

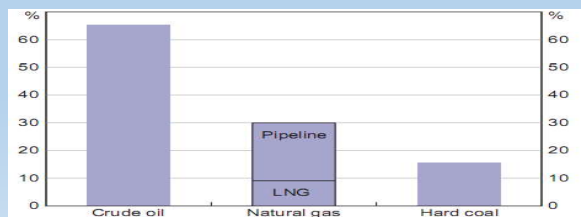


THE GLOBALIZATION OF THE LNG MARKET

Will the LNG market be as flexible as the world oil market?

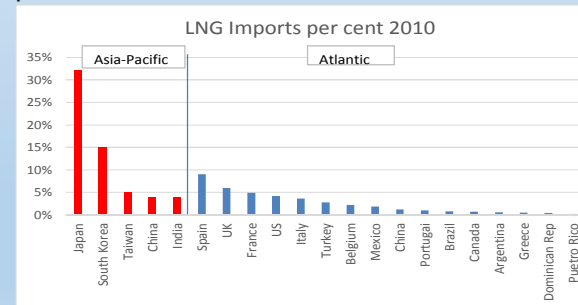
Gas has grown from a marginal fuel consumed in regionally disconnected markets to a fuel that is transported across great distances for consumption in many different economic sectors. Increasingly, natural gas is the fuel of choice for consumers seeking its relatively low environmental impact, especially for electric power generation. As a result, world gas consumption is projected to more than double over the next three decades. While gas consumption has risen strongly, indigenous gas production in many countries has not expanded at a similar pace. With many of the world's gas reserves located far from centers of demand, gas trade has become increasingly important. In particular, trade in liquefied natural gas (LNG).

The LNG market is characterized mainly by two regions; the Pacific Basin players and the Atlantic basin players.

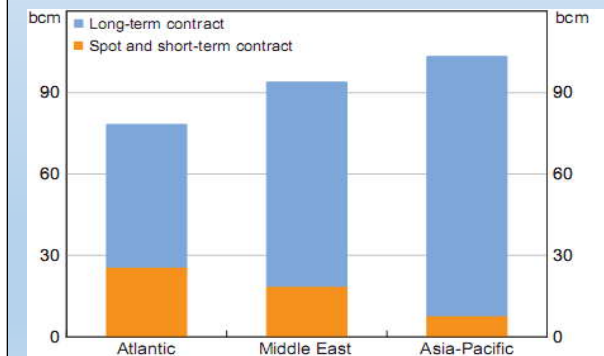


International trade in energy commodities in 2010

Worldwide LNG supplies are plentiful, but the problem is would the proposed LNG terminals be approved and constructed at the right time to face LNG growth, in addition, the Current U.S natural gas specification could be an limiting factor for this growth. the long-term contract between buyer and seller for LNG – known as the Sale and Purchase Agreement or SPA was characterized by: the volume obligation which was embodied in the take-or-pay clause and the limitation of the ability of the buyer to resell any surpluses that he might experience to his own account embodied in the 'Destination restriction' clause. The risk sharing logic of the contract was embodied in the phrase 'the buyer takes the volume risk and the seller takes the price risk'.



Nowadays knew the emergence of the short-term LNG market which was virtually nonexistent a few years ago and the future would be as dramatic as the changes in the oil market after 1973-80, one other feature of the LNG market today is the possibility of arbitrage which enables the trading company to divert cargoes to those markets that provide the highest netbacks. But the capability to arbitrage requires sufficient excess capacity in tankers and receipt terminals to take advantage of market opportunities when they occur. The global LNG marketplace is really just a vision till now. But it can blossom and can prosper and the world will see an evolution from several regional LNG markets to a truly global market.



LNG Exports by Contract Type 2010