

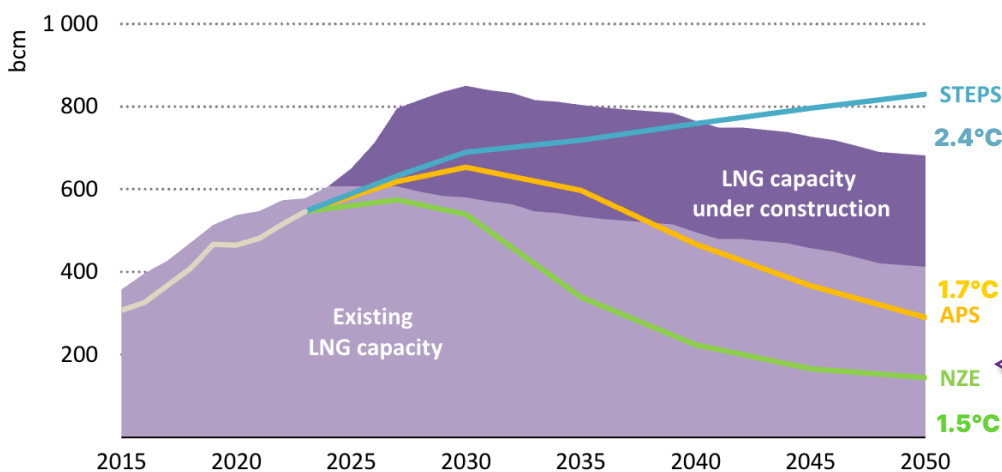
Fact Sheet:

The future of Australian LNG

An unprecedented wave of capacity will flood global liquefied natural gas (LNG) markets in the coming years

- Starting in late 2024, global LNG capacity will increase by 40% in just five years. This will be the fastest capacity growth in the global LNG industry's brief history.
- New capacity additions are dominated by Qatar and the US, which have low costs of production.

LNG trade by scenario relative to existing and under construction export capacity to 2050



Source: IEA World Energy Outlook 2024

The International Energy Agency (IEA) expects that, based on existing and under-construction projects, global LNG capacity will materially exceed demand in the 2030s even under its 2.4°C-aligned scenario. This creates a major risk for the energy transition.

At the same time, global LNG demand is weakening

EUROPE

LNG demand is expected to peak by 2025 then fall. Gas demand has declined 20% since 2021.

JAPAN

LNG demand decreased by 25% since 2014 and is expected to decrease by 25% by 2030.

SOUTH KOREA

LNG imports fell by 5% in 2023 and are expected to decrease further by 2030.

CHINA

Domestic gas production, additional pipeline imports and other energy sources may constrain LNG demand growth. The International Energy Agency (IEA) expects China may be overcontracted by 2030.

SOUTH ASIA

Fiscal challenges and the inherent volatility of LNG prices may limit rapid short-term demand growth. India and Pakistan are not rolling out new LNG power plants.

SOUTH-EAST ASIA

LNG infrastructure and generation projects have often faced extensive development timelines, contract negotiations and repeated project delays.

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Global LNG Outlook 2024-2028

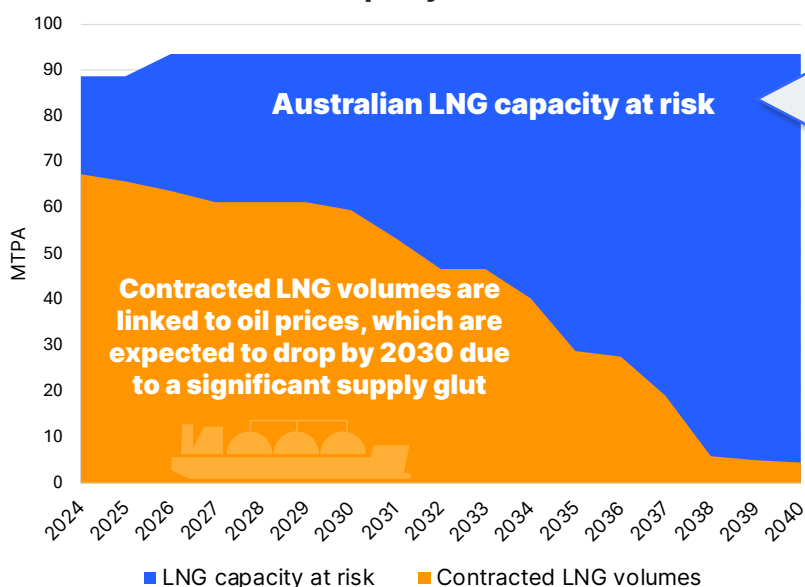


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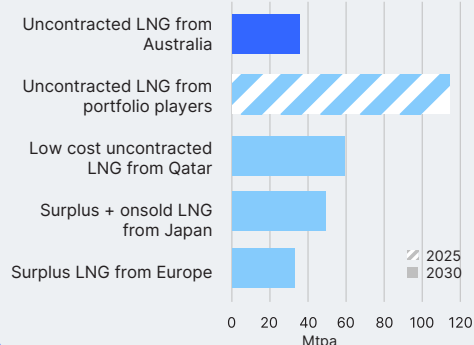
Many of Australia's long-term LNG contracts are set to expire in coming years. This may increase exporters' exposure to spot markets if they cannot lock in new LNG sale and purchase agreements (SPAs), or will put them in competition with other suppliers for contract extensions. Competition will also come from a range of buyers with surplus gas – from portfolio players as well as traditional customers.

High-cost Australian LNG will soon be uncompetitive in an oversupplied market

Current Australia LNG capacity and LNG contracts volumes



LNG likely to be looking for end buyers

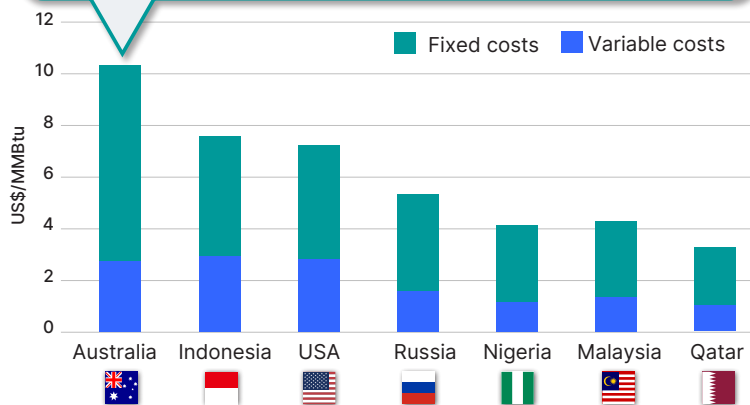


Japan might turn from a customer to a competitor for LNG sales in emerging Asian markets

- Japan already sells more LNG overseas than it imports from Australia.
- With domestic LNG demand declining, Japanese utilities are overcontracted.
- Japanese utilities see overseas sales of LNG and associated infrastructure (such as regasification terminals and LNG-fired power plants) as a key economic opportunity.
- The Japanese government has a target to handle twice as much LNG as the country will consume domestically by 2030 – which would see LNG resales continue to grow strongly in the coming years.

Australian LNG is entering a declining period and producers will face high financial risks

Australia's high fixed costs will make new projects uncompetitive. The capital costs for the proposed NTLNG project linked to the Middle Arm precinct are estimated at USD 6-9/MMBtu, higher than Qatar's full cost of production. Backfills of existing LNG trains could also be at risk.



In an oversupplied market, low variable costs could drive spot market prices to low levels for extended periods of time, putting returns at risk. The IEA expects that prices of USD 3-5/MMBtu would be needed to create large volumes of new demand in emerging economies.

Source: Future Gas Strategy analytical report

About IEEFA

The Institute for Energy Economics and Financial Analysis (IEEFA) examines issues related to energy markets, trends and policies. The Institute's mission is to accelerate the transition to a diverse, sustainable and profitable energy economy.

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