

Asian Gas Economics

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China is far ahead in consumption and sourcing for future stock amid crisis during conflict in South China sea. On the other hand, to boost economy Russia is now closing big LNG deals with China. We can observe this by sustained Chinese demand even amid ramp-up of pipeline gas to China from Russia's 'Power of Siberia'. Asian liquefied natural gas spot prices and oil-linked LNG contract prices are expected to remain high throughout 2022 and 2023 and would only decline back to non-crisis levels around 2027-28 midyear, depending on geopolitical events, which includes Chinese invasion on Taiwan.

WHEREAS the Australians sources, who supply almost 40 percent of Chinese's LNG, said that natural gas demand growth was expected to moderate in 2022, as extreme weather events normalize and economic growth slows. In calculation, there is expected to be a ramp-up of pipeline gas imports as the 'Power of Siberia' pipeline between Russia and China takes increased volumes," said the Resources and Energy Quarterly report published by the Australian Government's Chief Economist's Office.

Despite Australia and China are on the war of words, China was seen importing 86 million tonnes of LNG in 2022, a slower rate of growth but still the largest import increases globally. Australia's LNG exports earnings are forecast to rise from \$30 billion last year to \$70Bln this year before jumping to \$82Bln in 2022- 2023 as oil price-linked contract prices surge. It is good amount of increase. But some report also analyzed other developments in Chinese natural gas and LNG needs from its new position as the World's No. 1 LNG importer via various sources.

Despite slowdown, it is noted that China's LNG imports were higher in the December quarter of 2021, up 4.6 percent year-on-year as consumption recovered

from a market slowdown in the September quarter, when high gas prices led to demand destruction in some sectors. Other factor like Coal shortages and a cold start to winter boosted consumption in the December quarter.

In 2021, Australia accounted for the largest share of China's LNG imports, at around 39 percent, down slightly on 2020 in percentage terms, but up in terms of absolute volumes. Throughout 2021, China has sought to diversify its LNG sources, signing new supply contracts with the US and Qatar, and seeking other suppliers on the spot market," the report explained.

China's demand for gas is expected to increase by around 41 percent in total over the outlook period to 2027, driven by the industrial and residential sectors and ongoing coal-to-gas switching. LNG demand growth in China is expected to average 5 percent between 2022 and 2027. Regardless of the scope of the conflict between Russia and the Ukraine" Europe would still need to restock their heavily depleted storage. There will also be increasing pressure to diversify gas supplies, as they seek firmer guarantees of energy security amidst declining domestic production," it added in reference to the European Union and nations like the UK.

Australia's best LNG customer after China is Japan and the nation imported 73.9MT of LNG in 2021. LNG demand in Japan generally remains on a downward trend," added the report. "Japan's LNG imports are forecast to decline further to 72MT in 2022, as the country moves toward the implementation of its energy plan. The Australians forecast that LNG imports by Japan are expected to fall to 70MT or lower by 2027. The report said that South Asian and Southeast Asian economies were a major source of demand growth in 2021.

Unlike India, both Bangladesh and Pakistan's LNG imports have been resilient to high prices and Covid-19 disruptions this year. Despite Pakistan's LNG imports are estimated to have grown by 14 percent in 2021, compensating for domestic gas decline and growing industrial demand in the wake of the recovery. Another Asian Country, Bangladesh's LNG imports are estimated to have grown by 22 percent in 2021, led by the industrial and energy sectors.

Over the outlook period to 2027, imports by emerging Asian economies are expected to increase, due to declining domestic gas production, the expansion of gas-fired power generation and new LNG infrastructure developments. ***Crisis may surround Indian imports if China goes for war with Taiwan, then Russia will supply gas to China not to India.*** On the other hand, U.S. being anti-China and anti-Russia anti Iran – India may get sourcing problem of LNG.