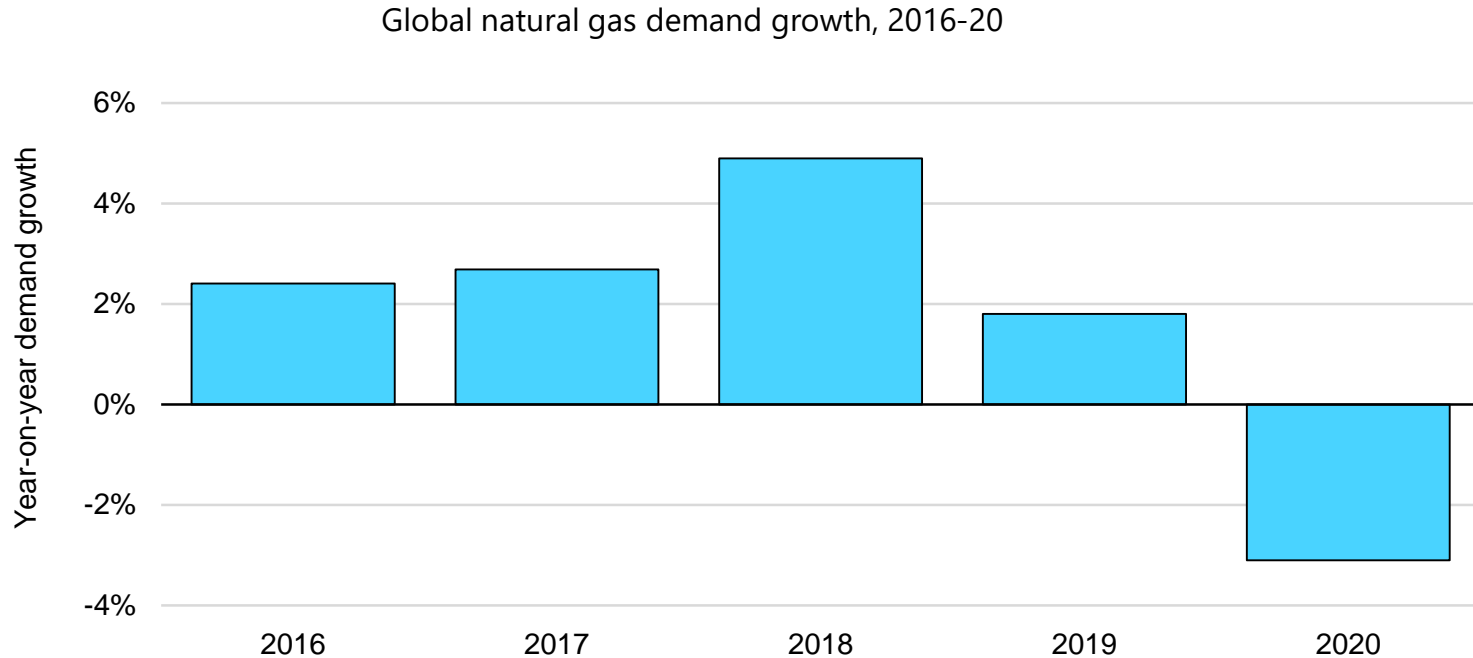




Global gas short-term market developments and medium-term outlook

Jean-Baptiste DUBREUIL, Senior Gas Analyst
Paris –Brasília, 29 September 2020

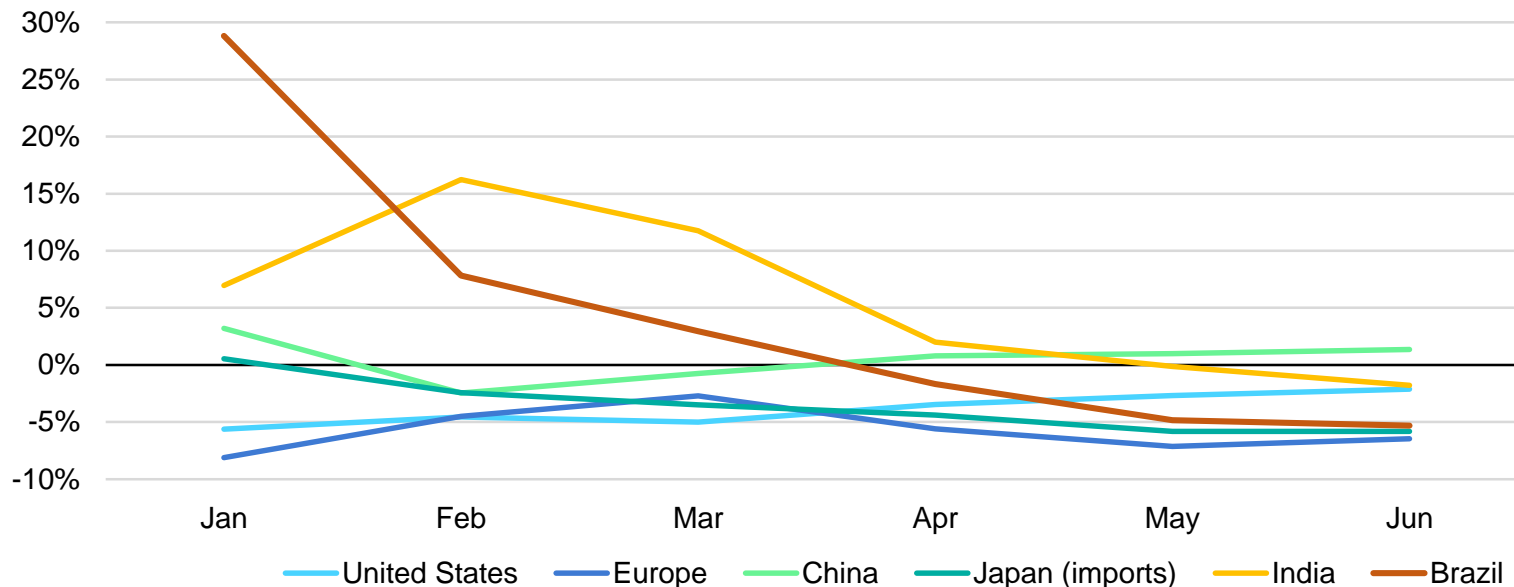
Natural gas demand – from cool down to decline



After three consecutive years of strong gains, natural gas demand growth slowed down in 2019 and is expected to experience its largest recorded drop this year

Gas demand decline already started before the Covid-19 outbreak

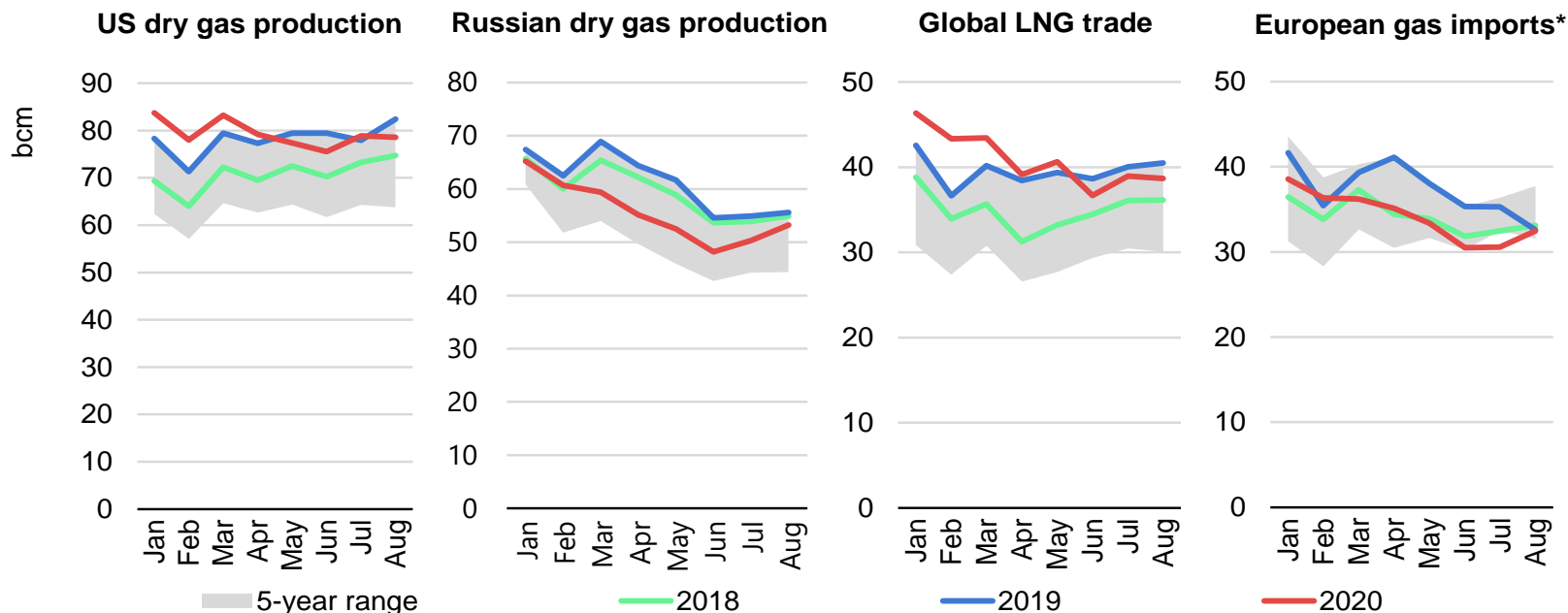
Year-on-year change in gas demand for a selection of major markets, 2019-20



The Covid-19 crisis hit an already weak gas demand at the end of an exceptionally mild winter for mature markets, while emerging markets were impacted later with the implementation of lockdowns

After showing some initial resilience, supply had to adjust in Q2

Monthly evolution of major natural gas supply indicators, 2018-20 and 5-year range

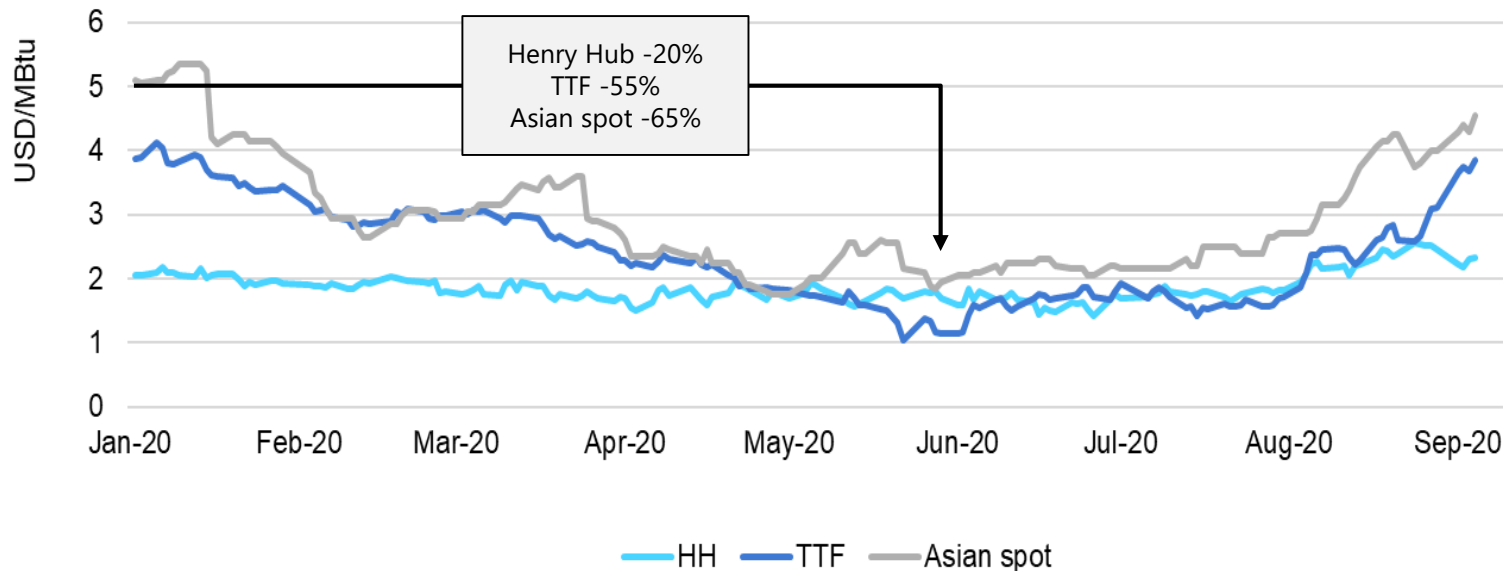


* including Norwegian pipeline gas flows to the United Kingdom and continental Europe

US production and LNG trade are still showing some growth over last year, but monthly volumes slowly converge to their 2019 levels.

Global gas benchmark prices at record lows as of mid-2020

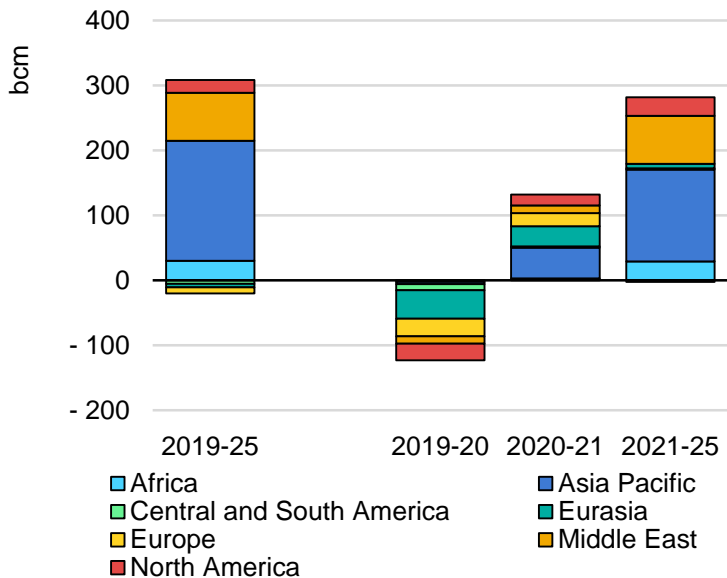
Natural gas spot prices in the US, Europe and Asia, 2020



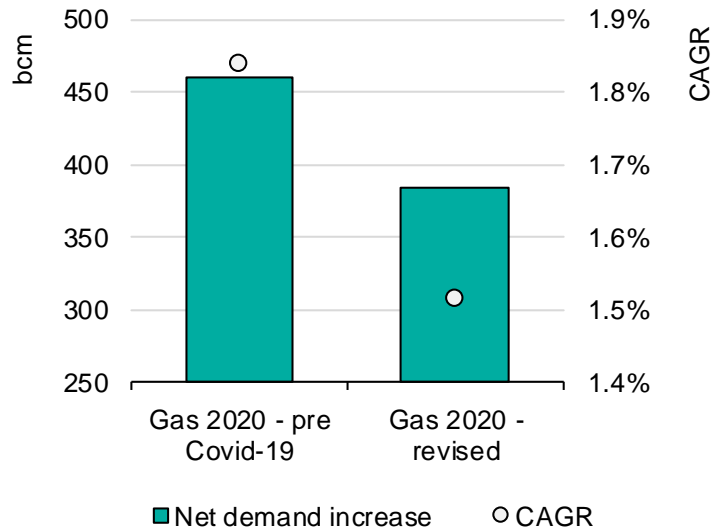
Spot prices in Europe and Asia collapsed over H1 while the US benchmark stayed below USD 2/MBtu
Price recovery is under way as of end of the third quarter

The Covid-19 crisis is likely to have long-lasting impact on gas growth

Regional breakdown of demand growth over the forecast period, 2019-25



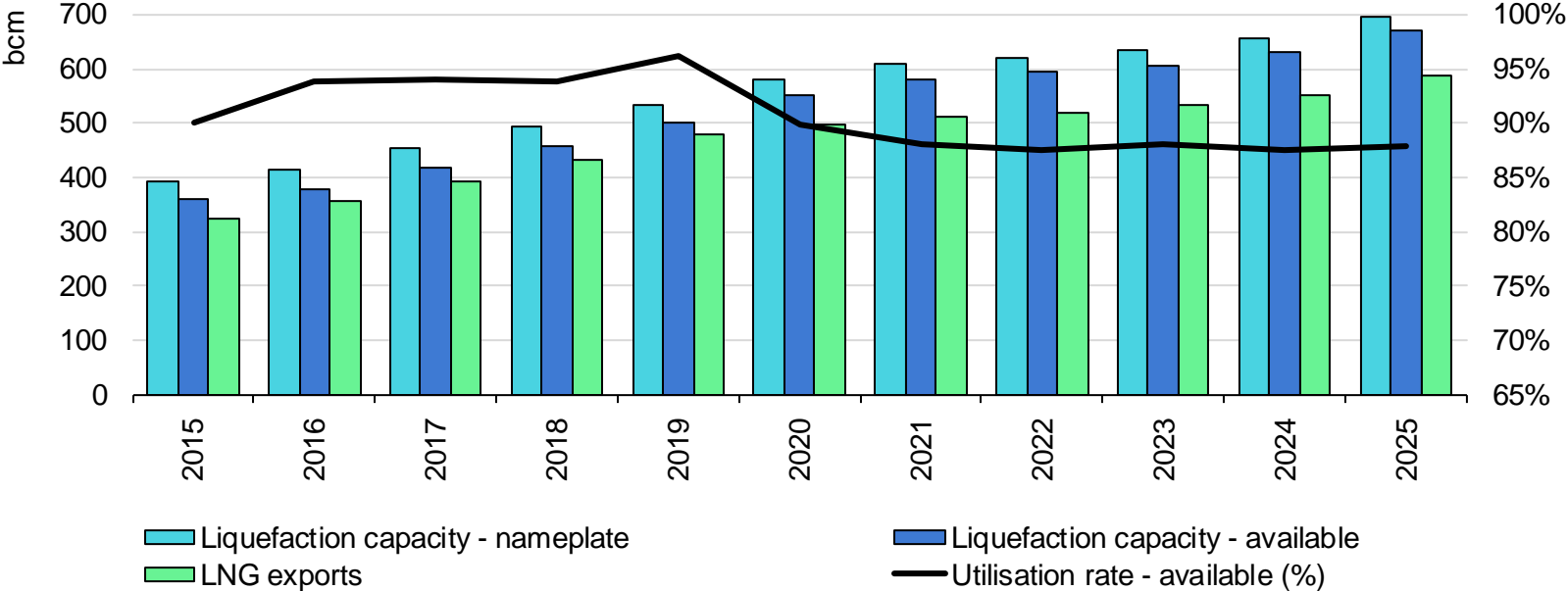
Incremental gas demand and CAGR in initial and revised forecasts, 2019-25



Even if most of the 2020 losses are estimated to be globally recovered in 2021, slower growth results in 75 bcm/y of demand lost by 2025 compared to our initial forecast (equivalent to incremental demand for 2019)

LNG trade balance is unlikely to retighten before 2025

LNG trade and liquefaction utilisation rate, 2015-25



LNG trade is expected to increase at a slower rate than liquefaction capacity additions, thus limiting the risk of a tight market over the coming years

Key takeaways

- 2020 is on its way to experiencing the largest recorded demand shock in the history of global gas markets
- Mature gas markets are expected to be the hardest hit by the combination of demand loss from reduced economic activity and an exceptionally mild winter
- Even if most of the 2020 loss is expected to be recovered in 2021, the Covid-19 crisis is likely to have long-lasting impact on future growth
- Slower demand growth increases the prospect of a loose market, casting a shadow on future investment in production and trade infrastructures
- The IEA is closely monitoring natural gas market developments and will provide quarterly revisions on latest market analysis and short term projections