



## East Africa risks missing LNG boom

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JOHANNESBURG: Bad timing may defeat East Africa's plan to become a major liquefied natural gas exporter if plants are delayed and the region is overtaken by a global gas glut.

A singleminded focus on LNG may also see Tanzania and Mozambique compromise on developing the region through gas-fired power stations and plants converting gas to fuel.

The region's geology has already delivered a jackpot in discoveries of 150 trillion cubic feet — enough to supply Germany, Britain, France and Italy for fifteen years — and consortia busy scouting wells claim there may be potential to double that.

The size of the discoveries, their location en route to Asia and buyers' desire to diversify away from big suppliers Qatar and Australia have made East Africa an attractive prospect for LNG. But the clock is ticking.

"We don't know what the market is going to be post 2020. We need to get there before then," John Pepper, managing director of Anadarko Petroleum Mozambique told an energy conference in Maputo. "We need to progress quickly."

Research firm Wood Mackenzie estimates global supply of LNG will reach 472 million tonnes by 2020, against demand of 369 million tonnes. The expected oversupply has already fuelled a global race for customers in growing markets in Asia.

Some 100 million tonnes of new LNG supply is expected to be added after 2015 alone. Officials in Mozambique are already worried about the future gas price outlook.

The stakes are high. Oil majors including Royal Dutch Shell, US-listed Anadarko, Britain's BG Group and Italy's Eni are rushing to lock in deals, putting pressure on governments ill-equipped to win favourable deals.

Yet forecasts of first gas from Mozambique by 2018 and Tanzania within a decade seem ambitious, with most global LNG plants delayed, some even scrapped, and more hurdles likely in getting a frontier gas market like East Africa off the ground.

"In my estimates, I don't have LNG from those countries by 2020. It's impossible to do it in those time frames," said Thierry Bros, an analyst at French bank Societe Generale and author of the book "After the US shale gas revolution". 

Reuters