



LPG Market Outlook

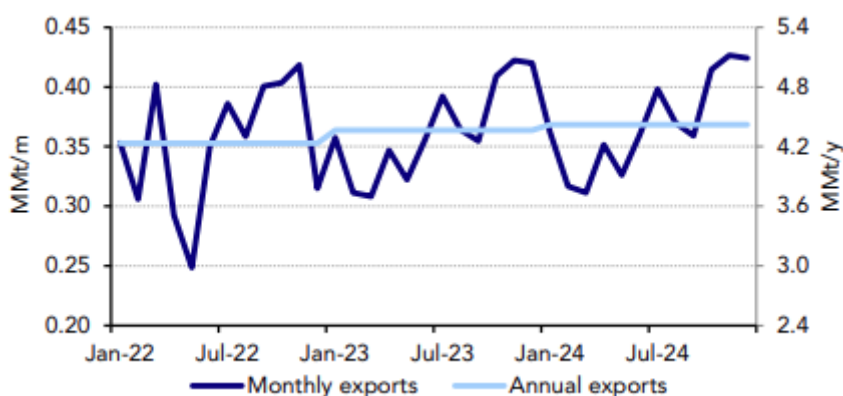
Norway's LPG production declines to limit exports

Norwegian LPG exports were previously forecast to rise between 5%-10% year-on year for 2022 due to lower maintenance and higher output. However, production and exports through 1Q 2022 have not met those expectations, and the export and production forecasts have been lowered. Compared to 1Q 2021, exports in 1Q 2022 were down 14% at 1 MMT. Producers in Norway are choosing to leave LPG in the natural gas stream to maximize the BTU content due to high natural gas prices.

LPG provides a higher BTU content than natural gas, so producers can obtain higher prices by not processing the natural gas. Natural gas prices in Europe are not expected to come down in the near term which means that Norway is unlikely to increase LPG exports this year.

Exports are forecast to remain nearly flat from last year at 4.2 MMT/y in 2022. Production is expected to increase next year but the gains will be offset by a busier maintenance schedule. Exports are forecast at 4.4 MMT/y in 2023 and 2024.

Norway LPG export forecast

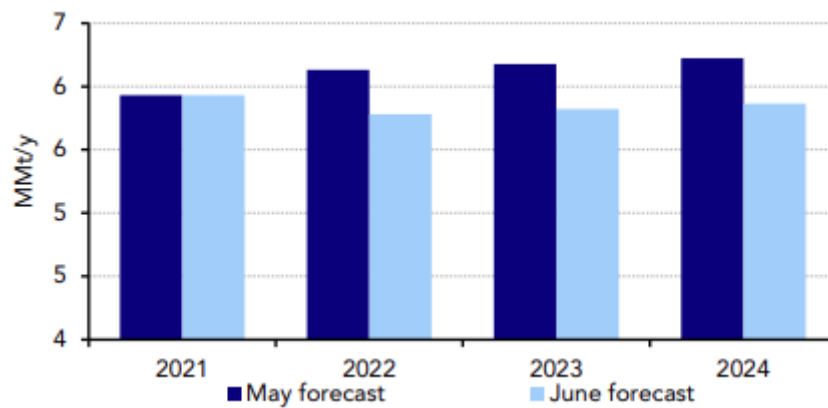


Compared to 1Q 2021, NGL production in Norway is down 32% in 1Q 2022 while natural gas production is up 6%. Condensate production is down 12%. With the decision to reject processing the natural gas to obtain higher prices in Europe, Norway's LPG production is also likely to decrease in 2022. The production forecast for 2022 has been lowered from 6.1 MMT/y in last month's forecast to 5.8 MMT/y in this month's forecast.

Production is forecast to be flat at 2022 levels for 2023 and 2024. However, there are tax breaks on oil and gas field development that expire in 2022. To take advantage of the tax break, it's expected that several new development plans will be introduced this year.

It's unclear, however, when and how many of these projects will move forward. If these projects get started earlier than expected, LPG production may be higher than forecast.

Norway LPG production forecast comparison



Compared to exporters of similar size, Norway's performance has been underwhelming. Excluding Australia in 2023, Norwegian export growth is forecast to be slower than Algeria and Canada from Norway LPG export forecast Norway LPG production forecast comparison LPG export growth rate comparison now out to 2024. Production is climbing in Algeria and Canadian terminal expansions are leading to higher exports there.

LPG export growth rate comparison

