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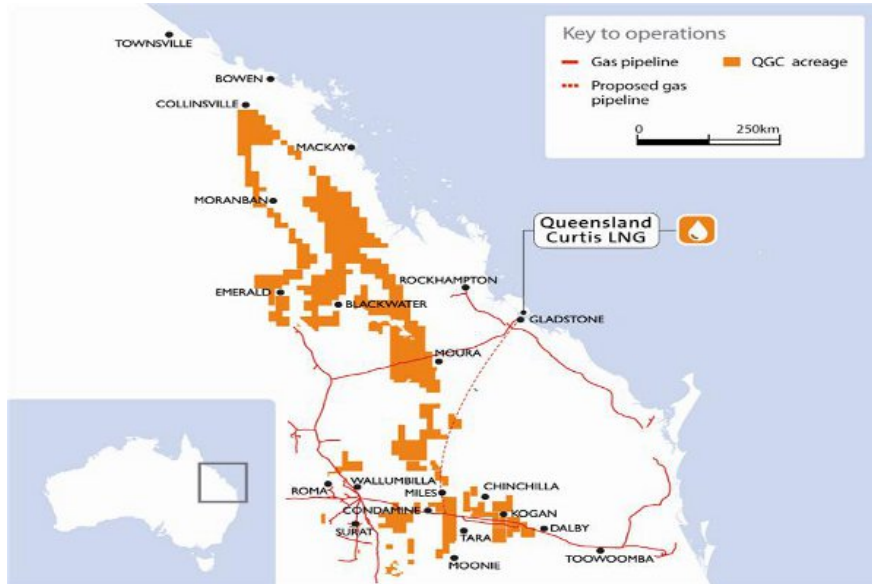
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Location map of QCLNG.

BG expects tight LNG market in the medium term

Martin Kovacs, 19 Mar 2014

BG Group expects a tight LNG market in 2014 on the back of growing energy demand in Asia and Latin America, with total LNG supply having "stalled" at around 2011 levels as industry awaits the addition of new production capacity.

Andrew Walker, BG Group Vice President of Global LNG, said volumes diverted from Europe allowed the global LNG market to balance last year.

"In 2013, gas supply to Europe via pipelines increased, while at the same time overall gas demand remained subdued, allowing LNG volumes to feed growth markets including China, South Korea, Mexico and Brazil," Walker stated.

"In 2014, we expect Europe will continue to balance the global LNG market by ceding volumes, but it's not clear how much more can be diverted before we reach the minimum level of imports.

"When that floor is reached, LNG will likely be drawn from other more price-sensitive markets in periods of peak demand. In time, we may see these markets assume Europe's position as the balancing market for global LNG demand and supply."

New LNG trains in Australasia with a combined capacity of 67 MMt/y, including BG's Queensland Curtis LNG project, represent the start of the industry's next major wave of production, BG stated, however the outlook for 2014 is for only a modest increase in global supply, with overall performance to once again depend on unplanned outages and declines in output from existing plants.

BG expects tight supply to continue in the medium term, with global LNG demand to grow at a compound annual growth rate of 5% to 2025, twice as fast as for gas overall, driven by demand from Asia and Latin America.

"Limited supply growth in 2013, the prospect that overall production will remain stalled in 2014, and strong demand growth in Asia suggests the global LNG market will continue to tighten, in line with our long-held view," Walker stated.

"Reflecting the tight underlying market, we expect LNG spot prices, assuming normal weather, to remain robust through 2014.

"In fact, we believe the global LNG market will be tighter for longer than many assume, until the end of the decade at least."

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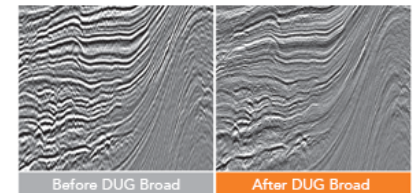
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