



European Business Congress

LNG price developments

March 2012

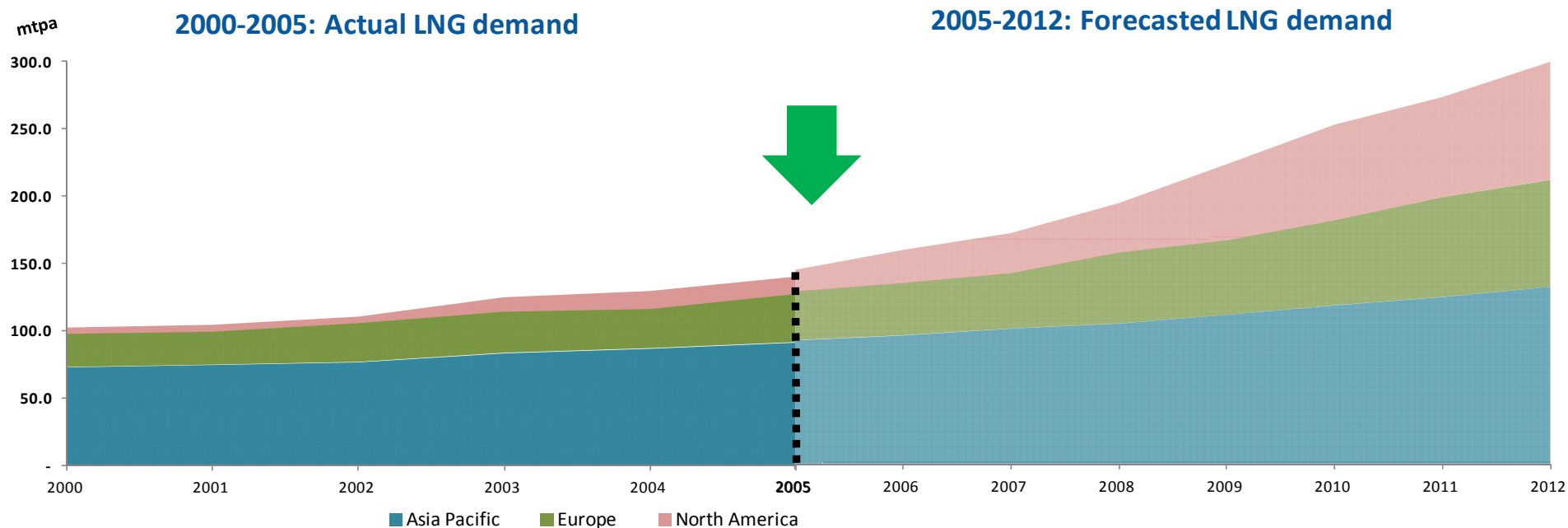
Content

- View from the past into the present.
- Assessment of the forecast.
- Historical price developments.
- LNG markets swings.
- Assessment of the future.
- New LNG pricing model.
- What will happen in the future?



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2005: View from the past into the present



Source: Wood Mackenzie LNG Service

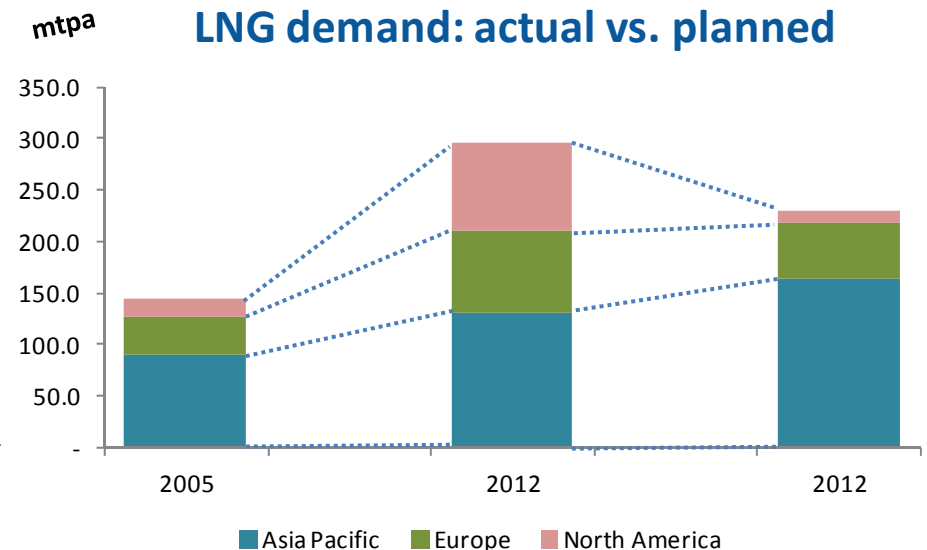
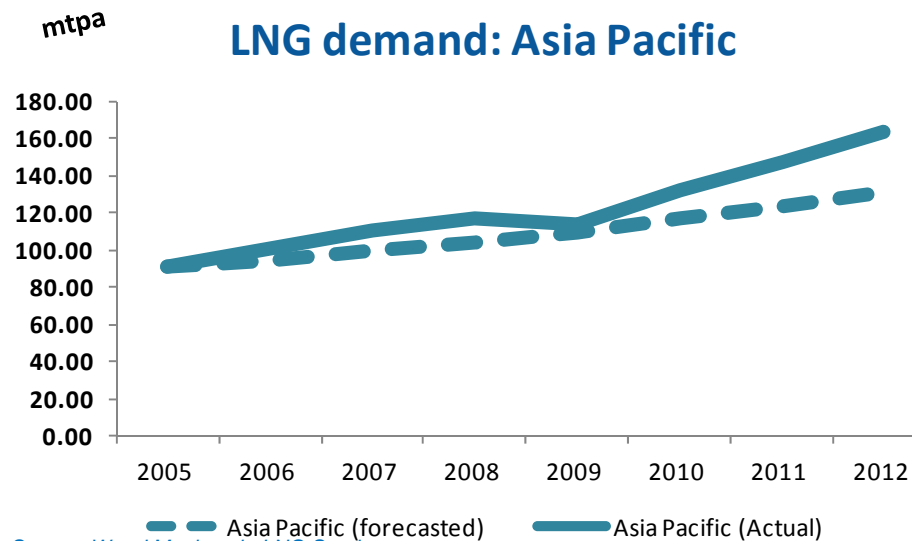
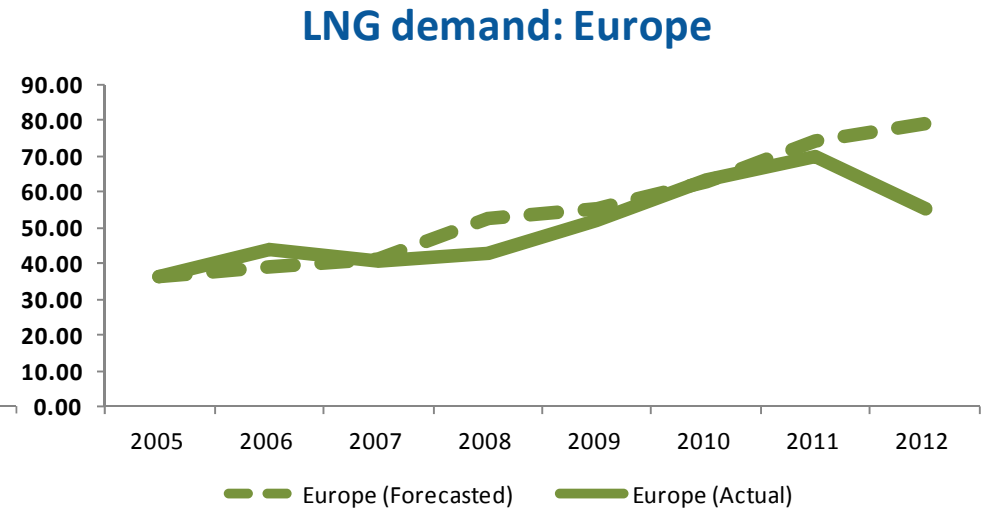
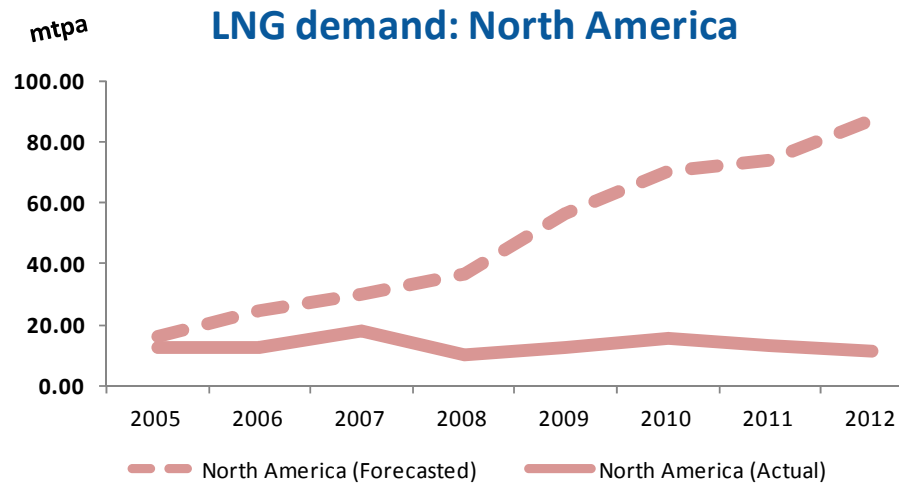
Assumptions for the forecast:

- European stable economic growth.
- USA is gas starved while also trying to reduce oil dependency.
- Chinese emerging economy is hungry for energy.
- Iran holds enormous gas reserves and is looking to give a boost to the economy.



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2005-2012: Forecasted vs. actual demand

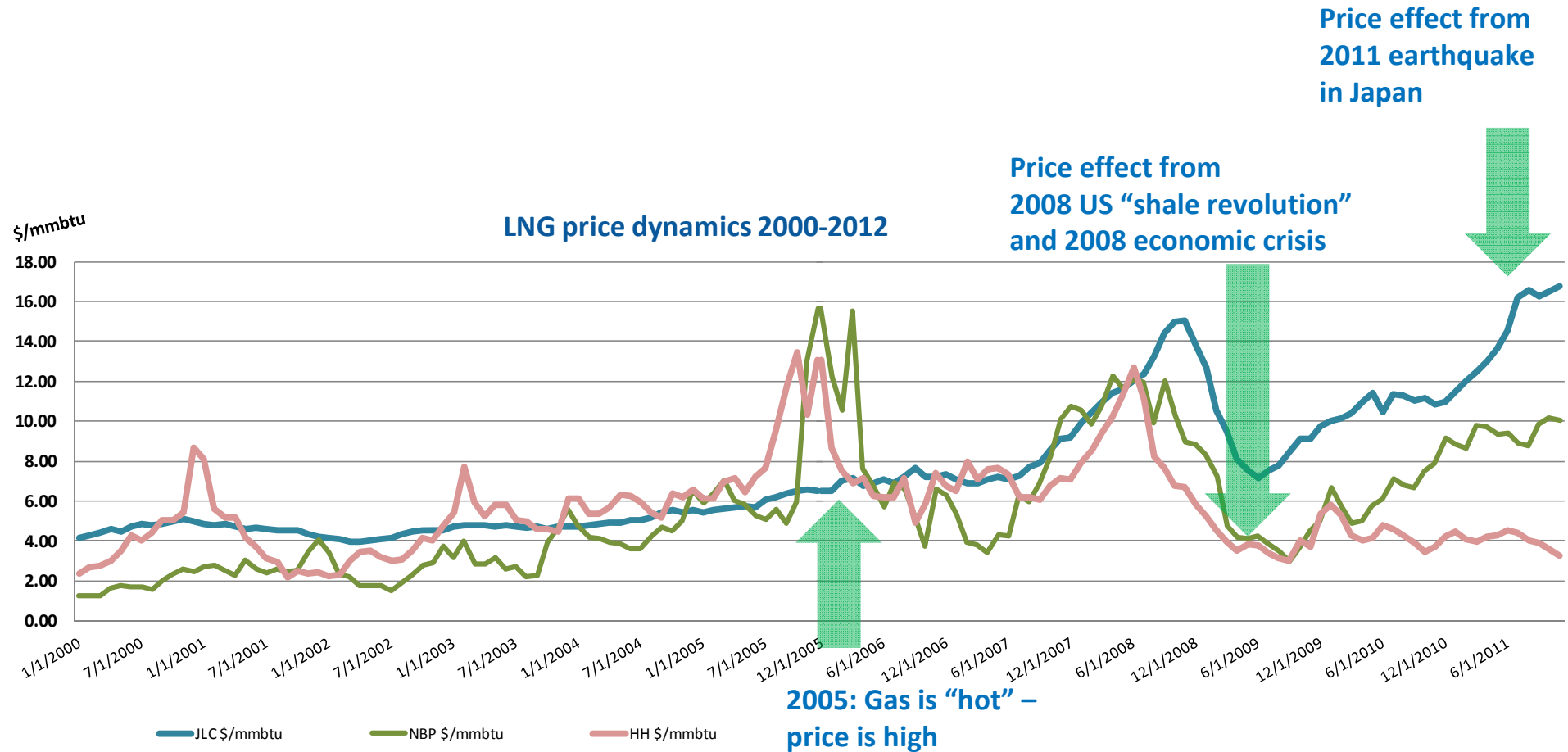


Source: Wood Mackenzie LNG Service



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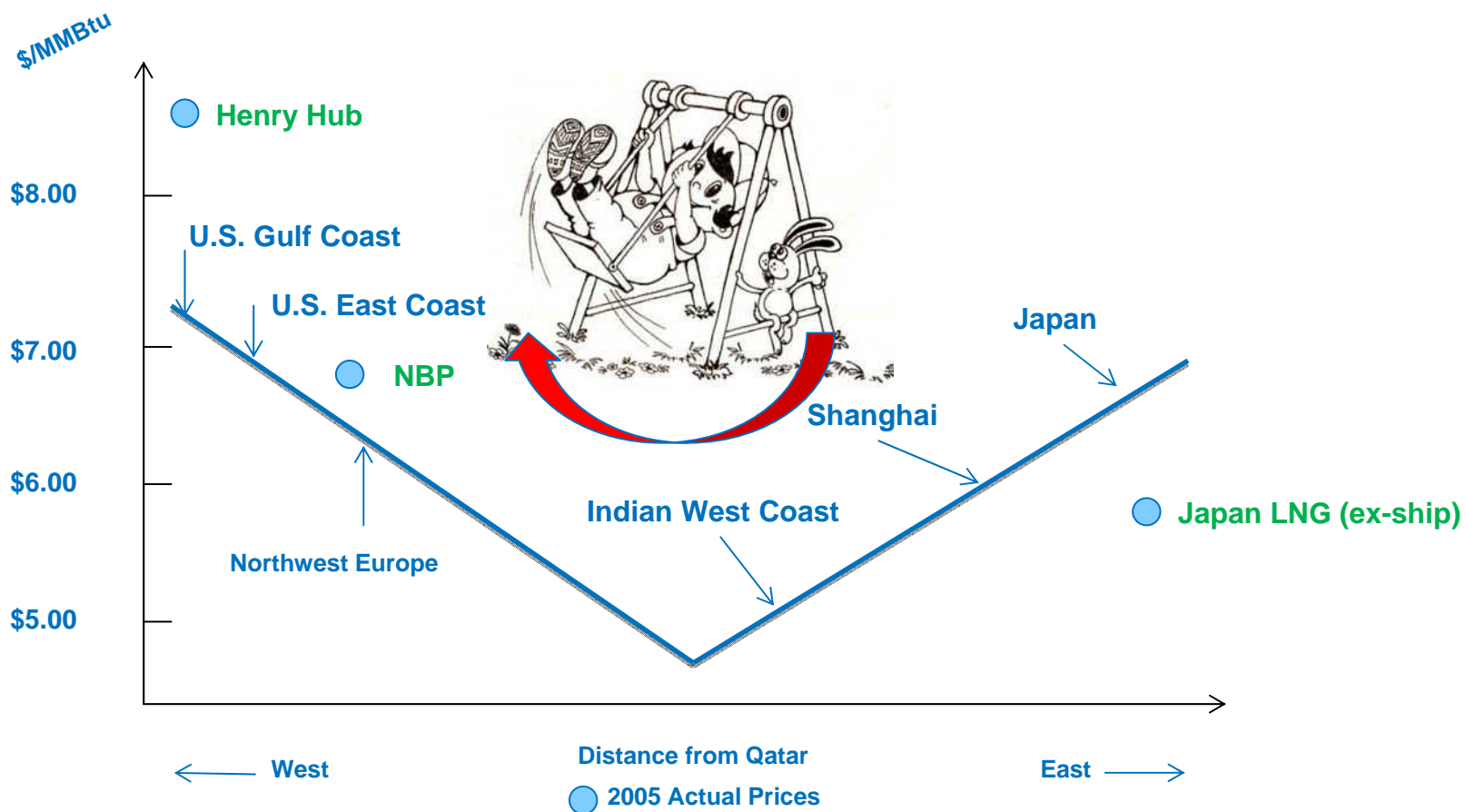


Source: EI, NGI Service



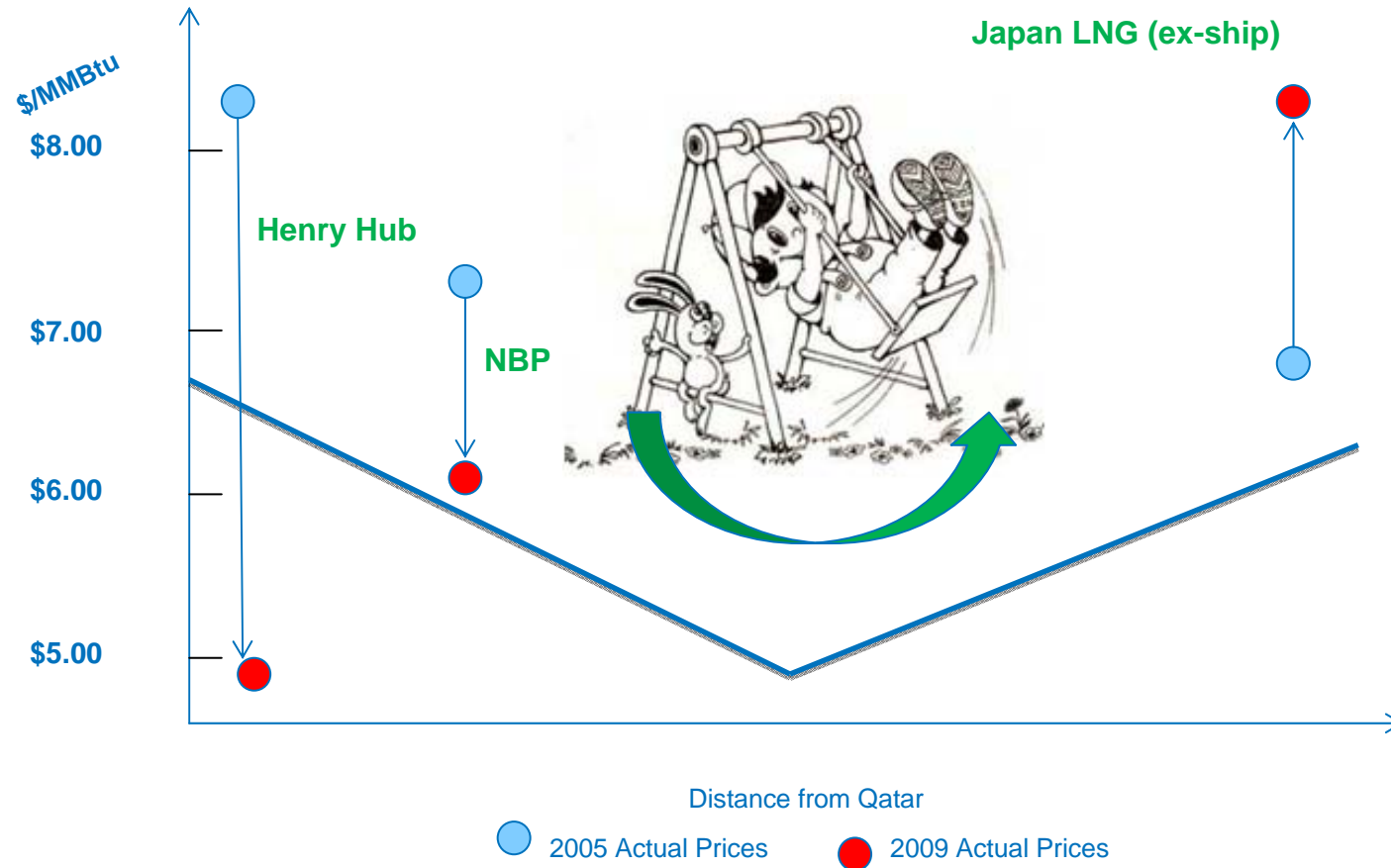
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LNG world before shale gas



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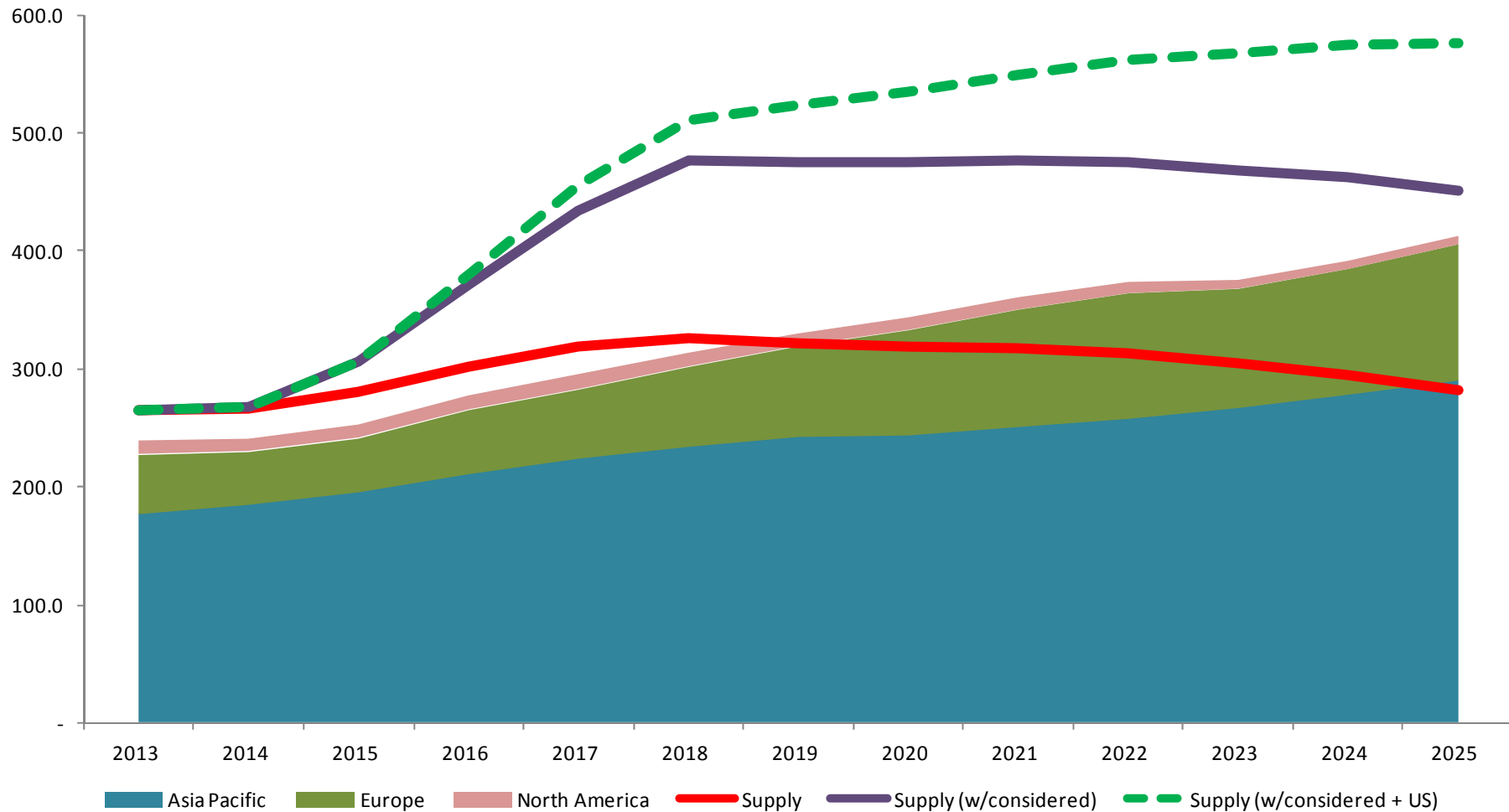
The emergence of bipolar gas pricing world



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2012: Uncertain future

2013-2025: LNG supply demand forecast



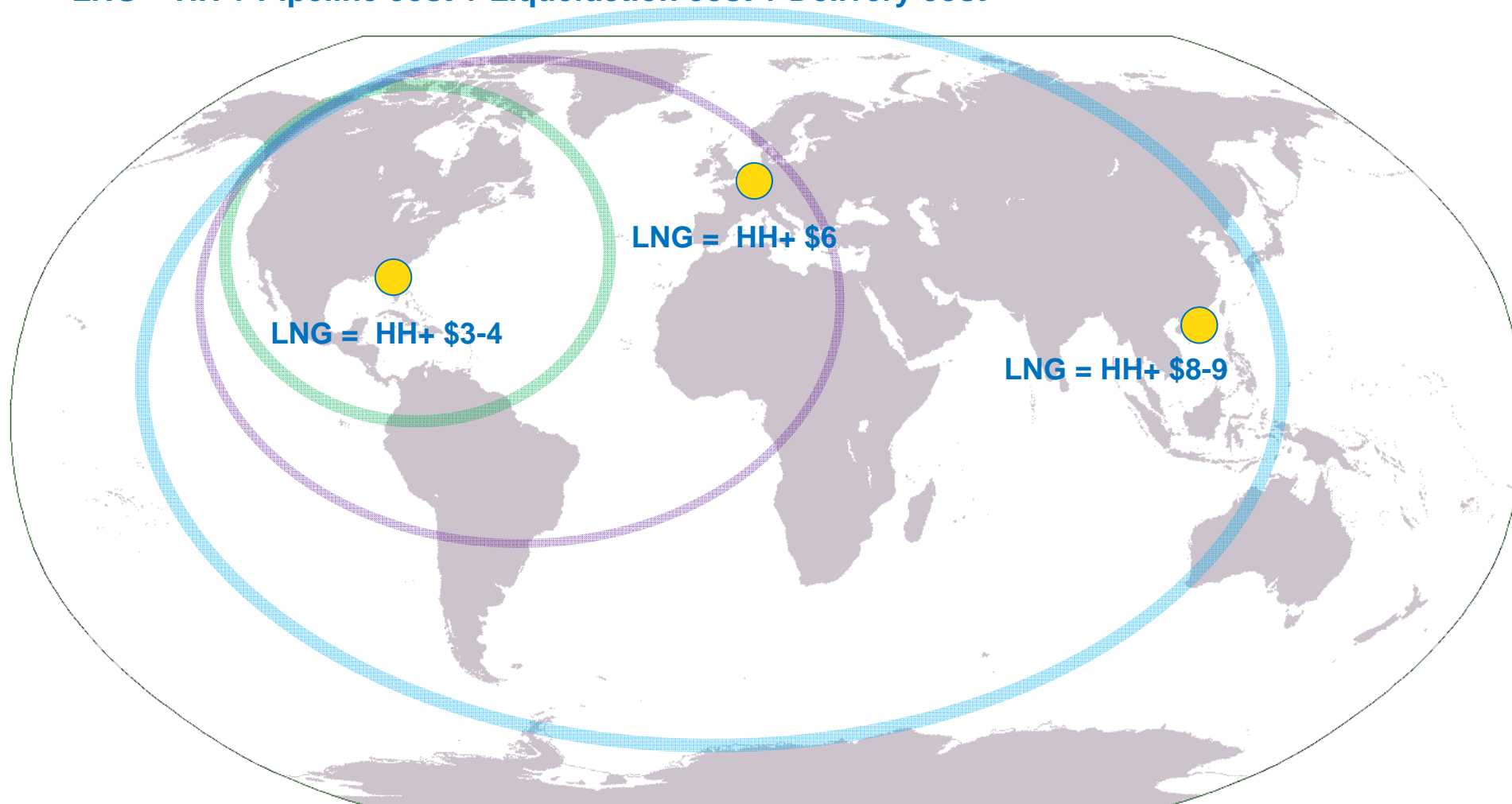
Source: Wood Mackenzie LNG Service, PFC
Project Portfolio



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New pricing model emerges

$LNG = HH + \text{Pipeline cost} + \text{Liquefaction cost} + \text{Delivery cost}$



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Sabine Pass LNG export marketing portfolio



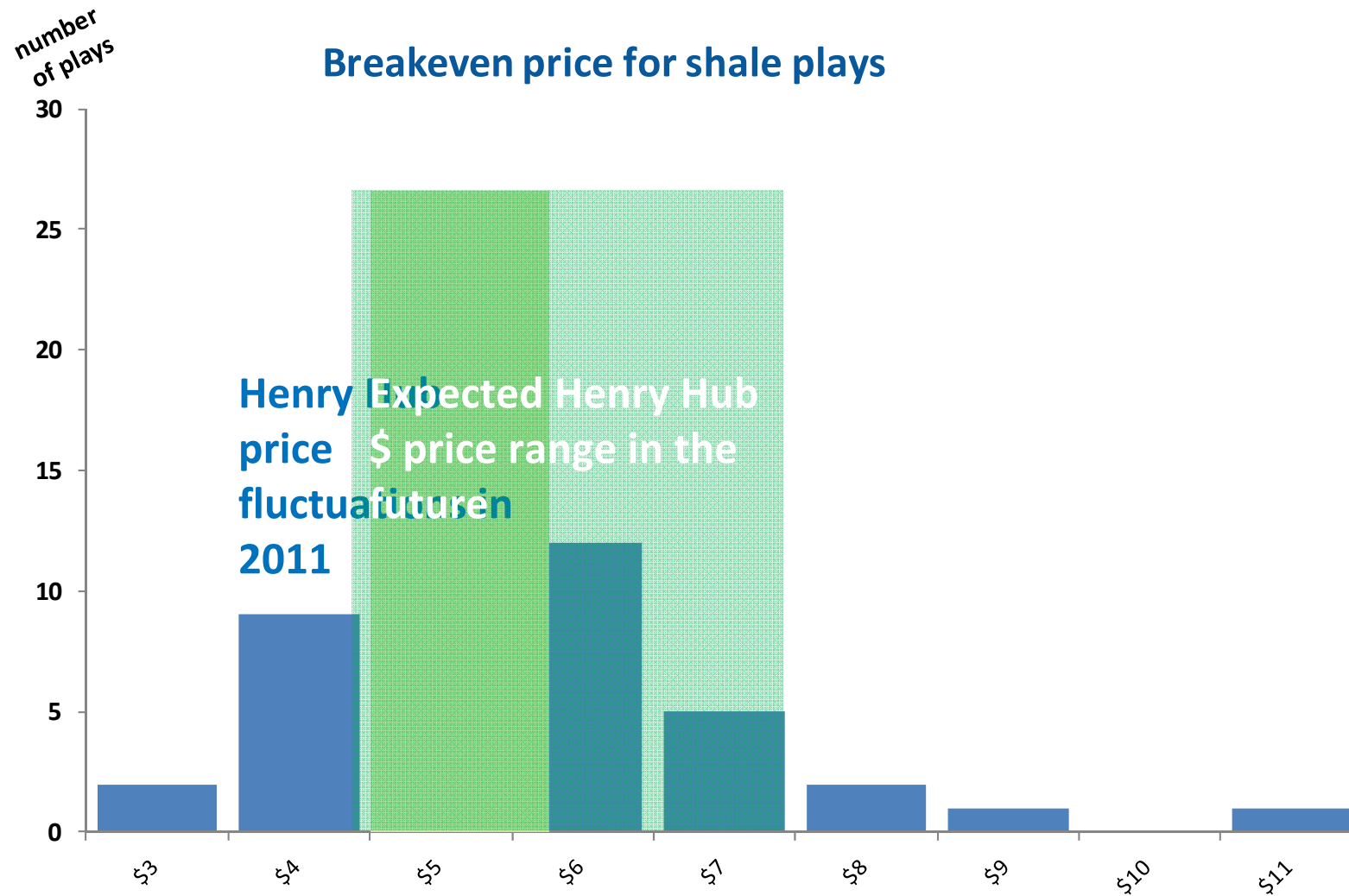
Company	BG Gulf Coast LNG – Global LNG marketer	Gas Natural Fenosa – Spain’s largest gas and power utility	GAIL (India) Limited – India’s major vertical gas utility	Korea Gas Corporation – World’s largest buyer of LNG
Annual Contract Quantity	5.5 mpta	3.5 mpta	3.5 mpta	3.5 mpta
Market	Global	Spain, Italy, Americas	India	South Korea
Price Formula	\$2.25/MMBtu for 3.5 mpta \$3.00/MMBtu for 2 mpta + 115% of the Henry Hub price	2.49\$/MMBtu +115% of the Henry Hub price	3\$/MMBtu +115% of the Henry Hub price	3\$/MMBtu +115% of the Henry Hub price
Term	20 years	20 years	20 years	20 years

Source: Platt’s LNG Daily, US DOE, “US LNG Supply to The Asian Markets” slides for Singapore conference, March 6, 2012



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Henry Hub price economics

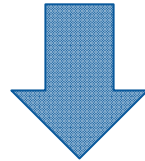


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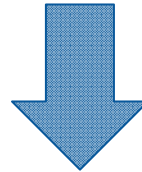
What may happen?



Is predicted long-term price for US LNG in Asia going to be ~\$12-\$13 (in real terms)



- Pressure on the spot prices in Asia which are currently at ~\$15-\$16.
- Pressure on the global LNG supply.



- Pressure on oil-linked pricing models for existing and new contracts.
- Proposed new projects in Australia (especially high risk projects such as Floating LNG) may be halted or abandoned.

First signs:



- Bloomberg: “LNG’s Looming Glut Has Qatar Sealing 20-Year Asia Deals” (March 7, 2012)



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