

Stable LNG Pricing

PARADIGM SHIFT FOR
BUYERS & SELLERS

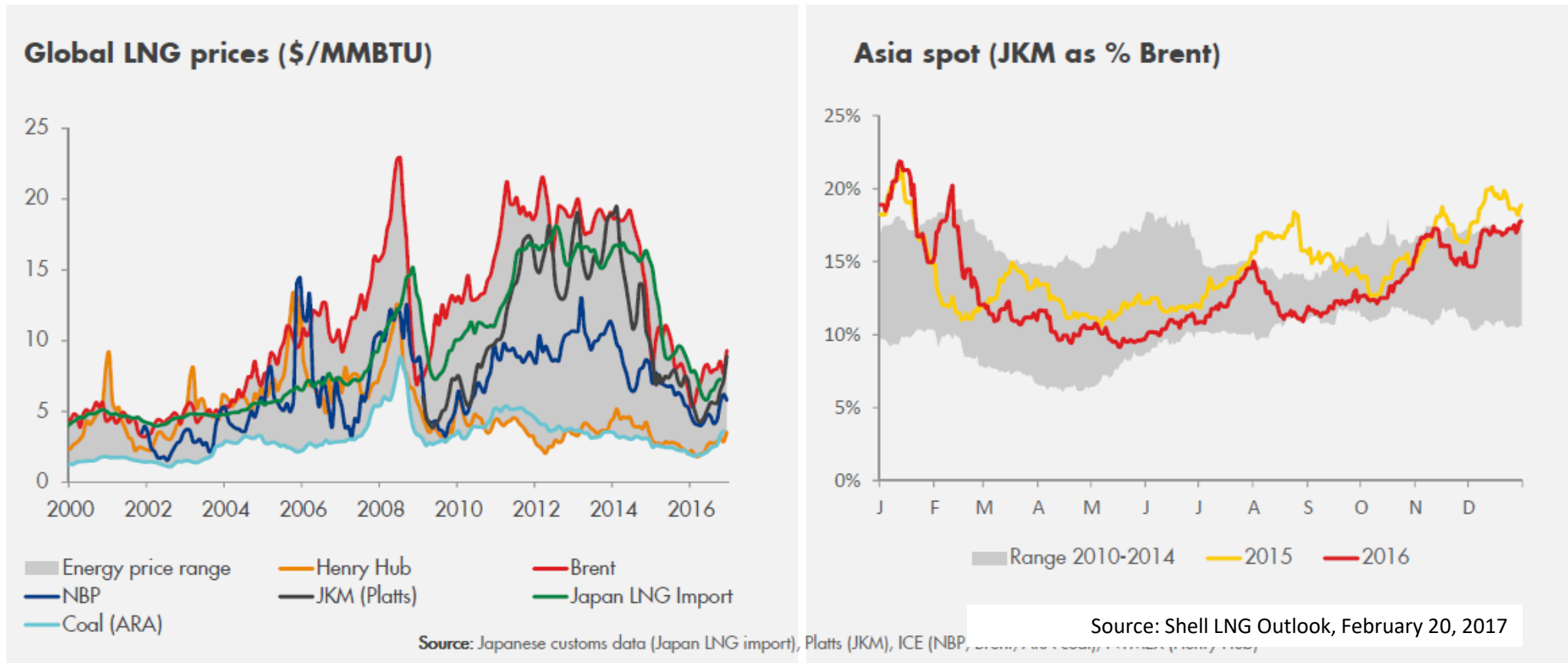
China – US Oil & Gas Industry Forum
Ningbo, China

16 November 2017

Guy Dayvault, Senior LNG Commercial Negotiator

www.agdc.us

VOLATILE LNG PRICES HURT CUSTOMERS



Copyright of Royal Dutch Shell plc

February 20, 2017

11

- Gas Consumers suffer from volatility.
- LNG industry can reduce long-term price volatility.
- Stable LNG prices will lead to natural gas market growth.

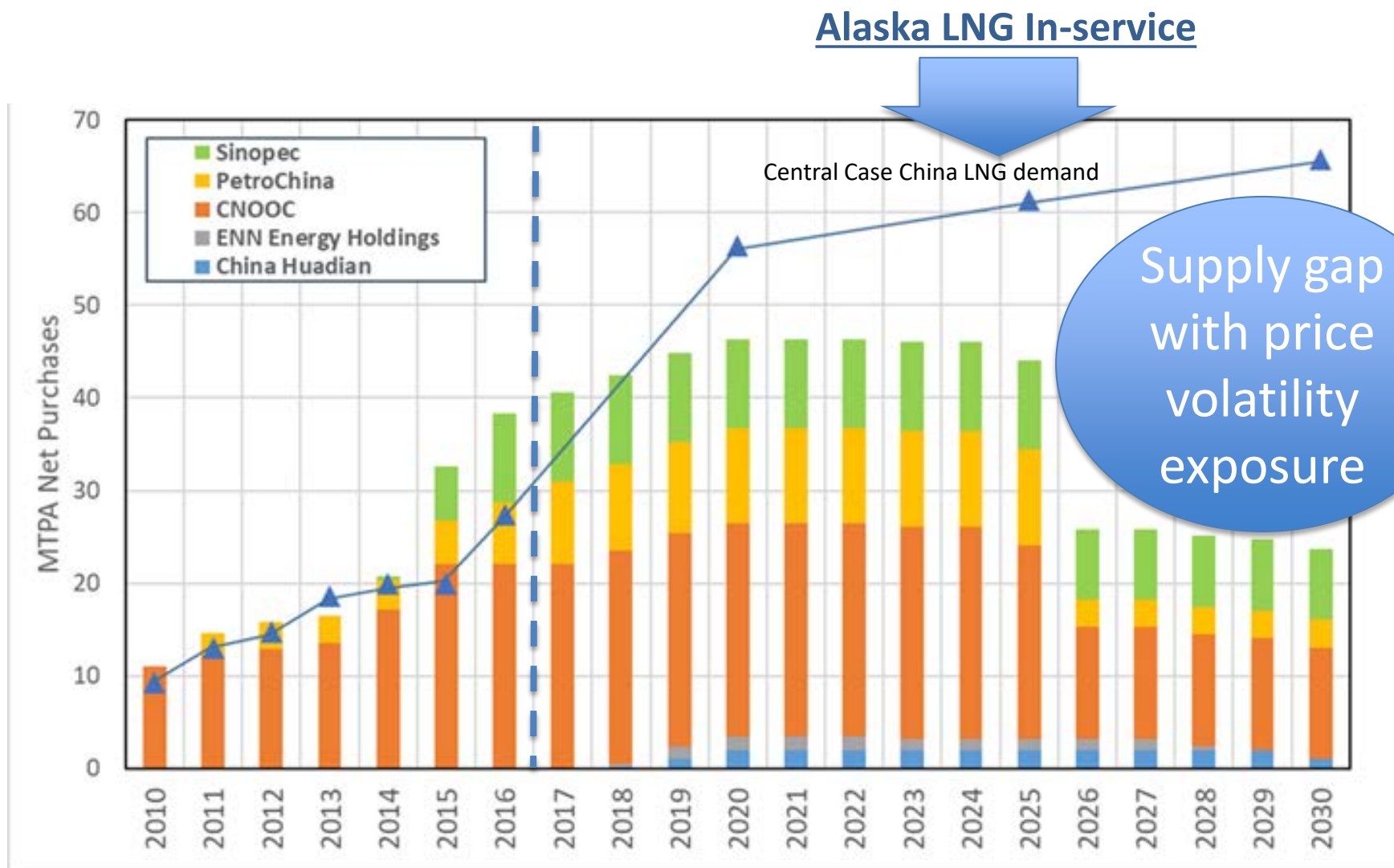
LNG price volatility is difficult for global gas consumers.

- **LNG is capital intensive.**
- **Majority of cost is infrastructure.**
- **Any cost-escalation is limited in magnitude.**
- **Long-term service life for liquefaction plants and related infrastructure** (over 40 years in Indonesia, Brunei, Algeria, UAE, Alaska).
- **Low risk technology:**
 - Natural gas treatment, pipelines, and liquefaction.
- **Feed gas supply can be stabilized:**
 - Proven supplies or known production economics can provide the foundation for stable feed gas cost.

- Large, reliable, dedicated, available natural gas reserves.
- Natural gas supply that can have fixed or pre-set price.
- Eliminate the volatility of spot energy prices.
- Long-term competitive supply contracts secure good deals:

For LNG Buyer	For LNG Seller
Stable LNG price for many years for gas customers.	Reliable cash flow for long-term project financing.
Stable pre-set LNG shipping fuel cost.	Reliable customer relationship supports stable LNG purchase.
Helps plan for market growth.	
Eliminates volatility of energy costs.	Supports important infrastructure investment.

CHINA LNG SUPPLY GAP BIGGER POST-2026



Source: Global NatGas Advisors, October 2017

- Projected supply-demand gap in 2026 and beyond.
- Stable priced LNG can be part of the solution.

Global supply is sufficient now to secure long-term price certainty.

- **Fluctuating energy costs** aggravate unstable economic growth.
- **Predictable Natural gas price** will increase global use of natural gas and result in cleaner air.
- **Natural gas storage** either geologically underground in vapor form or above-ground in LNG form provides clean backup energy to renewables such as solar and wind power.
- **Imported LNG provides both:**
 - Cryogenic storage resupply in times of ultra-high demand through spot purchases, and
 - Long-term stable price-setting competitive natural gas supply to keep pipeline delivered natural gas fairly priced.

- **GDP growth** is more predictable with stable energy cost.
- LNG can be sold with stable pre-set price from certain basins.
- **Natural gas** is a key component of **green GDP growth**.
- LNG with stable pre-set price will support GDP growth and clean skies for **better quality of life for the people**.

