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Canada entering competitive LNG marketplace, says new special report

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Aug. 29, 2019, 7:05 a.m.



Canada and the Natural Gas Economy
Special Report 1 | August 2019

LNG: CANADA'S GLOBAL MARKET OPPORTUNITY

Global Market Demand and Canadian Production



Daily Oil Bulletin



Finding buyers for LNG in an increasingly competitive market is a key obstacle to overcome for any of Canada's many LNG export projects heading into the 2020s. Even after all approvals and licences have been awarded and any required funding has been secured, if a project cannot find a buyer, it cannot succeed.

LNG Canada and Woodfibre LNG on the West Coast and Pieridae's Goldboro project on the East Coast are the only Canadian projects that have secured long-term buyers so far and competition is growing fast in ideal markets.

"For Canada's West Coast projects, all eyes are on the Asia Pacific region. It is home to the world's three largest LNG consumers in China, Japan and South Korea. Canada, due to proximity, is potentially a key exporter for these nations thanks to low transportation costs compared to competing regions from further afield," says Mark Young, a senior oil and gas analyst with Evaluate Energy. "But this cost advantage will not be enjoyed — at least not to so great an extent — over major LNG producing nations in the Asia Pacific region itself. This is the

largest LNG producing area in the world thanks to volumes from Malaysia, Indonesia and Australia.”

A new special report, [LNG: Canada’s Global Market Opportunity](#), examines how Canadian gas supplies — delivered to worldwide markets through LNG export terminals on the West Coast and the East Coast — can help meet burgeoning market demand and offer a transformative opportunity for struggling producers.

This is the first of four special reports on the theme of Canada and the Natural Gas Economy that JWN Energy’s Daily Oil Bulletin and Evaluate Energy is producing in collaboration with CSUR.

Increased competition

Within the next year, Australia is set to briefly overtake Qatar as the world’s largest exporting nation until a major expansion in Qatar completes in 2024. Other Asia Pacific expansions are also set to be completed before a single Canadian LNG cargo leaves the West Coast. To add to this competition, major importing companies from China, Japan and South Korea can be seen securing supply and effectively cutting their overall import costs by taking minor stakes in export projects all over the world.

Despite all of this, LNG Canada stands out as highly promising among Canadian West Coast projects with regards to entering this target market.

Other projects on the West Coast do not tend to have such powerful backing, have not reached FID and, with the exception of Pacific Oil & Gas’ smaller Woodfibre LNG project, do not have buyers in place. (In June 2019, Woodfibre announced it has signed a unit of BP Plc as its first customer.)

“It remains to be seen how much of a Far Eastern market will be left if, and when, these other projects finally enter the market, but it is certain that the market will be far more crowded with suppliers when they do,” says Young.

It is a similar story on the East Coast. For projects here, the ideal market due to proximity would be Europe. Europe’s coastline is peppered with LNG import facilities and the region has been importing LNG for decades, but expansion plans are relatively scarce. Canada’s East Coast exporters will be attempting to enter a market late in the day. “Pieridae Energy stands out as it has managed to do this by signing one of the world’s single largest supply deals over the past few years with Germany’s Uniper, a 20-year deal to provide Uniper with five million tonnes a year from 2023 from its Goldboro project in Nova Scotia,” says Young.

Other planned projects on the East Coast, where buyers are not yet secured, will have to contend with expanding competition from Qatar, new projects that are springing up in the U.S. and the vast supply of Russian pipeline gas, among others. An added issue is that no East Coast export project has any major LNG trader or potential customer in an ownership position, like LNG Canada, to secure a portion of the market that way.

"LNG Canada appears to be Canada's best chance to enter the LNG export market in the near future and Pieridae is undoubtedly taking its own encouraging steps to export from the East Coast," says Young.

[Click here for the report.](#)