IEA Medium-Term Gas Market Report 2016

Market Analysis and Forecasts to 2021
Growth in global gas demand slows as it faces greater competition in the power sector; yet it is the only fossil fuel that does not suffer a decline in its share of the energy mix.
China drives increase in global gas demand, as the United States takes a back seat

US gas demand growth slows sharply, driven by stagnation in the power sector; EU gas demand gradually recovers on coal & nuclear power plant retirements
Growth in gas production is led by the United States and Australia

The United States & Australia rather than the more established exporters – Russia, Qatar & ASEAN – are the main source of production growth
US gas production stagnates in 2016 but a recovery is expected

Change in US gas production, 2011-2021 (bcm)

Low prices have impacted US gas production; but as market balances tighten & prices gradually recover, robust growth is set to resume
Greater competition is coming to the European gas market

US LNG is competitive in Europe

Oversupply in global LNG markets will intensify competition; flexible US LNG volumes are well-placed to compete in Europe

*Nb: Based on cash costs and on forward curves as of June 7th 2016*
Global LNG export capacity increases sharply

LNG capacity additions will be led by the US & Australia over the next five years; projects in Canada & East Africa could also move ahead if demand & prices recover.
As imports from Japan & Korea are set to decline, the rebalancing of global markets will depend on the rate of expansion in China & other developing Asia.
Liquefaction plants to run below capacity amid supply glut

Utilization rate

Oversupply in the market will get worse before it gets better. This will put pressure for increased flexibility in contracts and a reduced linkage to oil.

Note: nameplate capacity has been adjusted to reflect outages, and feed-gas issues
Outages and feed gas issues: a growing problem

A growing level of LNG export capacity has gone offline over the past five years highlighting security and investment challenges across a host of producers.
The collapse in investment increases the risk of tighter markets in the next decade; concerns about gas supply security could quickly re-emerge.
Conclusions

- The gas landscape is changing: production growth is increasingly driven by the US & Australia; demand growth by developing Asia

- Traditional exporters will come under pressure as competition from new supply sources intensifies

- Global gas prices are set to stay under pressure as a huge amount of LNG export capacity is coming online just as demand slows

- Lower prices have triggered a collapse in new investment. This could seed the sows for tighter markets into next decade.