



Natural gas market fundamentals exceeded expectations in 2017

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CEDIGAZ, the International Association for Natural Gas, has just released its « First Estimates 2017». Global gas market fundamentals have trended upward in 2017. Global natural gas consumption rose by 3.3% to reach a new peak of 3640 bcm in 2017, according to CEDIGAZ First Estimates. Both macroeconomic and policy factors contributed to this bullish trend. Considering the average growth of 1.5%/year of the five previous years, the 2017 performance looks impressive.

The biggest story of the gas markets in 2017 was the huge growth in Chinese demand (+ 15%; + 30 bcm). This achievement mainly resulted from the ongoing intensification of environmental policy, enhancing coal-to-gas switching. The Middle East and Africa both also posted strong increases, at 4.8% and 6.7% respectively, aided by improving infrastructure, incremental CCGT generating capacity and availability of gas. In Europe (Turkey included), natural gas consumption was up 4.8%, helped by both the competitiveness of gas relative to coal and the weakness in nuclear and hydro energy. In the CIS, natural gas consumption returned to growth in Russia, driven by heating and the resumption of industrial activity.

On the supply side, natural gas production grew robustly, at an annual average rate of 3.7%, well above the past five-year average of 1.3%/year. Growth was above average in the CIS (+ 6.8%), Asia-Oceania (+ 4.1%) and Africa (+ 8.6%). In absolute terms the CIS accounted for more than 40% of the global increment, followed by the Middle East (20%). At the national level, Russia was the standout performer, with gas production rising by 8.3% (+ 50 bcm). Robust production additions were also posted in Iran (+ 17 bcm), Australia (+ 13 bcm), China (+ 11 bcm), Egypt (+ 10 bcm) and Norway (+ 10 bcm).

In 2017, international gas trade (net of LNG re-exports) pursued its acceleration, surging 9.1% to reach a new record of 1204 bcm, a reflection of growing import needs in Europe (+ 12%) and Asia (+ 10%). This result represents the strongest ever recorded volumetric growth. Like the two previous years, the buoyant expansion of international natural gas trade was propelled by both pipeline trade (+ 8.5%) and LNG flows (+ 10.5%). The international pipeline trade was mainly driven by Europe's growing import needs, as regional production lagged behind growing demand. Most of the increase in European gas imports was covered by pipeline gas imports from Russia (+ 11%) and Norway (+ 11%), which reached new highs in 2017.

2017 was the second year of the growth spurt in LNG, with global supply accelerating by 10.5% to 382 bcm. The year 2017 was marked by the strongest growth in LNG supply since 2010. As Australian LNG production ramped up, the expansion wave of LNG supply was further boosted by the United States. While the Pacific basin remained the largest source of LNG supplies, further widening the gap with the Middle East, the Atlantic basin increased its market share on the global LNG market. But in contrast with market expectations of a supply glut starting in 2017, the year turned out to be a relatively balanced year for the LNG market. Rising demand in Asia (China) and, to a lesser extent, Southern Europe, absorbed much of the incremental supply. During 2017, the US has become a net natural gas exporter for the first time since 1957. On the import side, China overtook the United States to become the world's third largest natural gas importer after Germany and Japan. With the surge of LNG supply and the growing share of spot trades, the gas market is becoming more global.

The global natural gas demand above average growth reshaped market fundamentals and contributed to higher international natural gas prices, which were also pressured by rising oil and coal prices.

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Cedigaz is an international association with around 80 members worldwide, created in 1961 by a group of international gas companies and the Institut Français du Pétrole Energies nouvelles (IFPEN). Dedicated to natural gas information, CEDIGAZ collects and analyses worldwide economic information on natural gas, LNG and unconventional gas in an exhaustive and critical way.