



JAPAN
ENERGY SUMMIT
& EXHIBITION

3 - 5 JUNE
2024
TOKYO BIG SIGHT

Balancing Global LNG Supply and Demand Through Uncertain Times

Roundtable Session Summary Report

Knowledge Partner



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The conferences and exhibition address the challenges Japan and countries across the globe face in balancing immediate energy security concerns with longer-term economic growth objectives, sustainability goals, and commitments to achieve carbon neutrality and, eventually, net-zero.

Event Overview



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Held under the Chatham House Rule, no comments are attributable to any one participant, creating an environment for open and honest dialogue and sparking new ideas and partnerships.

Leadership Roundtable:

Balancing Global LNG Supply and Demand Through Uncertain Times

As governments across the world grapple with the energy trilemma of security, affordability and sustainability, energy policymakers have doubled down on policies that best serve their nation's interest. Ongoing conflicts, high inflation, supply chain disruptions have further added to the uncertainty. In such an environment, forecasting global energy balances and in particular Gas/LNG (as a transition fuel) becomes a complex exercise.

This roundtable discussed actionable strategies aimed at driving new growth and innovation in LNG. Specifically, it explored three key areas:

New Supply:

While this surge in supply, led by the US and Qatar, will ensure LNG availability and affordability through the second half of the decade, more supply is still required.

Asian Demand:

With European demand expected to decline over the next decade, all eyes are on Asia's gas markets, notably ASEAN and the more mature northern markets.

Affordability:

Challenges remain on price affordability, infrastructure, investments, speed of decision making and forex reserves / currency depreciation.



SESSION HOST

Gavin Thompson

Vice Chairman, Energy -
Europe, Middle East & Africa
Wood Mackenzie



MODERATOR

Johnson Quadros

Head of Gas and LNG Research
Wood Mackenzie



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KEY OUTCOMES FROM PARTICIPANTS

1. The focus is on security and affordability as volatility persists

The key theme of the near term was volatility. Year-on-year supply growth will be limited this year and next, and the start-up of new North American supply will be watched closely. Delayed start-ups, project outages or an escalation of geopolitical events could push prices higher.

2. Demand has responded to falling prices

With prices falling from energy crisis highs demand has risen. Europe will play a role near term. But there is also upside to demand in China, India and Thailand. Participants agreed a cold hemisphere winter northern would make for an interesting market.

3. Under construction supply rebalances the market

Nearly 200 mmtpa of under construction supply hits the market between 2025 and 2029. Views on when this supply would start and the impact on price varied widely.

KEY OUTCOMES FROM PARTICIPANTS

4. The next cycle will be determined by future FIDs

With a significant amount of new supply sanctioned over the last three years. There was debate around how many projects would be sanctioned moving forward. Supply chain issues, rising costs and interest rates were seen as the key blockers. Commercial momentum for North American projects provides upside.

5. Longer term LNG will play a role

LNG demand is expected to continue growing over the next 2-3 decades. Chinese demand is expected to remain strong over the second half of the current decade, but competition from renewables and imported piped supply may reduce demand next decade. South and Southeast Asian LNG demand is expected to grow strongly through the long-term. Both are underpinned by coal-to-gas switching, declining local supply and population and economic growth. Contracting terms and affordability are the main risks to this demand outlook. Sellers must ensure buyers can secure affordable LNG, along with governments supporting infrastructure investments, higher regulated power prices and meaningful carbon taxes.

6. Decarbonising LNG is hard

LNG will have a key role through the energy transition, particularly given full cycle LNG emissions are around 50% lower than coal and renewables and gas pair well in the power mix. But affordability challenges and commercial issues may limit LNG demand. Decarbonising LNG projects will be expensive. Operators are likely to purchase offsets.



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Conclusion

The roundtable discussion offered valuable insights into the future of LNG demand and supply. The session emphasised the robustness of long-term demand, but highlighted affordability as a key risk to demand, given rising costs and interest rates. Future prices will be impacted by the timing of under construction supply and FIDs.



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