Policy updates and Market Outlook of Natural Gas in China

National Energy Administration
In Oct, 2018, Japan
From 2017, coal-to-gas measures throughout the whole country, especially in areas around Beijing, contributed to the gas demand increasing sharply.

In 2017, gas consumption was 238.6Bcm, a year-on-year increase of 14.8%. Natural gas accounted for 7.3% in national primary energy consumption mix.

In 2017, gas imported was 94.6Bcm, of which 42Bcm flowed by pipeline, and 52.6Bcm unloaded by LNG terminals.

Gas demand will increase to 270Bcm and 320Bcm in 2018 and 2020, respectively.
By the end of 2017, 18 LNG terminals were in service with imported capacity of 59mmtons per year.

The top three imported countries were Australia, Qatar and Malaysia.

LNG supply is dominated by state-owned companies, such as Cnooc, PetroChina and Sinopec. Recently, LDCs and private traders have both more involved in LNG business, with 1.5mmtons LNG imported by non-stated companies in 2017.
Since 2012, shale gas industry has got rapid progress in China. In 2017, shale gas production was 9.2Bcm. According to 13th five-year plan, 30Bcm shale gas production is estimated in 2020. In future, 100Bcm production capacity is expected to reach.

By now, all shale gas production is from Sichuan Basin, which is the biggest gas basin in China. More and more companies have been working on shale gas E&P, however, Sinopec and PetroChina contributed the whole commercial shale gas production in 2017.
Gas Supply Security

In 2018, *The Guideline for Sustainable Development of Natural Gas* was issued by State Council.

➢ Gas supply should mainly rely on domestic production. In 2020, total domestic production including conventional gas, tight gas, shale gas, CBM, should increase to more than 200Bcm.

➢ Diversification of gas import. For LNG, import will be from more and more different countries. LNG contracts will contain different duration, pricing-mechanism, etc.

➢ Gas storage capacity building by underground gas storage and LNG tanks. According to updated gas storage regulation, supply companies should get storage capacity accounting for 10% of its gas supply. LDCs should get storage capacity accounting for 5% of its total demand. Local government also have an obligation, which should have storage capacity for 3 days’ consumption in their administrative region.

➢ Shave peak demand by market-oriented pricing mechanism. In extreme cold weather, residential gas supply security is the top priority for government intervention.
In 2017, *The Framework of Oil and Gas Industry Reform* was issued, aiming to encouraging competition.

➢ Price deregulation. By now, at the city gate, the cross-subsidies from industry use to residential use was dismissed. LNG, shale gas, CBM pricing were fully marketable.

➢ Pipeline Unbundling and TPA. Pipeline interconnection among different owners, different systems.

➢ Upstream reform. Private and international companies and local government will more engage in oil and gas E&P area.
Thank you very much...

Get more detailed information from *China Natural Gas Development Report (2018)*
weblink: https://1drv.ms/f/s!AsAKZLCKLez6Z1gjUa2uKfRZplk
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