

Qatar to diversify customer base with increased exports

This story is the second in a [series](#) investigating Qatar's changing LNG export strategy. All data is from LNG Edge.

Where will Qatar's new LNG production go?

As the world's biggest supplier of LNG gets even bigger, the sheer volume of gas on offer (32mtpa from [domestic expansion](#)) means the Gulf state will likely have to find a home in new and established markets alike, with its geographical location positioning it well to service customers in both basins.

Energy minister and CEO of state-owned Qatar Petroleum Saad Sherida Al-Kaabi spoke last month of a "supply destination portfolio

diversification strategy", even as he reiterated his commitment to longstanding customers in Japan and Belgium.

Premium destinations in the far east bring an obvious price incentive, while new importers such as Bangladesh offer a first-mover advantage to create new markets and develop future demand. In Europe, vast storage capacity gives the flexibility to absorb cargoes in times of oversupply.

NEW MARKETS

It was with Qatari LNG that Bangladesh joined the growing club of LNG importers in 2018, and Pakistan three years earlier.

Add to that state-owned Qatar Petroleum's latest long-term contracts to be signed, such as with China's PetroChina in 2018, and a logical bet emerges on the Asian markets that are expected to drive future LNG demand growth.

"Qatar Petroleum is looking towards potentially Indonesia, the Philippines (in the process of constructing several terminals), Pakistan, Bangladesh, Turkey, Oman, Italy, and India," said Justin Dargin, a Middle East energy expert at the University of Oxford.

"As Qatar is a low-cost supplier, it would be able to undercut the majority of its rivals to secure market share."

In Europe, too, LNG newcomers are already lining up to court Qatar for its gas, with landlocked Hungary the latest to express an interest.

On a visit to Doha this week, Hungarian Minister of Foreign Affairs and Trade Peter Szijjarto said "Qatari gas could also appear on the Hungarian market from 2021", when a planned 1.9mtpa floating storage and regasification unit in neighbouring Croatia is scheduled to come on line.

ESTABLISHED MARKETS

Meanwhile, Qatar's [20-year block booking](#) of regasification capacity at Belgium's Zeebrugge terminal, starting in 2023, indicates that it still sees value in established European markets.

The region's trading hubs and infrastructure offer the liquidity needed to trade and store gas at short notice – precious optionality for a company whose portfolio is dominated by long-term contracts.

The demand story is not one of blanket growth. Qatar must reckon with losing old customers for its existing production as much as planning new ones for its future output.

Qatari exports to Egypt and Argentina have fallen to zero this year as the two countries become exporters themselves.

Brazil has turned to closer suppliers in the US, while Qatar's own closest market, the UAE, has been closed off due to the political fallout among Gulf states.

Even as overall exports have increased, the number of countries to which Qatar exports has fallen every year for the past three years, from 25 in 2017 to 20 so far in 2019.

SPARE PARTS

One way in which Qatar has increased the flexibility it offers to buyers is by increasing the number of partial cargoes.

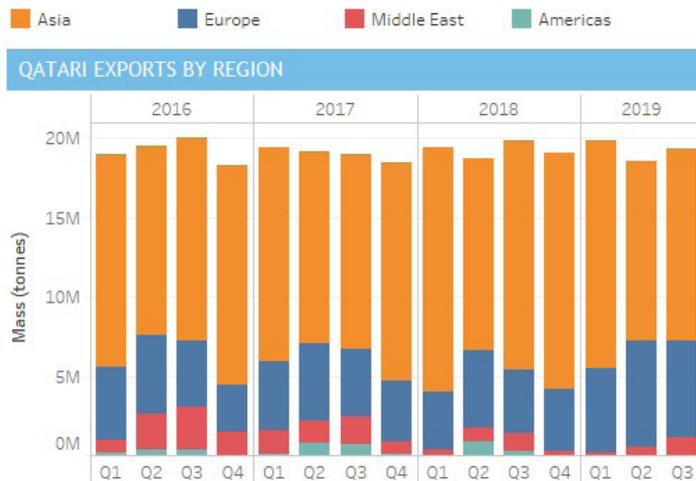
ICIS analysts have identified at least 24 partial deliveries this year, up from seven in 2018 and one in 2017.

Partial deliveries can expand a seller's reach because some import terminals have physical restrictions limiting the size of vessels they can accommodate, while some buyers would simply struggle to afford a full cargo.

But partials can also increase costs, both for the seller who may face multiple port charges and the buyer who often pays a



Filter by cargo departure date
2015 to 2019



Click to highlight destination country

- Belgium
- France
- Greece
- Italy
- Netherlands
- Poland
- Portugal
- Spain
- Turkey
- UK

Source: LNG Edge



[Click here](#) for interactive versions of these graphs

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premium at the unit level.

This is just one symptom of a wider power shift towards buyers that Qatar will have to navigate as it markets its increased production.

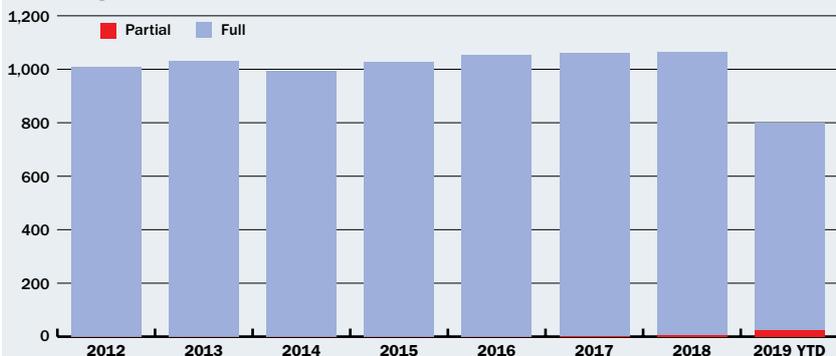
"Purchasers are feeling emboldened by additional supply (and suppliers) on the market," said the University of Oxford's Dargin.

"Buyers will continue to set the terms as supply is predicted to outstrip demand until at least the middle of the next decade."

Patrick Sykes

QATAR OFFERS SUPPLY FLEX WITH PARTIAL CARGOES

No. of cargoes



SOURCE: LNG Edge

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