Emerging Changes in Gas Trade Practices

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June 20, 2017
New Australian and U.S. capacity is contributing to a market glut that will continue to grow in 2018 and 2019.

Oversupply could end by 2022-2023 without new Final Investment Decisions (FIDs).

Future demand will require new capacity to be sanctioned.

Sources: Platts, Wood Mackenzie, IHS, FGE
LNG Trade – Higher Growth than Pipeline Gas

- LNG trade continuing to grow faster than pipeline gas trade
  - LNG trade has seen a higher CAGR growth than pipeline between 2000-2014

- Supportive demand conditions
  - Growing demand in countries with no cross-border pipeline gas access
  - Ease of access to FSRU
  - Declining domestic production
  - Clean bunker fuel requirements

- Abundant LNG supply to facilitate demand growth
  - Global liquefaction capacity to almost double between 2016-2030
More volumes and greater supply diversity to come
  - Mozambique (East Africa), U.S. (North America)

NOCs and IOCs face competition from new market entrants
  - **Africa**: Anadarko, Ophir Energy
  - **Non-Africa**: Cheniere Energy, Sempra Energy, Novatek, etc.

Leading to greater liquidity and diversified procurement strategies
Emerging Markets Rise in Importance

- Emerging markets expand to 50% of demand by 2030 from 29% in 2015

- Proliferation of new buyers

- Purchases by established buyers at a cyclical low

- Can emerging markets support greenfield project developments?

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**LNG demand by region**

Source: Wood Mackenzie

**LNG bought by buyers**

Source: FGE
Contracts < 1.5 MTPA now account for > 50% of total deals signed

Volume of LT contracts has fallen

Reflecting the demand shift toward emerging buyers

Uncertainty faced by mature buyers due to energy policies, market liberalization and current oversupply

- Will nuclear return? Will coal be phased out?
- How much market share will monopolies lose from liberalization?
- When will the market rebalance?
Mozambique LNG’s Strategic Advantage

Current Marketing Mix (volumes under active negotiation)

- Diversified customer base (traditional and emerging markets)
- We offer competitive and flexible terms
- We need bankable SPAs that support an FID
- Ongoing conversion of HOAs to SPAs plus secure new customers
- Flexibility for significant future expansion

Mozambique has significant potential to become a major LNG supplier with more than 50 MTPA of capacity under consideration