



So, how has it been for LNG recently?

Presentation to Ofgem Winter to date Seminar

James Ball and John Baldwin

Gas Strategies Consulting

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Gas Strategies Consulting
A Division of Gas Strategies Group Ltd
35 New Bridge Street
London EC4V 6BW

Tel: +44 (0)20 7332 9950
Fax: +44 (0)20 7332 9941
E-mail: consult@gas-strategies.com
<http://www.gas-strategies.com>



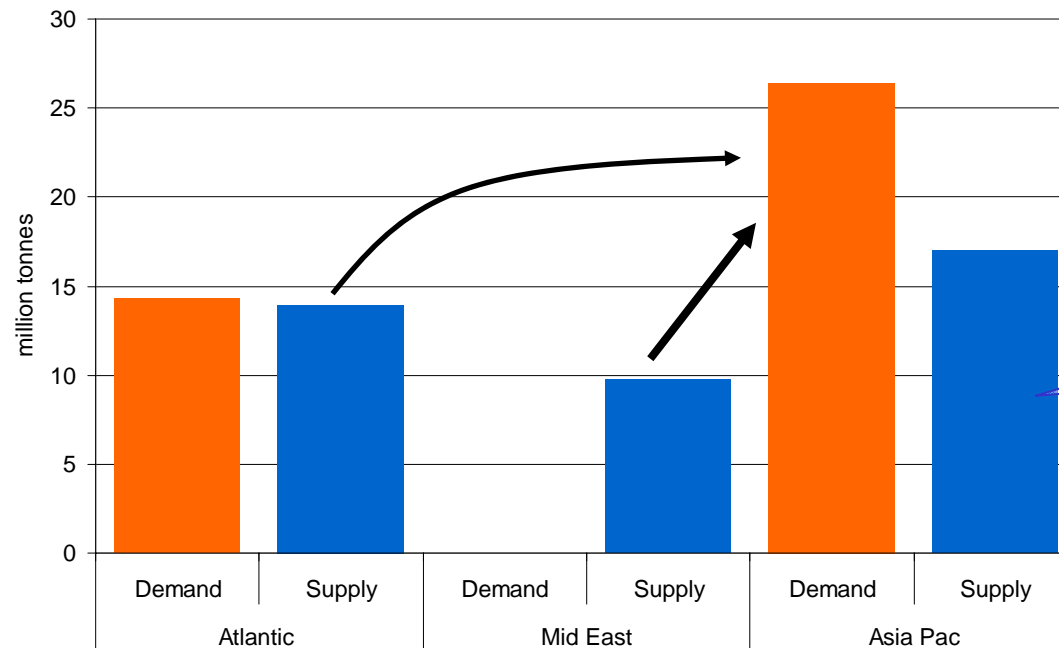
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In Q1 2006, we saw Atlantic volumes lured East by Pacific price and the supply/demand gap

Global LNG supply and demand broken down for the three key regional areas Atlantic. Middle East and Asia-Pacific. Q1 2006

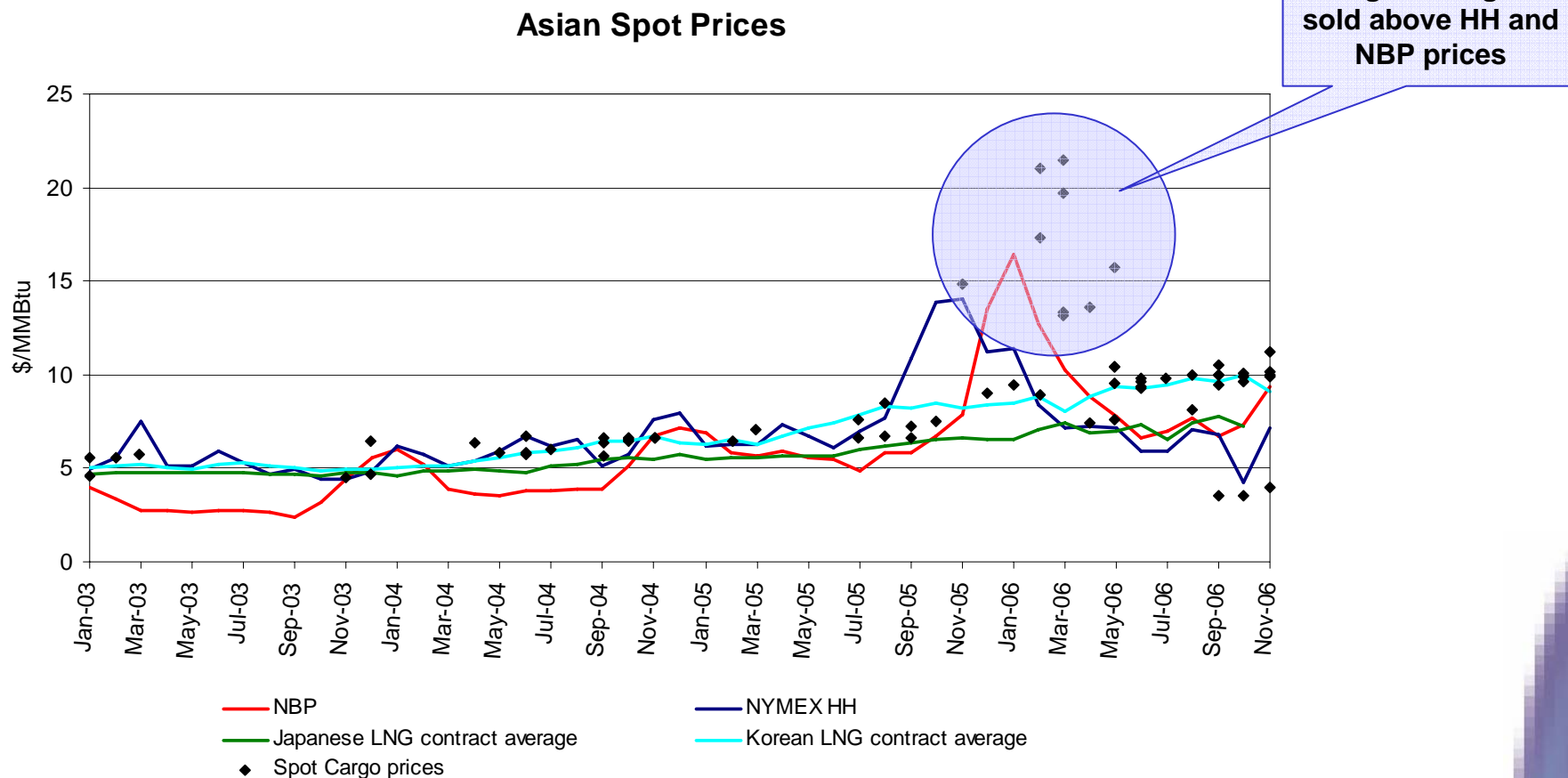


Asian Pacific demand is up, but supply is down as a result of Indonesian problems

- Atlantic demand reduced virtually to what supply is available in that region
- Almost all Middle East – and significant Atlantic basin volumes – go to Asia due to an unexpectedly cold winter period and serious shortfall in supply from Indonesia
- Asian buyers were forced to pay HH/NBP+ prices when those prices were at record highs



Insufficient LNG supply, constrained production, and a willingness to pay meant marginal cargoes flowed to Asia – above HH prices

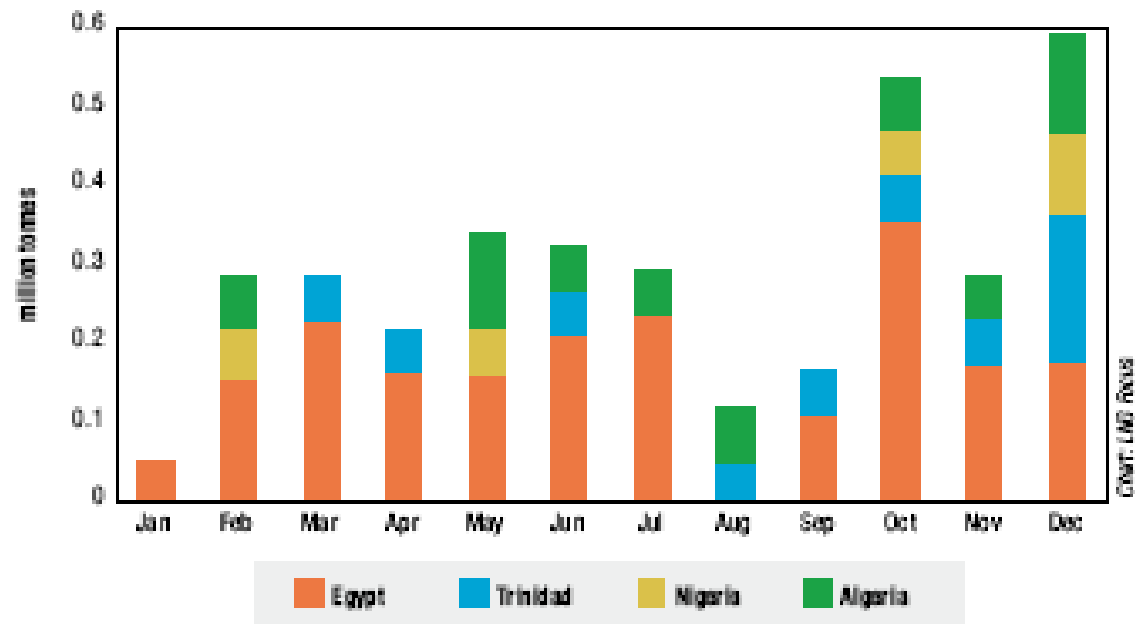




Through 2006, Atlantic cargoes continued to move to Asia

- Atlantic to Asia increased in Q4
- Middle East deliveries to Asia were slightly down in Q4 compared with Q1; but Middle East to Atlantic Basin was up slightly

Atlantic Cargoes into Asia Pacific 2006

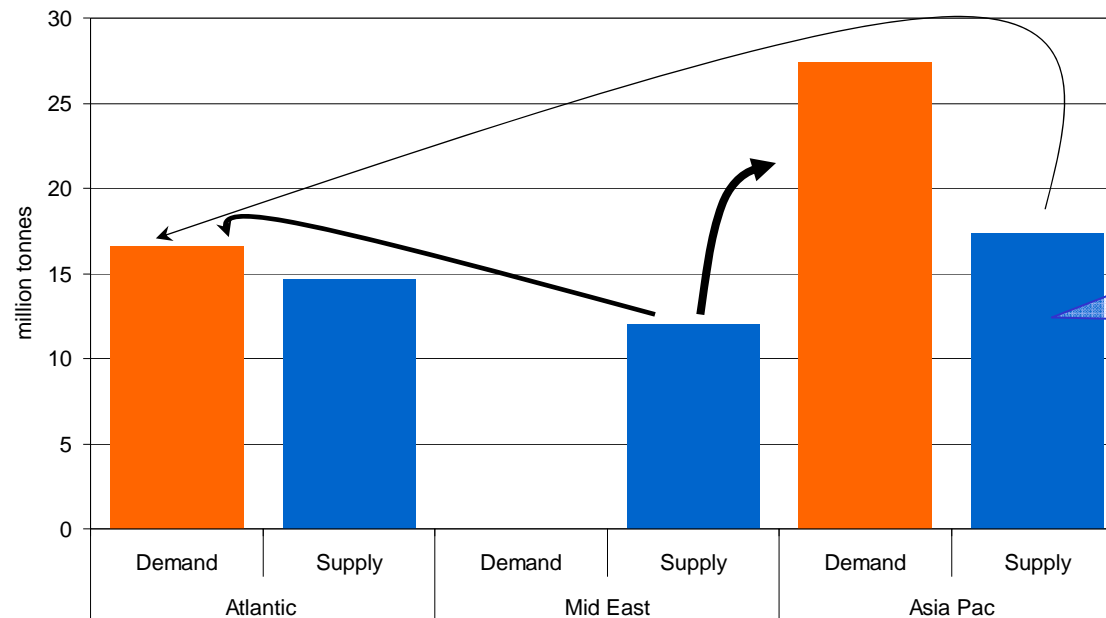


- Having reacted to the previous winter's shortages – and high prices – Asian buyers were able to forgo some Middle Eastern cargoes when the winter was warmer and Indonesia supplied more than expected



By Q4 2006, the conditions in Asia were OK – two cargoes even went to Europe from the Pacific

Global LNG supply and demand broken down for the three key regional areas Atlantic, Middle East and Asia-Pacific, Q4 2006

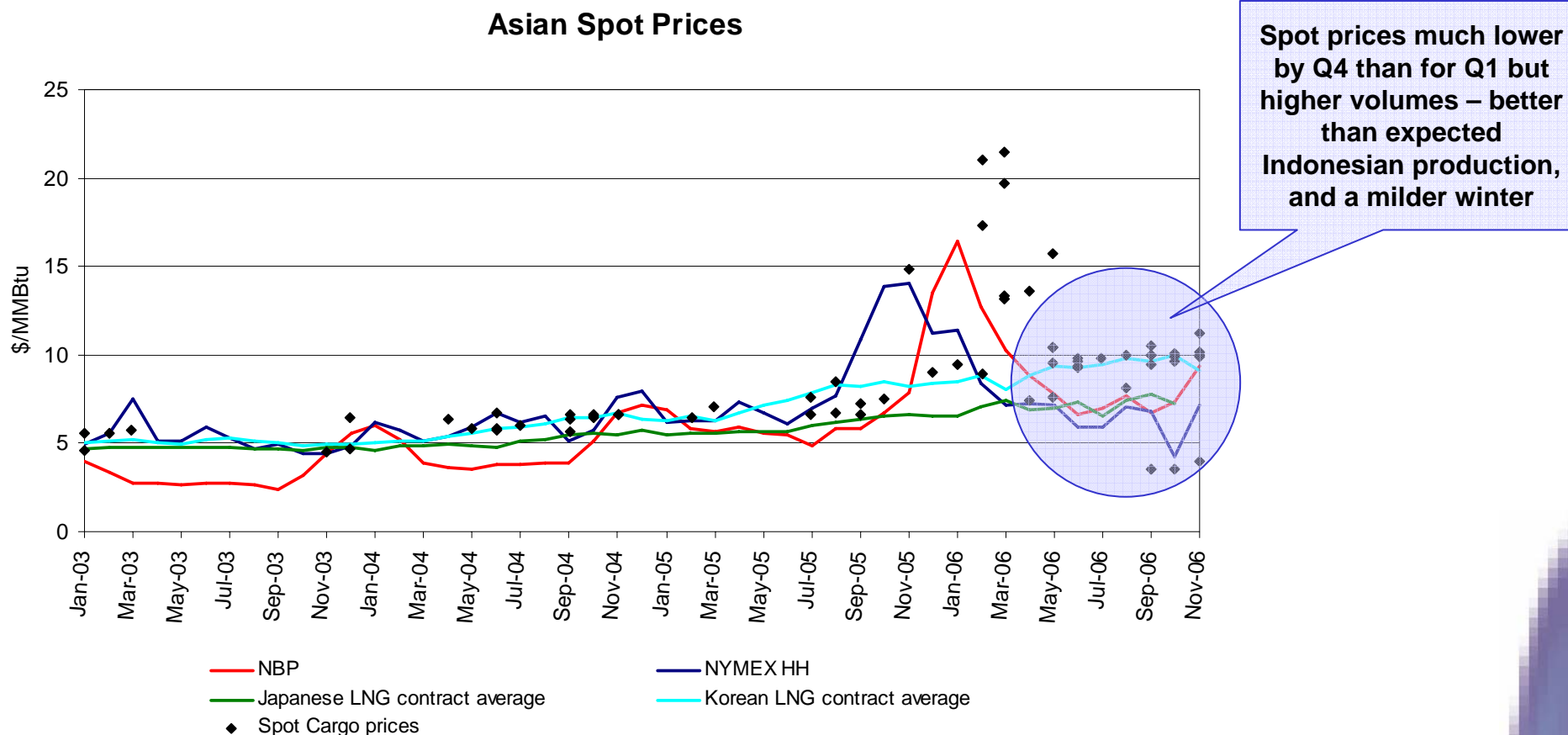


Better supply in Asia Pacific, lower demand than for Q1 and better preparations meant higher Atlantic Basin supply

- Although Asia continued to buy Atlantic cargoes, the prices paid were much lower and preparations had been made (by filling tanks in the summer)
- This meant substantially more Middle Eastern cargoes were able to flow to the Atlantic Basin than in Q1



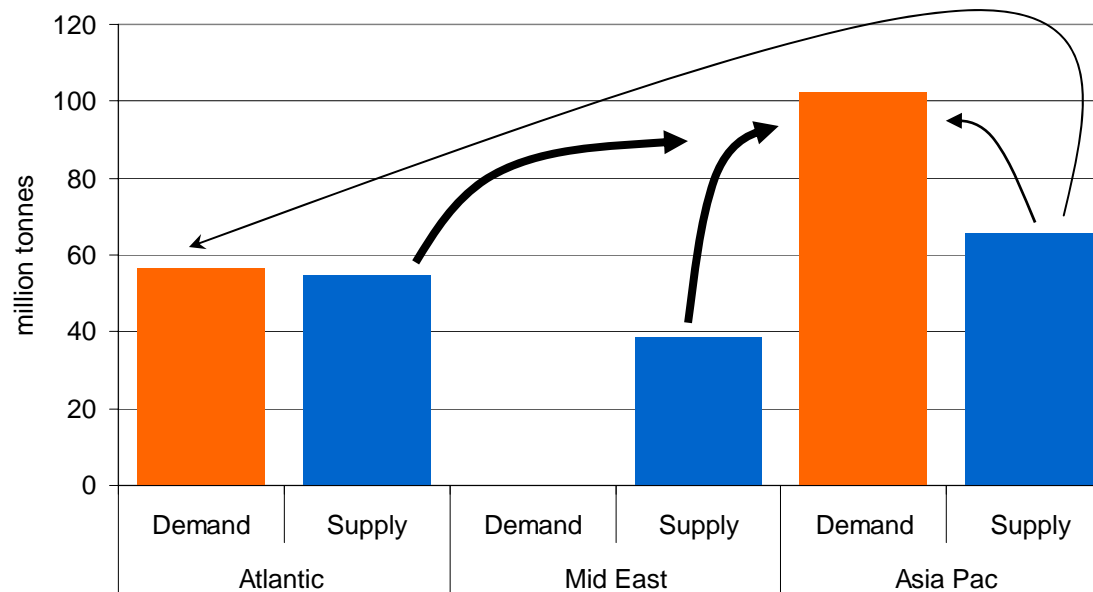
Asia bought more spot cargoes in Q4, but at lower prices and in a lower demand environment





In 2006, 5 million tonnes of LNG flowed through Suez from east to west, but 3 million tonnes flowed the other way!

Global LNG supply and demand broken down for the three key regional areas Atlantic, Middle East and Asia-Pacific, 2006



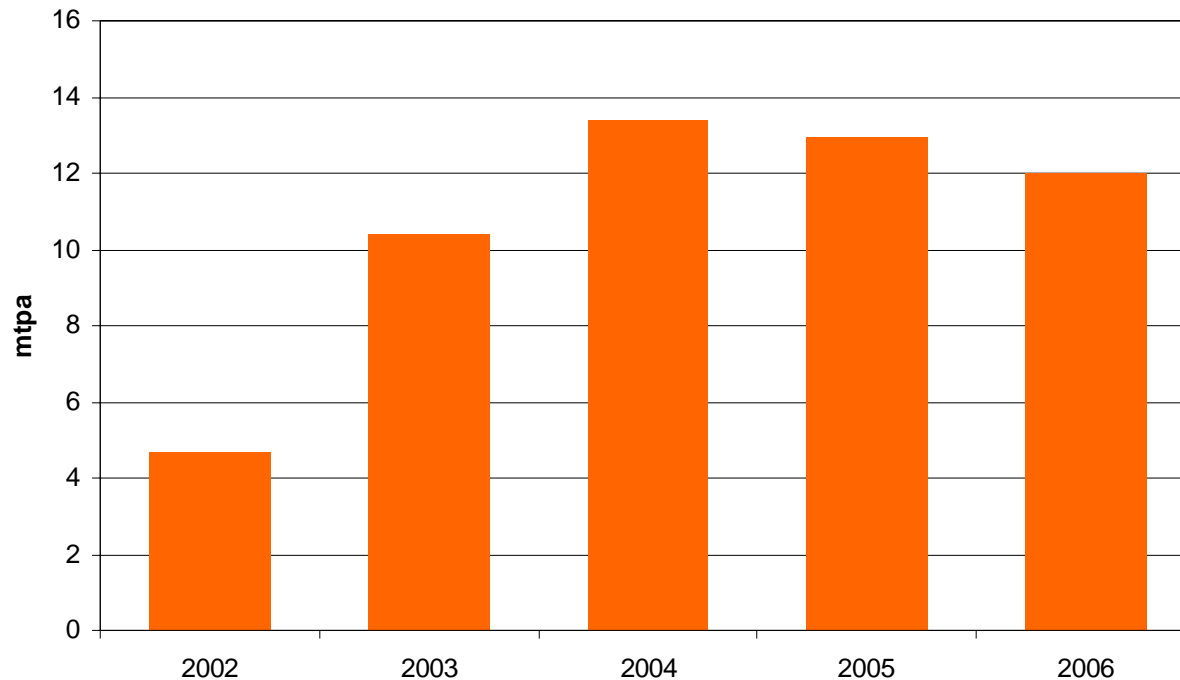
- Most Middle eastern LNG (33 mtpa out of 38 mtpa) went to Asia
- Inefficiencies still prevalent in LNG as cargoes rather than paper swaps crossed in the Suez canal
- Asian buyers still took LNG from Atlantic Basin in Q4 – having ordered earlier when they were worried about a repeat of Q1



The biggest loser has been the US – with LNG imports declining over the last few years

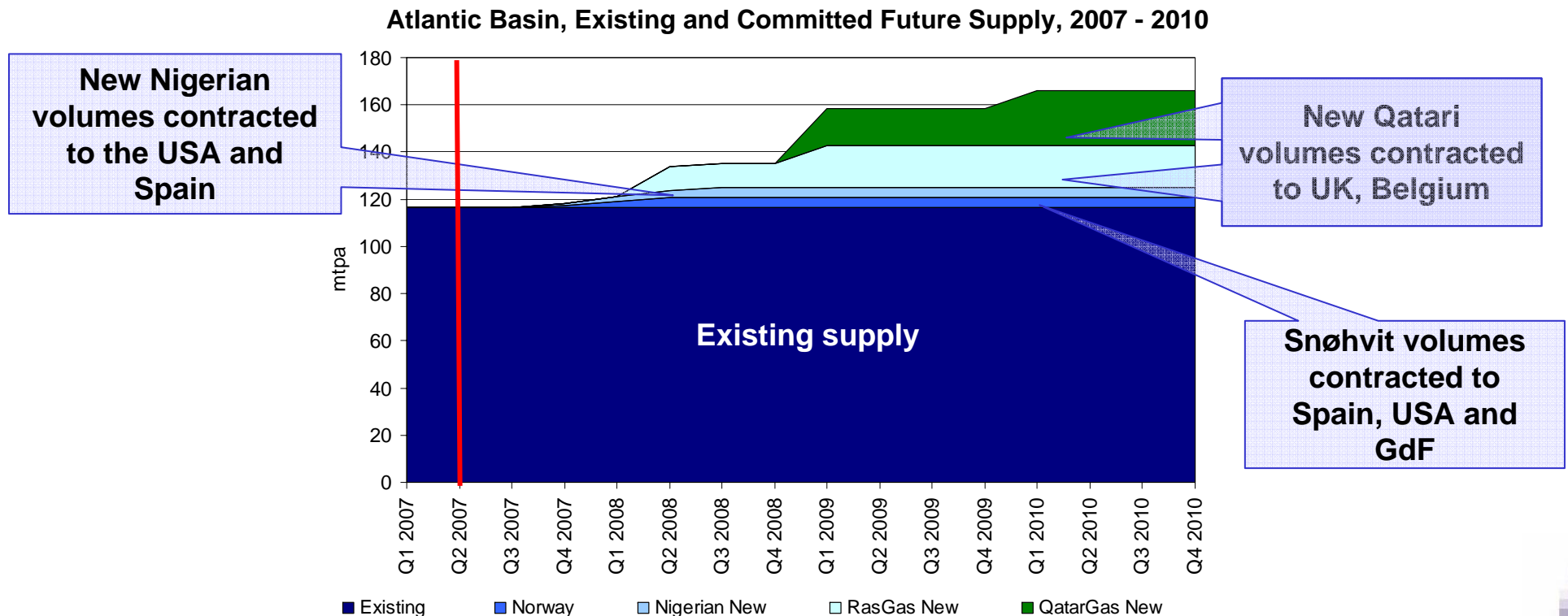
- Despite high prices in US
- LNG flow didn't increase....Why?

LNG Imports into the USA





But, things could be about to change . . .

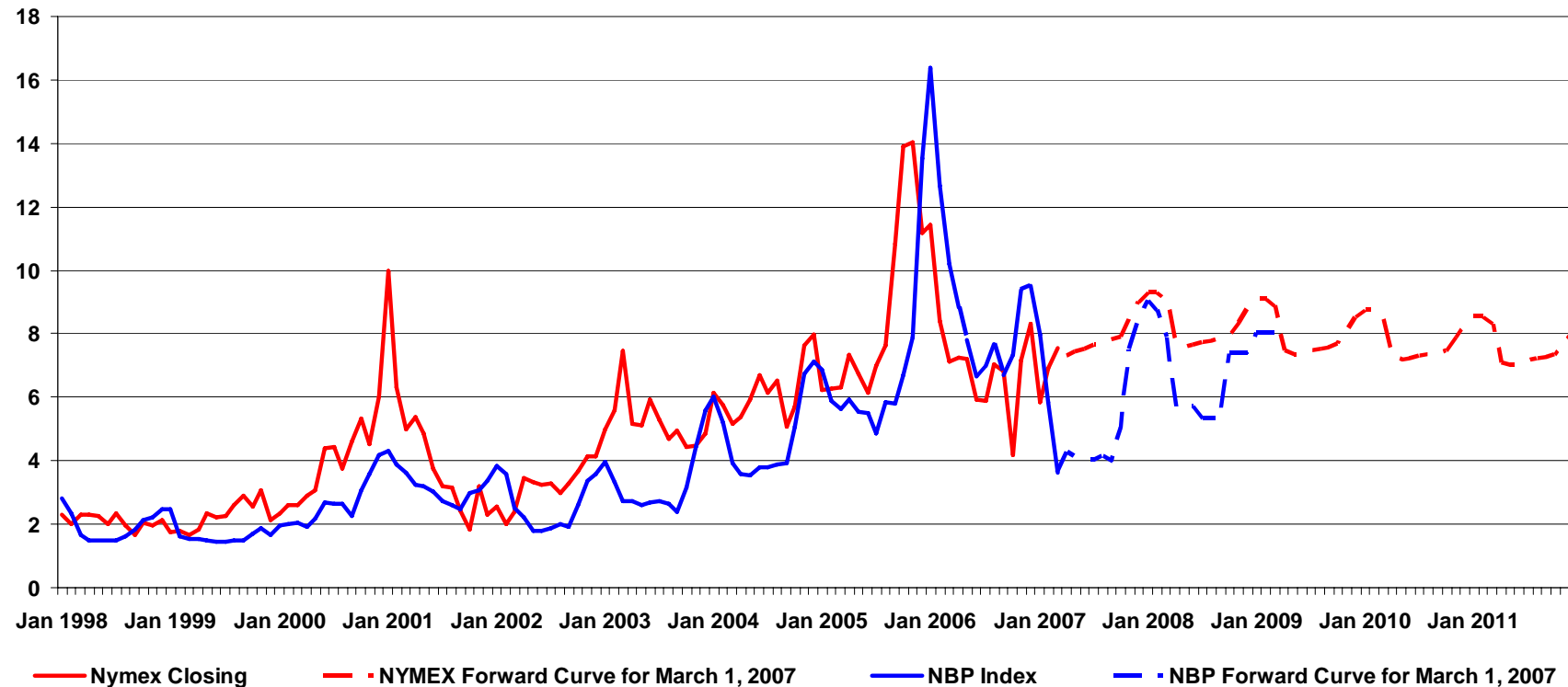


- From the middle of this year until 2010 there will be an increase of 25% in LNG export capacity to supply the Atlantic Basin.
- With Asian demand likely to be satisfied before this, extra volumes from Qatar and Nigeria may depress prices – at least in the short-term



Will this bring the birth of “true” arbitrage? – Forward Curves HH and NBP say so

Forward Price – NYMEX vs. NBP (Futures as of 1st March 07)

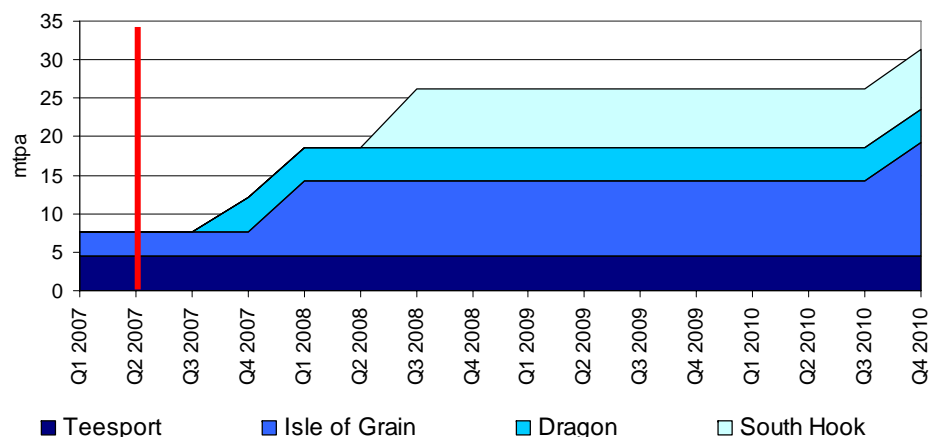


- Trade flow will be determined by the relative pricing levels in these two liquid markets
- There is strong reason for all LNG cargoes which are contractually able to head to North America



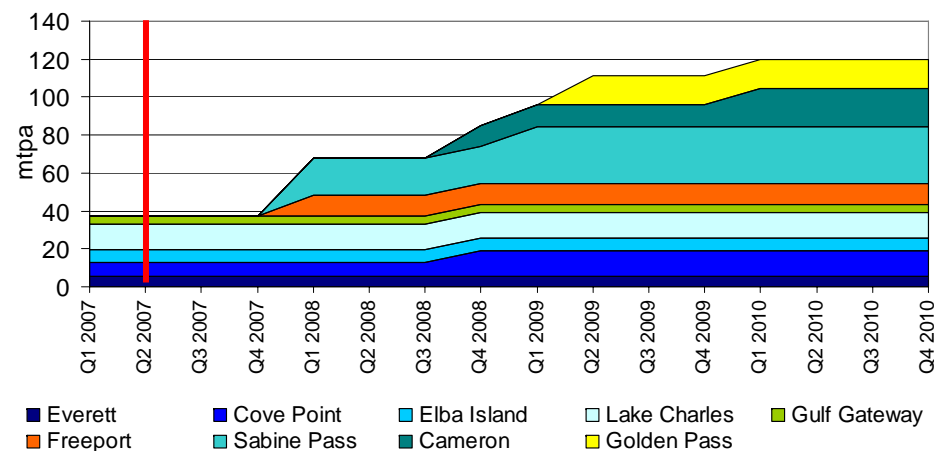
UK and US import capacity is abundant

UK Import Capacity 2007 – 2010



- Plenty of import capacity will be available in the UK and USA over the next few years
- Excelerate and others have strategically placed a terminal or booked capacity in each of these markets to take advantage of price fluctuations and spot trades

US Import Capacity 2007 – 2010





But...supply may slip behind again

- **The rush of supply to the Atlantic Basin (both from the region and Middle East) will not last**
- **No FID was taken – worldwide – in 2006**
- **Delays in FIDs could lead to a gap in projects coming onstream in the 2010-12 period**
- **A cycle of famine and plenty?**



A more flexible future?

- **As more LNG moves flexibly across the Atlantic, new business patterns will emerge**
- **The rest of world will slowly follow suit, and more LNG will move out of the base contract markets, although a significant number of buyers cannot – and will not – accept diversions**
- **Just one of the many examples is Excelerate Energy with its relatively low-cost access points into which regas ships deliver in response to price signals**
- **Atlantic supply will open for a few years before tightening again with new supply delays**
- **Purely nationally focused Regulators will struggle to adapt**



Teesside GasPort an Update: Commissioned February 20, 2007





Excelerate Energy's Regasification Solutions Portfolio

Gulf Gateway deepwater port

- Commissioned March 2005
- 500 MMcf/d baseload
- 690 MMcf/d peak



■ Northeast Gateway deepwater port

- In-service December 2007
- 400 MMcf/d baseload
- 600+ MMcf/d peak

Teesside GasPort™

- In-service February 2007
- 400 MMcf/d baseload
- 600 MMcf/d peak





consult@gas-strategies.com