



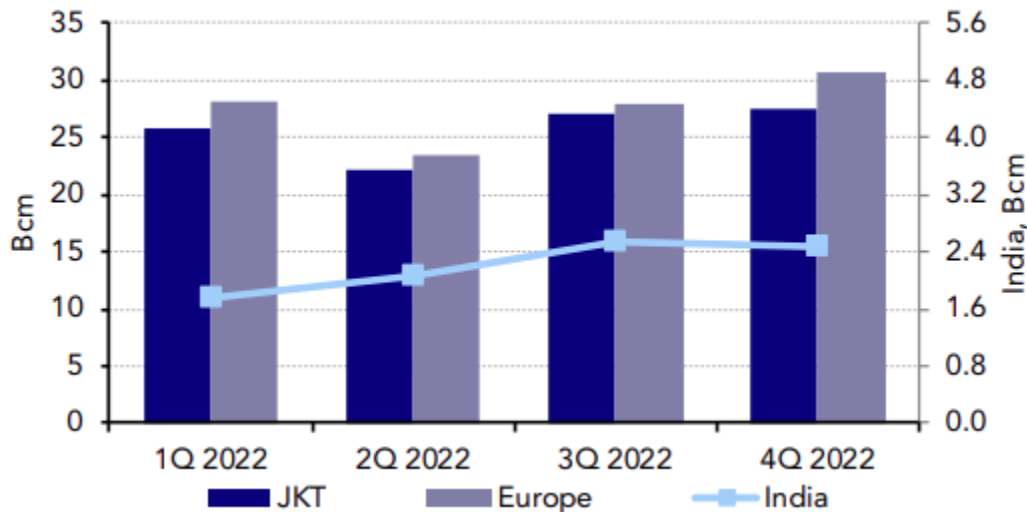
## LNG Market Outlook

### European storage growth unaffected by higher power demand

There have been reports of higher summer temperatures in many regions, especially India, Japan, and Europe; however, the impact on LNG demand for power generation remains to be seen. European power demand in 3Q 2022 is forecast to climb by 20% over 2Q 2022 and 15% over 3Q 2021 numbers to 28 Bcm driven by higher demand in the Mediterranean.

3Q 2022 power demand in Asia is expected to be mostly flat when compared to 3Q 2021 but will still increase from 2Q 2022 levels based on the normal seasonal trend. In Japan and India, demand from the power sector is not expected to increase by a significant amount until 4Q 2022.

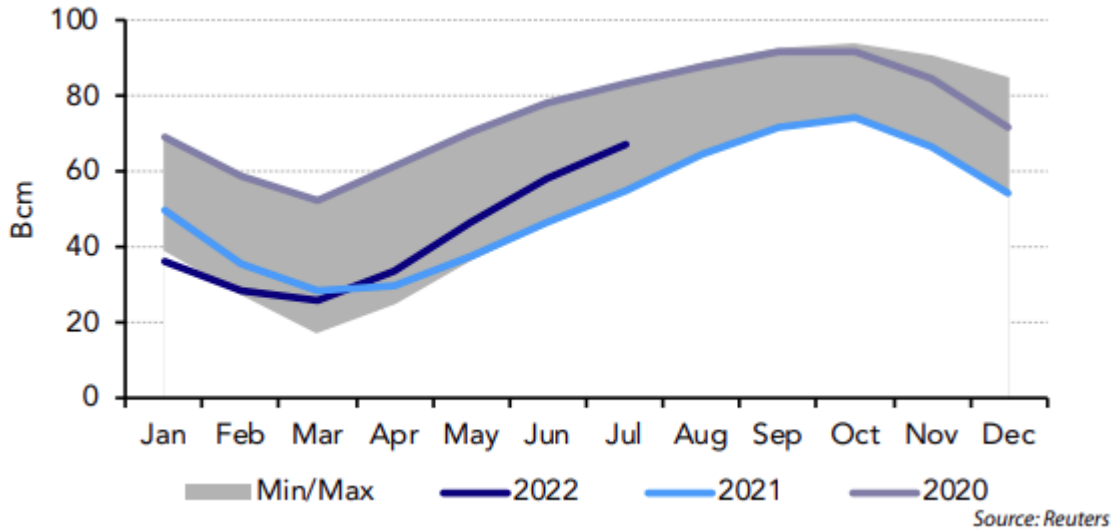
#### 2022 power sector demand comparison



Without an increase in power demand from Northern Europe this summer, storage levels in Europe should continue rising. European storage has gained by 41 Bcm since March which puts total storage in the middle of the five-year range but still 20% lower than 2020 levels.

However, Europe has been injecting gas into storage at the fastest rate since 2019 and, with forward prices in contango and a wide-open arbitrage from the US, storage levels should continue rising at similar rates. Major risks to higher storage levels in Europe include further disruptions in supplies from labor disputes in Norway, Freeport LNG's outage and Russian gas flows on Nord Stream.

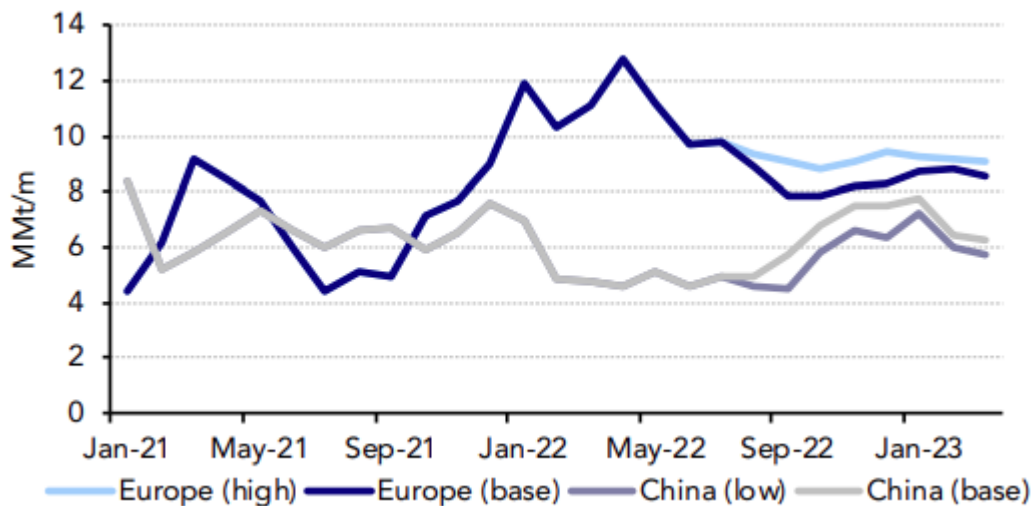
### European natural gas storage



The base case forecast for China shows LNG imports gradually rising in 2H 2022 from a monthly rate of 4.6 MMt in June to 7.5 MMt/month in the winter. At the same time, European imports are forecast to fall as China and other parts of Asia increase buying activity in the spot market, drawing cargoes away from Europe.

Alternatively, a scenario may unfold where China does not re-enter the market with the same determination seen last year and opts to burn more coal and import more pipeline gas.

### Winter LNG import scenario for China and Europe



If China's imports are low, Europe will be able to procure additional supply above current forecast levels. In this case, imports during the winter for Europe are about 4.5-5 MMt higher than currently forecast at around 9 MMt/month and down by about the same amount for China.