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Media Release

14 November 2018

Australia to benefit from growing global gas demand

Forecasts by the International Energy Agency (IEA) confirm that the global demand for natural gas will surge over the next 20 years, creating a phenomenal economic opportunity for Australia.

APPEA Chief Executive Dr Malcolm Roberts said the IEA's latest *World Energy Outlook* shows that a growing natural gas industry is an essential part of a cleaner energy future.

"In the IEA's New Policies scenario[1], demand for natural gas is expected to surge 45 per cent by 2040, with gas providing 25 per cent of global energy demand," Dr Roberts said.

"According to the IEA, gas will become the second largest source of global energy, after oil.

"The IEA also expects liquefied natural gas (LNG) exports will overtake pipeline gas as the main form of long-distance trading, accounting for more than 60 per cent of inter-regional trade by 2040.

"This outlook is very positive news for Australia. Australians will see a steady stream of high paying jobs, export dollars and revenue for governments for decades to come.

"Most of the growing demand for natural gas will come from China, India and other countries in Asia which are turning more and more to natural gas to help improve urban air quality.

"Australia's proximity and reputation for reliable supply means we are well-placed to capitalise on this growing opportunity. It is vital that we maintain this reputation."

Dr Roberts said the IEA report also highlighted a major challenge for Australia, with the United States expected to become the world's leading LNG exporter by the mid-2020s and a host of new suppliers emerging after 2025.

"The opportunity for Australia is huge but our competitors are hungry. In an extremely competitive global market, we cannot be complacent," Dr Roberts said.

"If Australia is to capture further investment in LNG production, it is vital the policy settings are right – maintaining a stable and competitive tax regime, resisting calls for interventions in the gas market and reducing regulatory costs."

[1] The IEA's New Policies Scenario (NPS) is the central scenario of this Outlook, and aims to provide a sense of the direction in which the most recent policy ambitions could take the energy sector. In addition to incorporating policies and measures that governments around the world have already put in place, it also takes into account the effects of announced policies, as expressed in official targets and plans. The Nationally Determined Contributions of the Paris Agreement provide important guidance regarding policy intentions, although some have been supplemented or superseded by more recent announcements.

Other highlights from this year's *World Energy Outlook* include:

- Oil and gas together will account for more than half of all global energy consumption in 2040. Oil is the largest source of energy share (27 per cent) and gas the second largest (25 per cent) in 2040.
- Gas is forecast to remain the fastest-growing fossil fuel to 2040, with annual growth of 1.6 per cent.
- Oil demand is expected to grow at an annual rate of 0.5 per cent to 2040.
- By 2040, gas production is forecast to have increased by 44 per cent to 5.4 trillion cubic metres (tcm), accounting for a quarter of global energy demand.
- A shift in trade flows towards the Asia-Pacific region, with China soon to become the world's largest gas-importing country, with net imports approaching the level of the European Union by 2040. It is also on track to surpass Japan as the largest LNG importer.
- 100 billion cubic metres (bcm) of LNG liquefaction capacity is under construction: much of this capacity is in Australia and the US.
- The global gas market has comfortably absorbed a recent ramp-up in LNG liquefaction capacity; new LNG investment decisions are starting to come through.
- The IEA estimates US $8.4 trillion of investment is needed in global gas supply to 2040 to ensure secure and reliable supply.
- India, China, Africa and the Middle East are the main centres of gas demand growth to 2040, with demand increasing by 200 per cent, 185 per cent, 112 per cent and 58 per cent respectively.

The *2018 World Energy Outlook* can be found here.

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