



Oil indexes prices vs. Spot prices

Lisboa, October 2, 2012



1 Oil Indexes Prices vs Spot Prices

There are three significant global events that are setting the basis for Natural Gas pricing based on **gas index away from oil index**:

- ✓ **Shale Gas in USA is increasing gas reserves close to Europe and Asia**
- ✓ **Economic crisis in Europe is reducing gas demand and changing patterns of end user customers**
- ✓ **Australian, Canadian and East Africa projects will cope with Asia demand growth**

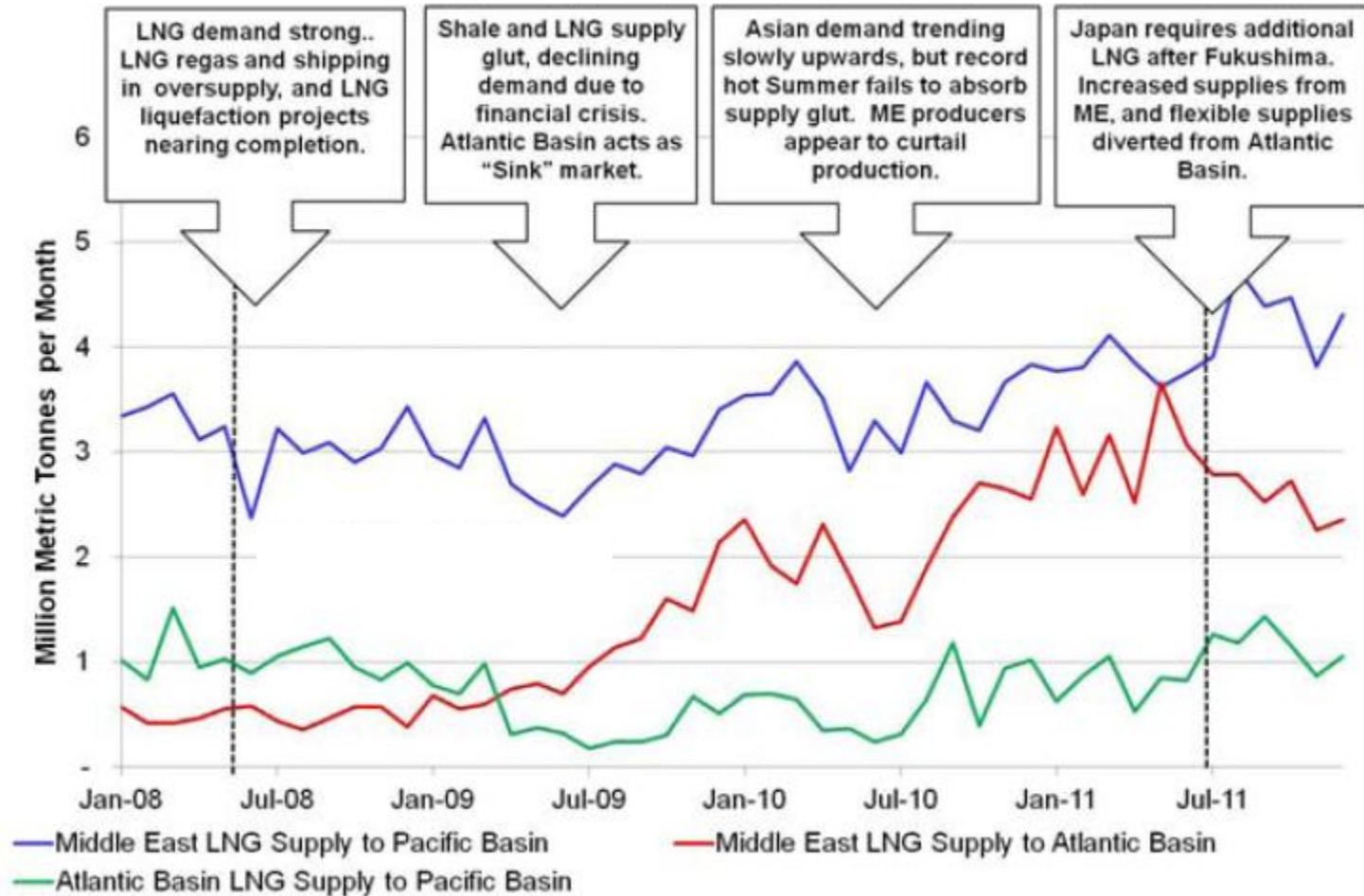
2 Shale Gas Development

Short and Mid term implications:

- ✓ **Qatar volumes (31.2 MTPA or 40 Bcma) planned for USA are diverted to unplanned markets**
- ✓ **Despite Fukushima, Asia has not been able to cope with all “excess” LNG (12 MTPA or 16 Bcma still arriving into Europe)**
- ✓ **Europe will continue to be the sink for Qatar LNG in the mid term**
- ✓ **Qatar sells LNG into Europe at NBP indexation**

2 Regional Flow of LNG

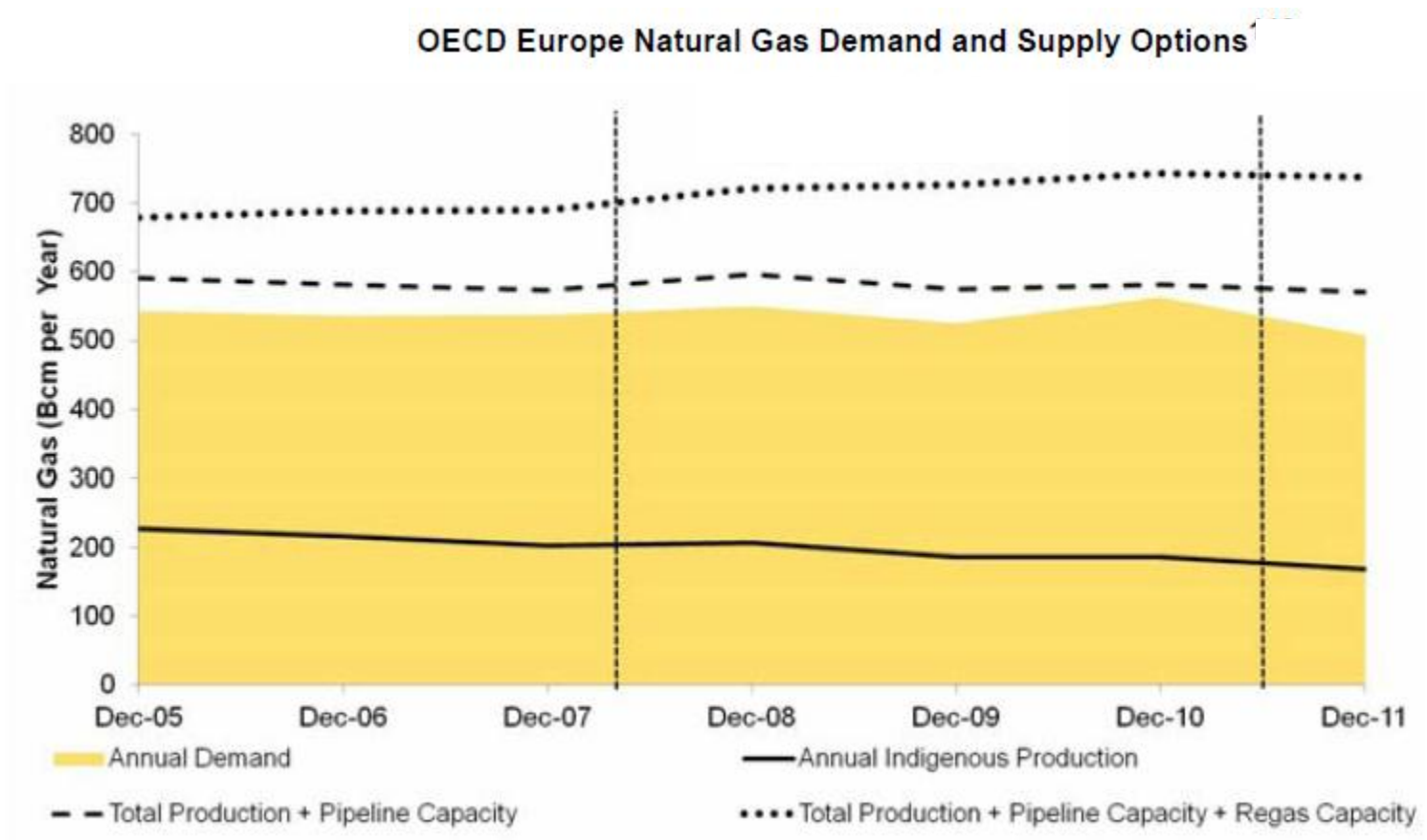
Inter-regional LNG trade flows



3 Economic Crisis in Europe

- ✓ **Natural Gas demand collapsed in Europe and NBP related contracts won market share against traditional utilities with GSA linked to oil**
- ✓ **This produced a enormous “*Take or Pay*” burden that will continue to overflow the market as a result of make up clauses under the GSA Contracts**
- ✓ **Strong price review process to reduce GSA oil prices**
- ✓ **Utilities are not signing supply term contracts based on oil index**

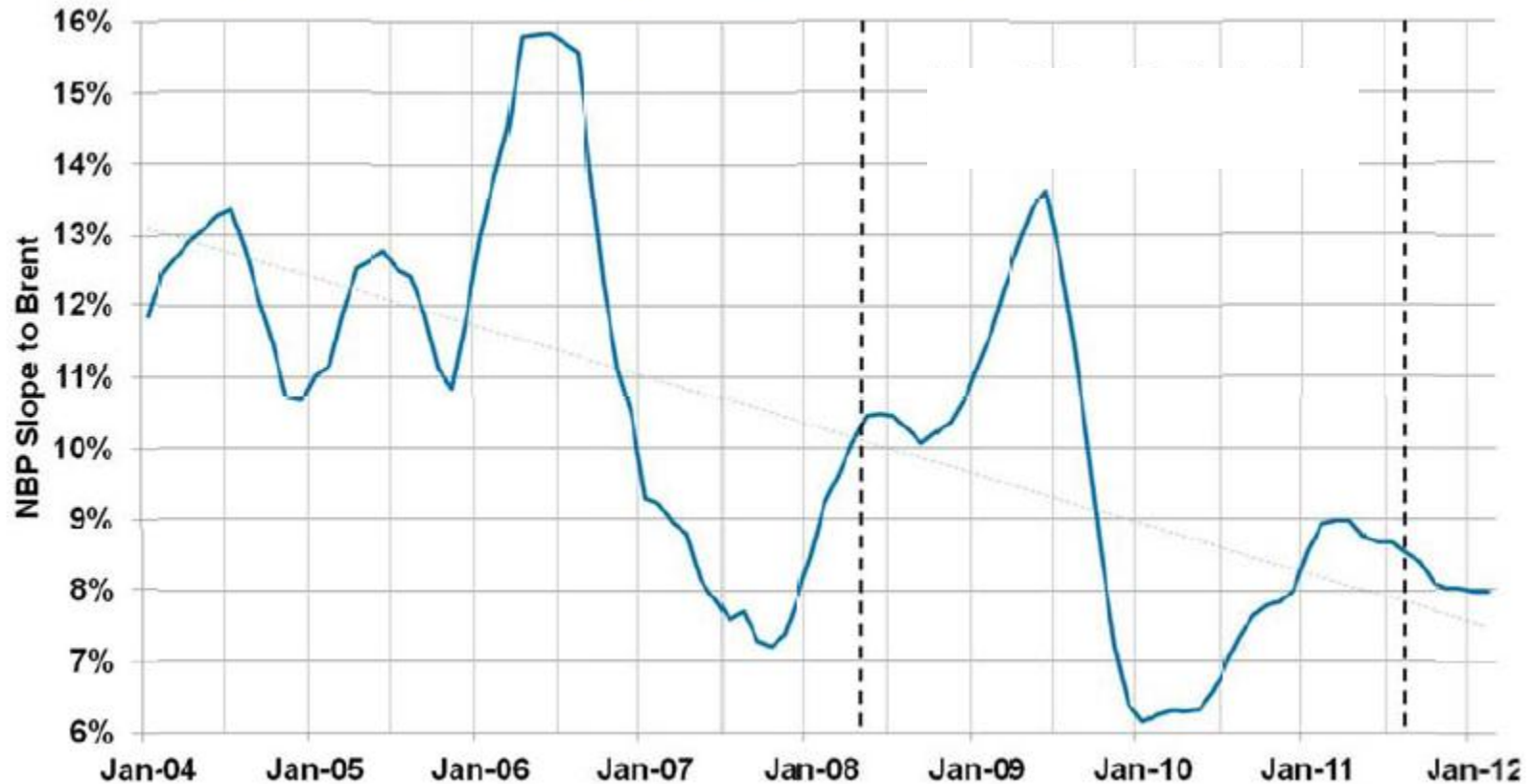
3 Economic Crisis in Europe



✓ Flat Natural Gas Demand

3 Economic Crisis in Europe

Figure 13: Declining NBP price slope to Brent crude oil (6-1-1 basis)⁴



✓ Spot NBP trades at 8-9% Brent



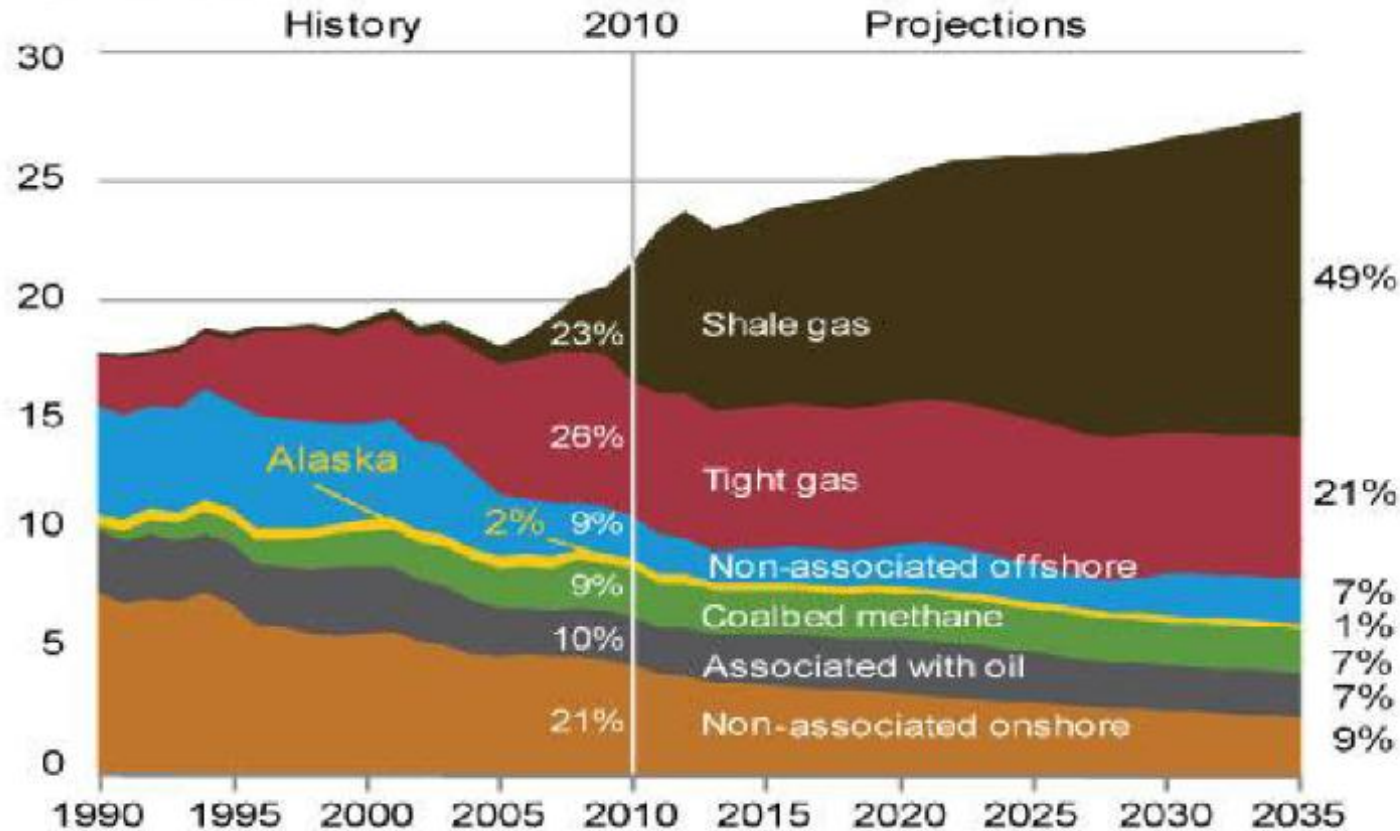
2 Future Expectations

- ✓ There are currently 60bcm/a on proposed projects from USA to export LNG
- ✓ All projects offer full Henry Hub Indexation which are completely decoupled from oil
- ✓ Large Part of these projects will use Europe as anchor to the project (directly or NBP trading)

5 USA LNG Projects

U.S. Natural Gas Production, 1990-2035

trillion cubic feet



Source: U.S. Energy Information Administration, AEO2012
Early Release Overview, January 23, 2012.

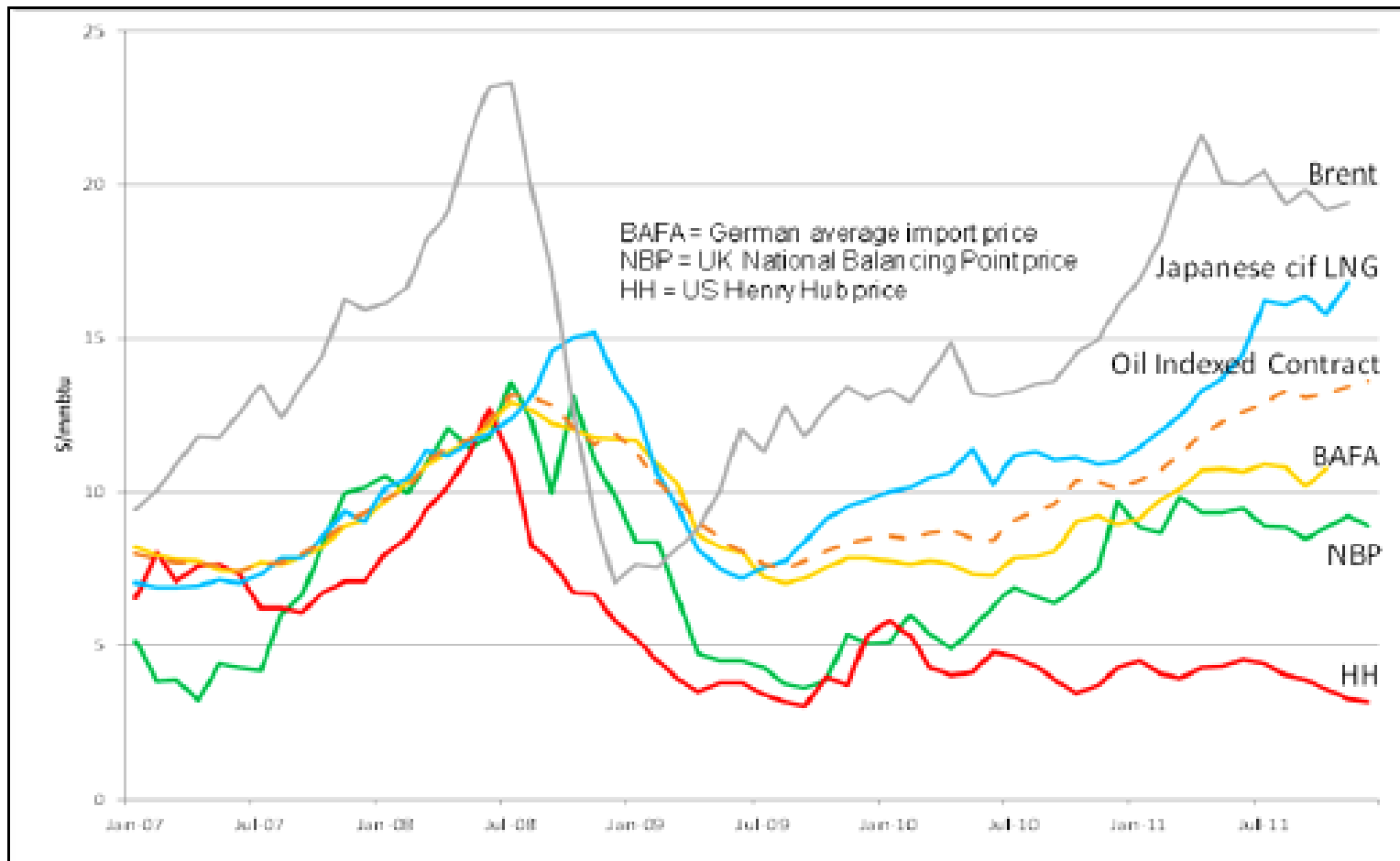
✓ No need for LNG in decades

6 Australia, Canada and Africa Projects

- ✓ Australia, Canada and Africa will cope with Asia demand growth.
- ✓ Uncertainty if traditional producers are able to score new sales into China, Japan or India because of better terms offered by new entrants
- ✓ Qatar mid term sales to Asia will need to come back into Europe

6 LNG in Europe

Global gas and Brent prices: January 2007 – December 2011



Sources: Argus, BAFA, EIA, ICIS Heren, H.V. Rogers

Direct gas pricing indexation is here to stay due to:

- ✓ **Shale Gas**
- ✓ **Economic crisis in Europe**
- ✓ **Australian, Canadian and East Africa projects will cope with Asia**

Thank you

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