

Equatorial Guinea Gas Conference 2009

## The Future of LNG in Competitive Global Markets

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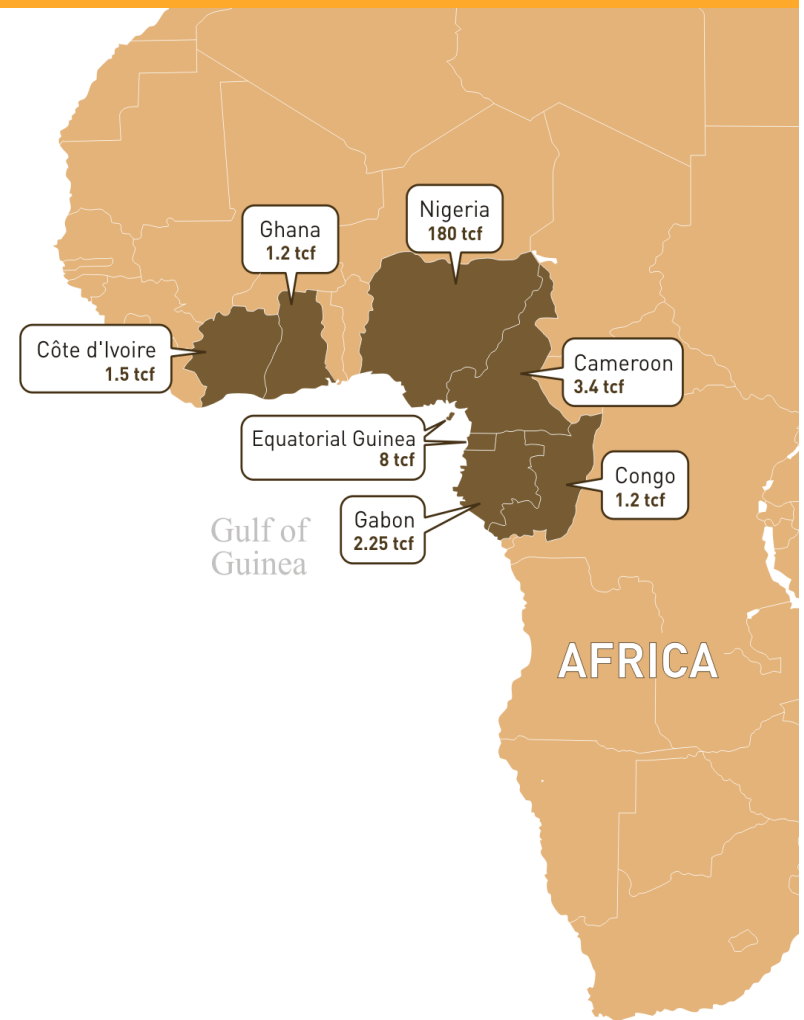


# Introduction

- Who is Gasol?
- Current Economic downturn
- LNG Supply and Demand
- Price expectation in consuming markets
- Outlook for Equatorial Guinea Projects

# About Gasol Plc

- Africa-focused gas independent (AIM Listed – “GAS”)
- Focused on aggregating stranded gas and gas from marginal fields in the Gulf of Guinea
- Delighted to be a partner of SONAGAS in the Zafiro Gas Project
- Working with strong strategic partners to develop, primarily, LNG projects
- Strategic relationship with Afren plc, which is producing oil in Nigeria
- Target to deliver 5 million tonnes of LNG over the next decade

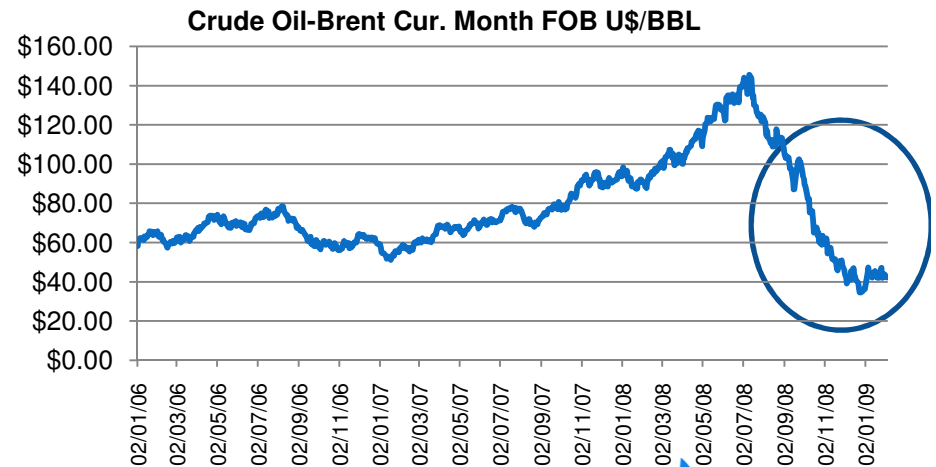
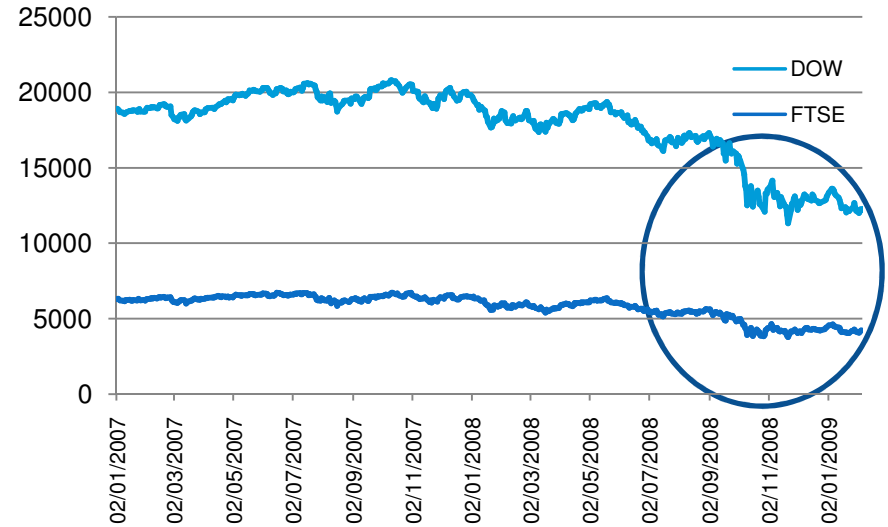


Over **200** tcf estimated proved & probable gas reserves<sup>(1)</sup>



# Economic Downturn

- Unprecedented developments in financial markets
- FTSE and DOW down by 40% in last 12 months
- Commodity prices also impacted
- Brent crude below \$50/bbl
- Economic slowdown – short-term gas demand uncertain
- Higher financing cost for new projects

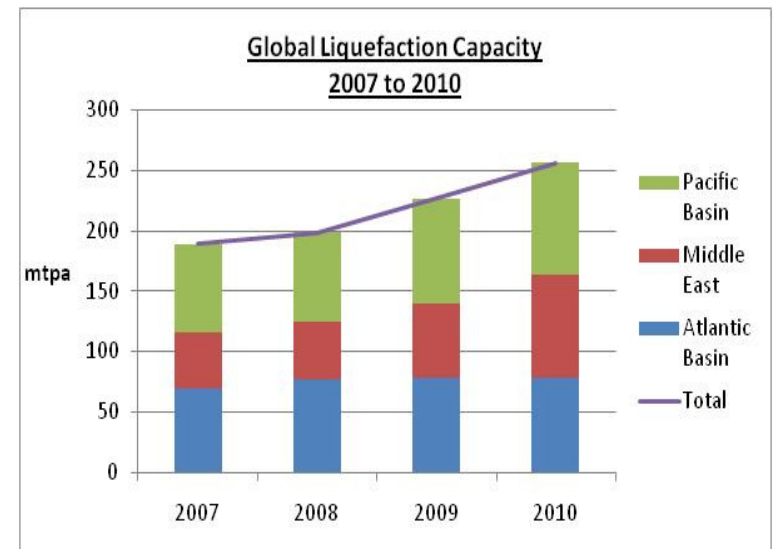
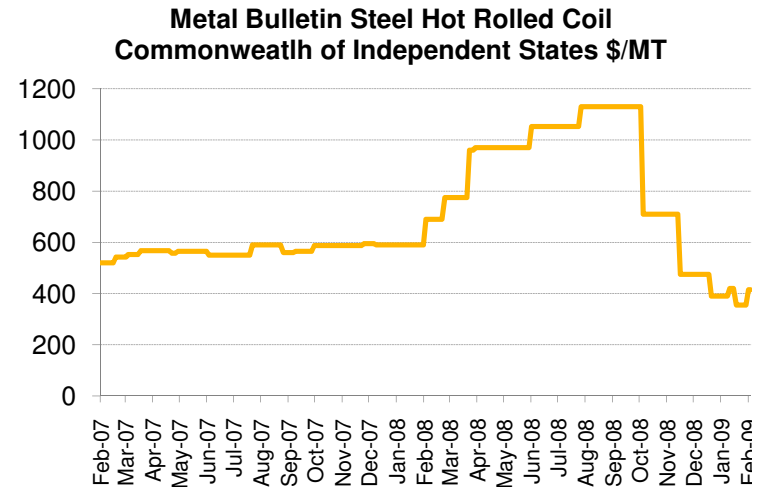


Source: Reuters



# Consequences for LNG Industry

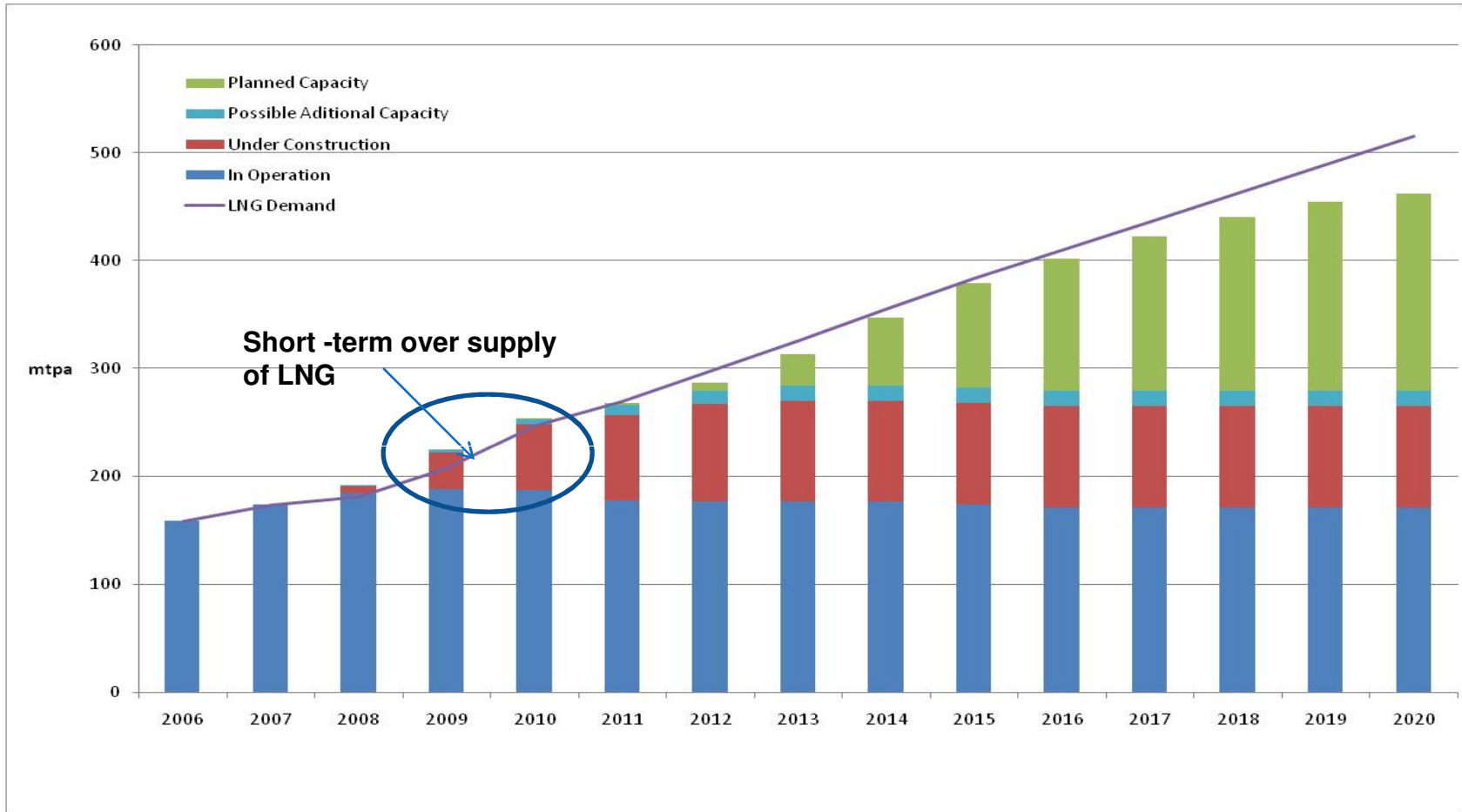
- Strong balance sheets standing behind projects will be key
- Overall capex costs are reducing
- Steel prices already falling
- Pressure on Contractor prices to allow new FIDs to be taken
- Current LNG build cannot stop
  - Over 50 mtpa of new capacity online by 2010
- These projects will start up in a “bear” market



Source: Reuters & CERA



# LNG Supply – Demand Outlook



- Surplus cargoes could be available in the short term
- 2012 and beyond, the market requires additional LNG

Source: Flower LNG



# Market Characteristics

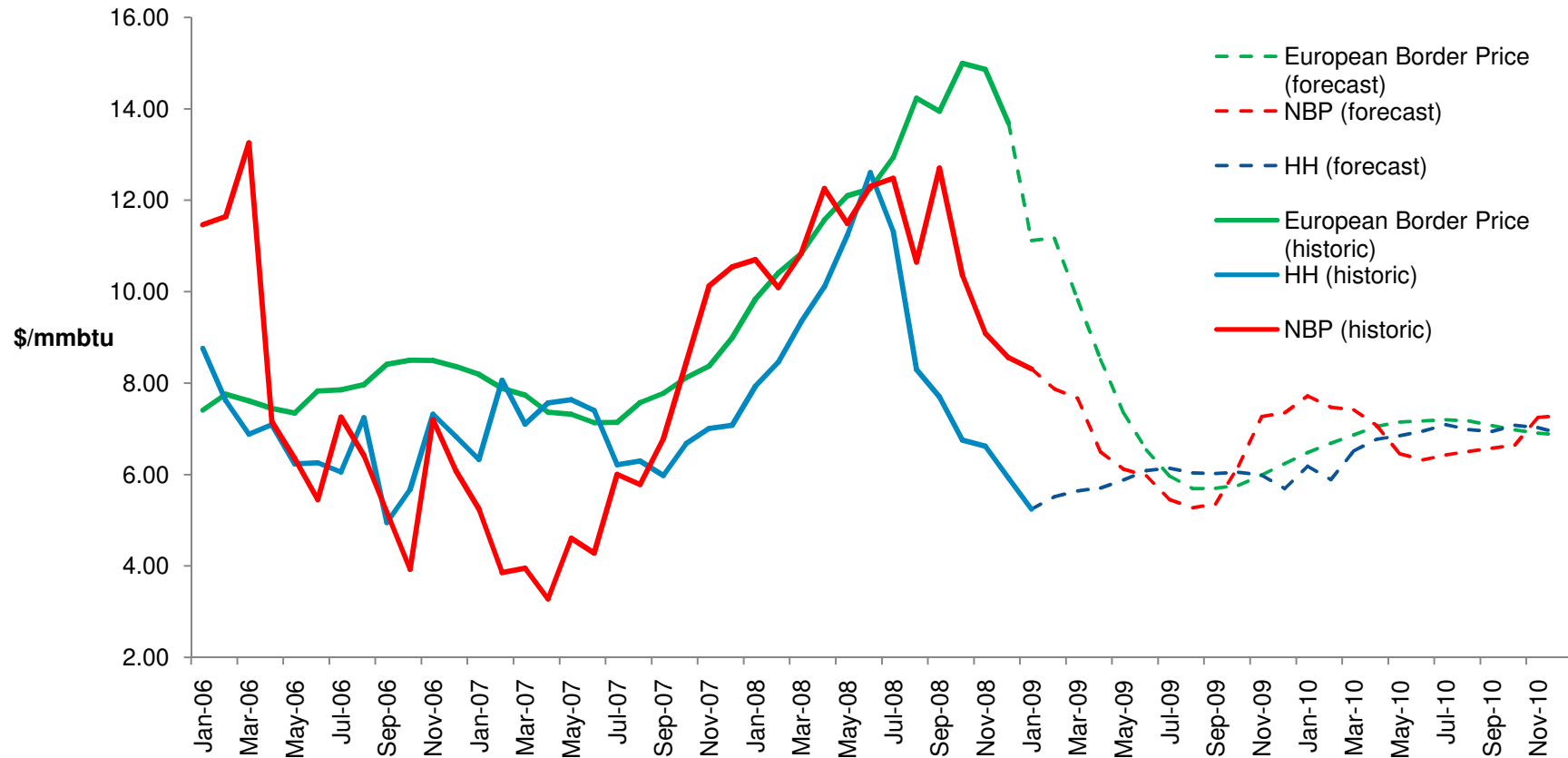
## **“Firm”**

- These markets have no alternative gas supply other than LNG
- Will secure incremental cargoes at any cost when needed
- Japan, Korea, Spain etc

## **“Flexible”**

- Markets where LNG is in competition with pipeline gas
- The purchase of LNG is a pure function of the price of LNG vs. price of alternative supply available
- USA, UK, France, Belgium etc

# LNG Prices

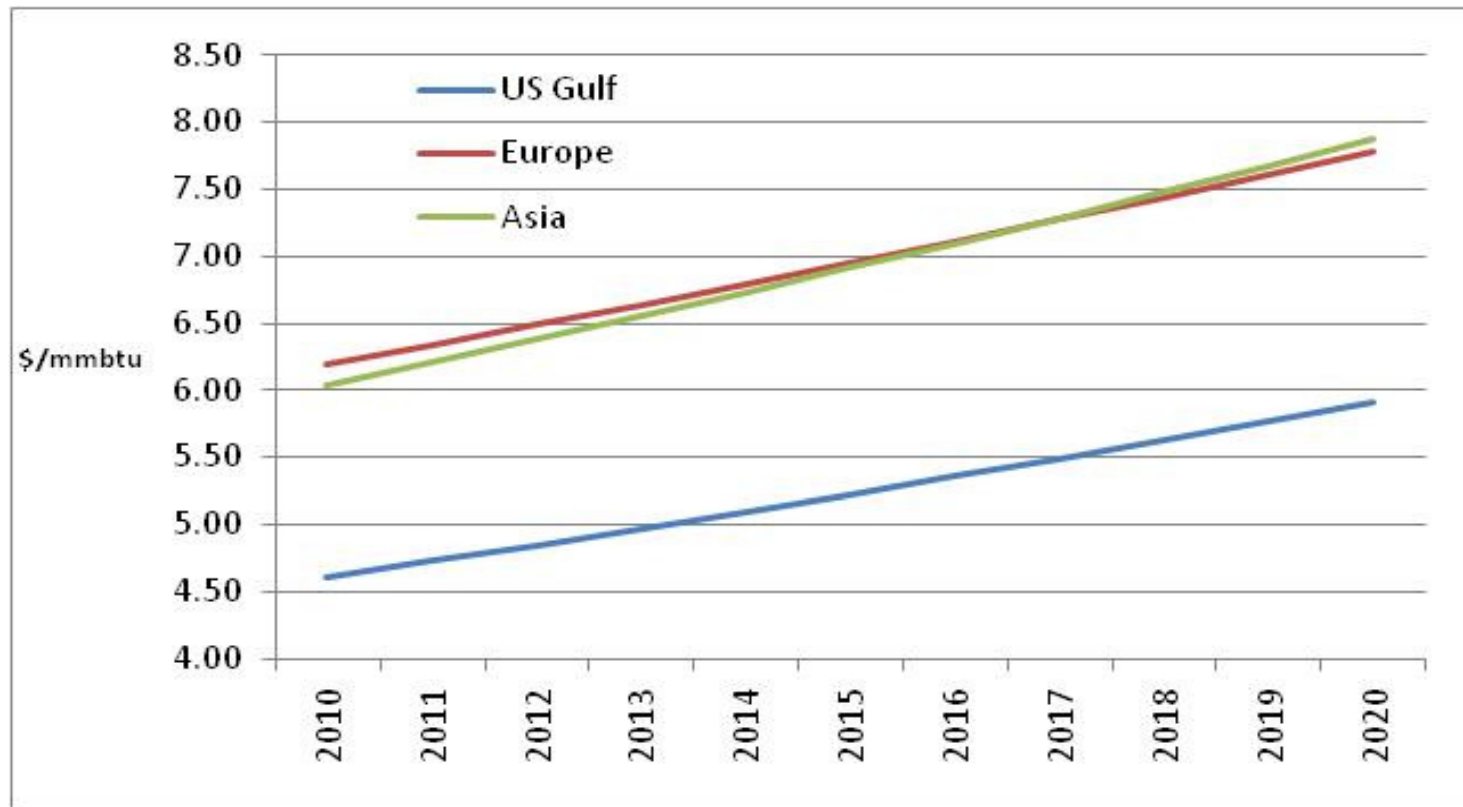


- US is more likely the market of last resort!
- Future for unconventional supply in US is uncertain
- Drop of demand for Atlantic cargoes by Asian buyers
- European price will be most competitive this year due to 3-6 month lag to oil price
- Firm markets will out-bid UK and US in crisis periods

Source: CERA



# Gulf of Guinea Netback Estimates



- Oil price based netbacks appear best option longer term
- HH netback expected to be significantly lower than Europe and Asia

Source: CERA



## Outlook for LNG Market

- Commissioning of new capacity will ease tight market in 2009 and 2010
- Most new production comes on-stream in Asia and the Middle East, reducing export of Atlantic cargoes to Asian buyers
- This will increase volumes into US and UK in short term
  - impact of LNG imports into these markets may cause a further price softening
- The dearth of new LNG FIDs will affect markets from 2012 onwards
- Security and diversification of supply will remain a major issue
- Longer-term fundamentals for liquefaction projects remain sound

# Prospects for EG Projects

- High level of gas reserves that require a monetisation solution
  - Stand alone LNG project
  - FLNG
- Equatorial Guinea is ideally located to aggregate supplies from other countries such as Cameroon and Nigeria
- LNG from Equatorial Guinea can arbitrage across UK, US and European markets
- 3<sup>rd</sup> party finance will be available for well-structured LNG projects
- Equatorial Guinea has a good investment track record with EGLNG, Alba LPG and AMPCO

## What is Gasol doing in EG?

- Focused on gas resource that is marginal, flared or stranded
- Aggregate these resources for small scale / floating LNG projects or to land-based facilities
- Have developed own LNG solution which is cost effective, scalable with a short construction lead time
- Commitment to develop projects in partnership with State entities and in line with Government policy
- Have set up an operational office in Malabo to manage the Zafiro Gas Project
- High levels of local staff with commitment to their development

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