

# LNG News

# Cheniere's long-term LNG export deal with CNPC 中石油 (Feb. 9, 2018)

- **First long-term U. S. LNG contract from China | 中美LNG长约第一单:**
  - First ever long-term contract signed by Chinese buyer with U. S. LNG supplier
- **25-year contract | 25年长约, 每年120万吨液化气出口中国:**
  - 25-year contract, 1.2 MTPA (million tons per annum)
    - A portion of delivery starts in 2018Q1 and runs through to 2023
    - The rest of the delivery starts in 2023 and runs through to 2043
- **Support Cheniere Corpus Christi expansion |**  
**中美长约助力切尼尔在下一波LNG出口终端扩建大潮中占据优势:**
  - CNPC contract opens way for Cheniere to pull ahead in the race to develop a new wave of US LNG export projects to come on stream in 2020s
    - A big step forward for Cheniere to commit to new train @ Corpus Christi, Texas
    - Corpus Christi FID (final investment decision) by 2018Q4
    - Total capacity for the new train @ Corpus Christi: 4.7 MTPA
- **Optimism in converting Chinese buyers from short-term takers into long-term contract holder | 中国买家从短约到长约客户:**
  - Encouraging sign to other U. S. LNG suppliers – Chinese buyers can be persuaded to make long-term commitments

# Central Asia-China gas pipeline expansion indefinite delay with CNPC 中石油 (Feb. 7, 2018)

## ▪ Natural gas from Turkmenistan reduced by 50% | 中亚向中国供气减半:

Gas supplies from Turkmenistan via the Central Asia-China gas pipeline was reduced by half from its normal level since January 2018.

- Daily supply was cut from 120 to 70 million bcm; the reduction of 50 million bcm is more than the combined daily usage for the provinces of Shaanxi and Mongolia.
- 4 factors contribute to this unexpected reduction in supplies:
  - 1). Central Asian countries, such as Uzbekistan, increased usage and drawing from the Central Asia China gas pipeline, which reduced the amount of supplies available to the downstream Chinese cities
  - 2). Incentives for Turkmenistan suppliers to sell to European countries for higher price, rather than supply to China at a fixed price level
  - 3). Turkmenistan asked to raise price, but price negotiation failed.
  - 4). Breach of contract by Turkmenistan supplier, citing lack of budget for infrastructure maintenance and timely repair
- Galkynysh is the world's 4<sup>th</sup> largest natural gas field.
- CNPC owns and operates gas fields in the Galkynysh and surrounding fields.
- This reduction in supplies contributed to natural gas price spike and unexpected supply gap

# Central Asia-China gas pipeline expansion indefinite delay with CNPC 中石油 (Mar. 7, 2017)

## ▪ China shelved Central Asia gas plan | 中乌天然气管道工程无限期推延:

CNPC and state-owned oil and gas company Uzbekneftegaz have agreed on an indefinite postponement on work to the Uzbek section of the Central Asia-China gas pipeline Line D

## ▪ A debrief on the shelved D-line project | 未完成的中亚-中国天然气管道D线扩张项目:

A projected 1,000 km Line D is designed to start in Turkmenistan, cross Uzbekistan, Tajikistan, Kyrgyzstan and end in western China, and will, if ever completed, boost the annual transportation capacity of the central Asia-China pipeline network to 85 billion cubic meters

- Line D – indefinitely postponed – from Turkmenistan, through Uzbekistan, Tajikistan, Kyrgyzstan, to China

- Line A, B, C – in operation – from Turkmenistan, through Uzbekistan and Kazakhstan, to China

## ▪ Central Asia-China gas pipelines in operation | 正在运行中的中亚-中国天然气管道A+B+C线:

- Central Asia-China gas pipeline is the world's longest gas pipeline: 10,018 km

= 188 km in Turkmenistan + 530 km in Uzbekistan + 1,300 in Kazakhstan + 8,000 km in China

- Through this pipeline, Turkmenistan is the largest natural gas exporting country to China. With an average of 19.3 MTPA exported to China, Turkmenistan supplies 85% of China's total natural gas imports

# Key Takeaways

- Turkmenistan’s “breach of contract” leads to China’s re-evaluation for its energy security and natural gas supply diversification strategy.
- China’s shift from coal to gas as major source of energy will continue to increase demand for LNG. Regardless of industrial production performance, a significant portion of this increase in demand for gas is inelastic, relevant to daily life.
- The 2017-2018 winter gas shortage in China will only heighten the importance of and the necessities for stable supplies of natural gas (NG) / LNG.

