

“Prospects and Challenges in the Global LNG Market”

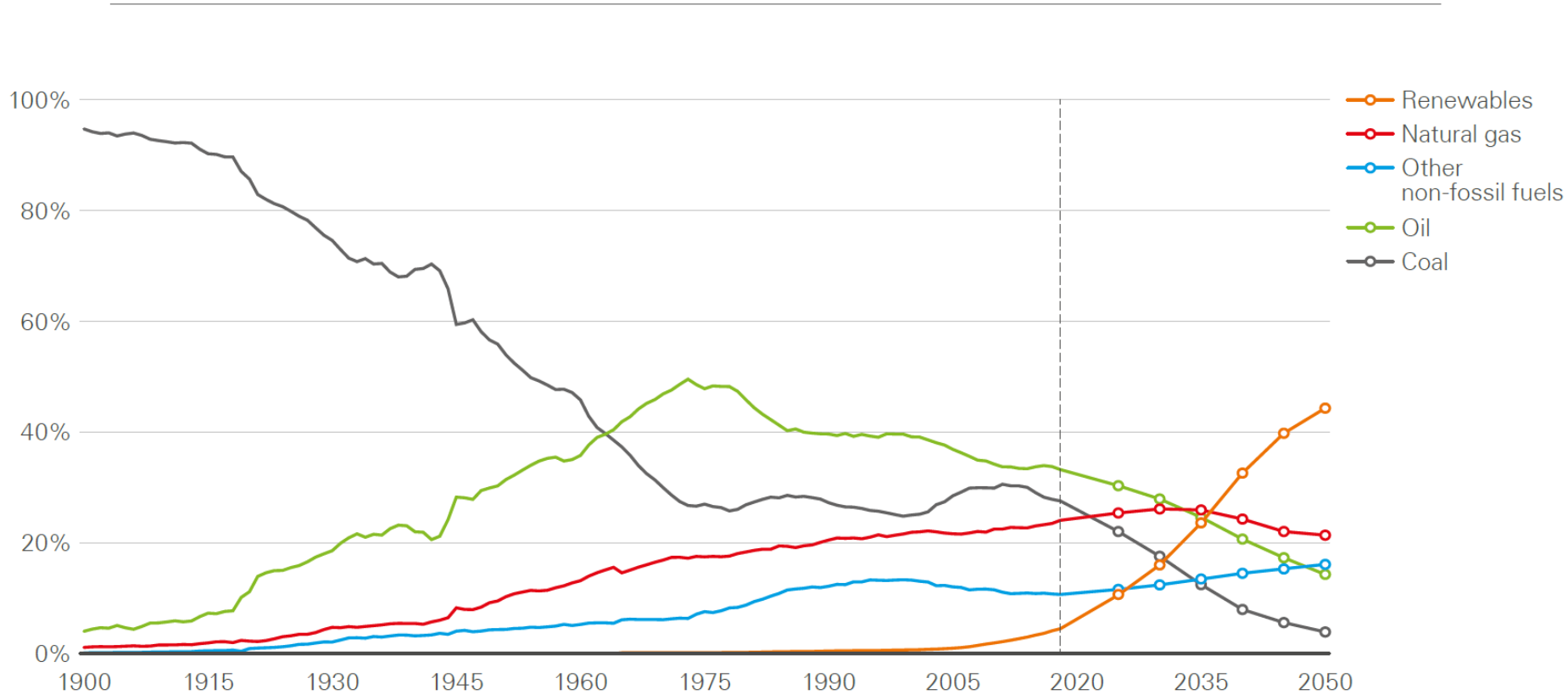
The role of LNG in SE Europe

**IENE, 12th SE Europe Energy Dialogue Virtual
9-10 December 2020**

**SPYROS PALEOYANNIS
MANAGING PARTNER MEDGAS & MORE SERVICES LTD
FORMER CEO DEPA SA**



Transition to a low-carbon economy causes radical shifts in the energy system



Source: BP Energy Outlook 2020

The entire gas sector and the LNG industry in particular face currently several significant challenges

- ❑ Weak market fundamentals
- ❑ Structural & Market Changes
- ❑ Energy transition
- ❑ Digital transformation
- ❑ Regulatory issues and risks
- ❑ Project financing obstacles
- ❑ Technological and social acceptance issues
- ❑ Geopolitical tensions
- ❑ COVID-19 pandemic crisis

The LNG industry in 2019 briefly

(GIIGNL Annual Report 2020)

354.7 MT

imported vs. 313.8 MT in 2018

+13%

growth vs. 2018

21

exporting
countries

42

importing
countries

7

new LNG
regasification
terminals



of global LNG
demand in Asia

920 MTPA

total regasification capacity



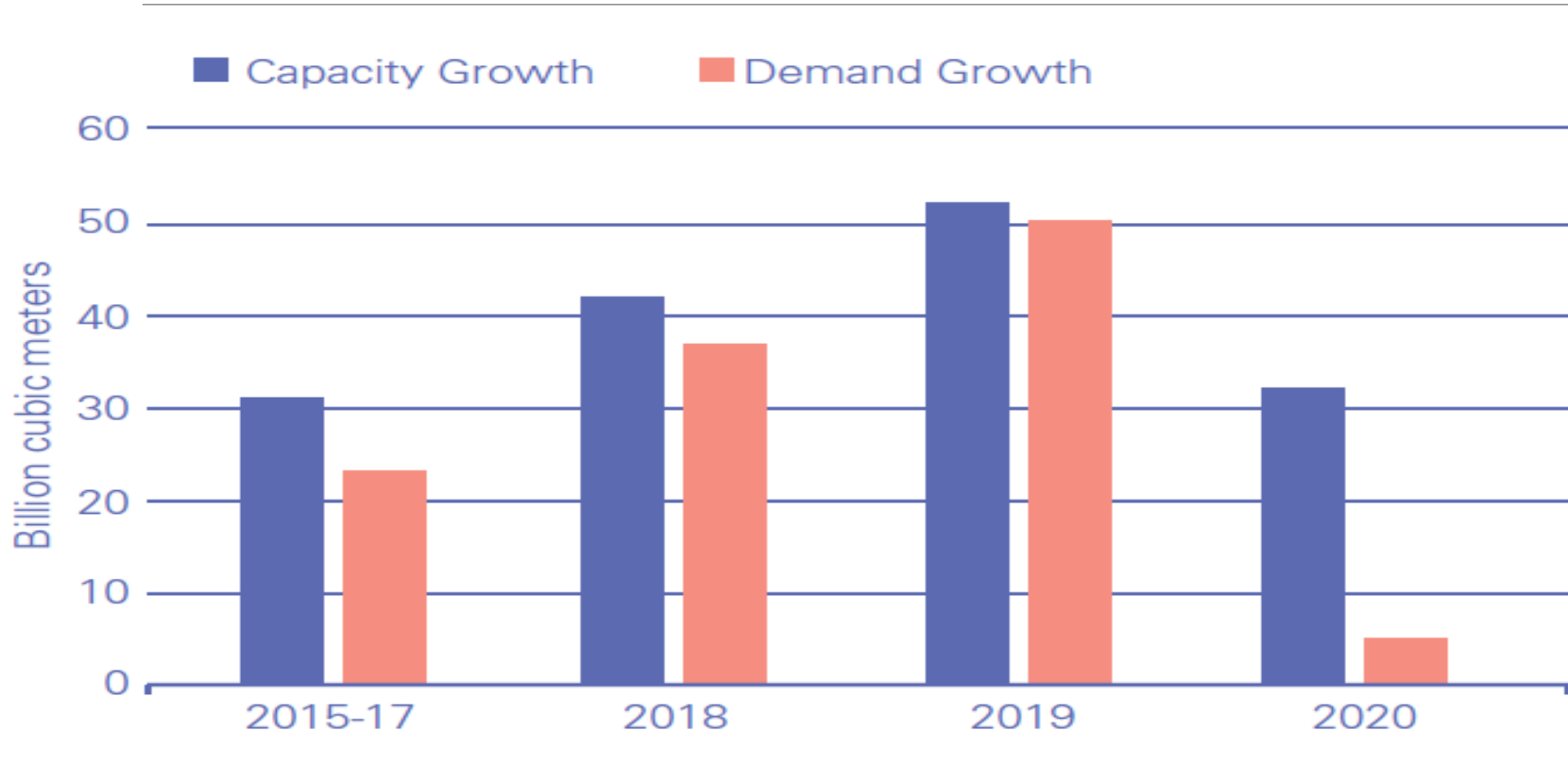
of global LNG volumes
supplied from the
Pacific Basin

427 MTPA

total liquefaction capacity

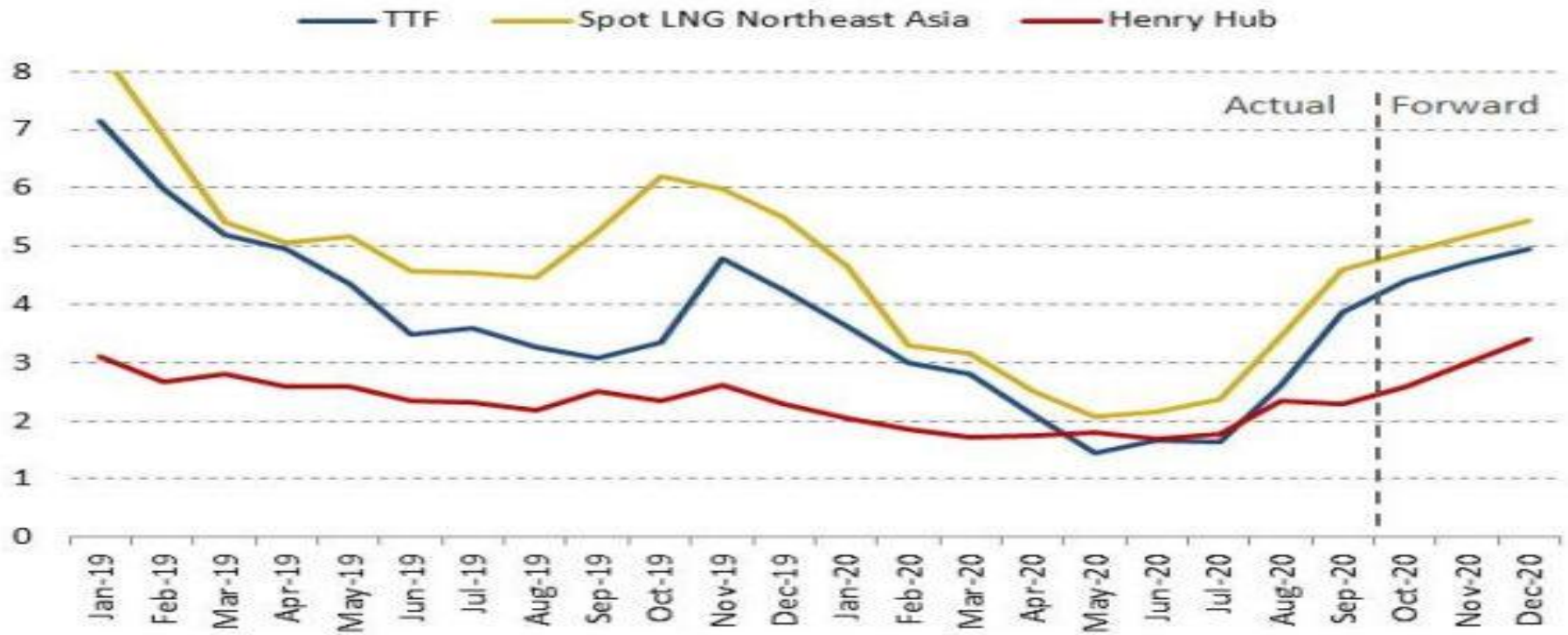


With supply capacity already in excess, record projects FIDs in 2019 and weak gas demand due to lockdowns there is now a real longer-term LNG glut issue



Source: NGW Magazine, Vol 5, Issue 11, June 2020

Evolution of the gas prices the last 2 years



Source: CEDIDAZ

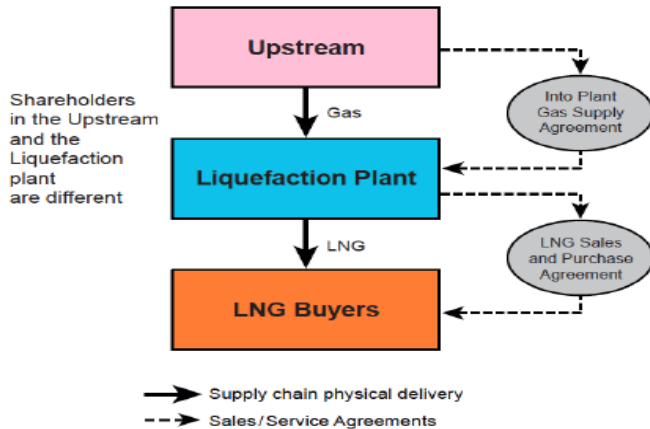


New trends and business models reshape the LNG market and change is affecting both suppliers and buyers

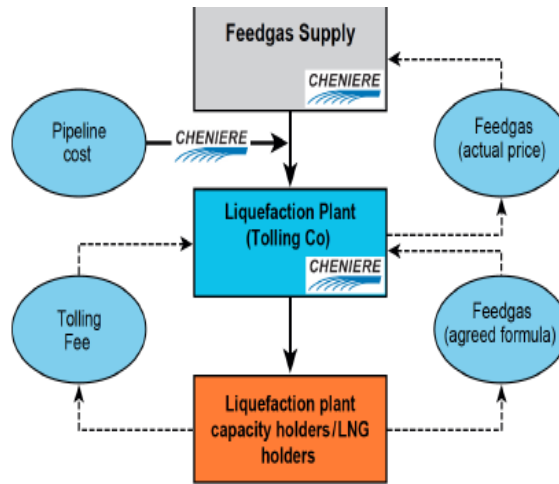
- ❑ Gradual fall of the average duration and volume in LNG contracts
- ❑ Rise of destination free and volume flexible LNG contracts (US LNG)
- ❑ Growth of LNG contracts with hub indexed pricing mechanisms
- ❑ Growing role of LNG 'intermediates' (portfolio players and LNG traders), helping to disaggregate source from destination
- ❑ Increasing bargaining power of buyers, due to LNG oversupply
- ❑ Rise of the spot & short-term LNG trade (119 mt or 34% of total trade in 2019) due to commoditization, rising flexibility and liquidity in the LNG markets

The old way of doing business tends to disappear, new business models and players are now on the scene

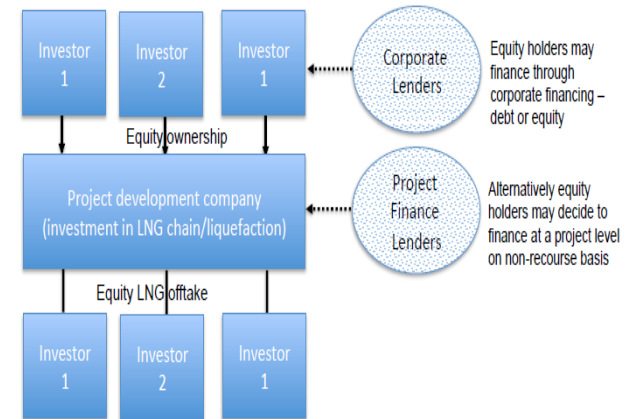
The Traditional Model



The Cheniere's Model



The Equity/Cost Model





The new trends and business models may add complexity in the LNG market, but they also offer opportunities to create value and manage risks

- ❑ Pressures on margins force LNG companies to increase their share in the value chain, usually by building scale and operational flexibility
- ❑ At the same time, due to climate policies and increasing competition from RES, LNG companies consider also small-scale and bulk-break LNG projects to expand LNG supply in off-grid locations/customers, decentralized power production, land transportation and bunkering
- ❑ LNG companies invest in digital technologies to optimize operations across the value chain, reduce costs and enhance customer experience by offering integrated services solutions
- ❑ Portfolio players and LNG traders continuously seek innovation around arbitrage opportunities, pricing, infrastructure, and financing models to differentiate from peers
- ❑ Global presence, financial strength, access to capital, logistical know-how, carbon offsetting practices and risk management/hedging capabilities are important drivers of growth for LNG companies (particularly for portfolio players and LNG traders)



The energy and the LNG picture in SE Europe and Eastern Mediterranean is changing

- ❑ In the last decade, SE Europe and Eastern Mediterranean have attracted the attention of many global energy players, who are seeking for investment opportunities in both upstream & midstream projects, including LNG ones
- ❑ Despite the growing role of RES and the consequent shifts in the energy mix, LNG is clearly emerging as “transition fuel” in SE European and Eastern Mediterranean countries
- ❑ The upgrade of existing LNG receiving terminals along with the development of all new LNG projects and other critical gas supply pipelines and interconnections are gradually changing the energy picture in the region, enhance the gas supply security, and provide substantial opportunities for diversified LNG supplies both from sources in proximity and remote ones

Existing and planned gas/LNG supply infrastructure in SE Europe and Eastern Mediterranean



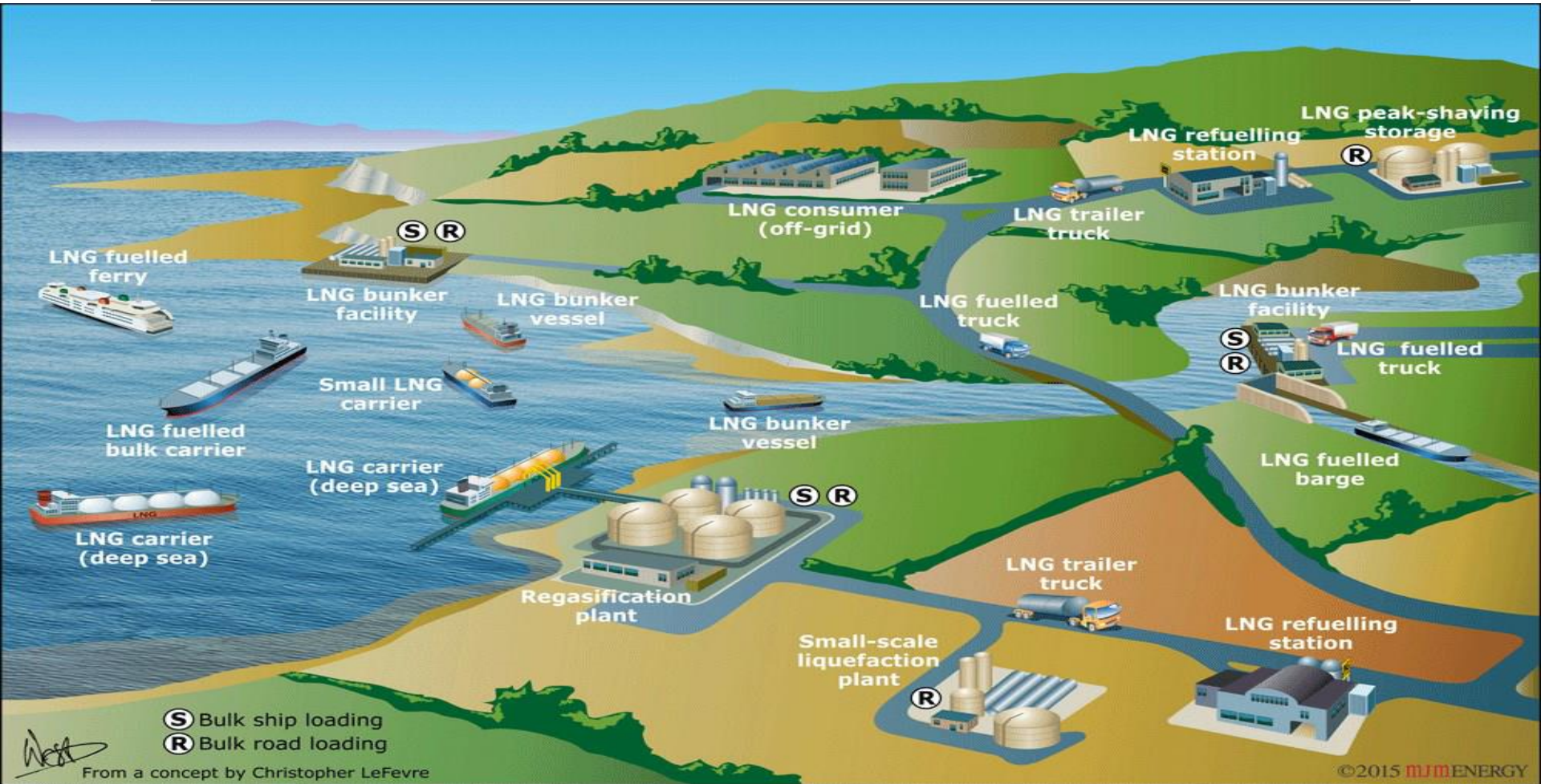
Source: IENE



The role of LNG is becoming increasingly important for the entire region

- ❑ Turkey and Greece are the main LNG importers in SE Europe
- ❑ Turkey having massively invested in LNG receiving terminals (both onshore and FSRUs), benefits now from LNG glut and low prices
- ❑ Similarly, Greece, thanks to Revithousa LNG, has painlessly overcome the consecutive Russian-Ukrainian crises and gas supply interruptions of the past and, after the terminal's upgrade, not only benefits from LNG oversupply and low prices, but also is now closer to its strategic ambition to become an LNG gate for SE Europe and not only
- ❑ The four forthcoming LNG terminals (all FSRUs) in Alexandroupolis (Greece), Kirk (Croatia), Saros Bay (Turkey) and Vassilikos (Cyprus) will increase further the role and the share of LNG in the region, while there are also some other, less matured, LNG projects under consideration e.g., the Motor Oil's Dioryga Gas FSRU
- ❑ SSLNG technology improvements and applications offer all new opportunities for additional LNG supplies in off-grid areas, decentralized power production, road transportation (Blue Corridors) and bunkering (The Rhine-Main-Danube project, the Poseidon Med II project etc.)

The use of LNG is constantly increasing and enlarging



A few concluding remarks

-
- ❑ Despite the 2020 challenges, including the Covid-19 pandemic one, the global LNG industry will have a bright future as “transition fuel” in the years to come
 - ❑ However, there are some crucial presuppositions for such a perspective:
 - the industry’s effective response to current market, regulatory, financial, technological and innovative requirements/transformations
 - the industry’s ability to adopt decarbonization strategies by employing bio-gas, syngas and H₂ production technologies and synergies and
 - the as soon as possible market rebalance between current oversupply and expected demand by accelerating/expanding further the use of LNG in all new geographies and consumption categories
 - ❑ In SE Europe, there are several ongoing positive developments in critical LNG infrastructure which will allow LNG to play a growing role in the energy supply of the regional market in the next years

Thank you for your attention

s.paleoyannis@medgas.com.cy
www.medgas.com.cy