



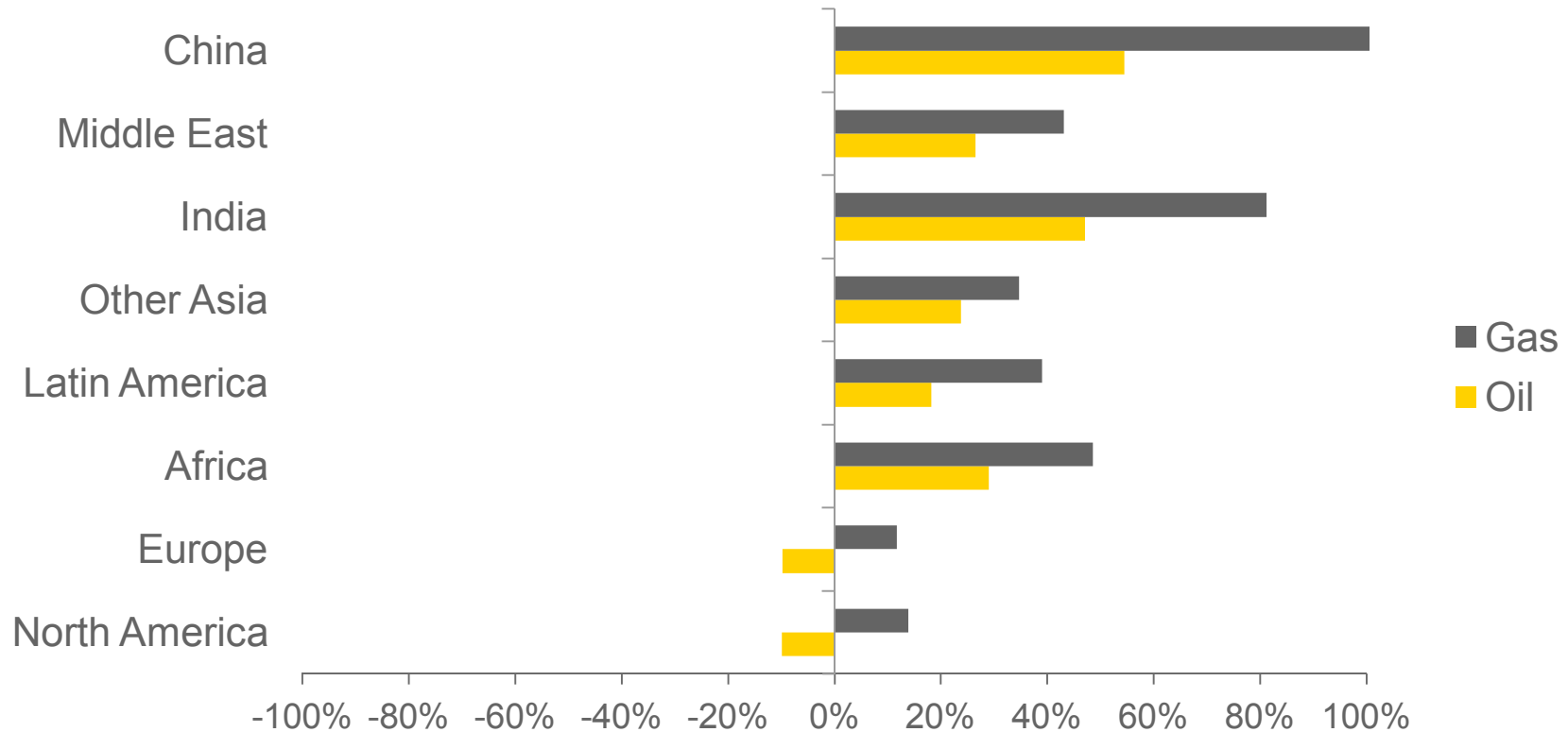
Global LNG trends

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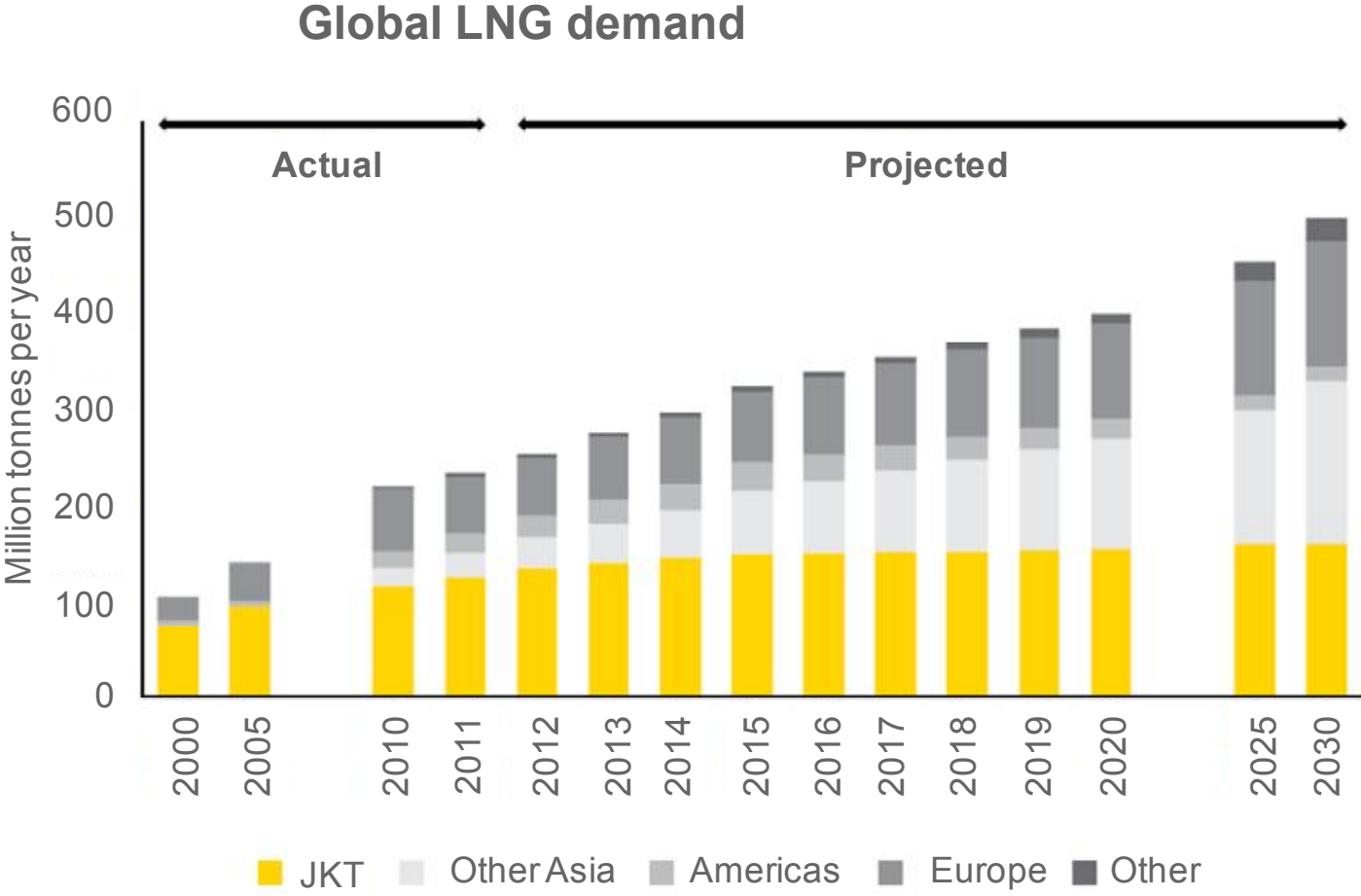
Demand for gas increasing at faster rate than demand for oil

Change in oil and gas demand (2011 vs. 2025)



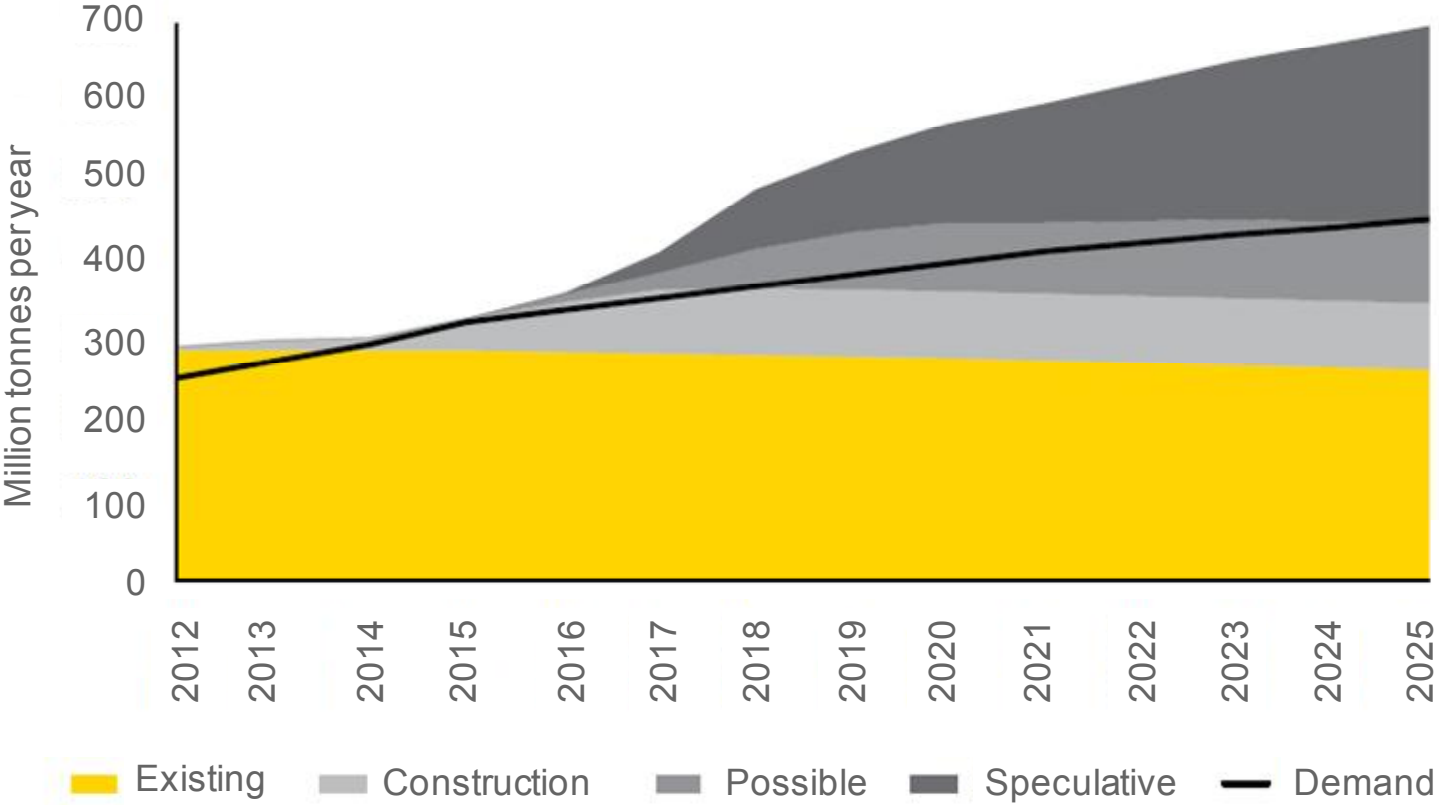
Source: Ernst & Young

Asia driving increasing demand for liquefied natural gas (LNG)



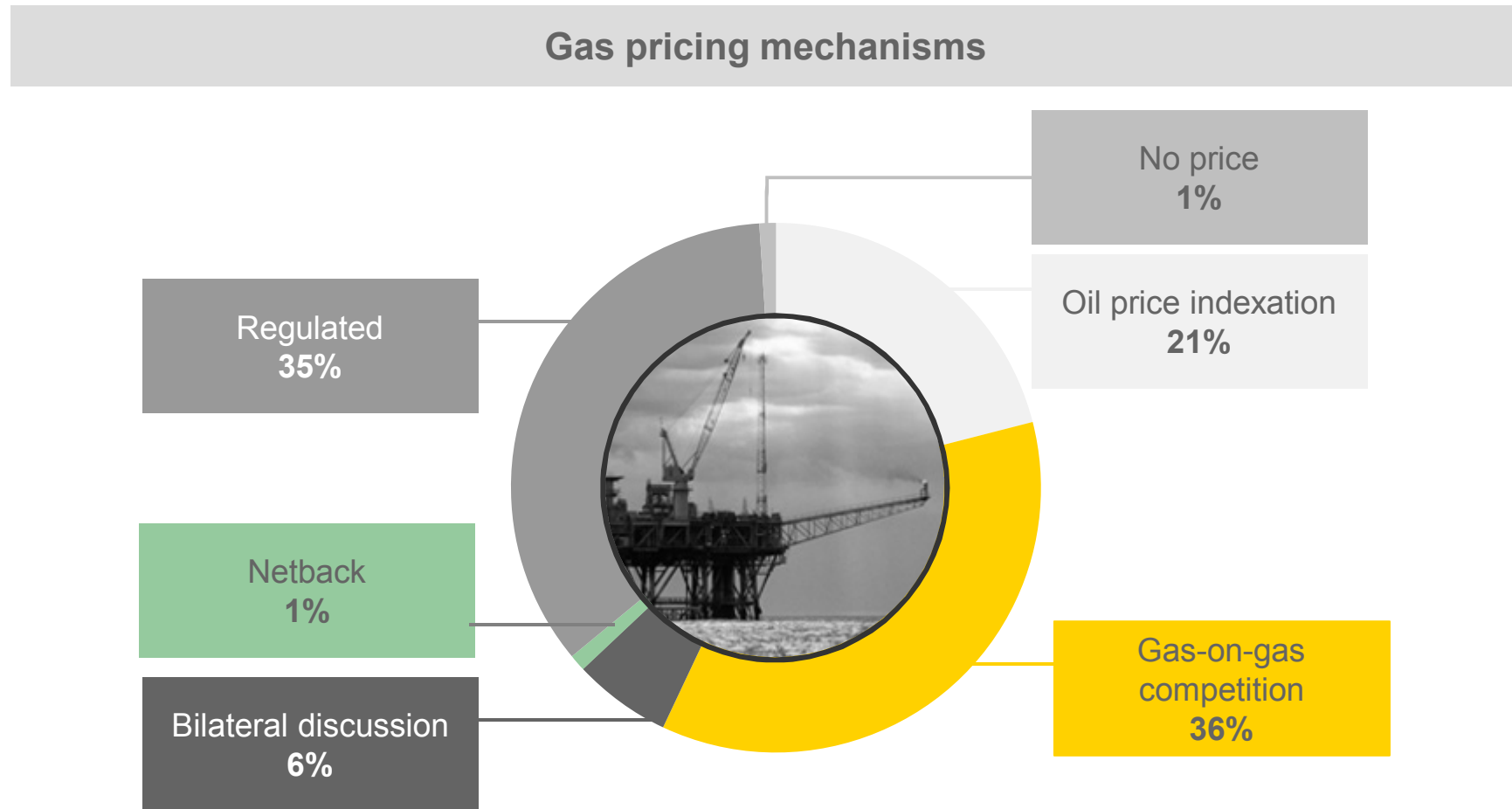
Source: Ernst & Young

Supply-side capacity surge anticipated



Source: Ernst & Young

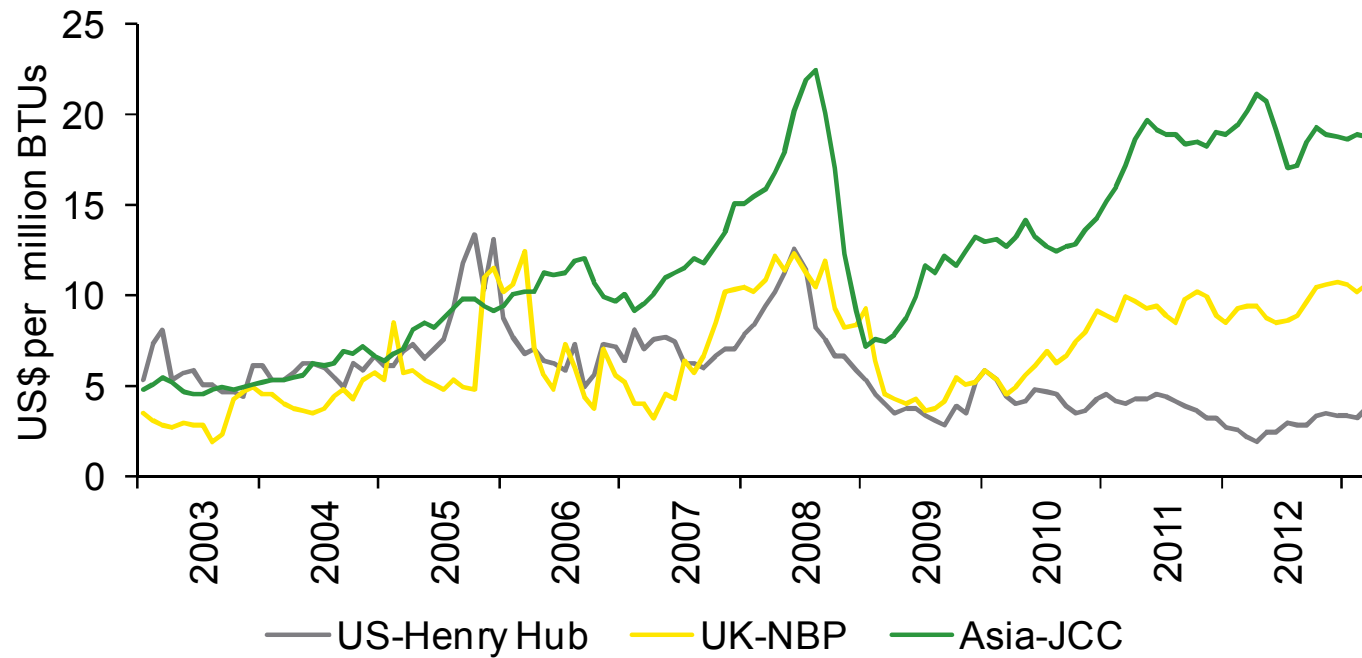
Gas pricing remains regionalized



Source: Ernst & Young

Record divergence in regional gas prices

Global natural gas prices (monthly averages)

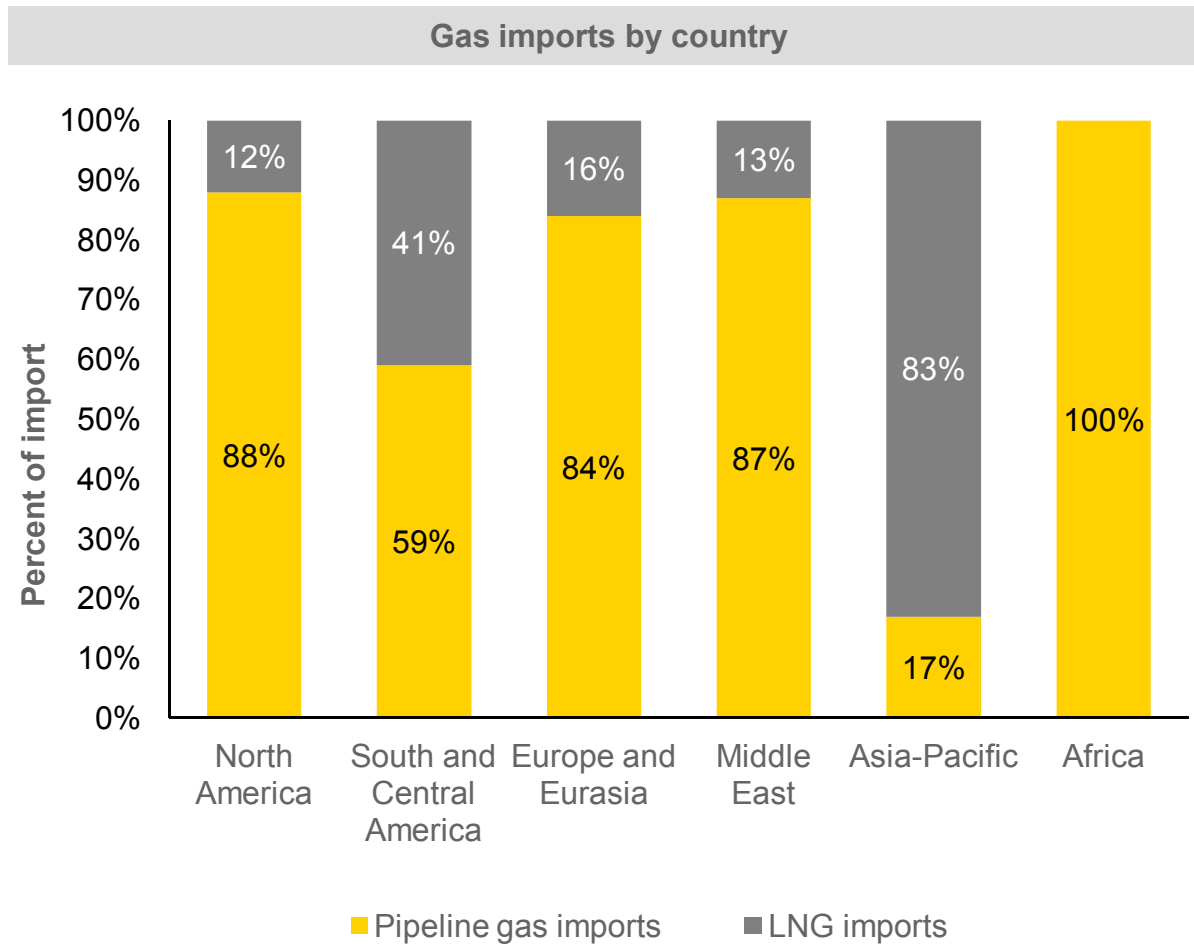


Source: Ernst & Young

Some challenges for LNG markets

- ▶ Spot price volatility; spot-based exports may not always be cheaper
- ▶ Political risk: possible US limits on LNG exports as a result of impacts on domestic gas prices; environmental/First Nations opposition in Canada
- ▶ Skilled labor market tightness pushing construction costs higher
- ▶ Immature fiscal/legal regimes in some countries with emerging LNG capacity development
- ▶ Potential LNG tanker tightness
- ▶ Industry history of construction schedule delays and cost overruns

LNG needs to be competitive with other supply sources



Factors supporting additional investment in LNG supplies:

- ▶ Demand outlook
- ▶ Low-cost source of gas supply
- ▶ Access to economic quantities of gas
- ▶ Cost-efficient transportation options
- ▶ Flexibility for producers
- ▶ Ability to secure long-term sales contracts
- ▶ Competitiveness versus other investment options

Large-scale financing remains a challenge

- ▶ There have been downgrades to sovereign ratings, primarily in the Eurozone.
- ▶ Government budget deficits mean that state fiscal support for energy infrastructure projects is unlikely to be forthcoming.
- ▶ Equity markets remain volatile.
- ▶ Risk aversion and shorter-term investment appetite are impacting the traditional project finance model.
- ▶ Capital markets appetite for the energy sector is very selective — some banks may be reaching the limits of their exposure to the energy sector.
- ▶ Recapitalization of the banking sector will be an ongoing process.
- ▶ Corporate risk is under heightened scrutiny.

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