



Australian & World LNG

Presentation to

Australian Institute of Energy National Conference

**By Dr. Fereidun Fesharaki, Chairman
FACTS Global Energy**

**Adelaide, South Australia
November 14-16, 2010**

This presentation material contains confidential and privileged information intended solely for FGE clients.
The dissemination, distribution, or copying by any means whatsoever without FACTS Global Energy's prior written consent is strictly prohibited.

Agenda

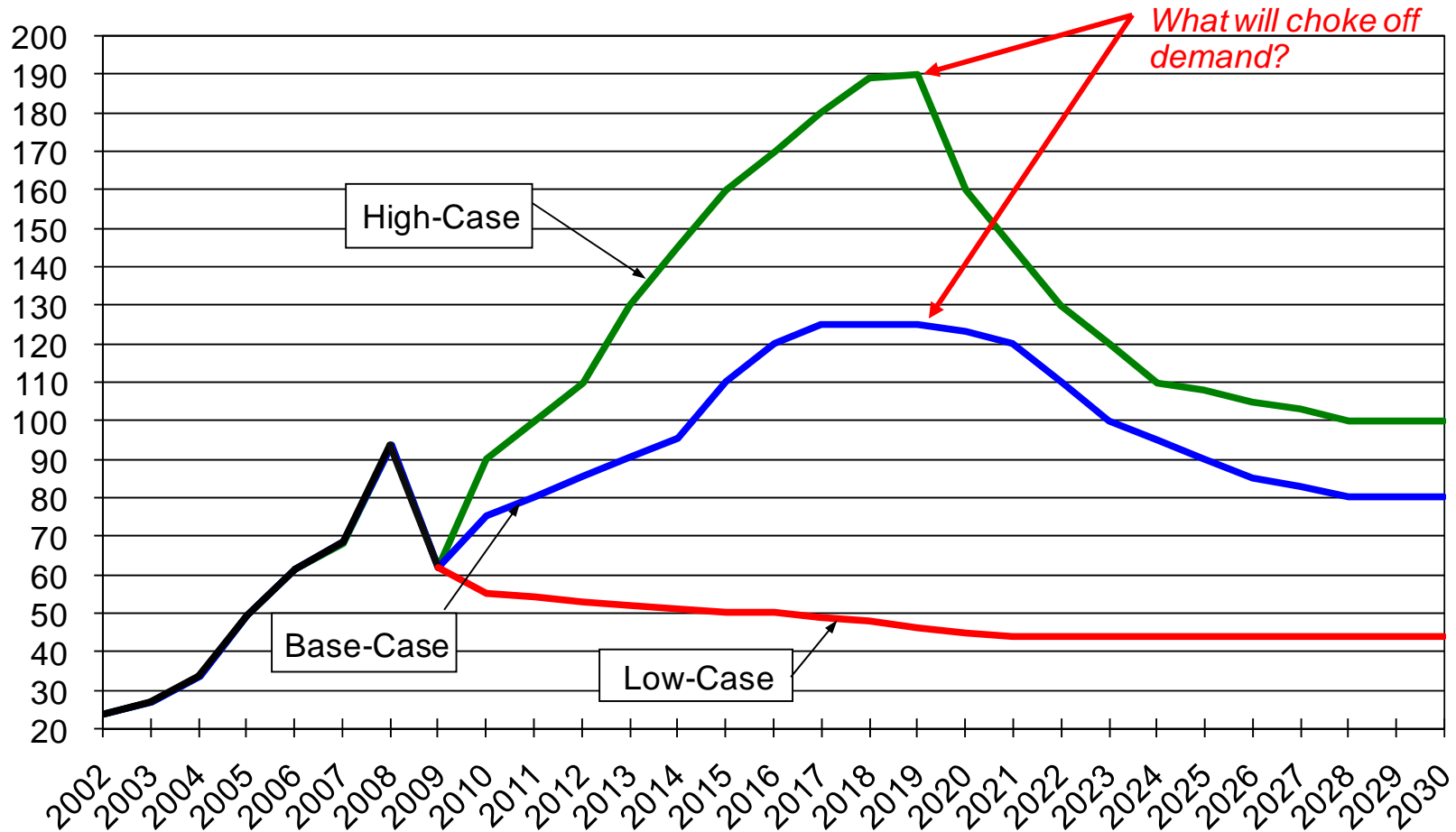
- Oil price forecast
- Current state of the global LNG market
- Australian LNG issues
- Future trends and key issues



Oil Price Forecast

Oil Prices are Expected to Rise

Dubai Forecast Price, US\$/bbl



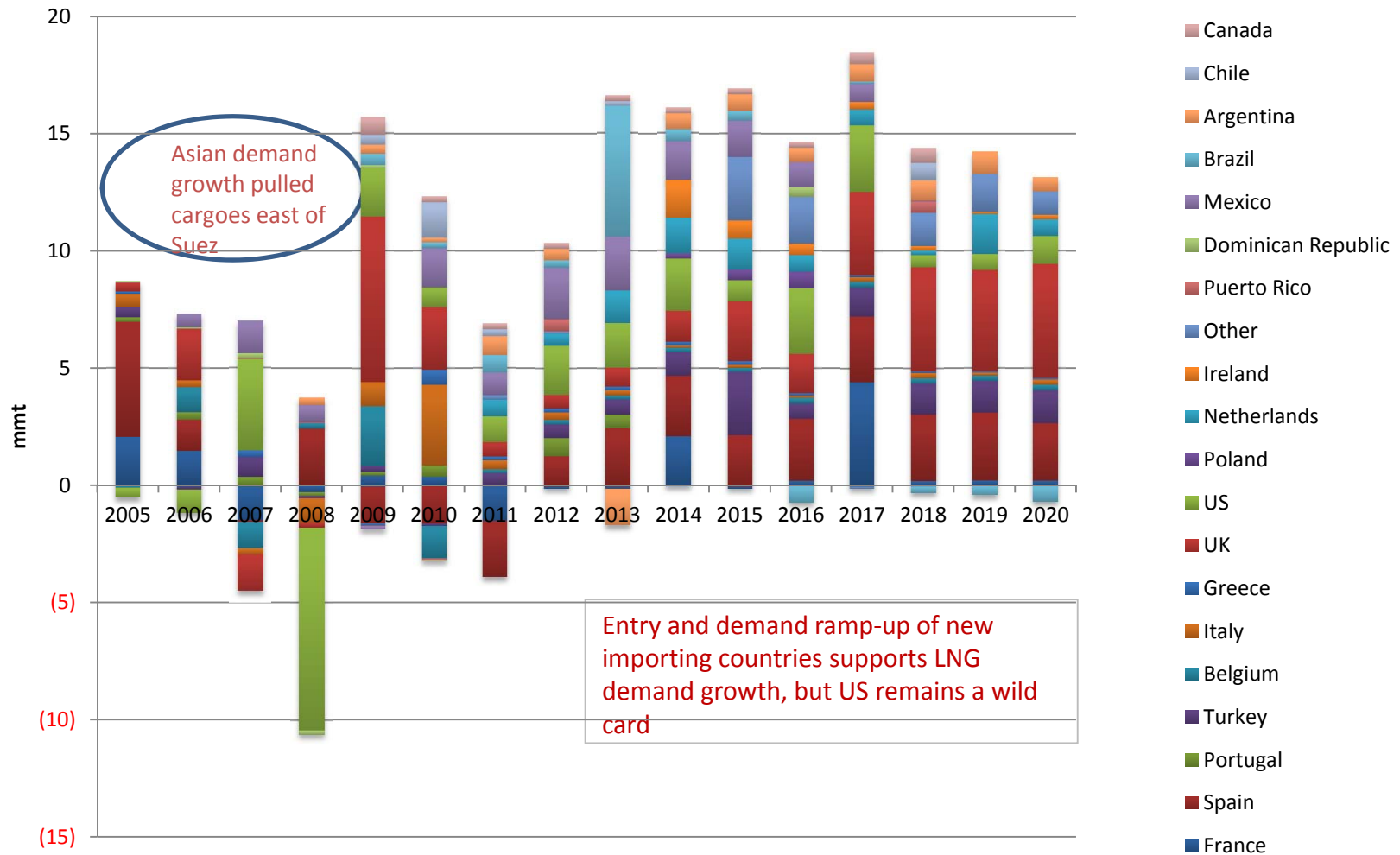
Note: Actual up to 2009 and forecasts in 2010\$ thereafter.



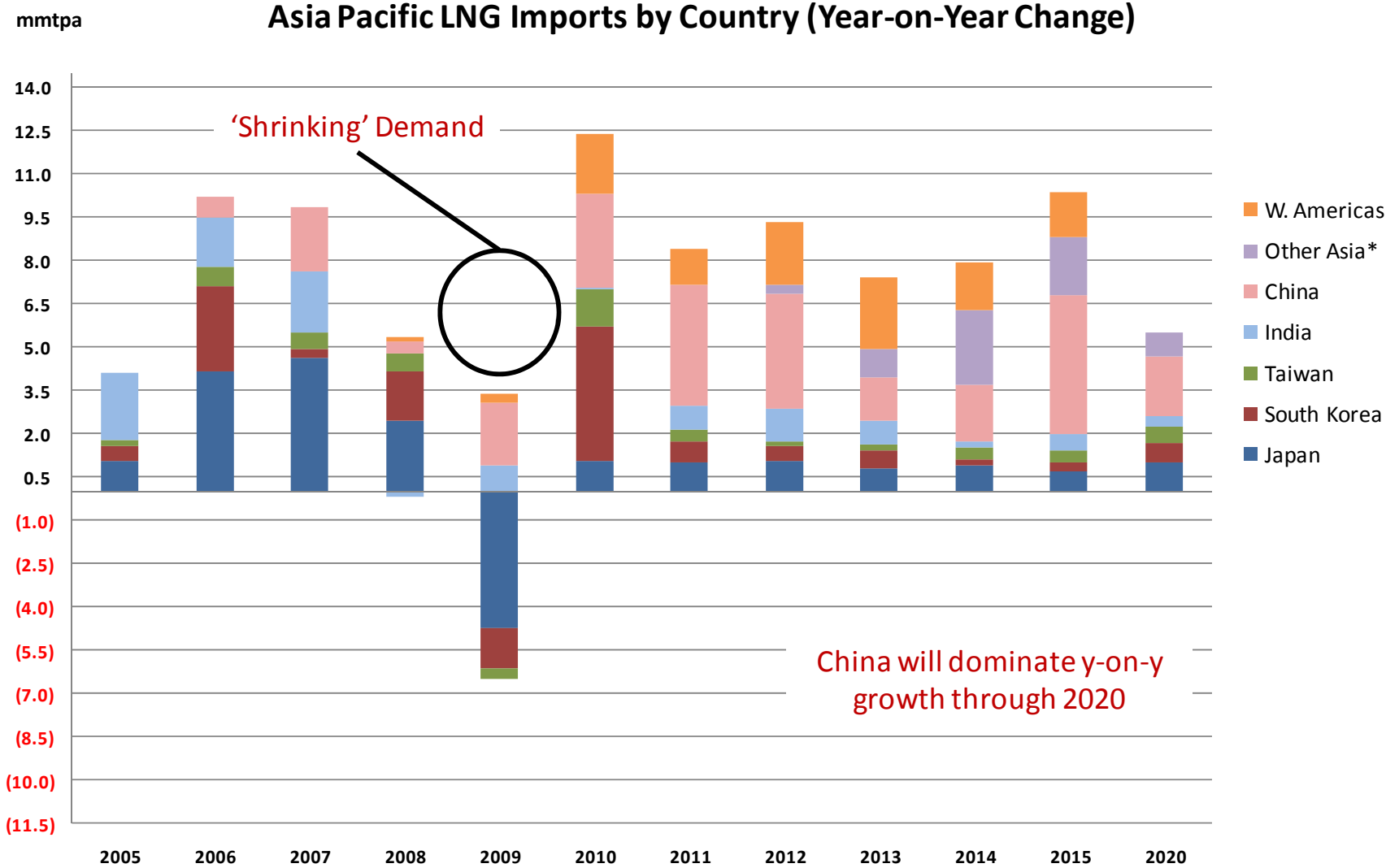
Current State of the Global LNG Market

Atlantic Basin Demand Prospects to 2020 are Fair

Atlantic Basin LNG Imports by Country (Year-on-Year Change)



Asia is Recovering From the Economic Downturn



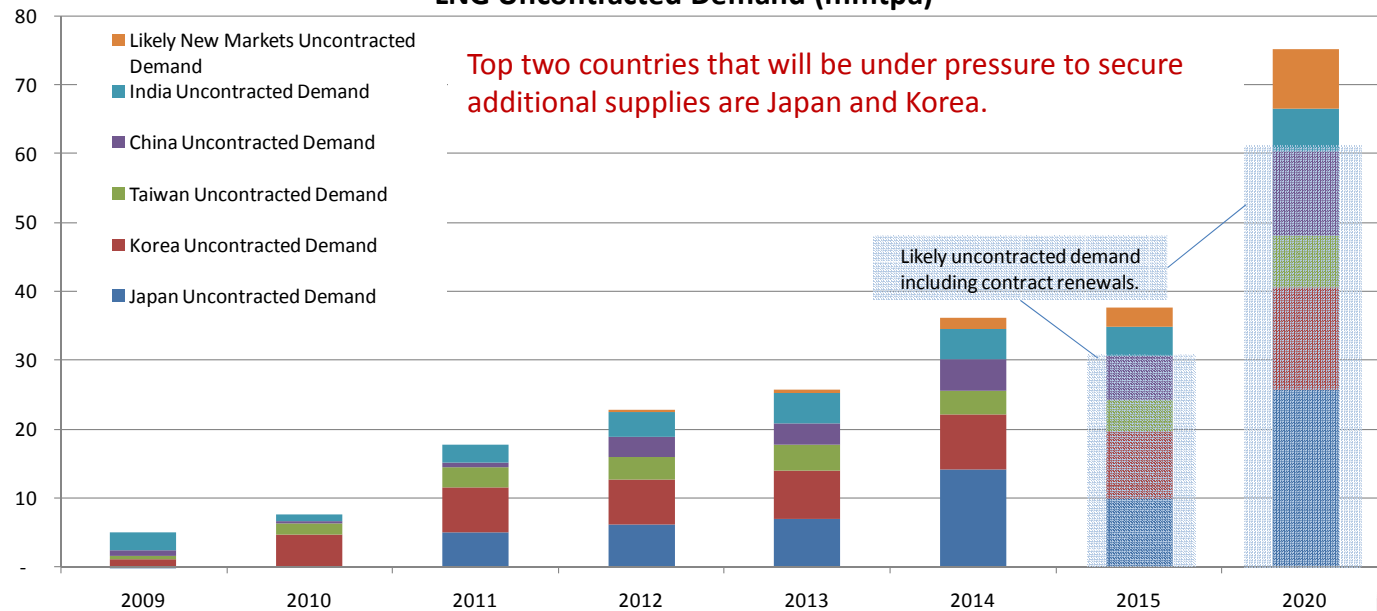
* Includes New Zealand, Pakistan, Philippines, Singapore, and Thailand.

Asia Needs To Secure LNG Supplies

Asia Pacific LNG Import Forecasts Scenarios (mmtpa)											
Base Case											
							Total Asia Pacific				
	Japan	South Korea	Taiwan	India	China	Likely New Markets*	Mature Markets	Emerging/ New Markets	Total Asia	West American Coast	Total Asia Pacific
2008	69.3	27.3	9.0	8.2	3.3		105.6	11.5	117.1	0.2	117.2
2009	64.6	25.8	8.6	9.1	5.5	0.0	99.0	14.6	113.6	0.5	114.1
2010	65.6	30.5	9.9	9.2	8.8	0.0	106.0	17.9	123.9	2.6	126.5
2011	66.6	31.2	10.3	10.0	13.0	0.0	108.1	23.0	131.1	3.8	134.9
2012	67.7	31.7	10.5	11.1	16.9	0.3	109.9	28.4	138.2	6.0	144.2
2015	70.1	32.8	11.6	12.7	25.2	5.9	114.5	43.8	158.2	11.7	169.9
2020	73.9	36.7	14.2	15.1	37.5	11.7	124.8	64.3	189.1	14.3	203.5

* Includes Singapore, Thailand, and Pakistan.

LNG Uncontracted Demand (mmtpa)



Australia & Qatar: The Biggest Sources of Future Supply

Liquefaction Capacity (in mmtpa)

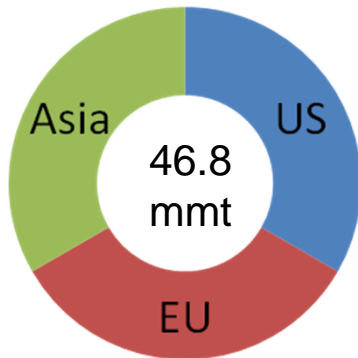
	In Operation/Under Commissioning	Under Construction	Planned	Total
Qatar	61.5	15.6		77.1
Nigeria	22.2		40.5 - 50.5	62.7 - 72.7
Australia	20.1	19.8	59.0 - 110.0+	99.4 - 149.9+
Russia	9.6		15.0 - 80.4	24.6 - 90.0
Iran			42.8 - 44.8	42.8 - 44.8

> 3 / 4 of planned capacity globally

Prospective Sellers Must Capitalize on Qatari Pricing Inflexibility

- Qatar still wants to diversify across markets...but Atlantic Basin market prospects disfavor large-scale Qatari deliveries

Plans For Gas Allocation Since
Inception of Mega-trains



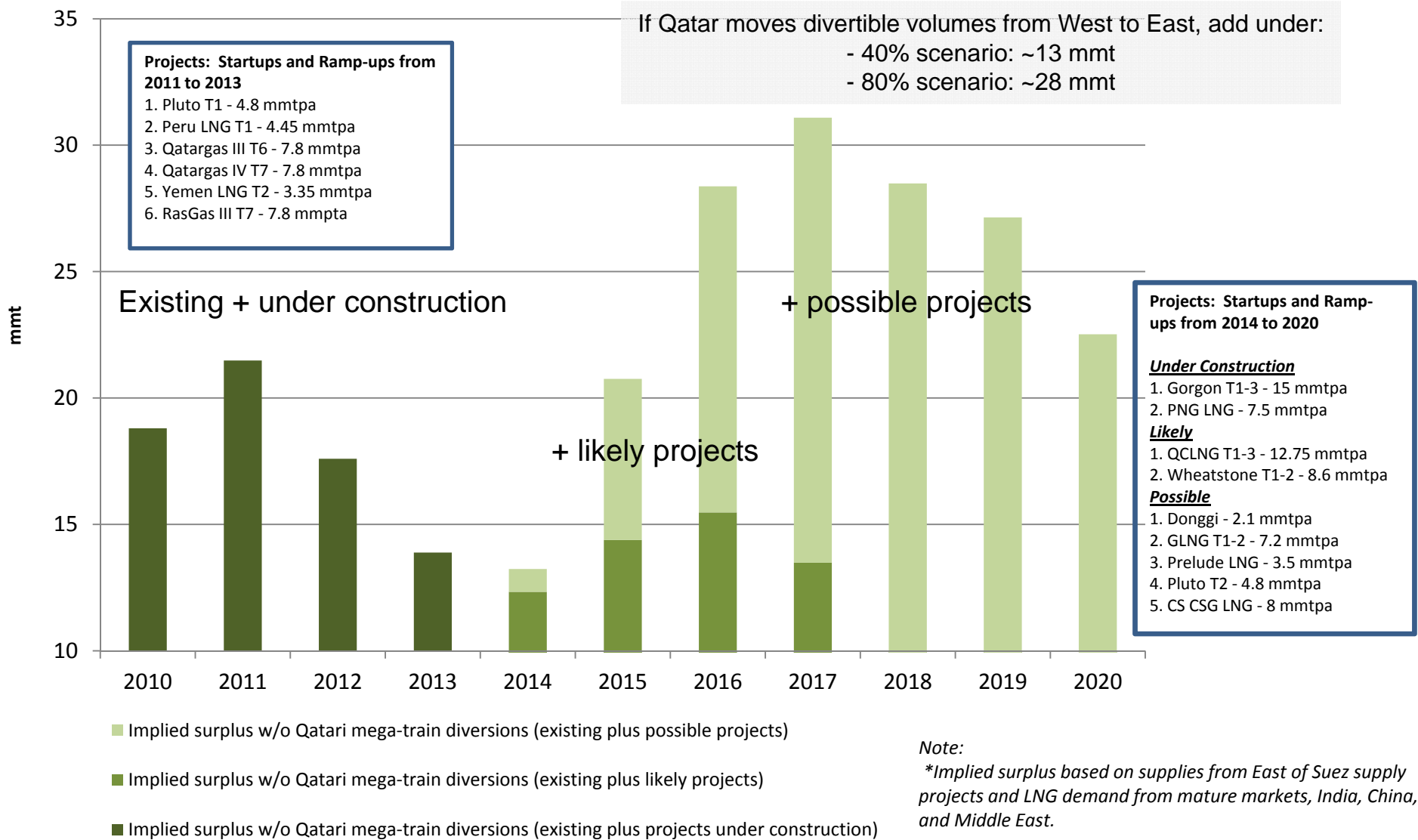
➤ Unforeseen developments

- US shale gas revolution
- China and India proven market players
- Indonesia shifting focus to domestic market
- Most large LNG projects stalled
- Extraordinary increase in project costs
- Wide divergence between oil and natural gas prices

➤ Will Qatar respond?

- US\$4-6/mmBtu differential → US\$35-53 million per Q-max cargo

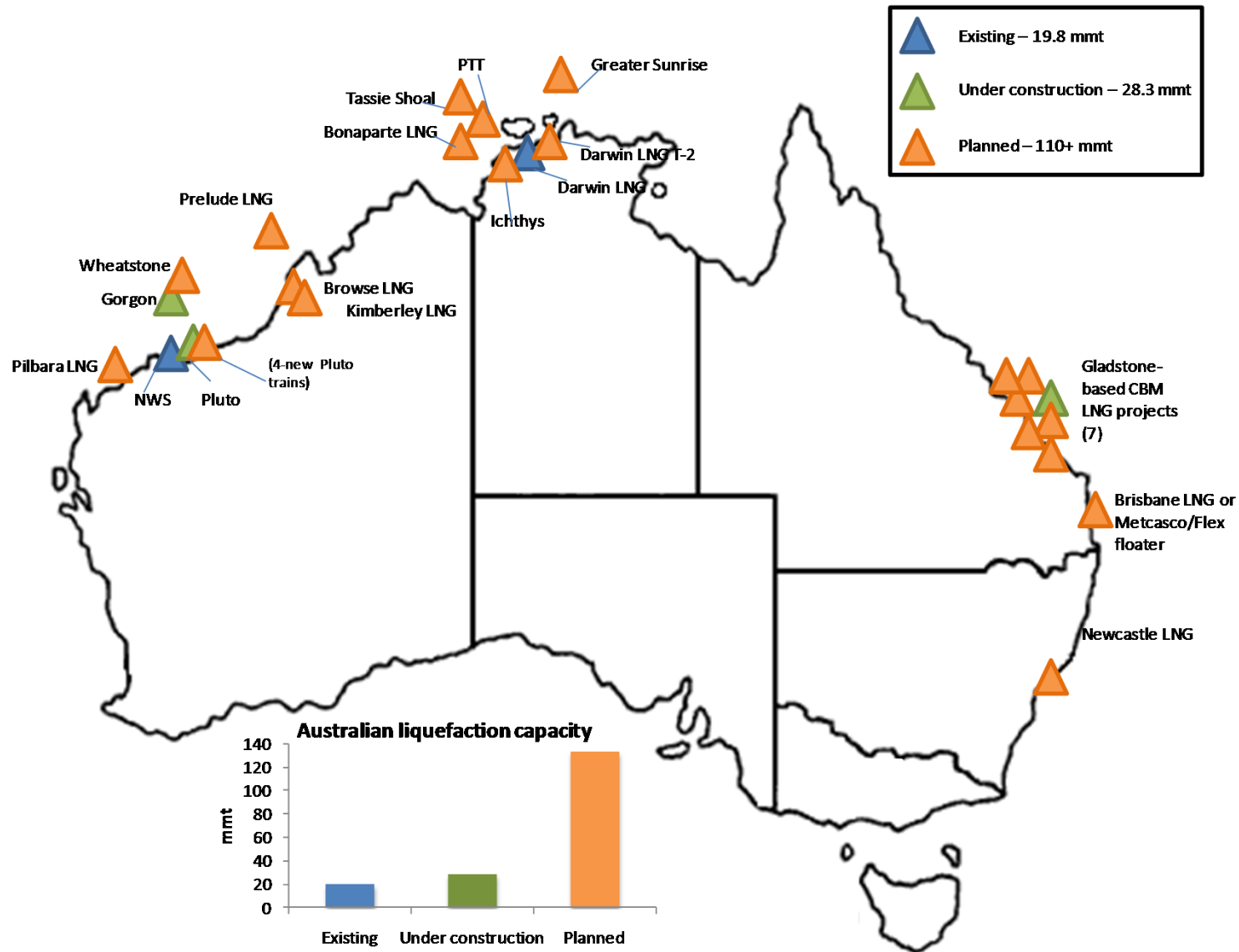
East of Suez Implied Supply Surplus*





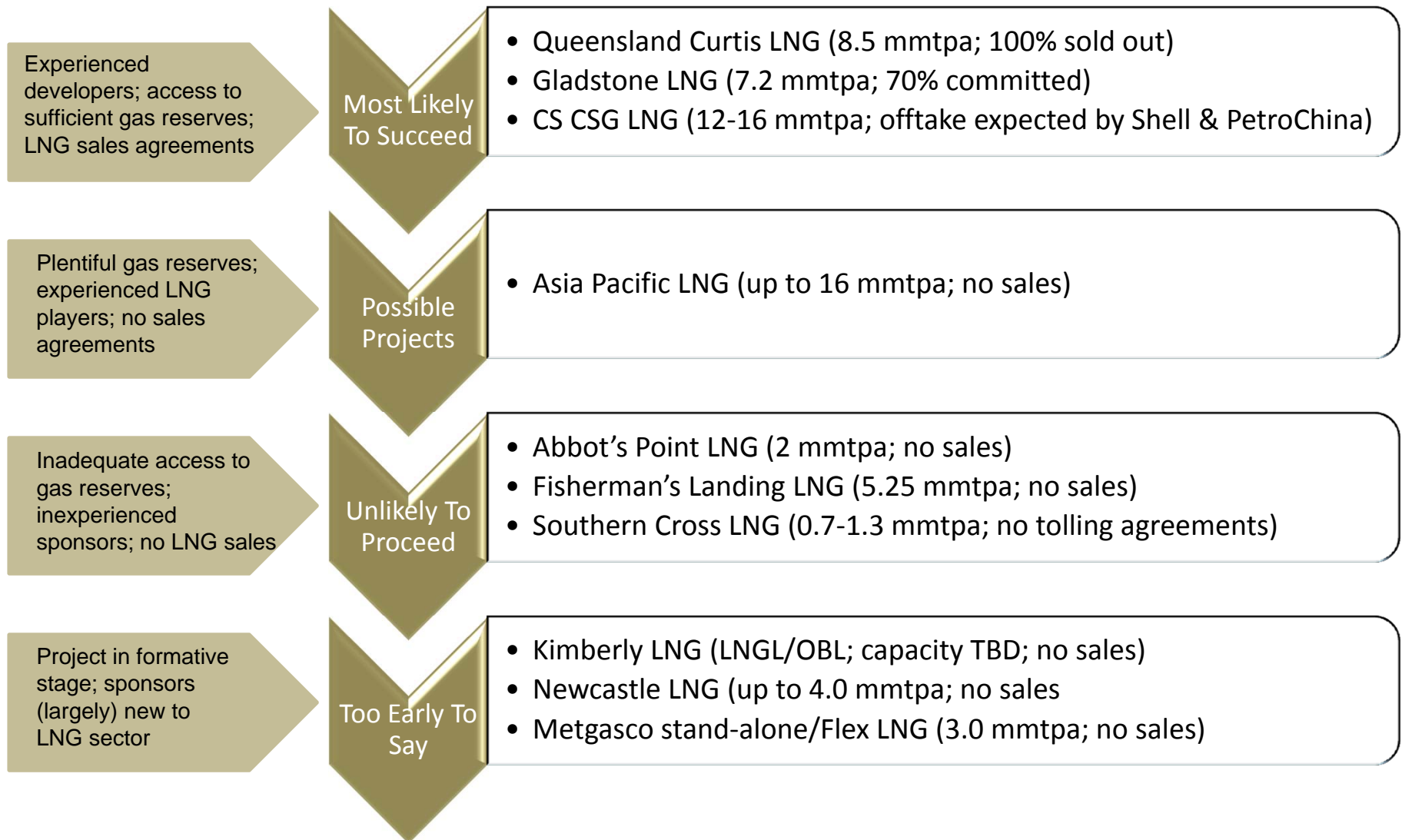
Australian LNG Issues

Australian Export Potential Exceeds Qatari Capacity



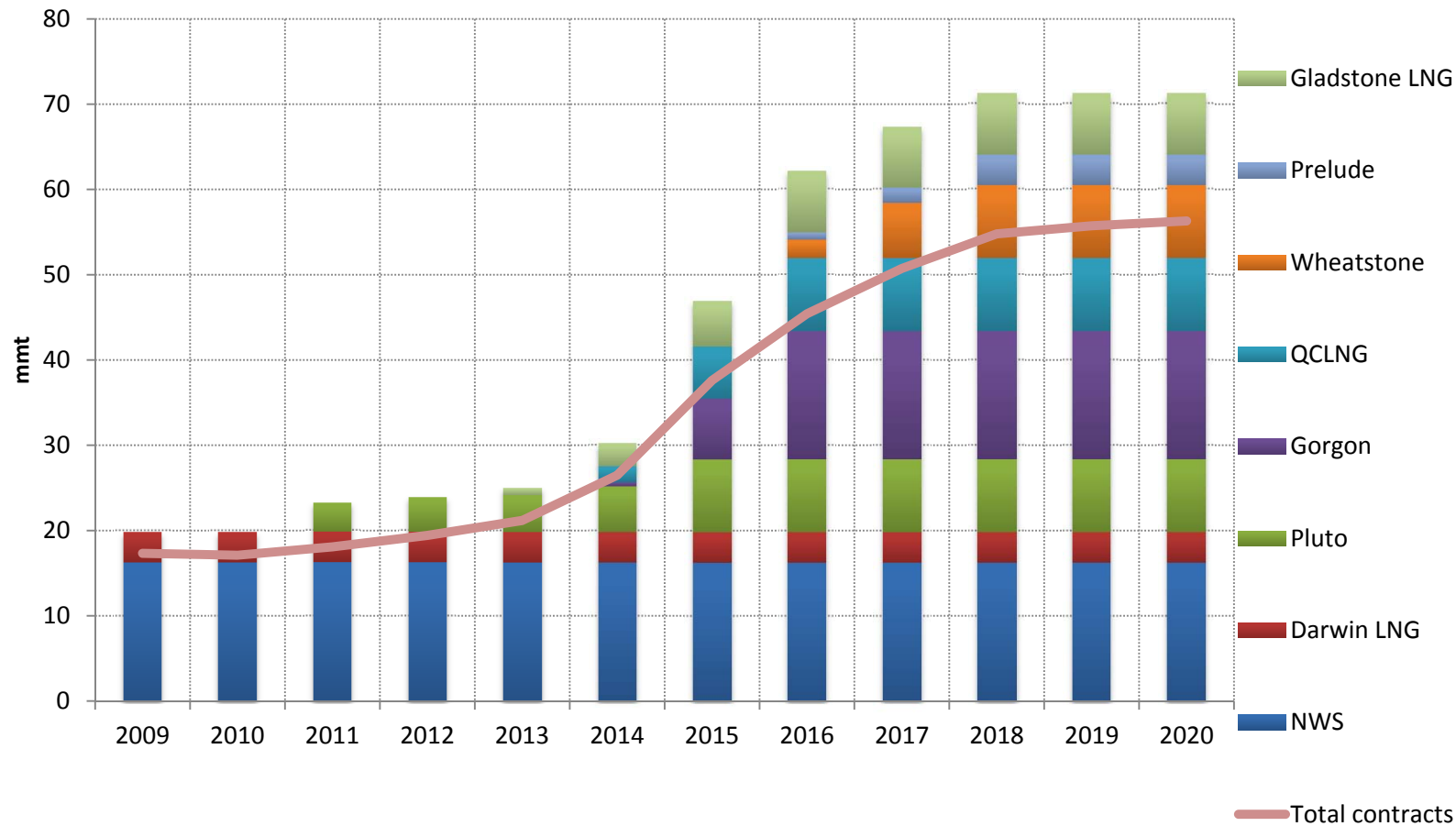
Source: FGE

CBM Accounts for ~45% of Planned Export Capacity



Planned CBM projects exceed 60.0 mmtpa, or >45.0% of all proposed Australian export capacity

Australian Export Capacity to Reach ~70 mmt by 2020



- Around 80% of total capacity already committed
- Expansion potential for certain projects (GLNG, Gorgon, Pluto, QCLNG, and Wheatstone)



Future Trends and Key Issues

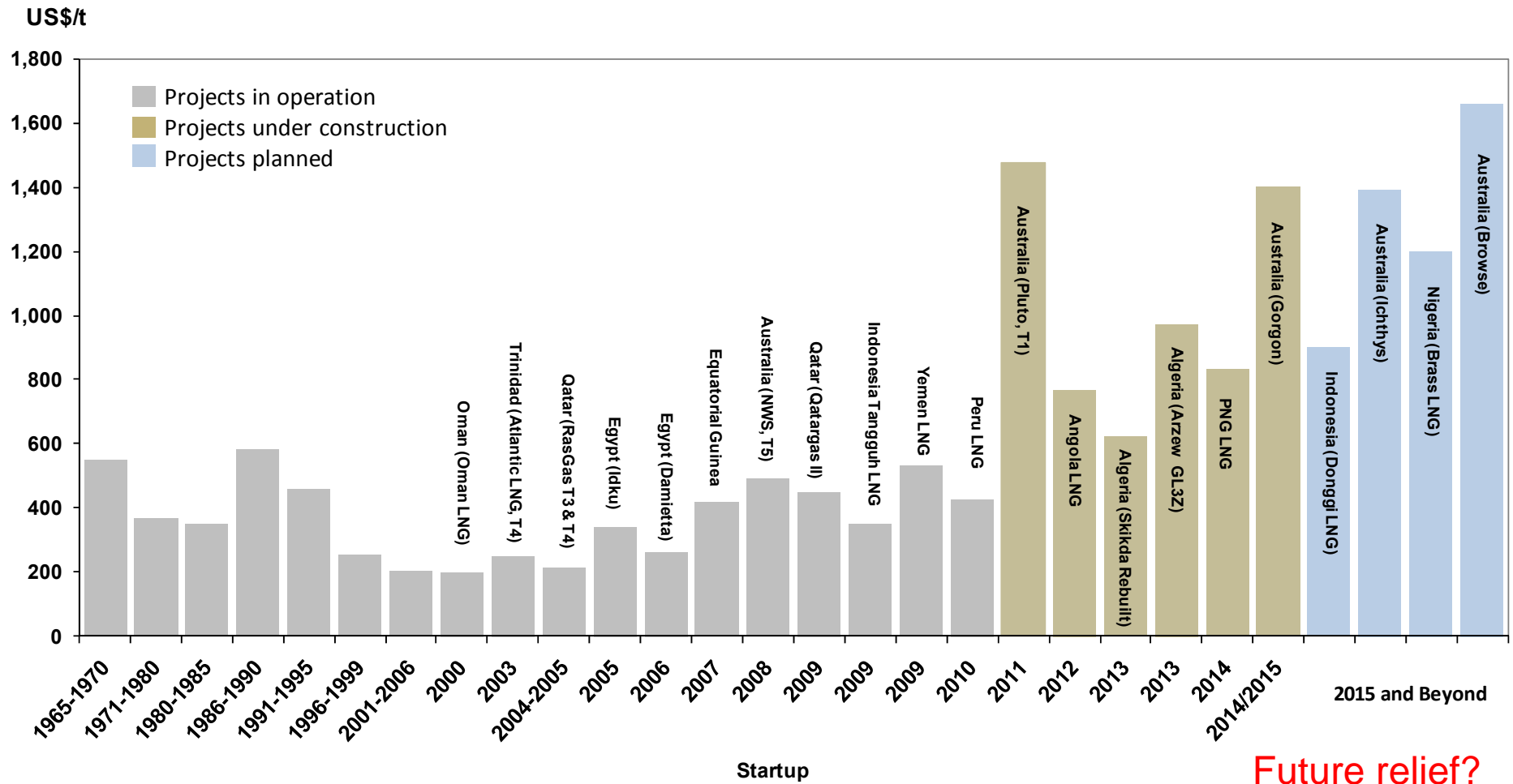
Asian LNG Demand Unaffected By Unconventional Gas Production

China's Total Unconventional Output		
	bscf/d	% of total domestic gas supply
2020	2.6	13
2025	3.3	14
2030	4.1	14

India CBM Resources (tcf)	Production (mmscf/d)
Total resource 120	2009 5
	2011-2012 130
	2015 177
	2017 283
	2020 424
	2030 530-
	706

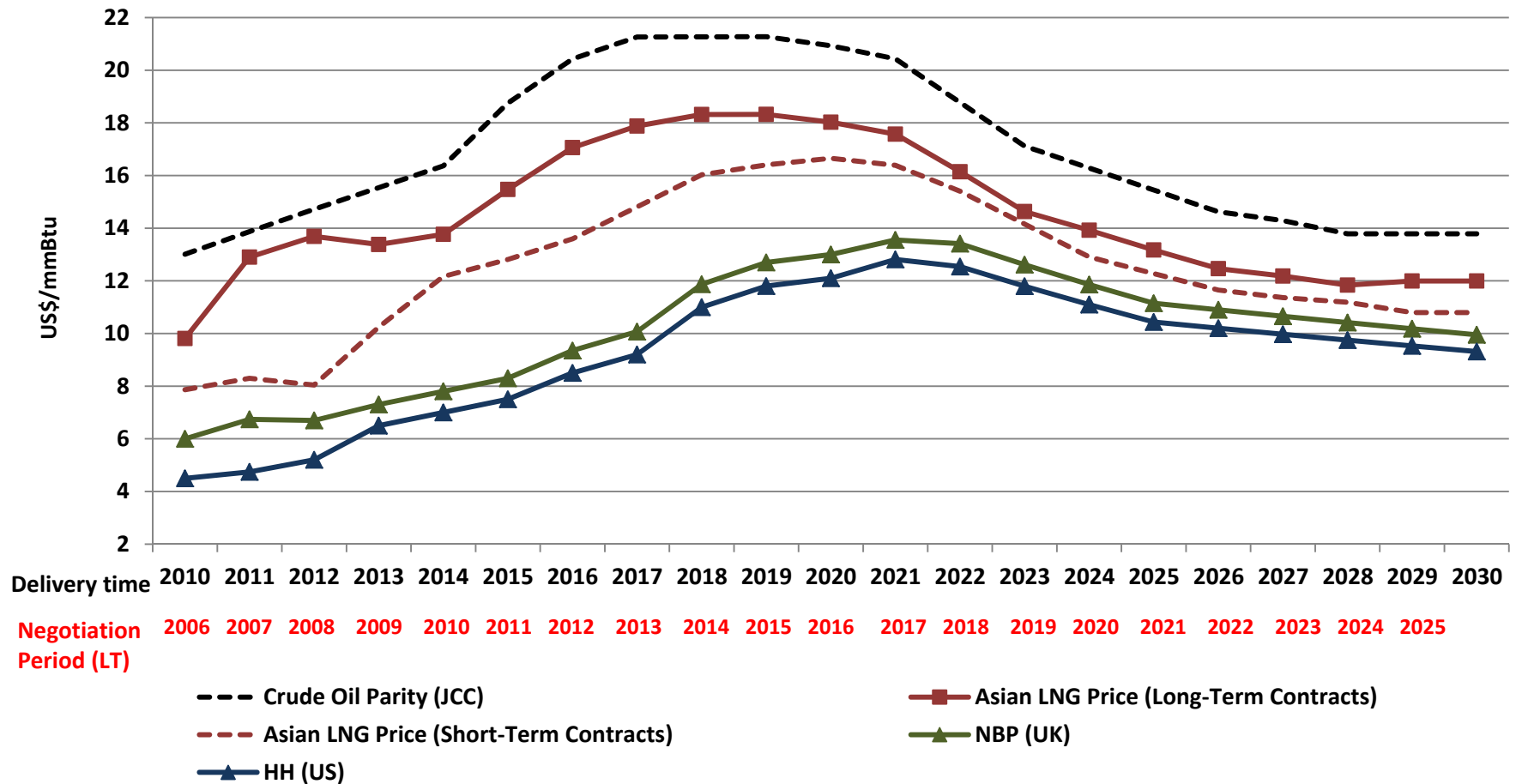
- Unconventional Chinese gas production could hit 2.6 bscf/d by 2020
- Unconventional Indian gas production could exceed 0.4 bscf/d by 2020
- Potential exists for consequent Asian LNG demand displacement, but it's too early to determine extent

Ongoing High CAPEX Costs Will Affect LNG Pricing

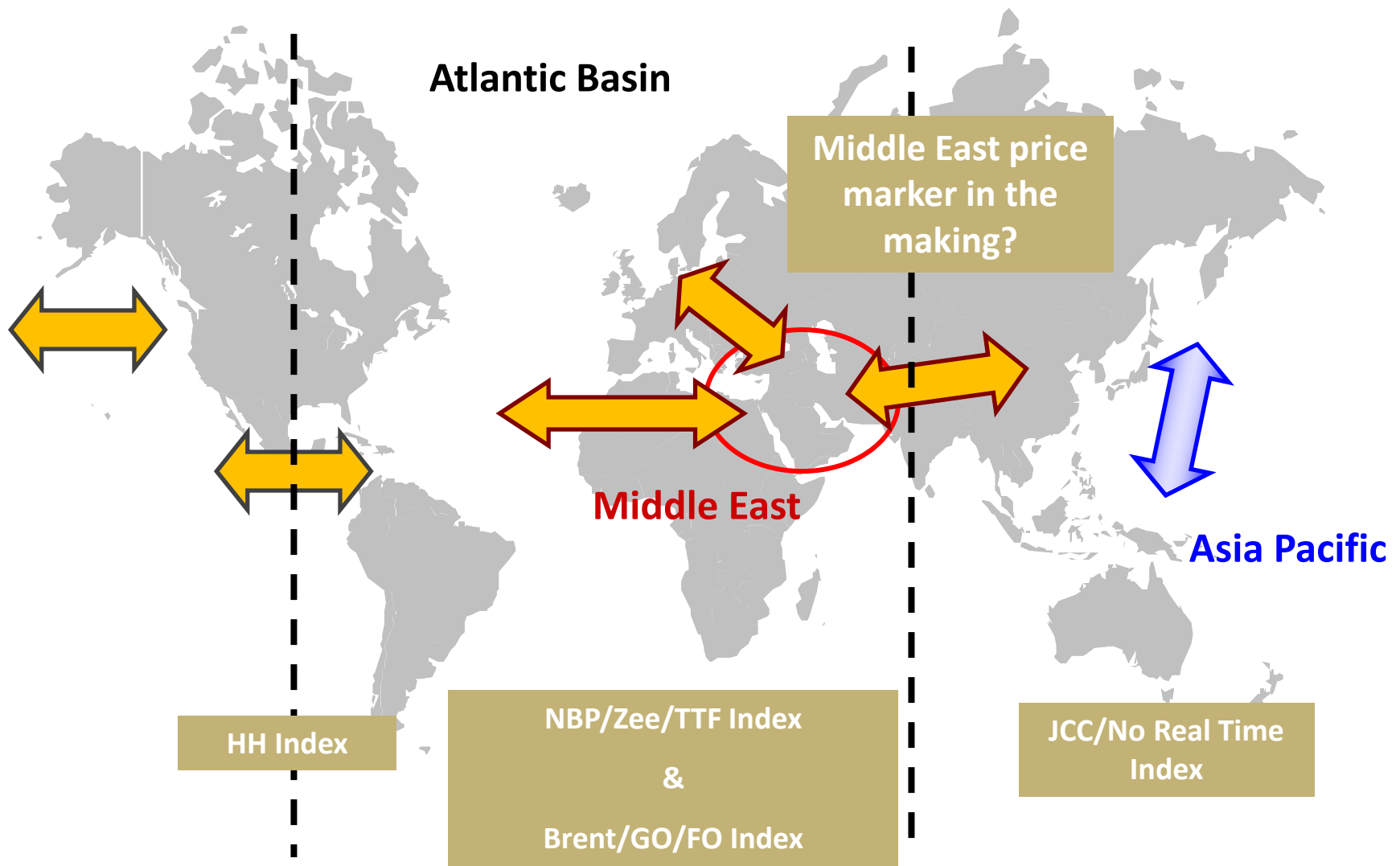


Future relief?

Projected Price of New Asian LNG Contracts vs HH, NBP, and JCC (\$2010)



A New Price Marker in the Making?



Key Observations

Takeaway points...

- Asian LNG buyers will sign more LNG supply contracts
- Unconventional gas won't materially affect Asian LNG demand through 2020
- Australia and Qatar will be the primary competitors for Asian market share through 2020
 - Not all Australian LNG supply projects are created equal
 - Australian export capacity could approach Qatar's by 2020
- Oil and LNG prices are inextricably linked in Asia
 - Shorter-term contracts may employ alternate indexes
 - Ongoing high CAPEX prices underline need for oil-indexed pricing

Thank You

Head Office:

8 Eu Tong Sen Street,
#20-89/90 The Central,
Singapore 059818
Tel: (65) 6222-0045
Fax: (65) 6222-0309

FGE@fgenergy.com

Global Offices:

Honolulu, HI	(808) 944-3637
Washington D.C.	(301) 907-0353
Houston TX	(713) 530-6221
London, UK	(44-20) 7014-2600
Yokohama, Japan	(81-80) 5449-4338
Beijing, PRC	(86-10) 8480-2701/02



Singapore – London – Hawaii – Dubai – Beijing – Yokohama – Houston – Washington, D.C.