LNG prices remain high and forward curves are flat through the winter. Supply is certainly not helping matters. Supply out of the US and Egypt is up so far for the year with the largest increase out of the US at more than 10 MMt, Egypt is up roughly 2500% with a ton increase at more than 3 MMt.

However, small losses in other countries have partially offset these gains. The biggest loss on a ton basis is from Norway where their plant is offline through March 2022. Trinidad's Train 1 is down, and reportedly the production will return; however, overall production from the country is declining. In Nigeria, upstream issues affecting production have decreased production as did a turnaround delayed from 2020.

IH 2021 vs. 1H 2020 LNG export comparison



If it were not for these supply issues, there would certainly be demand for the extra tons. Global prices would likely be lower, but the supply could be absorbed. The bottom graph highlights the theoretical supply if these issues were not ongoing. It does not show the maximum if all plants were running at 100% but rather it shows the theoretical supply if production were closer to last year's. In June, the additional supply could be as much as 4 MMt higher than actual figures. This could even be enough volume to balance the market and it would have aided European importers in replenishing stocks faster.

2021 LNG supply performance: actual vs potential

