ASIA'S ENERGY FUTURE: THE EVOLUTION OF ASIA'S GAS MARKETS AND WHAT IT MEANS FOR PRODUCERS

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Rogers graduated magna cum laude from Princeton University, after graduation he joined Credit Suisse First Boston as an energy investment banking analyst. He earned an M.B.A. from Yale University's School of Management

ABSTRACT

Asian markets will become the main source of global growth and international gas trade in this decade, with demand from China, India and emerging importers growing at 8 - 9% a year. An increased share of gas in the Chinese primary energy mix, up from the current 3 – 4% share, is expected to add approximately 55 Bcm/year to 60 Bcm/year of demand by 2015.

Despite the strong growth outlook in the Asian markets, the unconventional gas revolution, triggered by the US, has created new uncertainty for Australian producers planning to supply Asia's gas market. To date, China and India have a huge shale gas reserve base, and China has begun the appraisal of its largest known reserve in the Sichuan Province, with the target of producing 15 Bcm/year of shale gas by 2020.

The production of unconventional gas in China and India will be gradual rather than explosive, with both countries hindered by limited technical capacity. But do not underestimate the determination of both to develop this expertise – the geopolitical imperative is clear – and there are many willing to help.

Despite the growth of unconventional gas in China and India, both markets will offer significant opportunity to Australian LNG producers in the next decade. Accessing the markets will not be simple and domestic pricing will be an ongoing challenge – local knowledge and partners are key to managing these risks.

Over the longer term, the development of unconventional gas will limit the LNG markets in India and China. Australian producers should not forget their traditional markets and the other emerging South East Asian emerging LNG markets – Singapore, Thailand, Indonesia and Philippines. Building the solid relationships in the region takes time – perhaps now is the time to start.

Finally, those Australian producers that build unconventional expertise in Australia will have a capability that can offer two sources of value. Firstly to better assess the real threat of unconventional gas ahead of others (and build a strategy based on this privileged insight) and secondly to access growth opportunities. How companies can build these skills and then use them should be questions that Australian producers start asking themselves today.

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*Depicts presentor if not lead author.
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