

Transportability increases demand of liquefied natural gas

Cooling gas to cool the planet

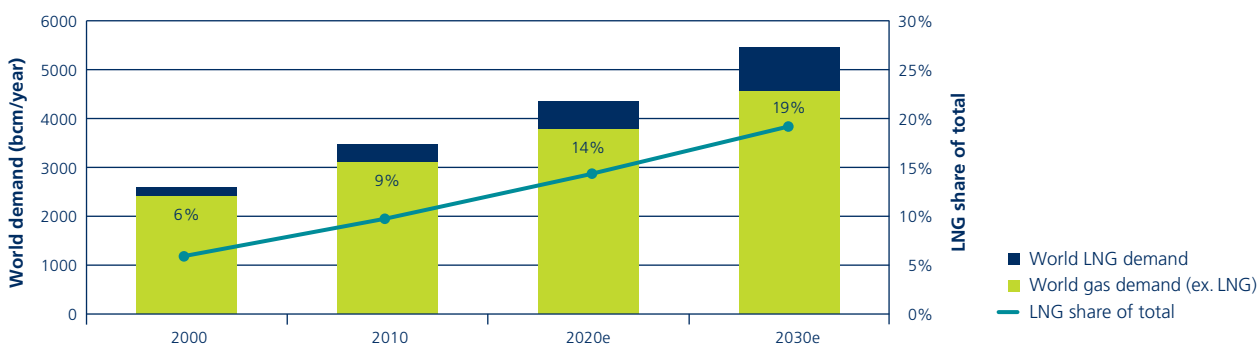


FIGURE: WORLD LIQUEFIED NATURAL GAS (LNG) AND GAS DEMAND 2000–2030E

Source: BP; IEA; EIA; Wood Mackenzie; TRI-ZEN; Pareto

Over the past decade, governments and investors have poured money into renewable energy research and development in a drive to secure energy production over the long term. However, despite such considerable efforts, market forces and tougher regulations have combined to see natural gas, a fossil fuel, come to the fore. Natural gas emits up to 50% less CO₂ in power generation than coal and around 30% less than oil in heating and transportation. Moreover, burning it emits fewer air pollutants. Without underestimating the long-term potential of renewables, it is plausible that natural gas could have a greater contribution to emission reduction in the next 5–10 years.

Natural gas has increasingly replaced coal as the primary energy source for power generation in the US and, since 2005, carbon dioxide emissions there have fallen almost 10%. This is despite real US GDP being up 5.4% in the corresponding period. China – that infamous polluter – also plans to increase its use of natural gas as a primary source of energy generation – up to 15% from the current 4% – largely at the expense of coal. On current trends, global natural gas consumption is expected to grow twice as fast as oil and many times faster than coal.

Historically, the major obstacle to higher natural gas usage has been its more limited transportability compared to other fuels. However, market forces have responded to this problem through increased investment in liquefied natural gas (LNG) – a much more easily transported commodity. Demand for LNG is expected to grow at least twice as fast (4-5% p.a.) as that for natural gas because it is the most efficient way to satisfy the burgeoning energy demands of huge populations in coastal regions of Asia. With the demand-supply balance expected to remain tight until at least 2015, globally integrated LNG leaders such as Total and Exxon – as well as smaller groups such as Woodside and Santos – are likely to benefit from these favorable trends for some time to come.

“Long-term off-take contacts make Liquefied Natural Gas economics as attractive as that of oil, with the added advantage of more stable production and therefore a more stable cash flow.”



Levon Babalyan
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