



# China's Natural Gas Market Review and Outlook

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Nov, 2023

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# CONTENTS

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- 1 China's Market Review: Q1 - Q3**
- 2 China's Market Winter Outlook**

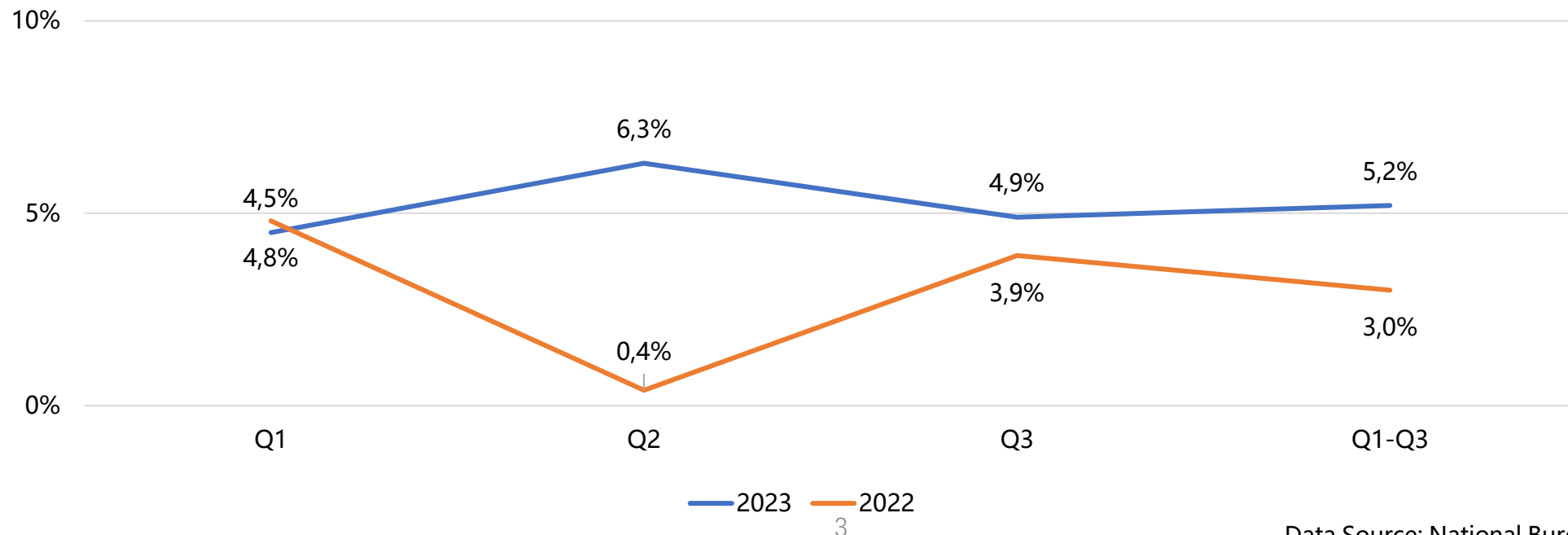


# China's Economy Has Been Growing Steadily in 2023



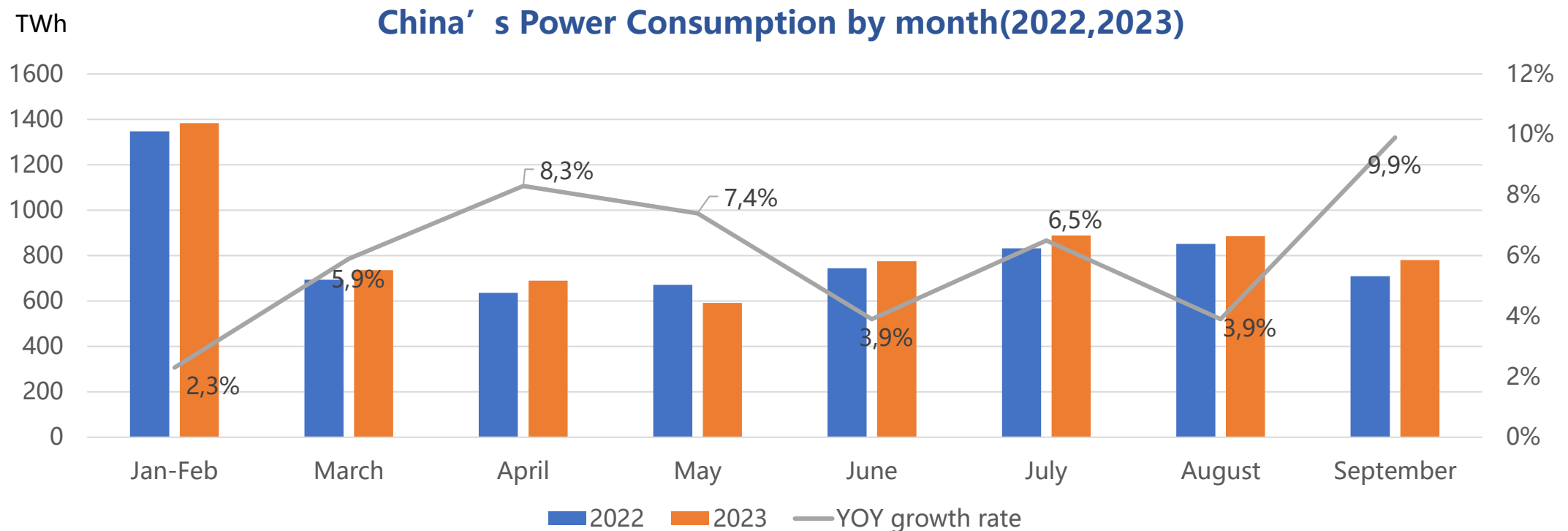
- In Q1-Q3, China's GDP grew by 5.2% year-on-year to 91.30 trillion yuan (\$13 trillion).
  - Value added of the primary industry increased by 4.0% year-on-year; that of the secondary industry grew by 4.4% year-on-year; that of the tertiary industry went up 6.0% year-on-year.
  - The national per capita consumption expenditure has grown steadily, with a nominal increase of 9.2% over the same period in 2022.
  - National fixed asset investment (excluding rural households) increased by 3.1% year-on-year.

**China's GDP Growth by Quarter (2022,2023)**



# China's Power Consumption Has Increased Under Multiple Factors

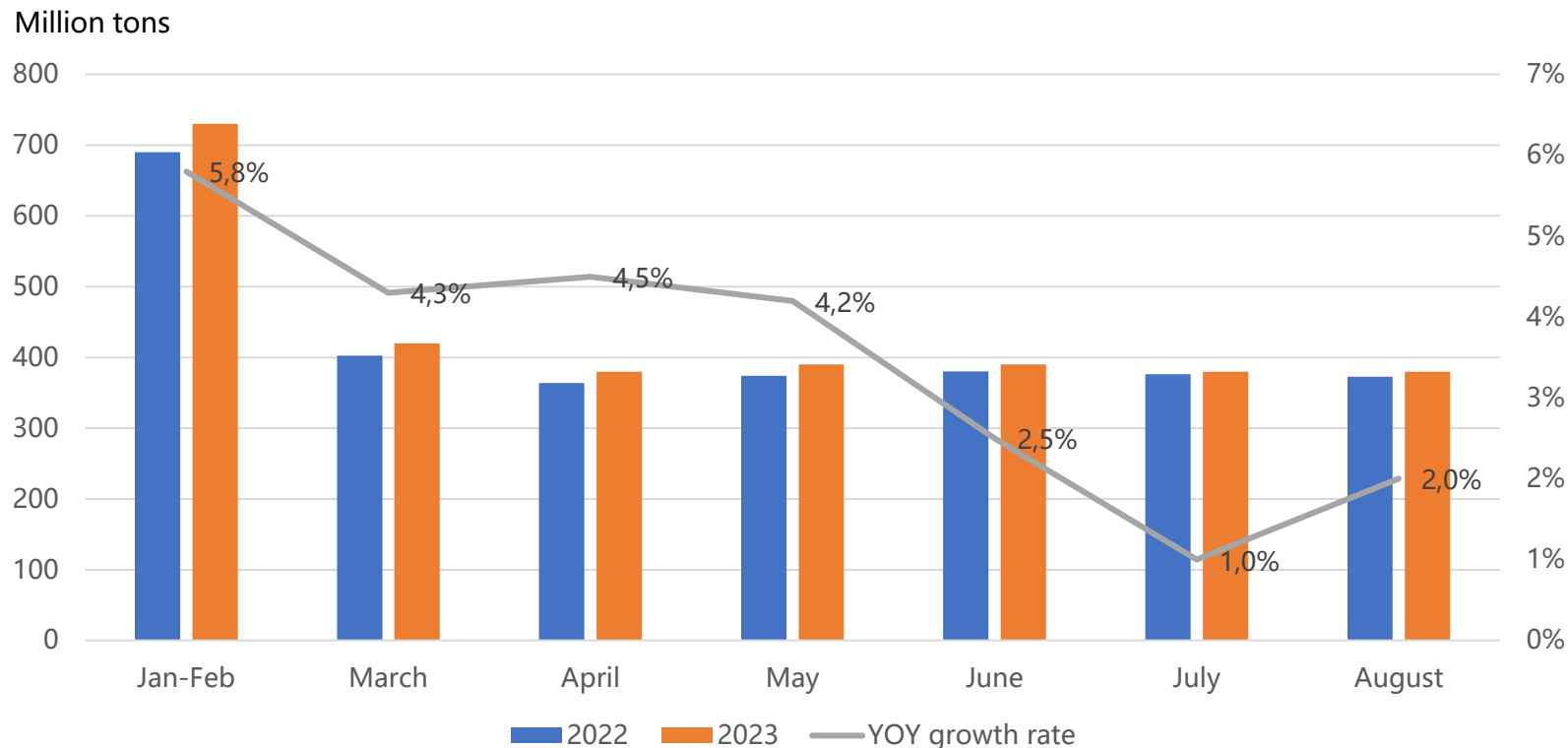
- ❑ Due to the economic recovery, the high temperature in summer, and the low base effect, China's electricity consumption increased 5.6% YOY to 6,863.7 TWh during Jan-Sep.
  - The primary industries – mainly the agricultural sector – consumed 97.6 TWh, up 11.3% YOY.
  - The secondary industries – mainly the industrial sector – used 4,470.3 TWh, up 5.5% YOY.
  - The tertiary industry – mainly the service sector – used 1,254.6 TWh, up 10.1% YOY.
  - Residential power usage increased 0.5% on the year to 1,041.2 TWh.



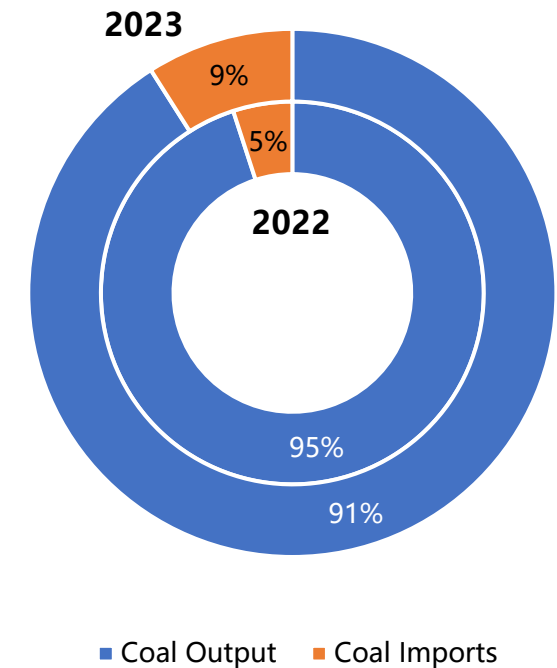
# China's Coal Supply Remains Adequate

- ❑ In the first eight months of 2023, the coal output was 3.4 percent higher YoY at 3.05 billion tonnes, the coal imports was 82 percent higher YoY at 305 million tonnes.
- ❑ Due to lower imported coal prices and the continuation of the coal import duty-free policy from April this year, coal imports remain high.

## China's Domestic Coal Production Volumes (2022,2023)



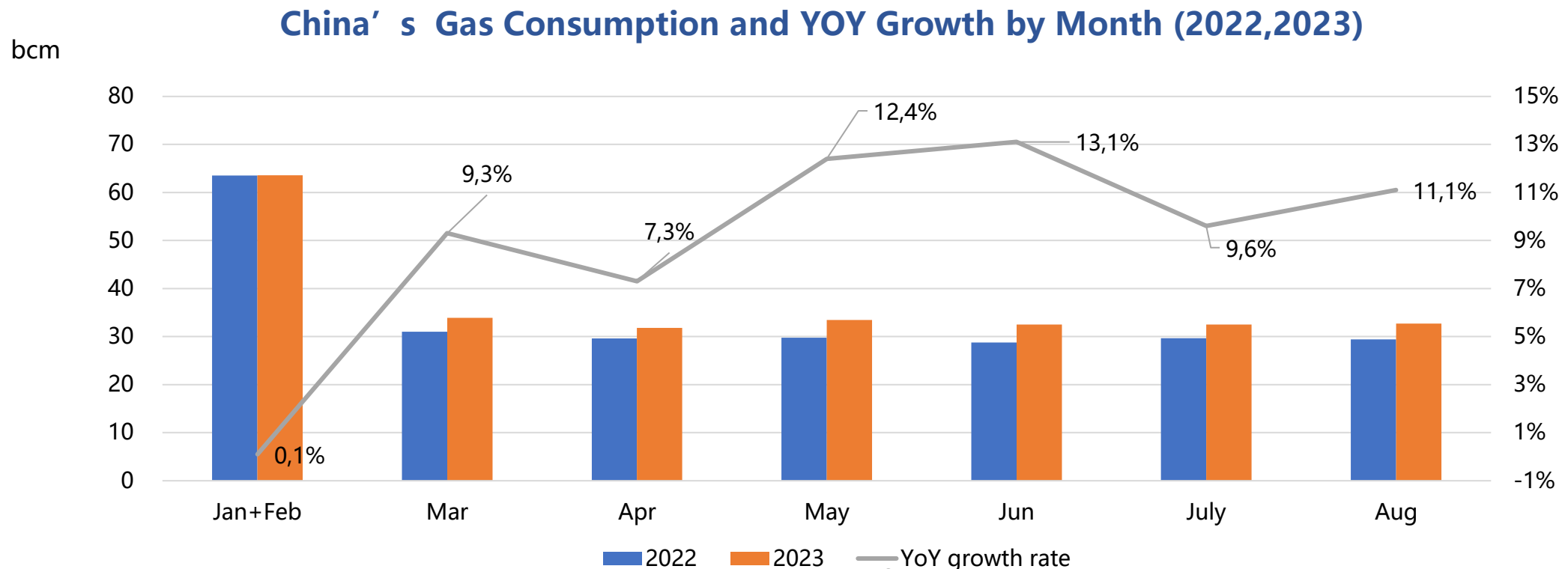
## Proportion of Coal Supply from January to August (2022,2023)



Data Source: National Bureau of Statistics (NBS)

# The Economic Recovery Supports China's Gas Consumption

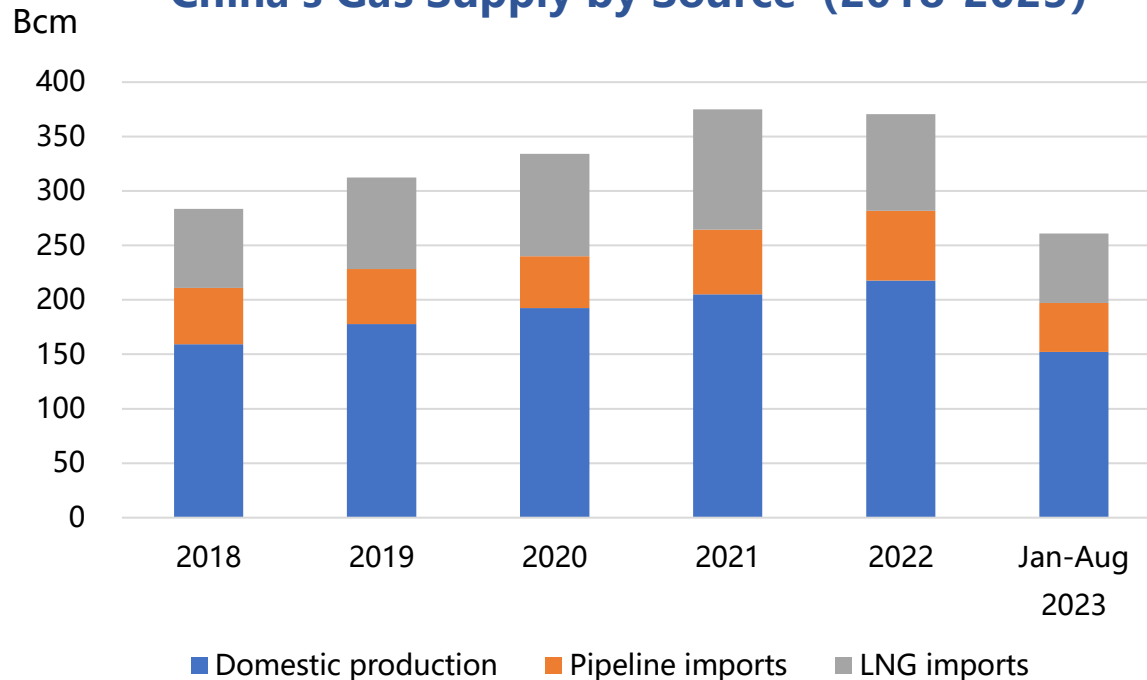
- ❑ The economic recovery has led to a steady rise of China's natural gas consumption. Jan-Aug, China's gas consumption has increased by 7.4% year-on-year, totaling 259.8 bcm.
  - Jan-Feb, gas consumption was flat YoY due to the impact of the Covid-19 and the Chinese New Year
  - Mar-Aug, China's natural gas consumption is growing steadily, with a year-on-year growth rate of about 7%-13%



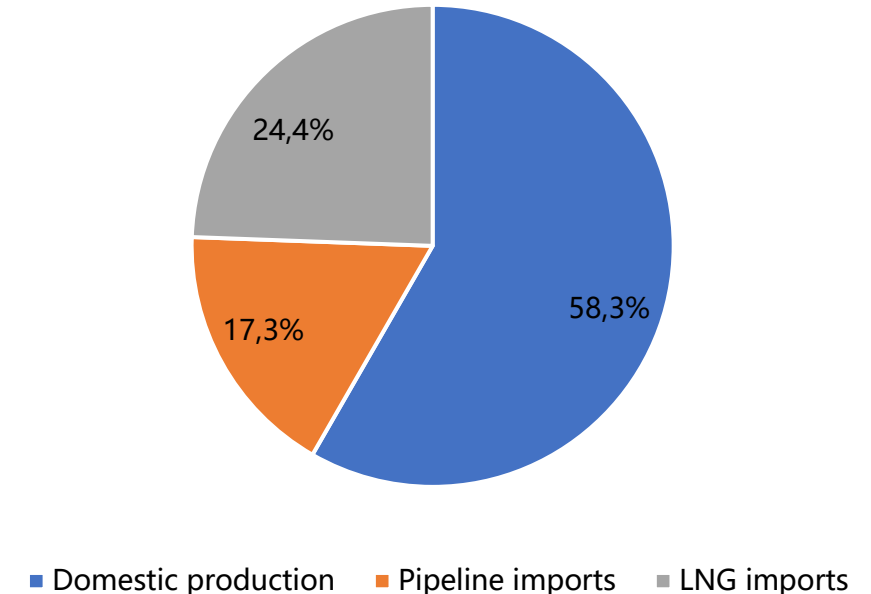
# Imported LNG Increased the Most Among the Gas Supply Sources

- ❑ From Jan to Aug, the total gas supply reached 261bcm, YOY increase of 17.8 bcm.
  - The domestic gas: 152.2 bcm, up 5.9% YOY, accounted for 58.3% of total supply.
  - The imported pipeline gas: 45.1 bcm, up 5.9% YOY.
  - The imported LNG: 63.7 bcm, up 12% YOY.

China's Gas Supply by Source (2018-2023)



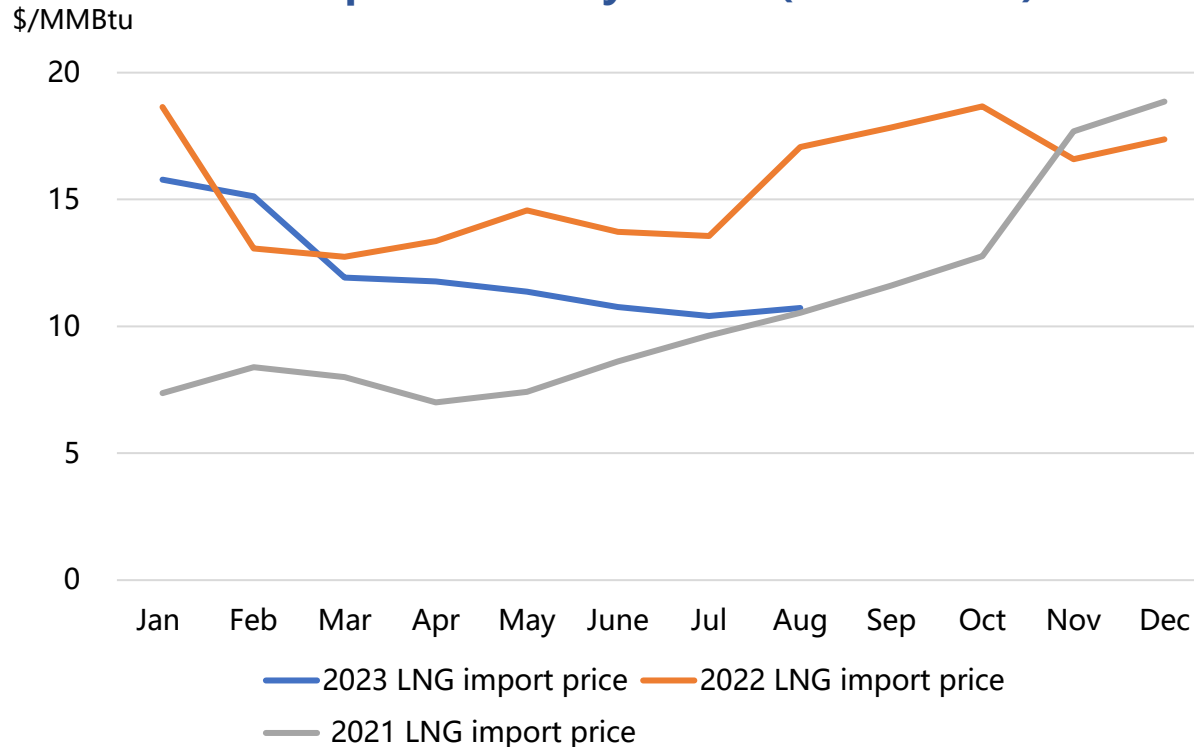
China's Gas Supply by Source (2023)



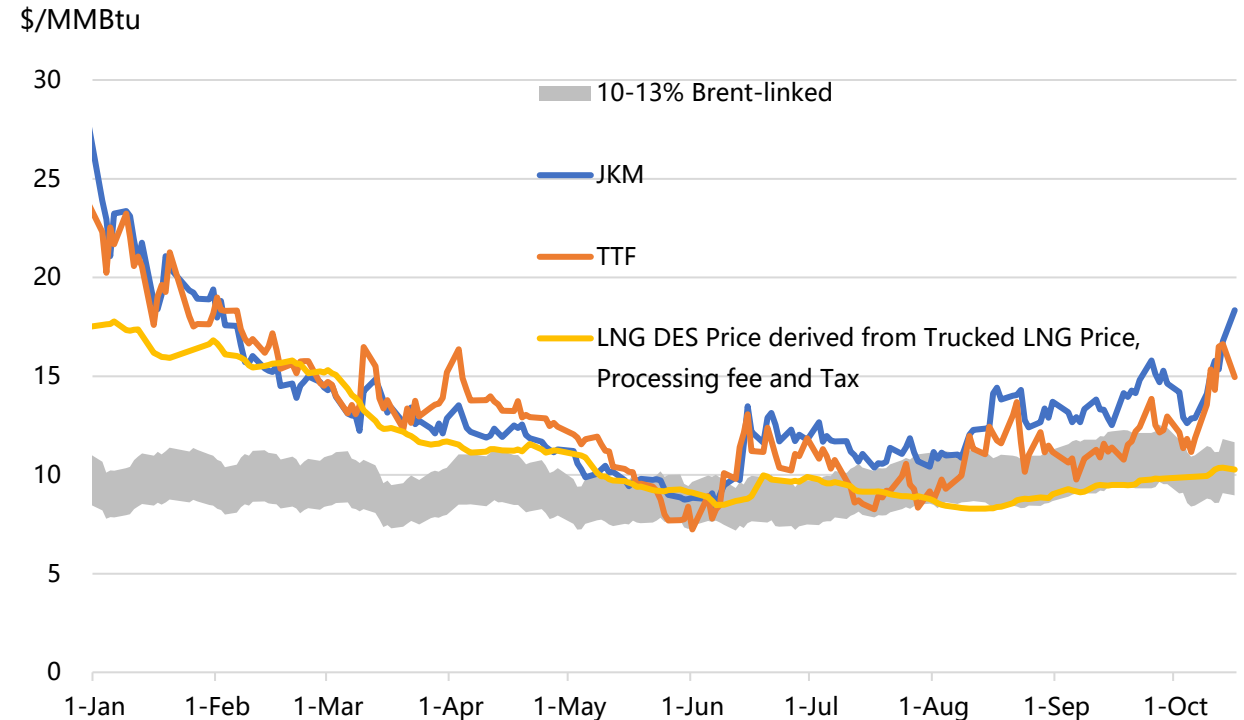
# China's LNG Import Price Has Been Declining in 2023

- Jan-Aug, China's average LNG import price weakened 18% year-on-year but still increased 47% over 2021.
- Both China's ex-factory LNG prices and JKM have shown a general downward trend, but the former is generally lower than Northeast Asian LNG spot prices.

## LNG Import Price Dynamics(2021-2023)



## Gas and LNG Price Benchmarks





# Second-tier Chinese Firms Soak up Term Volumes As New Terminals Online

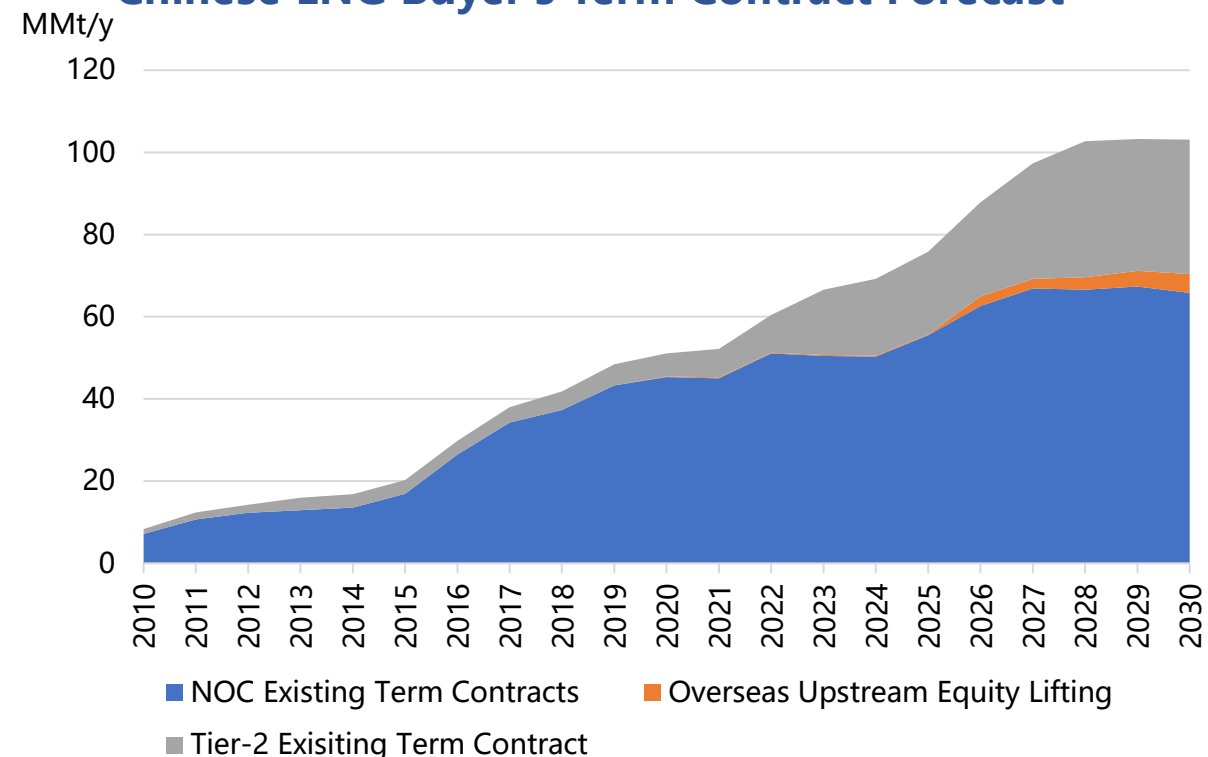


- ❑ With the creation of PipeChina in 2019, second-tier Chinese firms began to build import terminals and hold access to terminal capacity.
- ❑ As additional terminals look set to come online over the next two years, second-tier Chinese buyers, such as ENN, Beijing Gas and Zhejiang Energy have soaked up more long-term volumes.

## New Chinese LNG Import Terminals in 2023

Shareholders	Location (Province)	Storage Capacity (MMt/y)	Start-up
CLP Group	Hong Kong	6	May-23
Suntien Green Energy, Towngas	Tangshan (Hebei)	5	Jun-23
Zhejiang Energy (51%), Sinopec (41%), Chinese investment firms (8%)	Wenzhou (Zhejiang)	3	Aug-23
Guangzhou Gas	Guangzhou (Guangdong)	1	Aug-23
Beijing Gas	Nangang (Tianjin)	5	Sep-23
Huaying Natural Gas	Raoping, Chaozhou (Guangdong)	6	Dec-23 (plan)

## Chinese LNG Buyer's Term Contract Forecast





# CONTENTS

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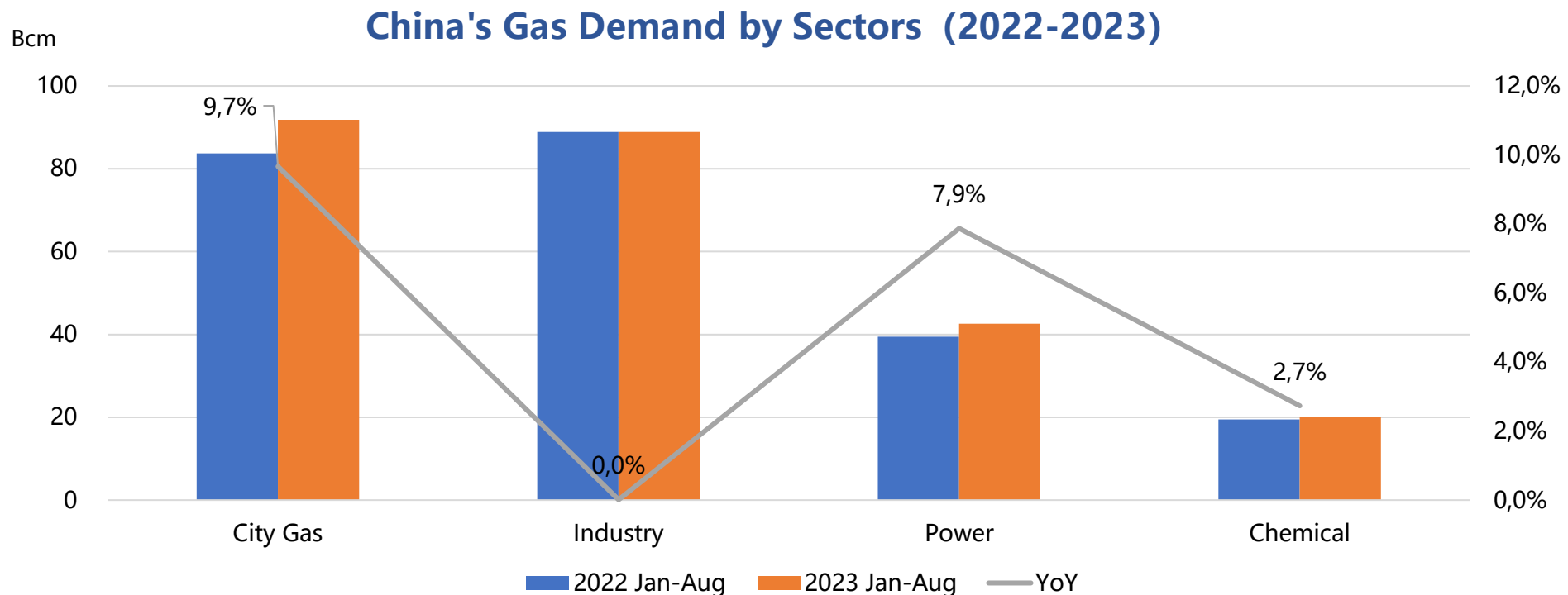
- 1 **China's Market Review: Q1 - Q3**
- 2 **China's Market Winter Outlook**



# China's Economic Recovery will Continue to Drive Winter Gas Demand



- ❑ China's natural gas consumption in this coming winter is influenced by the progress of economic recovery and winter temperatures.
- ❑ With the government introducing various policies to stabilize growth, the economic recovery is expected to strengthen this winter, with annual GDP growth of around 5% in 2023.
- ❑ Economic recovery is expected to continue to drive the growth of city gas and power generation, while industrial gas is still difficult to grow on a large scale.



# Likely to Be A Warm Winter, But Weather Remains a Wildcard

- ❑ Weather is a key factor affecting the supply and demand situation in winter.
  - A significant drop in winter temperatures will increase rigid heating demand.
  - Extreme weather such as wind, fog or ice will affect the unloading of LNG ships in northern ports.
- ❑ Under El Nino, the heating season may be warmer, but it is still uncertain.
  - The current forecast is for near- or above-average temperatures in most parts of China this winter, with a warm early winter and near-average temperatures in late winter.
  - However, it is difficult to rule out the possibility of a cold snap.

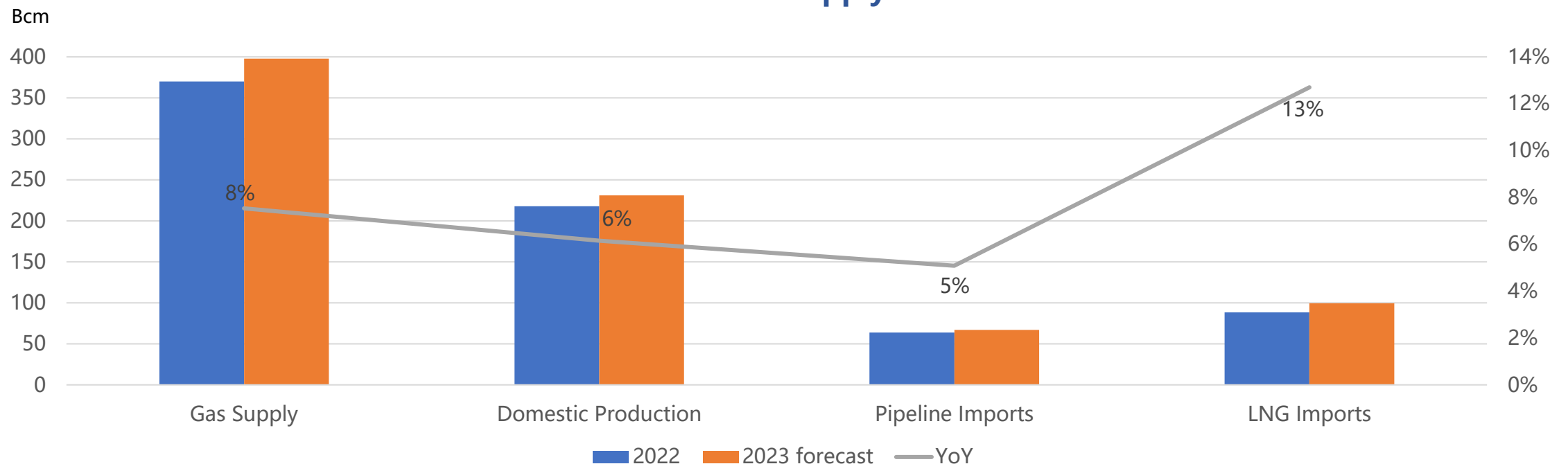


# Supply Growth from All Sources is Expected, But Imported Gas is Uncertain



- ❑ **Domestic production** is expected to grow this winter. With oil and gas prices at relatively high levels, NOCs and independent producers are expected to increase domestic E&P budgets.
- ❑ **Pipeline gas imports** this winter are expected to increase due to the growth of Russian gas contract volume, but the amount of gas from Central Asia is difficult to determine.
- ❑ **LNG imports** this winter are expected to increase due to significant growth in LNG long-term contract volume, and the spot purchases will be greatly influenced by international LNG prices.

## 2023 China's Gas Supply Forecast





谢谢  
THANKS

