

## **Qatar Lifts Gas Development Moratorium for the 1st Time in 12 Years**

Ken Koyama, PhD  
Chief Economist, Managing Director  
The Institute of Energy Economics, Japan

On April 3, state-run Qatar Petroleum's Chief Executive Officer Saad Sherida al-Kaabi said Qatar would lift a moratorium it self-imposed on natural gas development in 2005.

Qatar expanded natural gas development in the 1990s, increased liquefied natural gas exports substantially and became the world largest LNG exporter with production capacity totaling 77 million tons. In 2005, however, Qatar declared a moratorium on further development at North Field, the world's largest natural gas field owned by the country, attracting global attention. The reason for the moratorium was that Qatar wanted to examine how rapid, large-scale gas field development and production expansion affected the North Field reservoir. North Field is a super-giant gas field straddling the Qatar-Iran border. The Qatari side of the gas field is called North Field while the Iranian side is named South Pars. Iran independently develops South Pars.

Qatar declared that it would lift the moratorium, acknowledging that the time had come to do so with the examination of effects on the reservoir completed and that global gas demand would expand further. This will pave the way for Qatar to resume North Field gas development and expand LNG production. Qatar announced a project to develop the southern part of North Field to produce 2 billion cubic feet per day, equivalent to 400,000 barrels per day in oil, in five to seven years. The project will boost North Field production by 10%. If the increase is produced and exported as LNG, it may amount to 15 million tons.

During the moratorium, Qatar has remained the largest LNG producer and exporter in the world. Simultaneously, however, the global LNG market has seen dramatic changes. In the United States that had been expected to become a major LNG importer, the shale revolution has made progress, leading to rapid growth in gas production and the launch of LNG exports. Amid the shale boom, LNG projects have been launched one after another. The Federal Energy Regulatory Commission has approved LNG projects with capacity totaling more than 60 million tons. Potential U.S. LNG exports including other promising and proposed projects would overtake Qatari exports.

As LNG production is expected to start in the coming few years under numerous Australian and other projects subjected to investment decisions made between 2011 and the first half of 2014 when

crude oil prices and Asian LNG prices were high, Australia is likely to replace Qatar as the world's largest LNG exporter. While Qatar has remained the world's largest LNG exporter during the moratorium, Australia and the United States have boosted LNG exports and are realistically expected to overtake the Qatari position. Other numerous LNG export projects including Russian and East African ones are planned, indicating that Qatar's LNG market share is destined to relatively decline.

Under such situation, the moratorium lifting could be interpreted as Qatar's major LNG strategy turnabout. Qatar has apparently launched a strategy to secure or expand its market share and retain or enhance its position and influences as a major LNG exporter by lifting the gas development moratorium. If this interpretation is right, the Qatari strategic turnabout will have great implications for the global LNG market.

The global LNG market continues expanding. It is expected to expand over a long term. The International Energy Agency's long-term outlook predicts that LNG trade will overtake pipeline trade as the mainstream of natural gas trade to account for a majority of international gas trade in 2040. As known well, however, the LNG market is now plagued with oversupply, though being expected to continue growing. Gas market stakeholders agree that the current oversupply would remain until the beginning of the 2020s. Under oversupply and the buyer's market, how to win market competition is vital for suppliers' survival.

In this respect, the Qatari LNG project is basically viewed as highly competitive for three reasons. First, the project envisages gas production based on North Field as a super-giant gas field. Second, condensate, liquefied petroleum gas and other liquids accompanying gas production are rich. Third, Qatar has an excellent track record in gas production and LNG production and exports. The Qatari project could become one of the most competitive new LNG projects. The moratorium lifting is planned to pave the way for production to start under the new project in five to seven years. The production start may come when new supply projects to meet growing demand are required with the LNG market shifting away from oversupply to supply-demand equilibrium. The highly competitive Qatari project's emergence in the market then will have great implications for other LNG projects in the world, for LNG buyers and for structural Asian LNG market changes viewed as a challenge over the past years.

At last, LNG giant Qatar has embarked on a market share strategy. A cost-competitive player's launch of a market share strategy exerts great impacts on the market as seen in other energy markets. Qatar also announced a plan to integrate LNG production subsidiaries, Qatargas and RasGas, under the umbrella of Qatar Petroleum. The plan is designed to streamline Qatar's LNG production and supply arrangements and lower costs to enhance overall competitiveness. Undoubtedly, the new Qatari LNG strategy is one of the most important new points for projecting the future global LNG market.

Contact: [report@tky.ieej.or.jp](mailto:report@tky.ieej.or.jp)

The back issues are available at the following URL

[http://eneken.ieej.or.jp/en/special\\_bulletin.html](http://eneken.ieej.or.jp/en/special_bulletin.html)