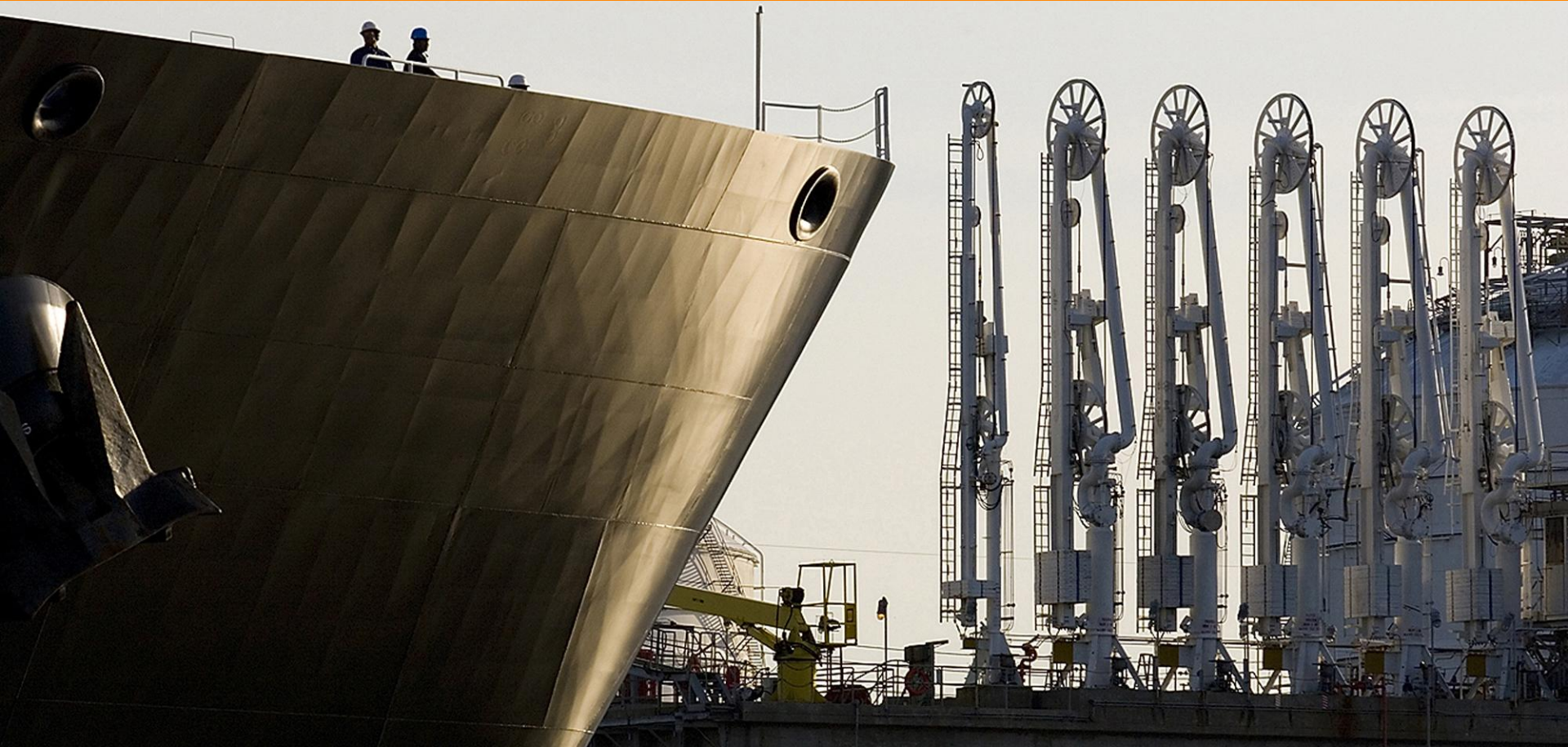


BG Group World Energy Outlook: Global Gas and LNG



2012 Oil & Gas Energy Forum - 4 July 2012 - Taipei

Dr. Andrew Walker – Head of LNG Strategy





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A world leader in natural gas

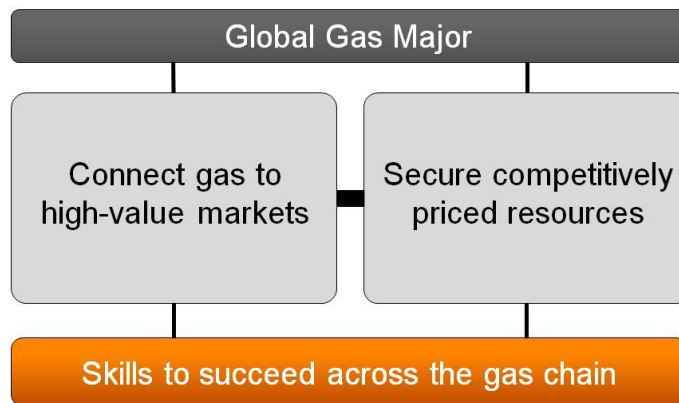
Internationally diversified



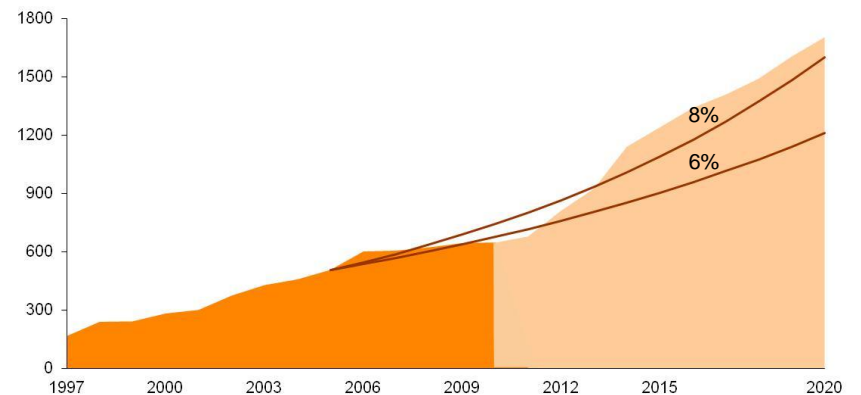
Integrated energy business



Specializing in gas



High growth rates



Global gas and LNG outlook

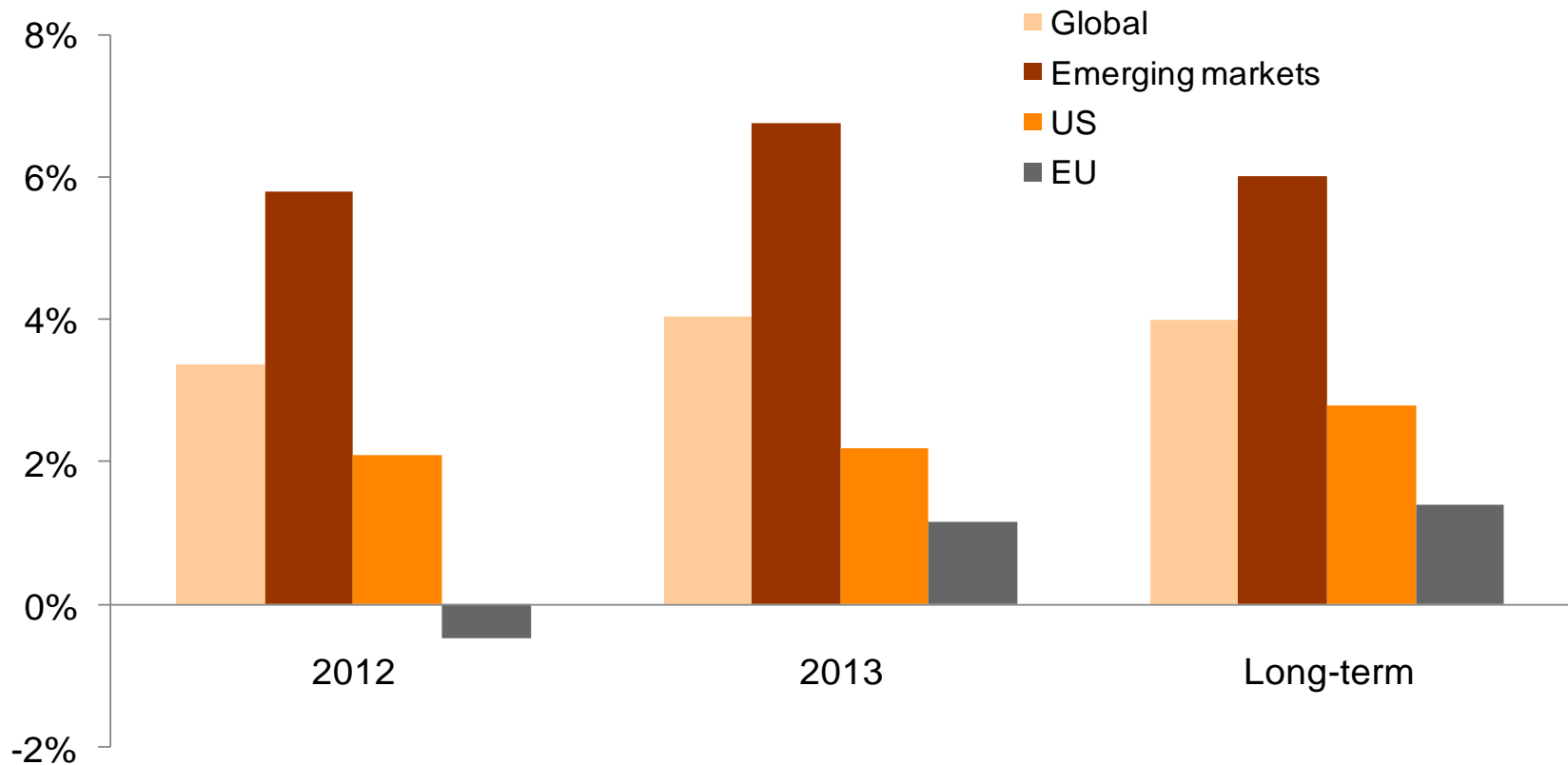
- Global gas outlook
- Recent LNG trade evolution
- Future of global gas pricing

Global gas outlook



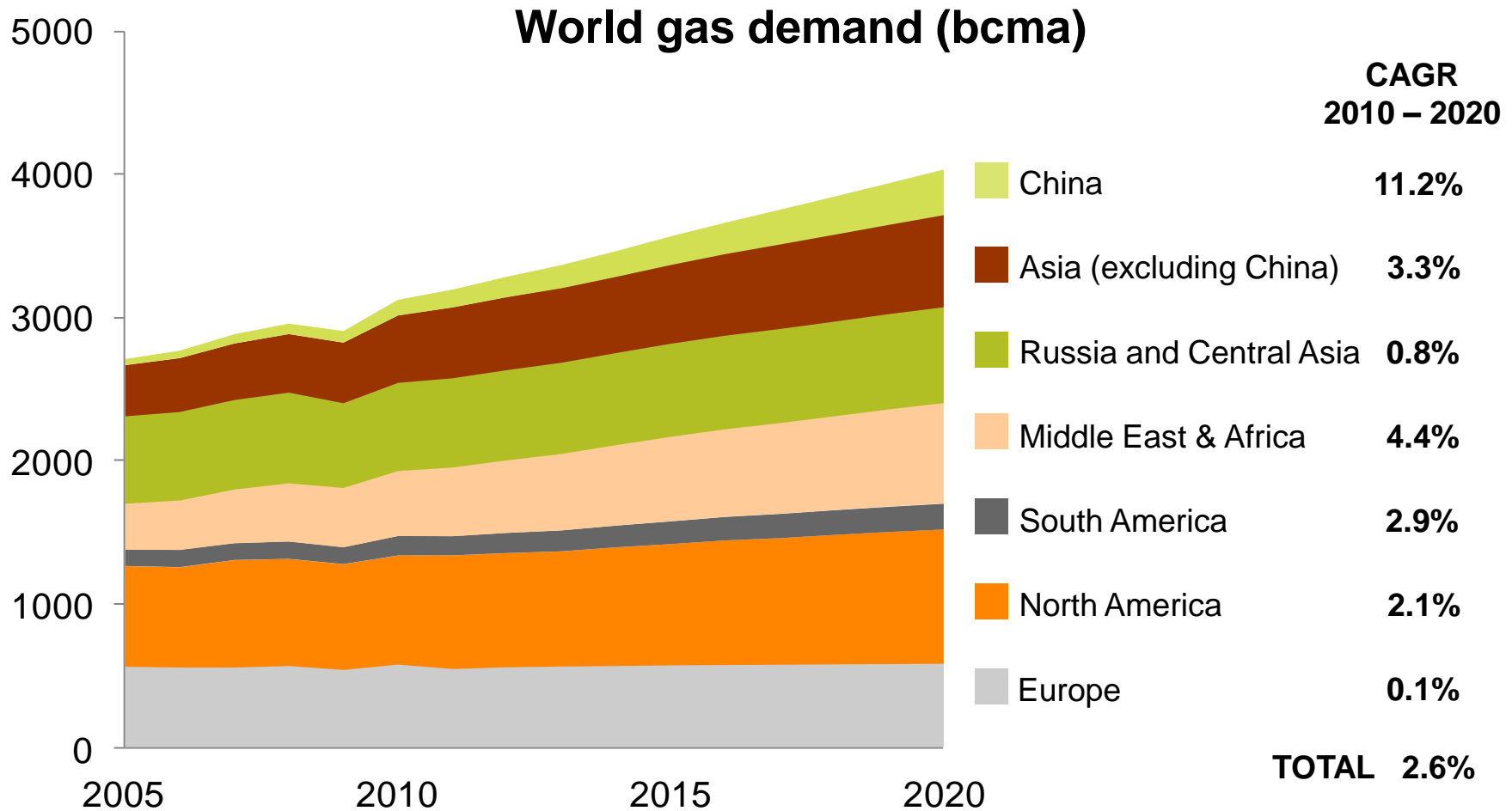
Emerging markets drive global growth outlook

Real annual GDP growth rate



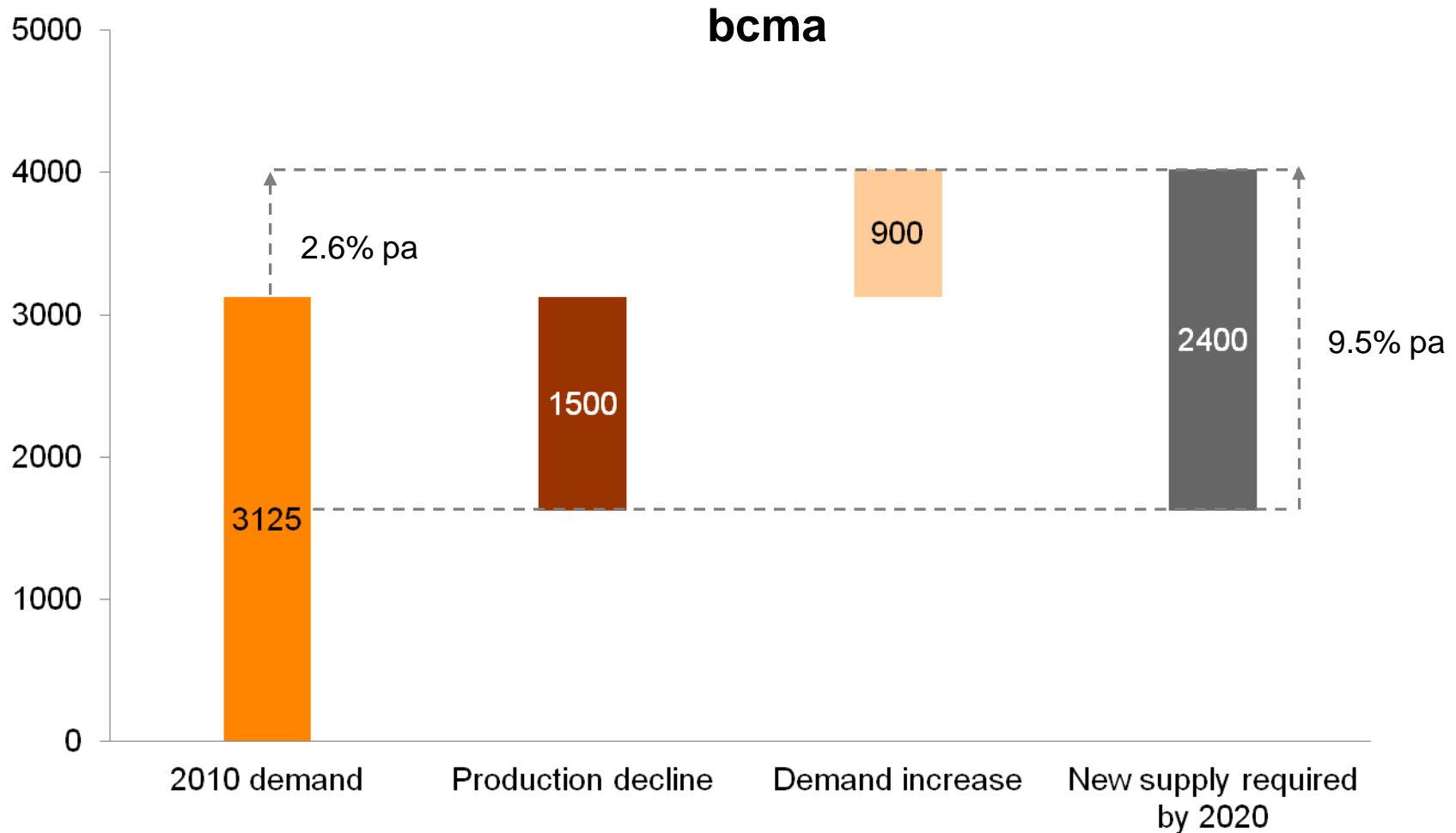
Sources: BG Group interpretation of Credit Suisse, Morgan Stanley, Deutsche Bank, JP Morgan Cazenove

Strong gas demand growth



Sources: IEA, BG Group

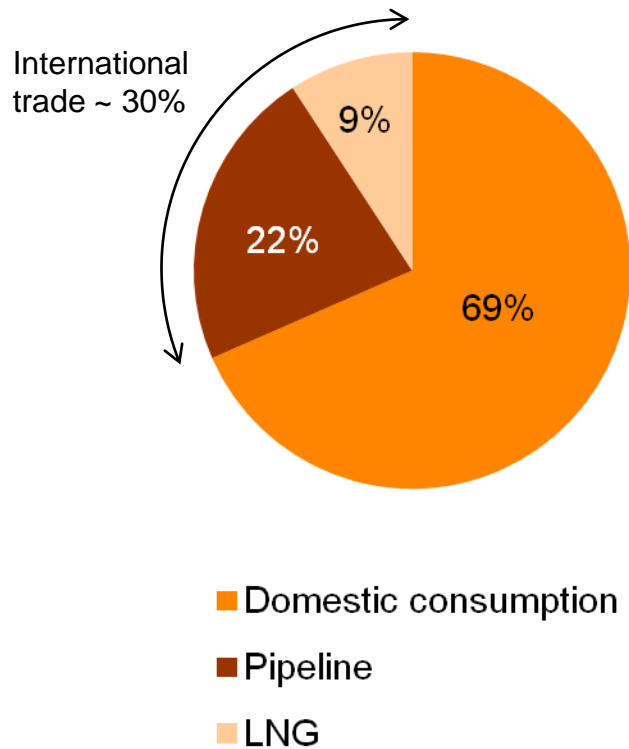
Global gas supply challenge (2010 – 2020)



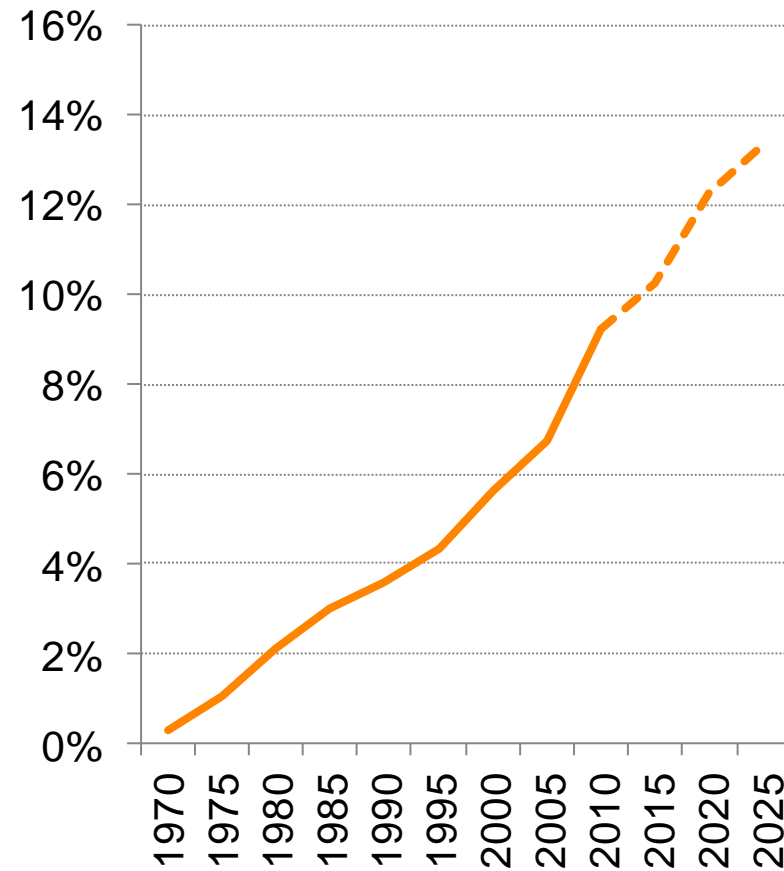
Sources: BG Group, BG Group interpretation of Wood Mackenzie

LNG's share of global gas

2010 global gas consumption

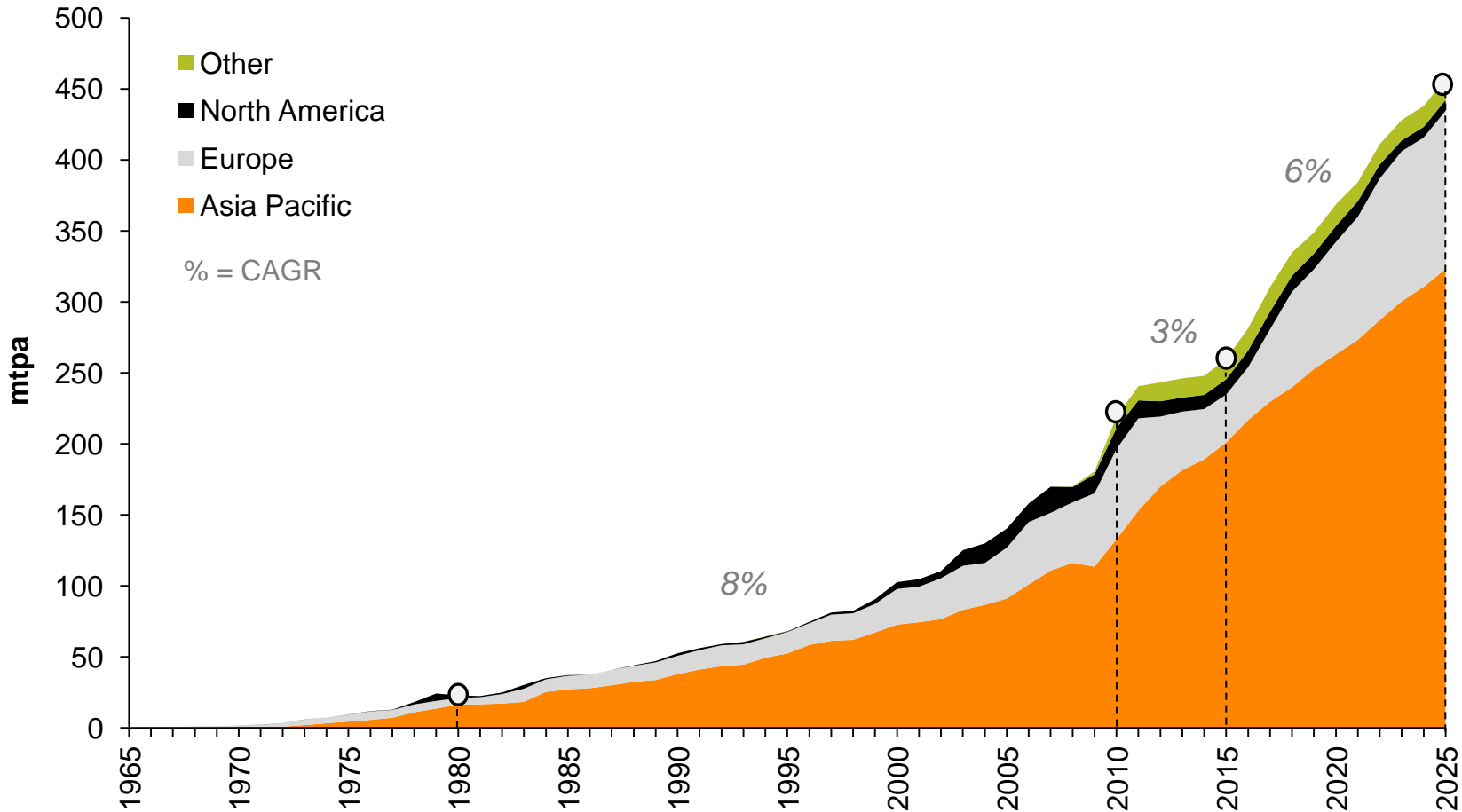


LNG as share of global gas



Source: Actual – CEDIGAZ (2011) , Outlook – Wood Mackenzie (2011)

LNG trade growth – by importing region

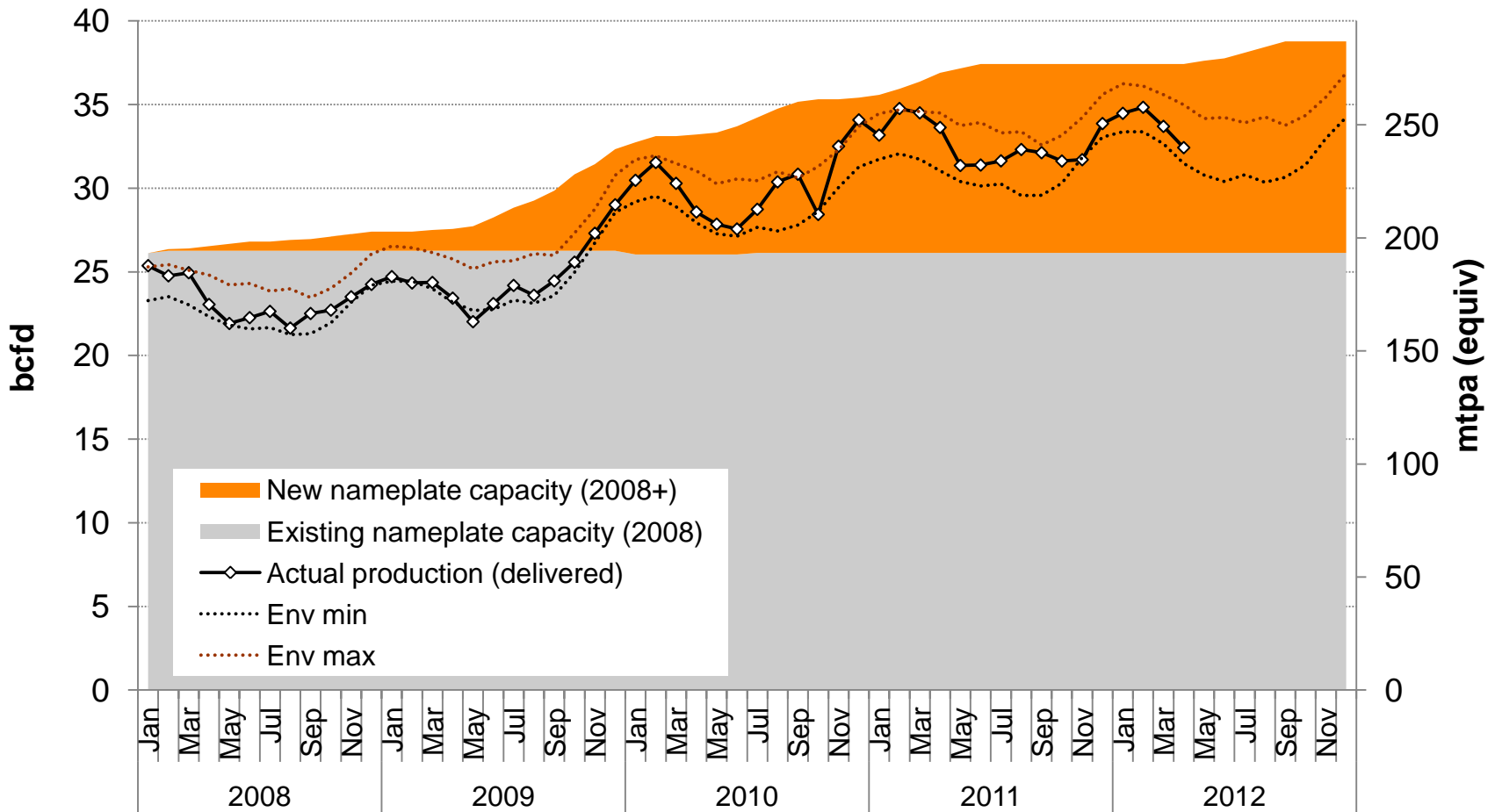


Source: CEDIGAZ World Outlook (1965 – 1999) and Wood Mackenzie (2000 – 2025) (May 2012) demand outlook

Recent LNG trade evolution

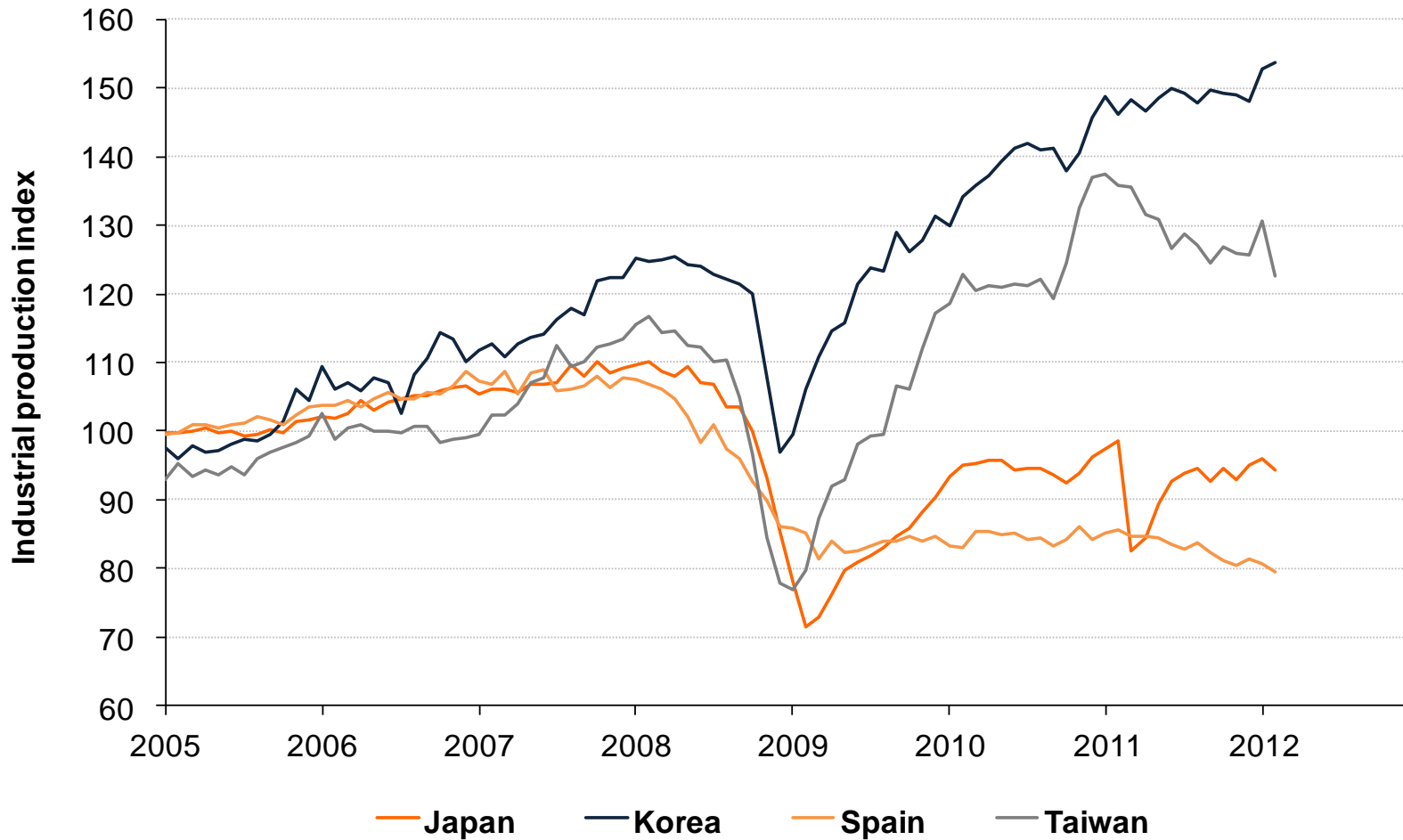


LNG supply by month: 2008 – 2012



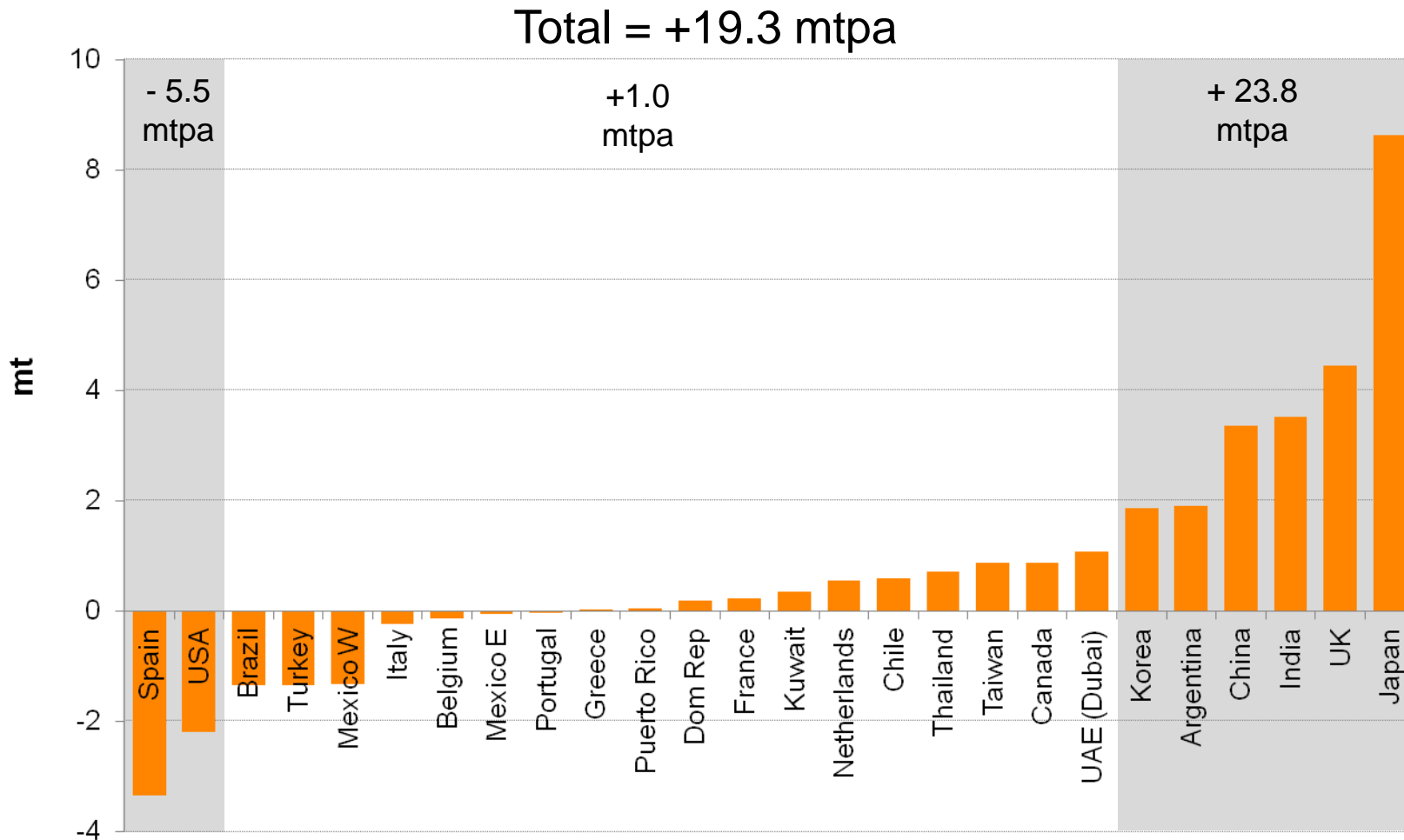
Source: Waterborne Energy

Industrial production by country: 2005+



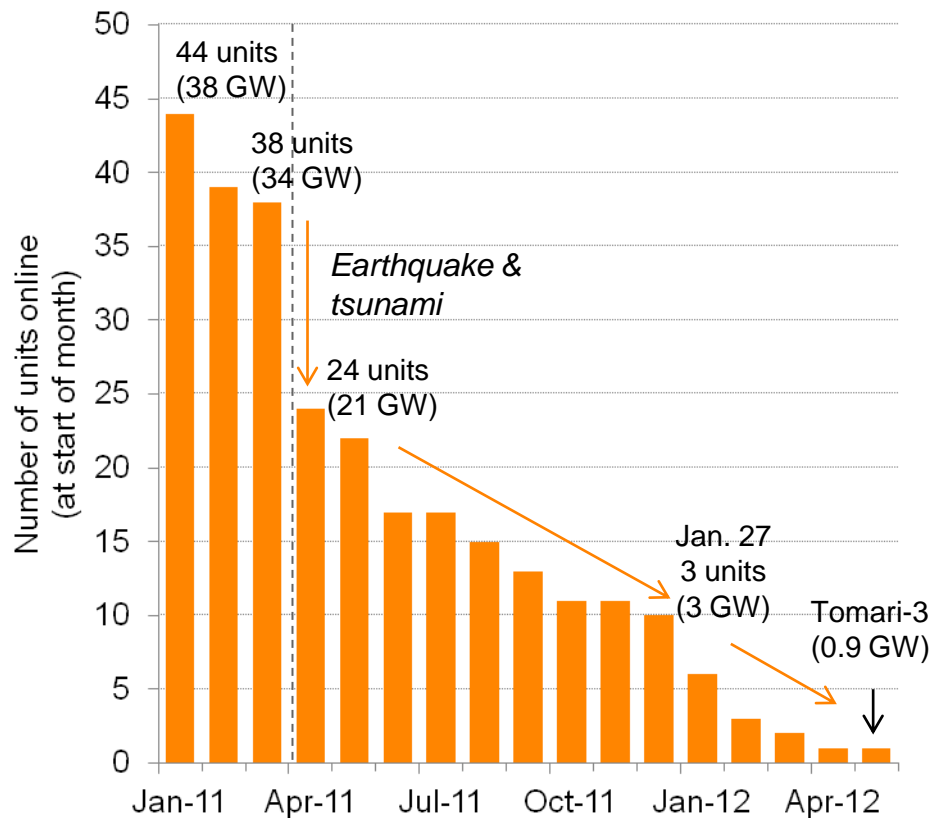
Source: CEIC (2012)

LNG markets: 2011 YoY



Source: Waterborne Energy (2012)

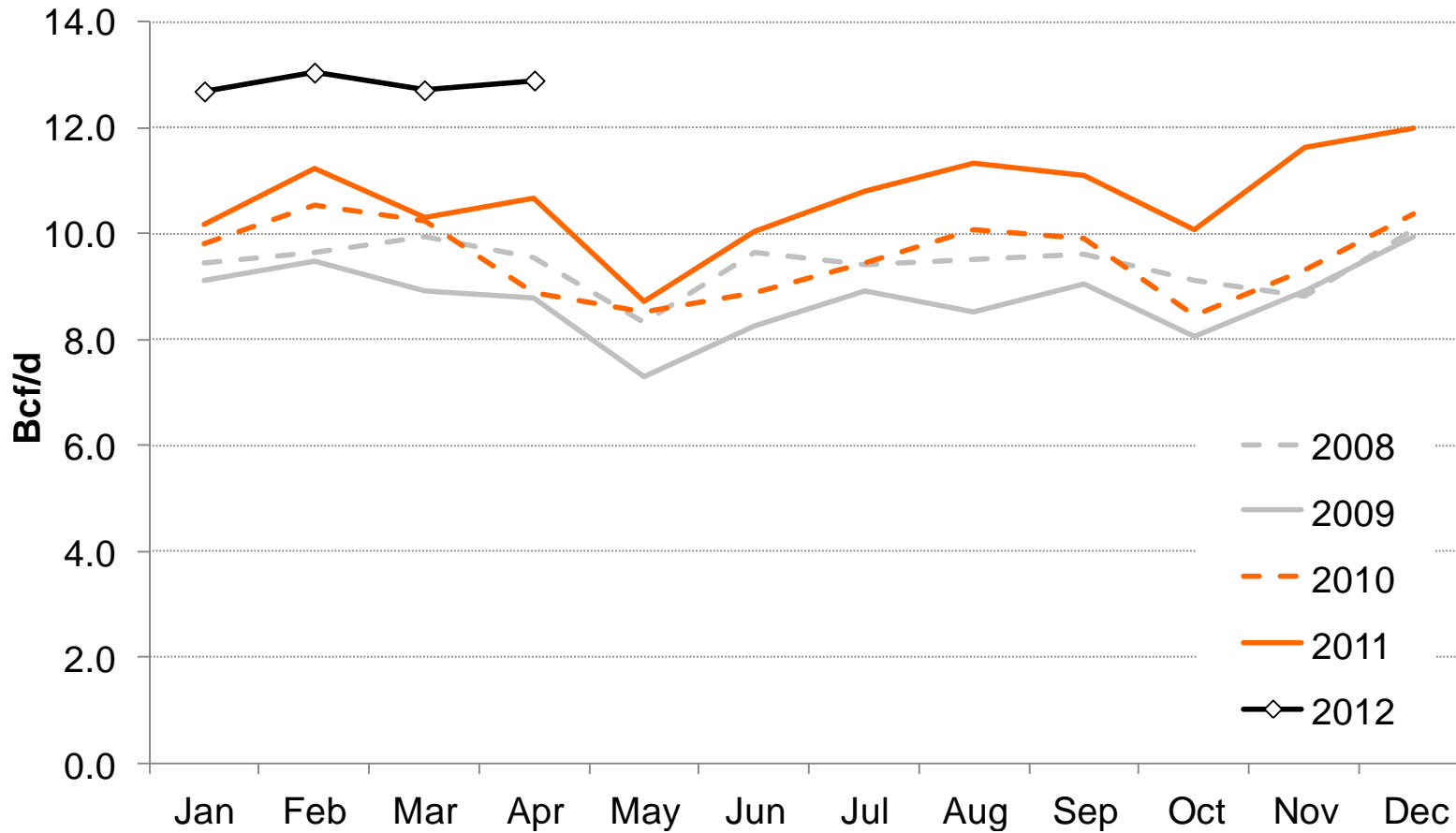
Japan – nuclear capacity 2011



- 55 units (47 GW) total capacity
- 38 units (34 GW) operating prior to earthquake
- 11 units (12 GW) shut down by earthquake
- All units are now offline – Tomari-3 went down May 5
- Current opinion is nuclear free summer likely – at most 2-3 units on by end of year
- Future nuclear policy?

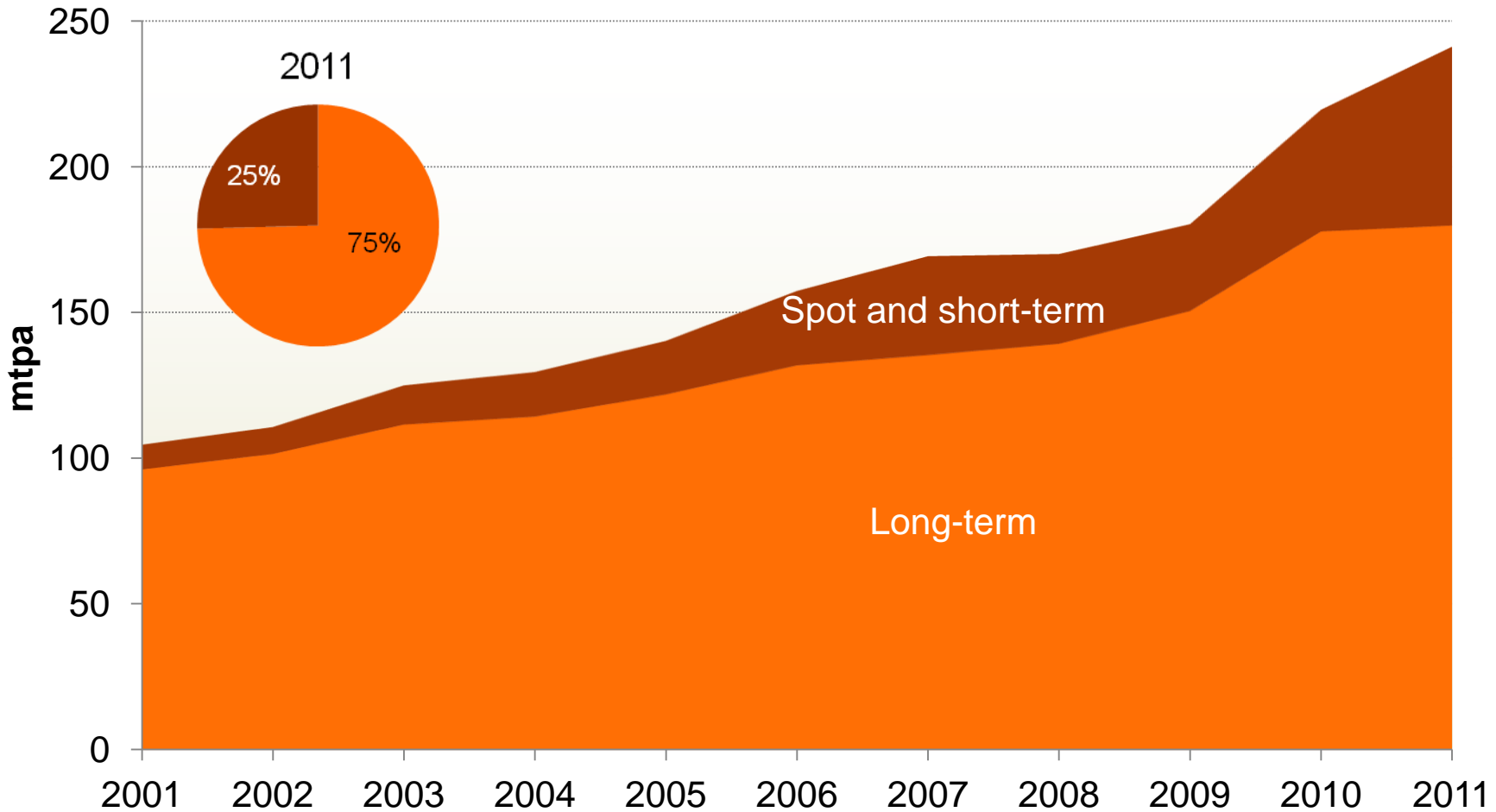
Source: JAIF (2012)

LNG imports – Japan



Data = Waterborne Energy (2012)

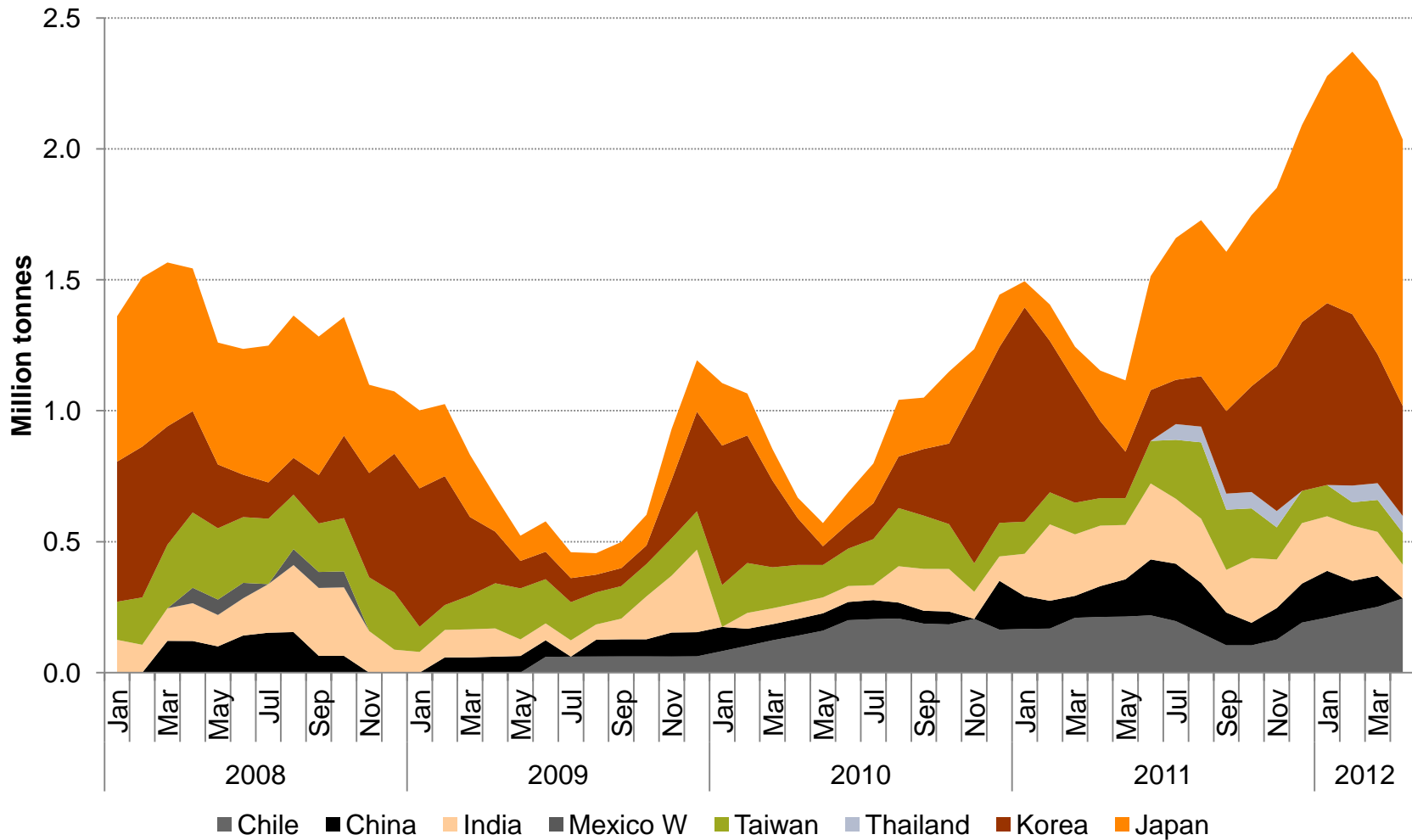
Short vs. long-term LNG contracts: 2001 to 2011



Source: GIIGNL annual LNG industry reports

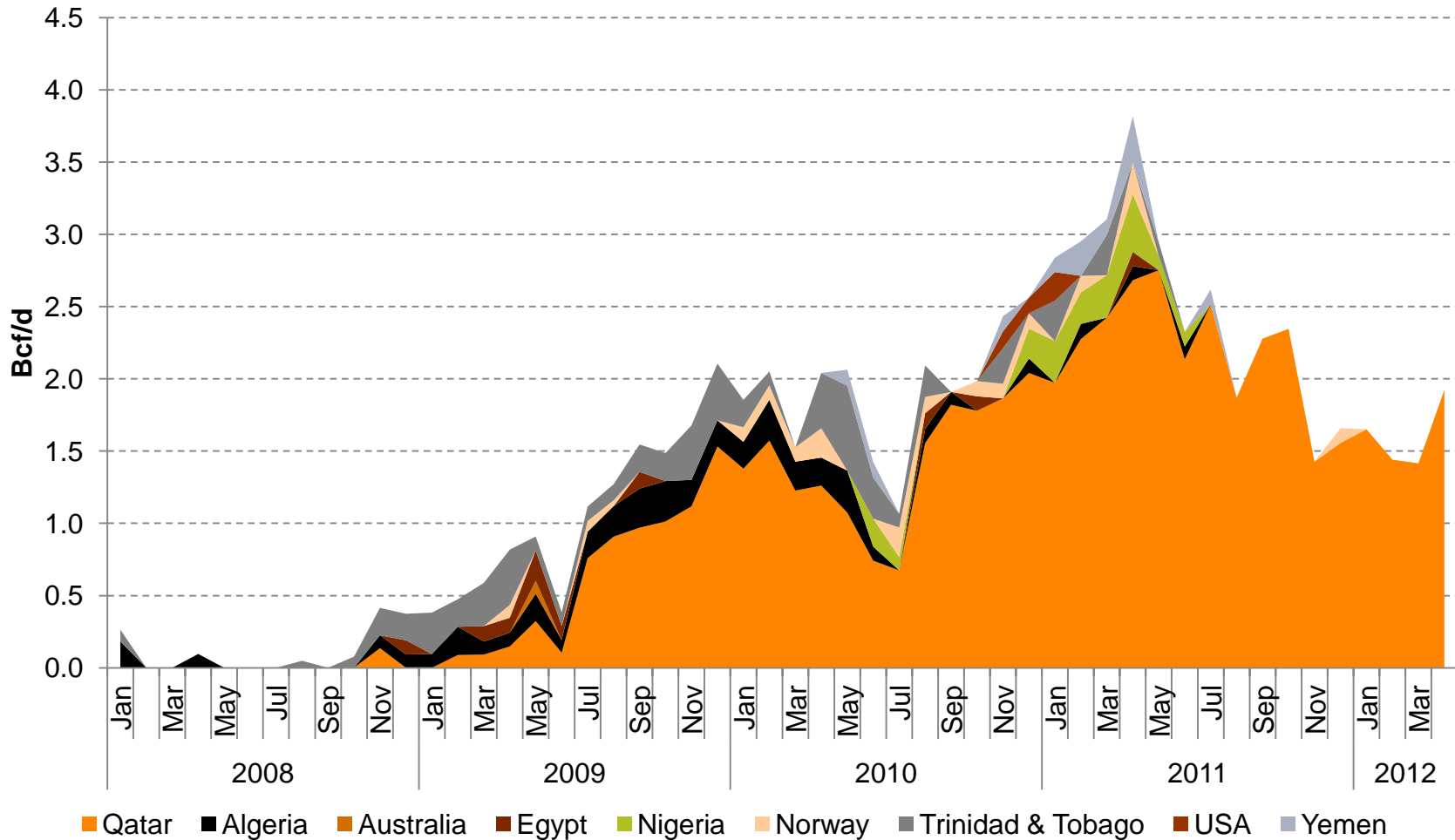
Short-term = 4 years or less

Atlantic Basin to Pacific Basin LNG flows



Source: Waterborne Energy (2012), 3 month moving average

UK LNG imports by supply country



Source: Waterborne Energy (2012)



25th world gas conference
"Gas: Sustaining Future Global Growth"

Future of Global Gas Pricing

By: Elizabeth Spomer, SVP Business Development,

BG Group

Date: 5th June 2012

Venue: Kuala Lumpur



Patron



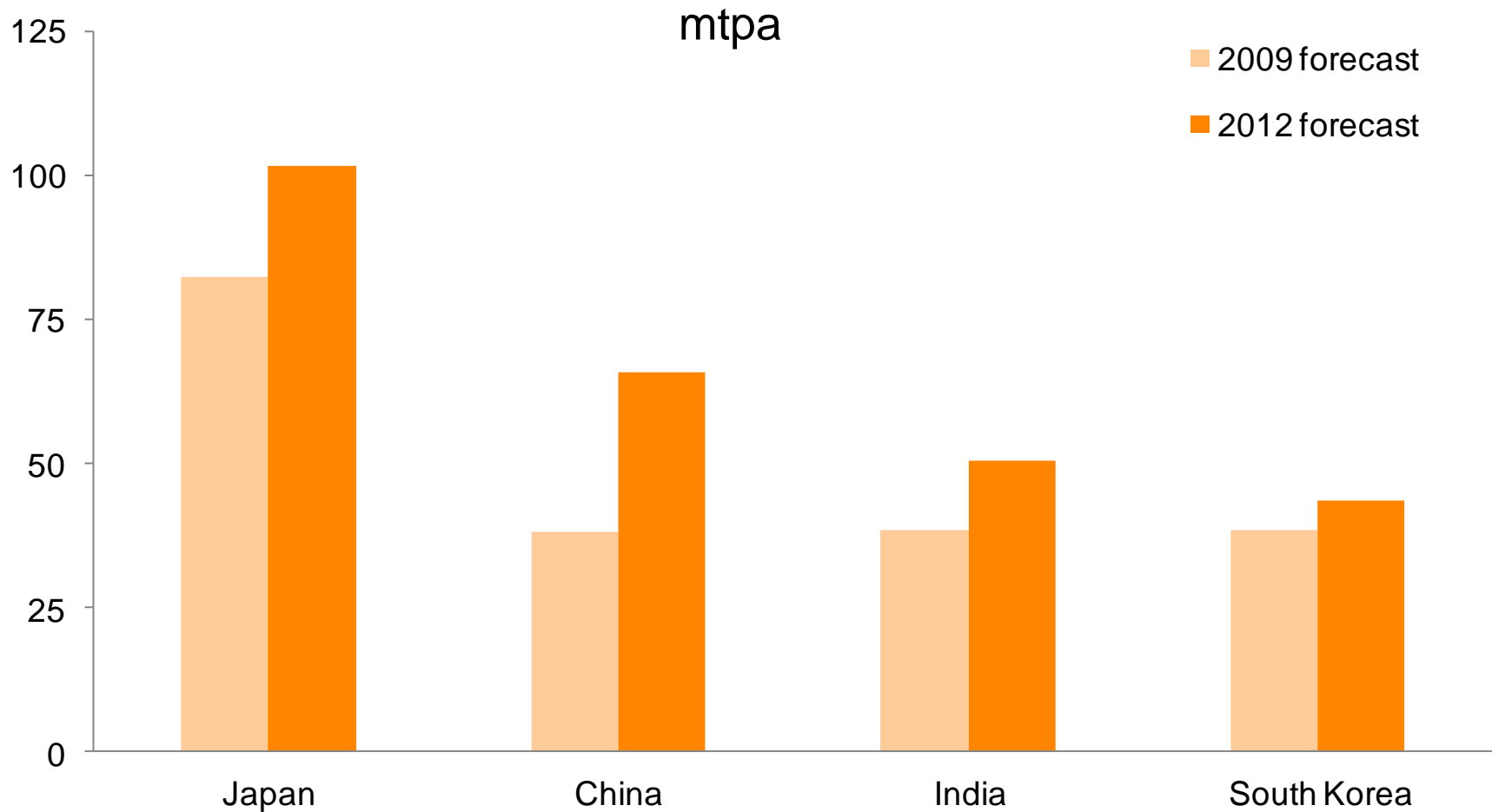
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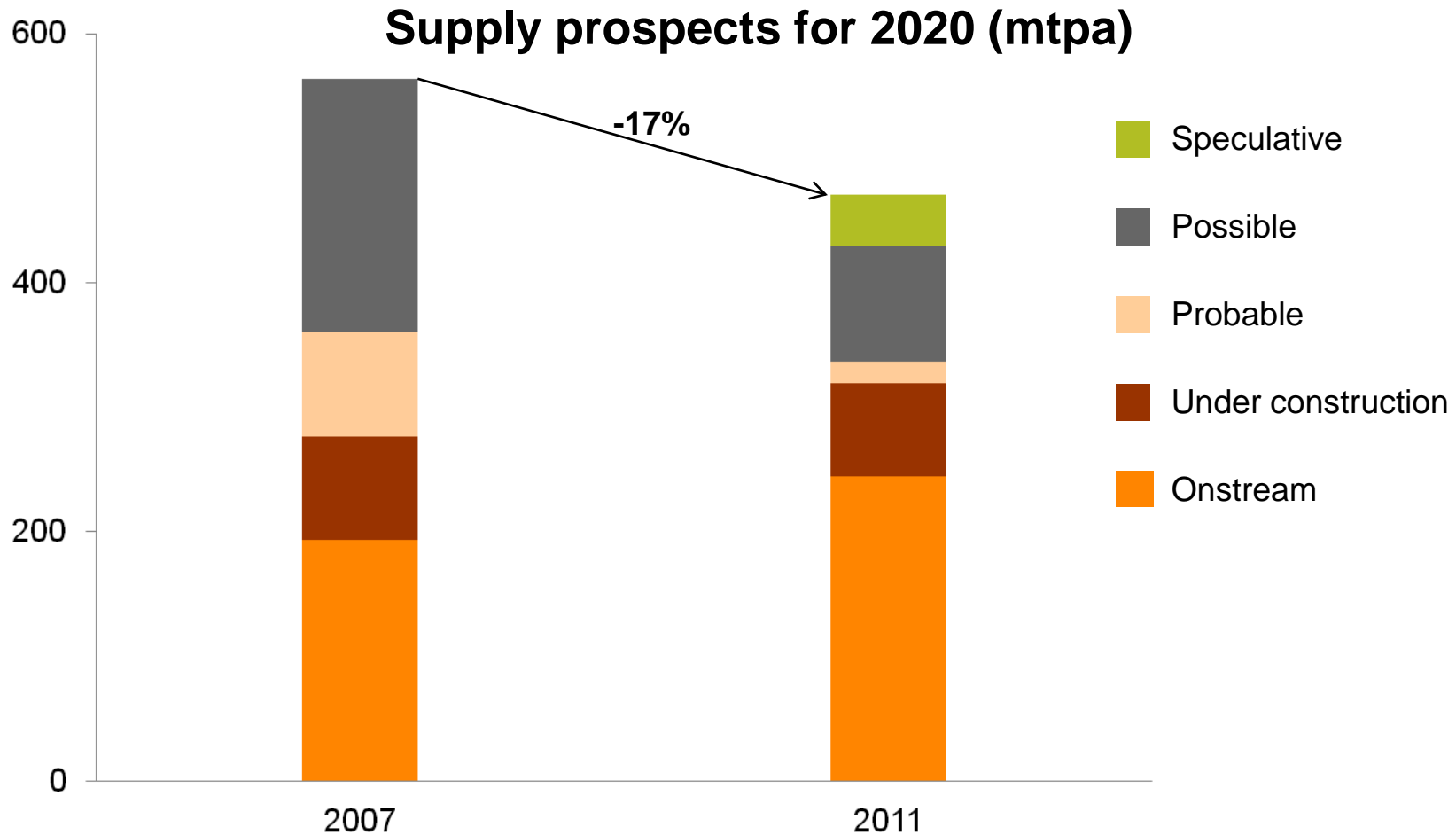


Growing LNG demand in 2025



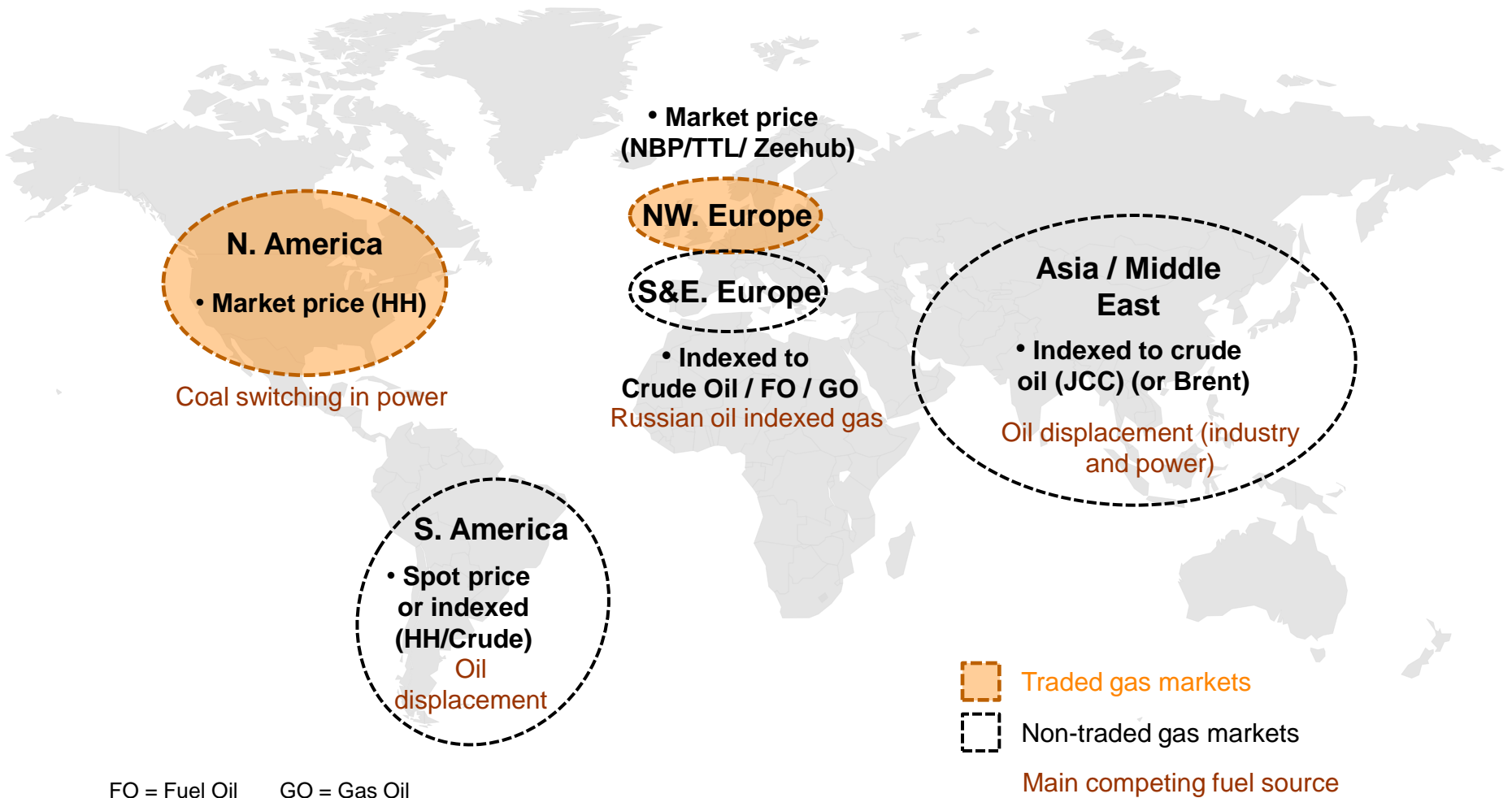
Source: BG Group interpretation of Wood Mackenzie data:(2009 and 2012 forecasts)

Long-term supply challenges

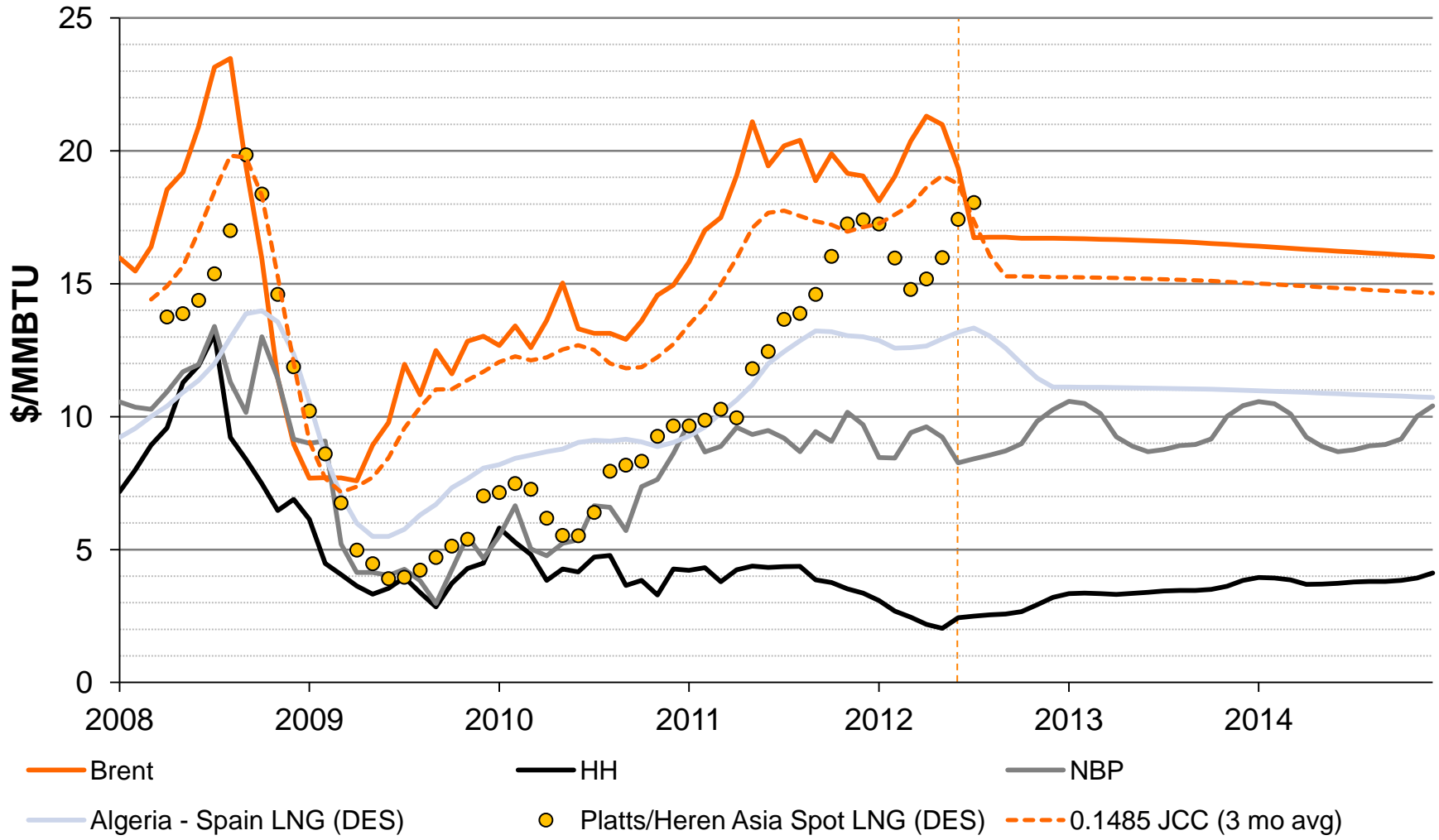


Source: Wood Mackenzie – LNG Service and Tool

Gas pricing mechanisms by region



LNG and gas prices



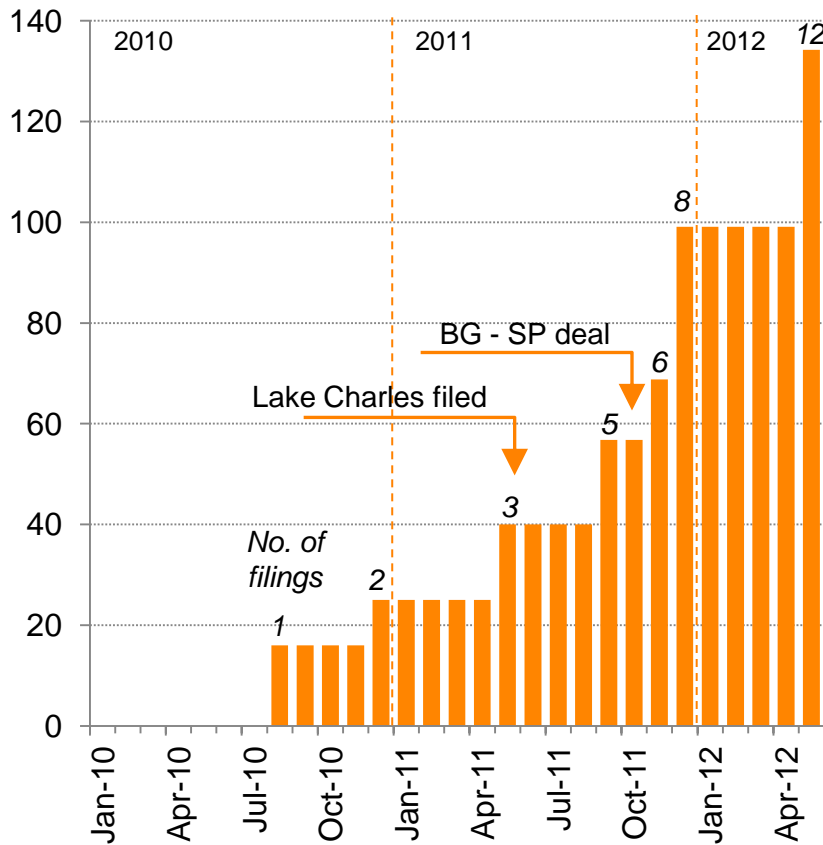
Sources: Platts, Heren, Petroleum Association of Japan, Bloomberg, NYMEX, BG Group (2012)

As of 14 June 2012

Rapidly changing supply perspective

US LNG exports

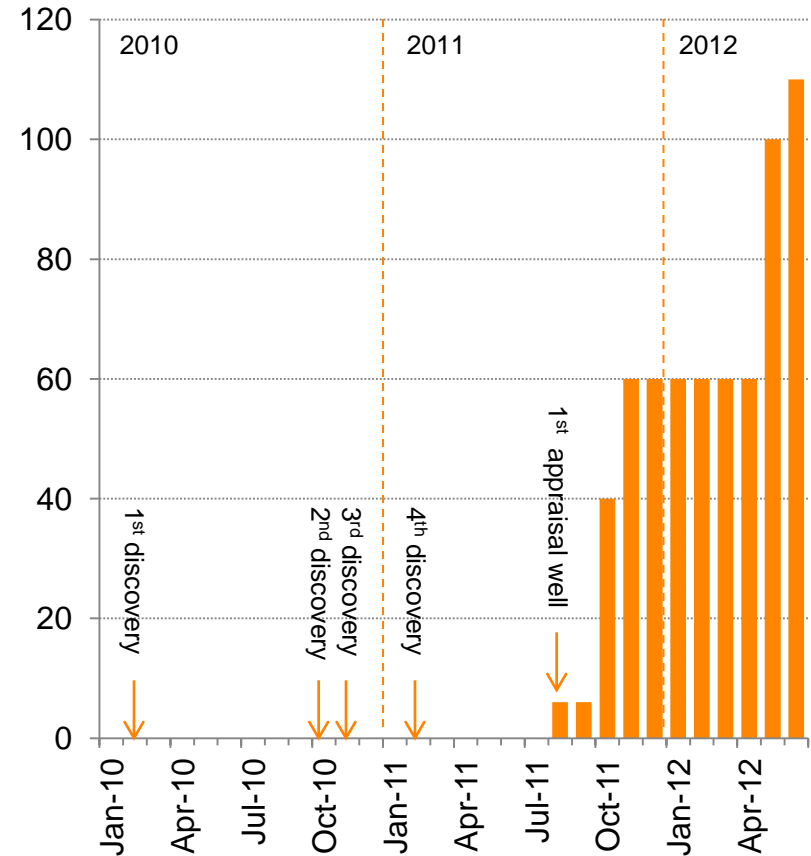
Cumulative DOE filings (mtpa)



Source: DOE, Press / ENI + Anadarko websites (2012)

Mozambique

Reserves announced * (Tcf)



* Recoverable – Anadarko, Reserves in place - ENI

What could delay or constrain US exports?

US government regulation	<ul style="list-style-type: none"> • Desire for energy independence • Impact on gas prices & jobs • Public concerns over hydraulic fracturing • Shale sustainability unproven • Petrochemicals lobby
Public sentiment	<ul style="list-style-type: none"> • ‘Cheap’ gas to controversial trading partners • NIMBY-ism (West Coast) • Sierra Club – Cove Point agreement
Legal intervention	<ul style="list-style-type: none"> • Revocation of non-FTA licenses • Stakeholder capability
Ability to deliver	<ul style="list-style-type: none"> • EPC contractor capacity • Financing

Future of global gas pricing – conclusions

- Fully traded global gas market unlikely
 - Regional pricing differentials will persist
- No trusted price marker in Asia
 - HH / NBP result of de-regulation
- LNG trade remains highly capital intensive
 - Significant barrier to entry
- Long term contracts >80% of trade

Thank you

