China’s Natural Gas Market Development

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In 2019 China was the third largest natural gas market in the world.

In 2000-2019 China’s natural gas consumption grew more than in any other country.

Natural Gas Consumption By Country in 2019, bcm
Sources: BP, China NDRC

Incremental Gas Consumption by Country in 2000-2019, bcm
Sources: BP data, China NDRC data
CHINA IS THE WORLD’S LARGEST NATURAL GAS IMPORTER

CHINA’S NATURAL GAS IMPORT GROWS RAPIDLY

Sources: China Customs, China NDRC

China began to import LNG

China began to import Pipe Gas

In December 2019, Power of Siberia was brought into operation, and the first-ever pipeline supplies of Russian gas to China were launched

LNG Imports
PNG Imports
Consumption

China Natural Gas Imports in 2006-2019, bcm

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CHINA’S GAS MARKET HAS ENTERED THE GOLDEN AGE

CHINA PLANS TO DOUBLE GAS CONSUMPTION BY 2035

China Natural Gas Consumption Forecast
Sources: China National Bureau of Statistics, 2020, CNPC ETRI
CHINA PLANS TO INCREASE PRODUCTION TO 300 BCM AT BEST

China Natural Gas Consumption and Production Forecast
Sources: China National Bureau of Statistics, 2020, CNPC ETRI
CHINA WILL NEED TO IMPORT HUGE AMOUNTS OF GAS

CHINA’ APPETITE FOR NATURAL GAS IMPORTS IS PROJECTED TO GROW FURTHER

<table>
<thead>
<tr>
<th>Year</th>
<th>Production Outlook</th>
<th>Demand for Imports</th>
<th>Consumption Outlook</th>
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<td>2019</td>
<td>177,7</td>
<td>132,2</td>
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<tr>
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</tr>
</tbody>
</table>

China Natural Gas Demand, Production and Import Forecast
Sources: China National Bureau of Statistics, 2020, CNPC ETRI

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CHINA NATURAL GAS MARKET

China Term Contracts and Supply
- Demand Gap

Sources: HIS, China NDRC

Imports Supply and Demand Gap is Growing

- Existing PNG contracts
- Existing LNG contracts
- Demand for Imports

China Term Contracts and Supply-Demand Gap
Source: HIS, China NDRC

2019 2020 2025 2030 2035

Imports and Demand Gap 61 161
CORONAVIRUS PANDEMIC HAD LIMITED IMPACT ON CHINA'S NATURAL GAS INDUSTRY

- GDP Growth
- Electricity Production Growth
- Gas Consumption Growth
- Gas Production Growth
- Gas Imports Growth

Sources: NBS, NDRC, China Customs, China Electricity Council
China is one of the biggest and fastest-growing natural gas markets in the world. It is already the largest importer of natural gas, but still has enormous opportunities to grow further.

Natural gas takes up a small share in China's energy balance, but this share is growing. China's gas market is still in an early stage of its development, but it matures rapidly.

Environmental policy in China has two primary directions — combat climate change and air pollution control. Both require natural gas. Thus gas consumption in China will continue to grow and can reach 610 bcm by 2035.

China domestic gas production will be growing, but it will not be enough to accommodate the growing demand. Production is likely to reach 300 bcm by 2035.

In the medium to long term future to supply the growing demand, China's gas imports can increase by 177 bcm to 310 bcm. In this case, Chinese companies will have to sign new import contracts for 161 bcm.

Coronavirus pandemic had limited impact on China's natural gas industry; growth rates slowed down this year but are expected to recover next year.

CONCLUSIONS