

# **Qatar's low-carbon LNG expansion to meet world's growing demand for cleaner energy: PwC**



Qatar's low-carbon LNG expansion will meet world's growing demand for cleaner energy, PwC has said in its 'Qatar Economy Watch' report.

Qatar's gas production process is among the lowest carbon-intensity globally and will further decline as a result of Qatar Petroleum (QP) sustainability strategy, announced in January that includes cutting methane leaks, using solar power for operations and boosting carbon capture and storage, PwC noted.

As part of these efforts, Qatar was one of the five founding members in April 2021 of the Net Zero Producers' Forum, alongside the US and Saudi Arabia. This commitment to reducing the intensity of production will further add to Qatar's competitive edge against other LNG producers.

In a world-first in September 2020, QP signed a LNG contract

with Singapore that includes wellhead-to-delivery reporting of greenhouse emissions. This was a first step towards a future in which carbon taxes or other mechanisms could advantage lower-intensity producers like Qatar.

PwC said, "The combination of an improving demand outlook for LNG with delays to new supply because of the weakened balance sheets of private hydrocarbon companies, makes it an ideal moment for Qatar to press ahead with expansion. In February 2021, QP awarded the main contract to build the four new LNG terminals for the North Field East expansion. The new supply will come onstream in stages during 2025-2027 and QP intends to soon commission another two trains.

"QP may be considering further expansion in the future, which makes sense given that North Field's reserves are sufficient for around three centuries of production at current levels, whereas the global economy is expected to have fully decarbonised by the end of this century."

The report said, "Financing the project, expected to cost around \$43bn for all six trains, will benefit from the low interest rate environment, enabling QP to finance much of the capex through low-cost bonds as well as equity contributions from joint-venture partners. Equity bids were received from six oil majors in May 2021, and discussions are also underway for customers, including in China, to take smaller stakes."

The six new trains will boost Qatar's LNG output by nearly two-thirds and also lift its production of valuable by-products including condensates, natural gas liquids, ethane and helium. This will enable ongoing government expenditure to boost the economy as well as QIA's reserves. Work on the project will pick up rapidly over the next few years, providing a significant boost to the post-Covid-19 recovery, particularly for the construction sector and for companies supplying goods and services to the project. Energy prices have recovered to pre-Covid-19 levels and may show continued strength for several years, PwC noted. This is because there has been a sharp drop in capital expenditure by oil and gas companies which may result in supply constraints, depending on

how strongly demand recovers and how rapidly the Opec+ output cuts are tapered.

Speaking at the Qatar Economic Forum in June, the CEOs of ExxonMobil, Shell and Total Energies, along with Qatar's Minister of State for Energy Affairs, HE Saad bin Sherida al-Kaabi, warned that underinvestment could cause oil prices to spike towards \$100. "Of particular relevance for Qatar is the fact that a raft of major LNG projects have been postponed or cancelled as a result of the lower capex budgets and worries about long term prices, reducing competition for the new capacity that will be generated from its own North Field expansion.

"At the same time, there has been a growing emphasis in global commitments to tackle climate change and address ESG (environmental, social and governance) concerns, such as China pledging to reach net-zero emissions in 2060. Sustainability advocates are finding traction in leveraging the willingness of governments to take decisive action against Covid-19 as a precedent for stronger action on climate change, including the Biden Administration's pledge to "Build Back Better". This shift in focus benefits Qatar because of the importance of gas as a lower-carbon transition fuel," PwC said.