Qatar on track to be world’s largest LNG producer: Rystad Energy

Qatar’s move to sanction the $28.7bn North Field Expansion project puts the country on track to return as the world’s largest LNG producer by 2030, the Oslo, Norway-based Rystad Energy has said in a report.

Qatar’s liquefaction capacity will rise to 110mn tonnes per year (tpy), or 18% of the global total, which is for now estimated at 600mn tpy at the end of the decade. Still, more projects are expected to be sanctioned as LNG demand will grow faster than supply, it said.

The North Field Expansion (NFE) project is also making the Middle East, the world’s top region for oil and gas project sanctioning in 2021, Rystad Energy said.

The independent energy research and business intelligence firm expects rising oil prices to trigger sanctioning of global projects worth about $100bn this year, of which the Middle East is set to contribute almost 40%, or $40bn.

More than 26 Middle Eastern projects worth a total of about

$50bn have been delayed over the past year, with NFE making up the lion's share as it was pushed to 2021. As this year got under way, the region had projects worth $98bn, due for sanctioning from 2021 to 2023.

Among global LNG producers, Australia currently has the largest operating capacity of 88mn tpy, but will be surpassed by Qatar and the US in the coming decade as new liquefaction capacity is commissioned.

The only Australian project Rystad Energy expects to reach a final investment decision in 2021 is Woodside's 4.5mn tpy Pluto Train 2 project, which would be developed together with the Scarborough upstream asset.

The US currently has 107mn tpy of sanctioned LNG capacity, including 36mn tpy under construction. Port Arthur LNG, Driftwood LNG, Plaquemines LNG and Freeport T4 have all signed long-term contracts or secured equity from LNG buyers, but would still need new deals to secure financing and move forward.

According to Rystad Energy's base case, global LNG demand will reach about 580mn tonnes by 2030, leaving significant room for bringing new LNG projects forward.

"We forecast that 104mn tpy of new LNG supply must be sanctioned in the coming five years to meet the gap between actual supply and demand in 2030," says Sindre Knutsson, vice president at Rystad Energy's gas markets team.

To tap the supply capacity deficit, there are almost 1,000mn tpy of new proposed capacity that will compete to attract buyers and investors to secure financing in the years ahead.

After a "poor sanctioning year" in 2020, Rystad Energy believes that the optimism is back in the market and that more final investment decisions for LNG projects will follow after Qatar's NFE.

"Qatar, however, is also likely to add extra skin in the game, as it aims to increase its LNG output capacity to 126mn tpy from the current 77mn tpy through two expansion phases of the North Field. The recently sanctioned first phase includes four new liquefaction trains to raise capacity to 110mn tpy, while

the second phase will include another two new trains currently in the front-end engineering design stage," the report said.

Rystad Energy estimates the two phases collectively to reach the capacity targets by 2028 or 2029, if the second phase also gets the go-ahead.