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Breakfast briefing and discussion – Emerging trends in Chinese LNG



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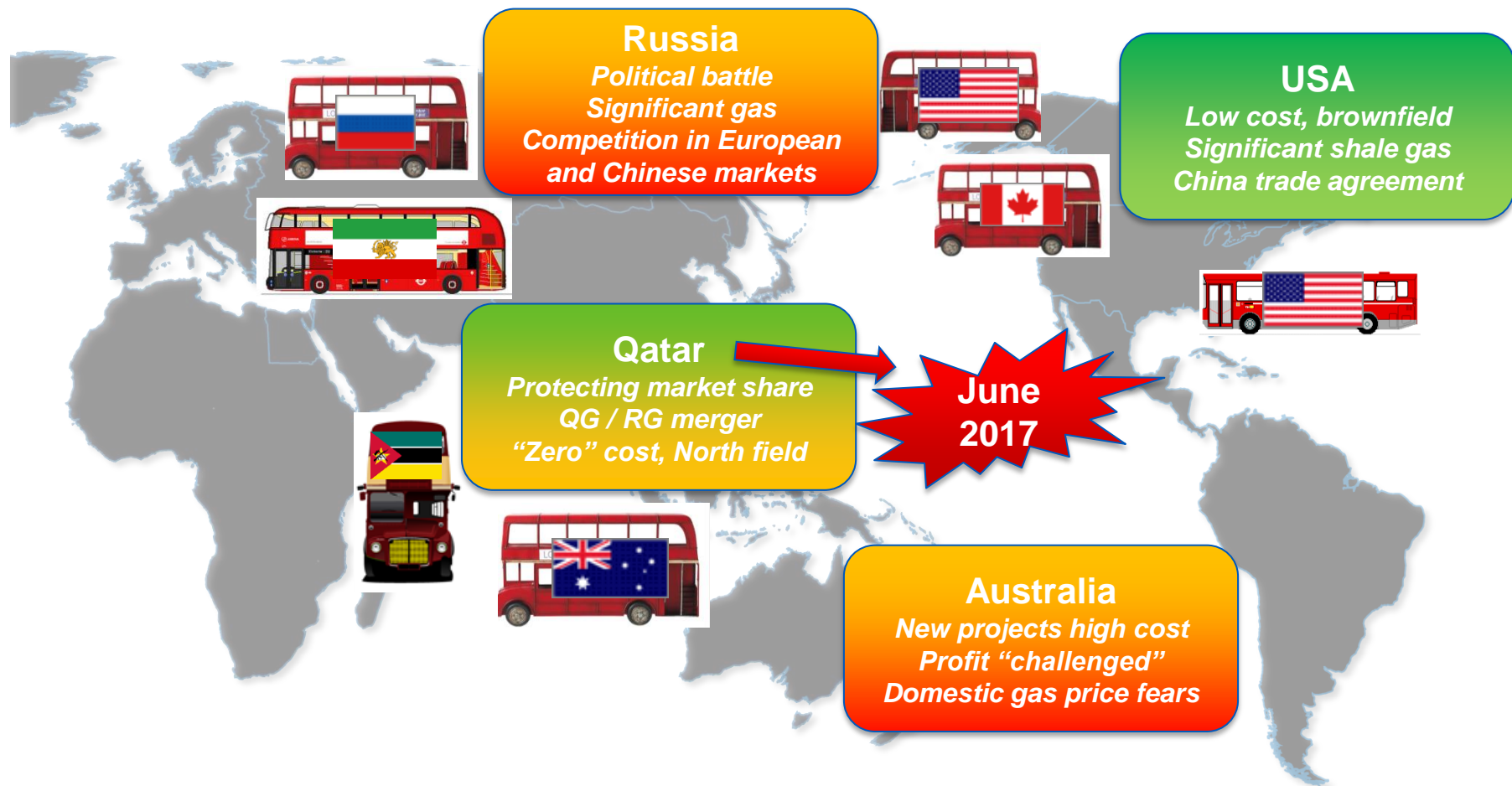
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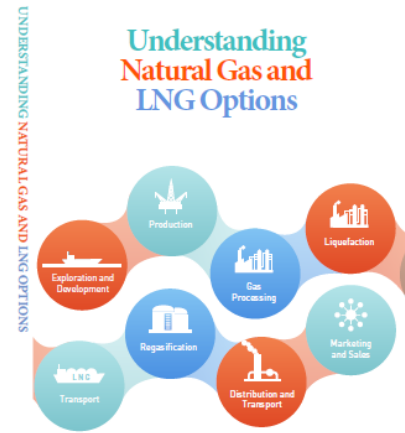
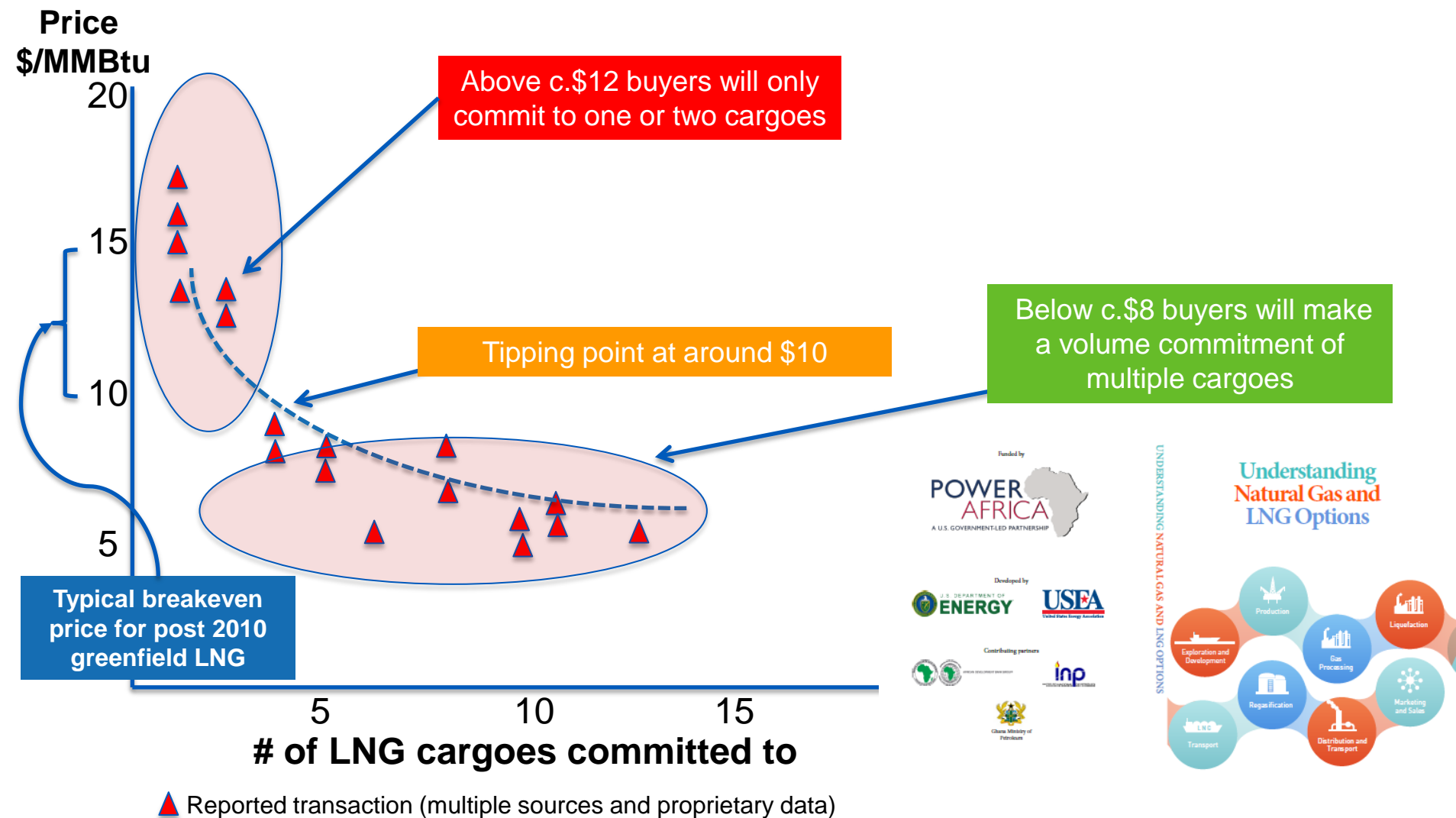
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LNG supply projects have stopped arriving like London buses... but LNG is becoming a geopolitical battleground...



... in which China has a key role to play

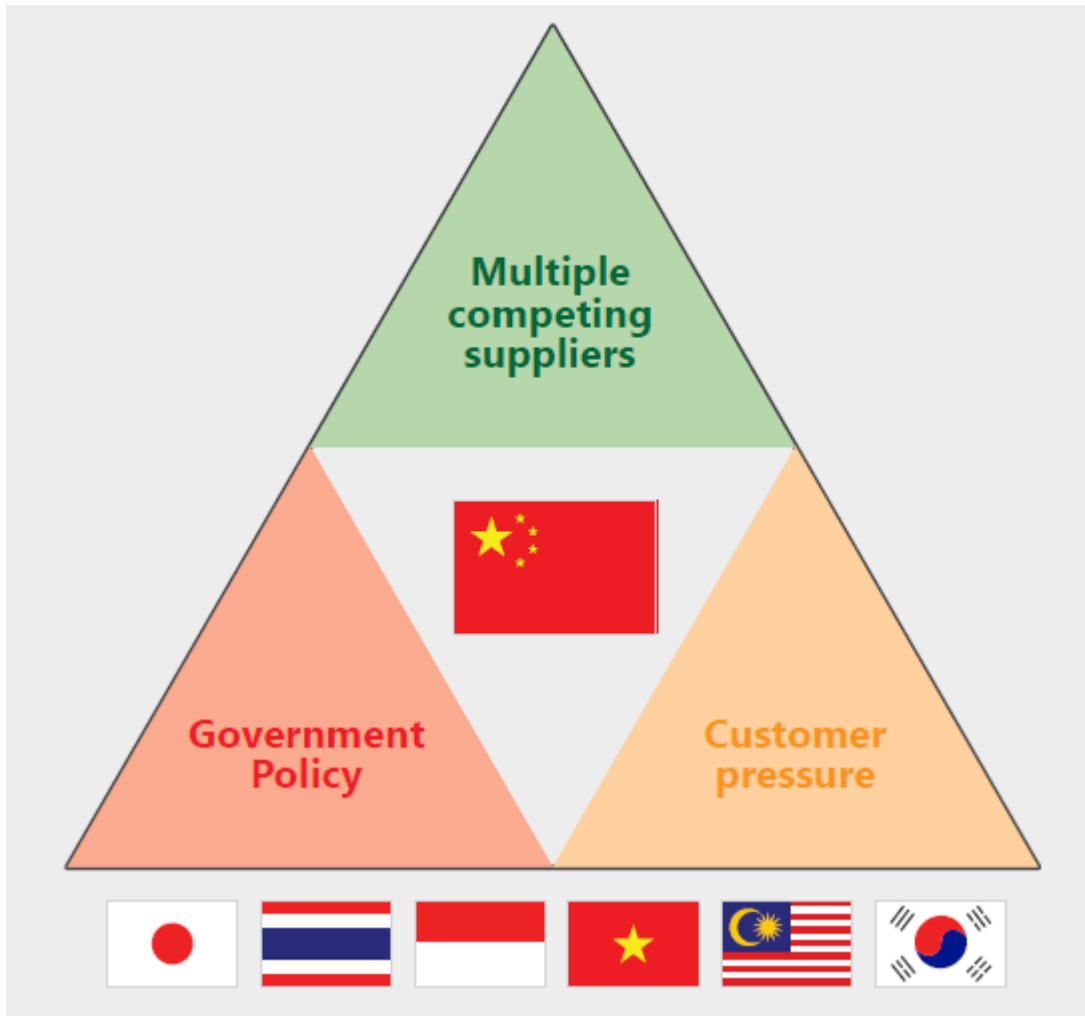
Lower prices are fuelling LNG demand, not just in China



GCA are advising on natural gas & LNG options in Africa, Asia and Latin America

Source: GCA analysis of estimated deal price vs duration

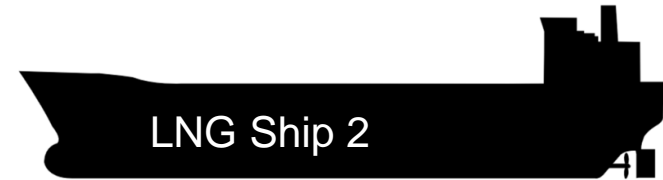
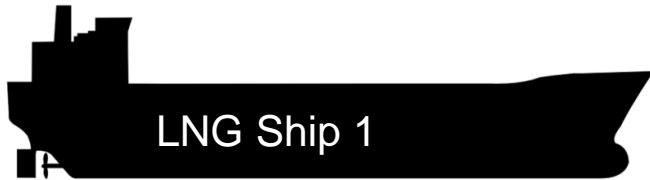
“Trinity for change” is gathering pace in China



1. The global oversupply of LNG means China is well-positioned to take advantage of low-cost gas in the short-to-medium term
2. Gas is having to compete with lower-cost oil, coal, LPG and renewables when compared with regulated citygate prices
3. Within China, the central government's ability to shape policy is perhaps less dominant than some might think

Long term commitment will be needed for gas-related investment in China, and this may deter some of the less well capitalised players

The LNG cargo “dilemma” for Chinese buyers?



- Delivered under LT ToP
- Oil indexed pricing
- Buyer obliged to purchase

- Available on spot market for delivery anywhere
- Price negotiable, market

c.\$28m

c.\$20m

REVIEW? ACCOMMODATE? DISPUTE?

Pricing tension is causing Chinese buyers to consider innovative pricing formulas

LNG buyers appear to be getting what they want in the ST...

- ❑ Lower prices (reduction in oil indexation %)
- ❑ Destination free clauses (being challenged)
- ❑ Take or pay flexibility
- ❑ Shorter contract durations
- ❑ Benefiting from upside and trading opportunities
 - Kogas winter buyer
 - CNOOC summer buyer
 - JERA buys across both seasons
- ❑ Smaller parcel sizes
- ❑ Portfolio diversification
- ❑ Novel pricing formulas



... but could create MT / LT opportunity for sellers with increased market liquidity

China is leading the charge on small scale “fit for purpose” opportunities – bunkering, transportation, FSRU, FSRP



Small scale
Design of choice

- *Fast track*
- *Lower risk*
- *Cost control*
- *Redeployment*

Floating
Aligned with markets

- *Transportation*
- *Environmental*
- *Tax advantages*
- *Demand generation*

Credit
Risk mitigation

- *Financial settlement*
- *Distributed markets*
- *Multiple offtakers*



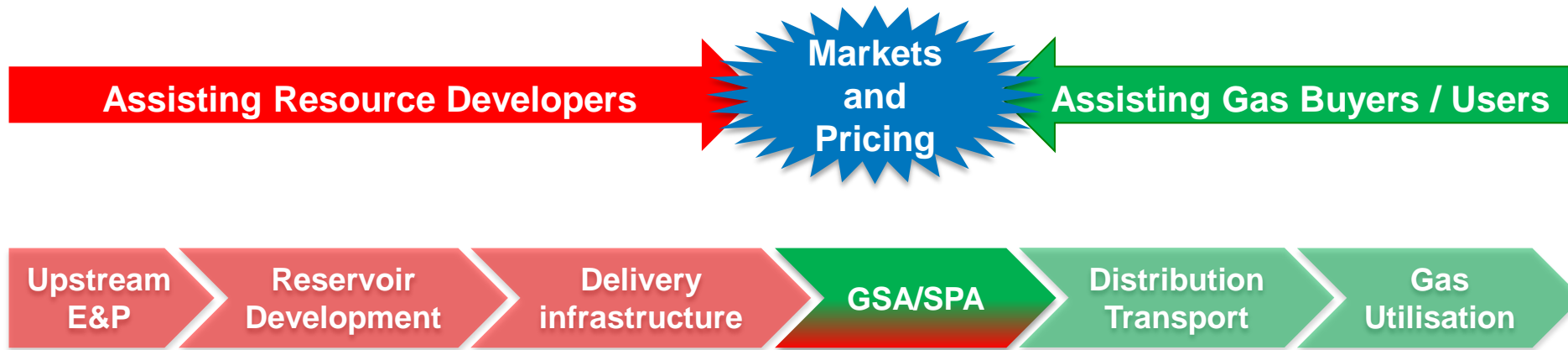
Configuration Shown:
- Two LNG Storage Tanks @ 25,000 M3 total
- Four (4) GTCC @ total of 17.2 MW



Flexible midstream solutions are increasingly popular in emerging new markets requiring smaller scale LNG (trading and “break bulk”) and “molecules to MW”

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