



LNG Market Outlook

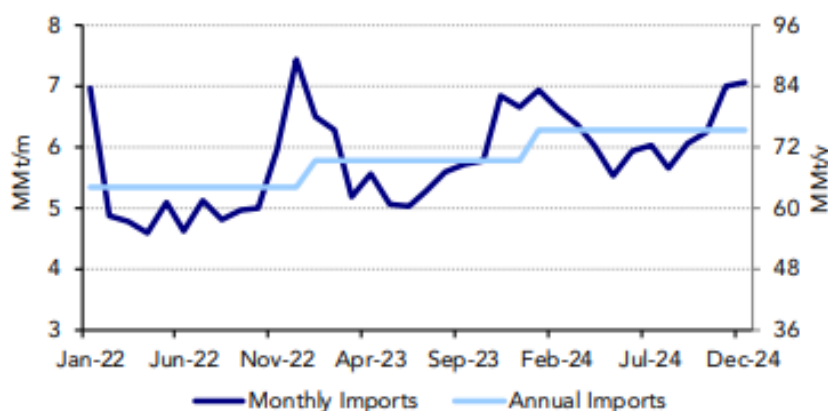
China to Remain Out of Spot Market in 2023

LNG imports from China rose to their highest level in 2022 to 7.5 MMt in December. Nevertheless, imports declined by 20% in 2022 to 64.4 MMt compared to the levels seen in 2021. Covid-19 restrictions, higher domestic natural gas output and the substitution of other various means of covering energy demand led to a decline in LNG imports.

Sentiment towards LNG demand has improved since Covid-19 restrictions have been lifted and LNG prices have dropped due to present ample supplies in Europe. However, China continues to re-sell cargoes from new contracts that started in 2022 and from contracts that start in early 2023.

This evidences a weaker market than indicated by the re-opening of the economy and higher imports in December 2022. Imports are forecast to see moderate growth in 2022 to 69.6 MMt and forecast to reach 75.7 MMt by 2024.

China LNG Import Forecast

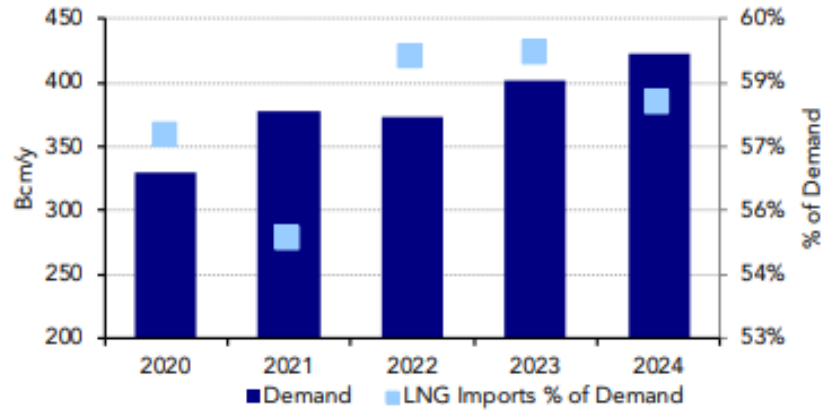


While LNG imports decreased by 20% in 2022, gas demand only fell by 1% from 378 Bcm in 2021 to 373 Bcm in 2022. At the same time, domestic gas production jumped by 6% to 220 Bcm in 2022 which accounted for roughly 60% of demand – up from 55% in 2021.

Domestic production making up a larger share of the energy mix has been the trend in China for the past few years.

In 2023 and 2024, domestic production's share of demand is expected to hold constant at 60% as demand rises by 8% in 2023 to 238 Bcm and 3% in 2024 to 245 Bcm. China reported record output in 2022 and continues to invest heavily in increasing output.

China Demand Forecast and LNG Import % of Demand



In addition to domestic production accounting for a larger share of gas demand in 2022, pipeline imports increased from 47 Bcm in 2020 accounting for 14% of demand to 64 Bcm in 2022, accounting for 17% of demand.

China has not released data showing the volume and source of pipeline imports since the war in Ukraine broke out, but data on the value paid for Russian pipeline gas is available.

The cost of pipeline gas from Russia jumped from \$4 billion in 2021 to nearly \$7 billion in 2022, indicating larger flows. All these factors indicate that China is likely to remain out of the spot LNG market for much of 2023.

China Pipeline Import Forecast and % of Demand

