Mideast can deliver 8,500bcm gas at $2.5 per MMBtu average breakeven prices by 2030: Report

The Middle East can deliver approximately 8,500bn cubic metres (bcm) of gas with average breakeven prices of $2.5 per MMBtu [Million British Thermal Units] by 2030, a new report has shown.

While recent record low gas prices are due in part to oversupply in the global market, low-cost gas reserves are abundant, and the structural cost competitiveness of gas is improving, a joint report by Boston Consulting Group, Snam and International Gas Union reveals.

The natural gas market in the Middle East is experiencing a substantial growth phase, with its cost of supply remaining competitive in the long-term despite shale revolution. The recent report reveals that the Middle East and Asia-Pacific have demonstrated the strongest growth in gas demand the past ten years – growing at an average of 4.6% per year, double the rate of global primary energy demand.

The potential future for natural gas in the Middle East is strong, but realising it at full will require consistent support and coordinated action by industry, national governments, and the international community.

Although Middle East gas prices are largely subsidised and pricing structures largely regulated, the downward trajectory of gas prices is making gas more competitive with other fuels on a levelised basis. Costs rising above $2.5 per MMBtu indicate a requirement for subsidies to keep prices low for end users.

The report forecasts that the Middle East could maintain its best-in-class position to 2030 despite an expected rise in production costs. However, infrastructure investment will need to grow faster across gas value chains to meet growth expectations.

Implementing growth levers for gas will require concerted actions from various stakeholders. These include the development of new business models and technologies from gas industry participants, effective policies from governments, and sustained capital commitments from financial institutions.

“The Middle East’s gas market has experienced dramatic growth in the past decade. Our research shows that access to gas and growth faces limitations in terms of local market regulations and infrastructure as well as the scale of investment in cross-border pipelines,” said Pablo Avogadri, partner and associate director at BCG.

“The region could realise enormous benefits through connecting gas reserves with end-use markets at a low cost, infrastructure investment, and policy support and adoption.”