LNG market opportunities focusing on solutions to develop medium-scale LNG projects – DirectLinkLNG

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Origins and History

First gas company

International expansion

New brand

1843

1992

2018
Who we are

- More than 30 countries
- Near 18M customers in the world
- Headcount 15,375 employees¹
- Total assets 47,322 M€¹

The largest integrated gas and electricity company in Spain and Latin America

¹. Figures at 31/12/17.
What we do

A multinational company, leader in the sector of gas and electricity
More than 14 Mtpa contracted LNG from different sources providing flexibility to expand beyond its traditional markets.
The global and regional LNG Market going forward
Overview

Three traditional big regions with different drivers

America

- **Demand:** Power Generation is the key driver with focus on conversions to gas natural. Downstream markets in expansion or under development (residential and new utilizations), particularly relevant in Mexico, Brazil and Argentina
- **Supply:** USA and Canada with enormous gas reserves. Latin America with relevant potential depending on economical and political management: Bolivia with low production rates, Brazil and Argentina could be part of the scenario

Europe

- **Demand:** EU LNG imports decreased by 2% year-on-year in the second quarter of 2018 but were 30% higher than in the first quarter of 2018. The spread between European and Asian prices widened towards the end of the second quarter of 2018, drawing cargoes away from Europe and even providing incentives from some reloade/re-exports
- **Supply:** Qatar remained the main LNG supplier of the EU followed by Nigeria, Algeria, Trinidad and Tobago and Norway. The share of the US was only 1.3%, half of the share observed in the same period of 2017

Asia

- **Demand:** China continues as main driver in the region. Other countries like Pakistan, Bangladesh, Thailand, India an even South Arabia appears with relevant potential. Mainly based on power generation use
- **Supply:** Australia and North American LNG supply continue to be strong in the area

To attend new demand is necessary to be economical innovative. Improving advancements in technology should drive viable commercial opportunities, mainly in the small and medium scale segments
Naturgy and the Baltic Market

- **Excellent cooperation with Norwegian companies**, such as ConnectLNG, DNVGL and ship-owners such as Höegh, Golar, Knutsen OAS etc.

- **Commercial benefits for partners**
  - A great deal of expertise and capabilities in the LNG industry
  - Naturgy is a reliable LNG supply partner, with a current portfolio of more than 30 bcm
  - With a current fleet of 11 LNG tankers and 2 FSRUs, Naturgy is one of the largest LNG operators in the world and leaders in the Atlantic basin and the Mediterranean
  - Pioneer in challenging technical solutions as STS operations since 2006
  - Active in the small – medium scale markets all over the globe, mainly in Latin America and Caribbean region
  - **Developer with ConnectLNG of the DirectLinkLNG for small and medium scale projects**

- **Baltic context:**
  - Potential for a small and medium size LNG facilities in the region
  - New demand to be attended and the interest in developing and put in place a medium – small scale Project
  - Necessity of diversify the natural gas supply with reliable sources via nearby liquefied natural gas

DirectLinkLNG system was awarded the best international innovation technology project of the year
LNG small and medium scale market context and innovation in Naturgy
New small and medium scale LNG markets will represent 50% of future LNG growth

Latin America and other potential markets

Southeast Asia

Source: IEA
Forecasts suggest LNG demand will keep fragmenting in the future

Source: Wood Mackenzie
LNG has proven to be an effective alternative for innovative tailor-made solutions for meeting new demand in highly fragmented markets. To meet this demand, innovation is essential.
Traditional LNG Supply and Delivery

Not viable for small demand

- Fixed infrastructure
- Higher cost
- Not environmentally friendly
- High demand needed
Accessible and cost effective LNG supply and delivery

- Flexible and accessible infrastructure
- Lower cost
- Faster implementation
- Environmentally friendly
- Viable for lower demand
- Relocation is simple if required
LNG small scale value chain AFTER **direct\text{link}LNG**

Small Scale Direct\text{link}LNG

Connect any LNG carrier with any terminal
Built in 6 months, the system was successfully certified the 7th October 2017
Thanks