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LNG Global Surplus Will Exceed Japan Demand, Morgan Stanley Says
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By Dinakar Sethuraman

March 15 (Bloomberg) -- The likelihood of Japan boosting consumption of liquefied natural gas this year in the aftermath of its biggest earthquake won't be enough to overcome a global surplus of the fuel, Morgan Stanley said.

There may be an oversupply of as much as 30 million metric tons of the cleaner-burning fuel, James Hubbard, a London-based analyst at the bank, said in a note yesterday. That should be adequate to offset the closure of 9.7 gigawatts of Japan's nuclear capacity, which is equivalent to burning 11 million tons a year of LNG, he said.

"Even in the unlikely scenario that Japan's nuclear capacity remains offline it would only temporarily reduce the global LNG surplus we forecast, not eradicate it," Hubbard said.

Japan, the world's third-largest energy user, is seeking alternatives to nuclear power after the March 11 quake forced the shutdown of 11 reactors. The nation consumed 35 percent of the world's LNG in 2009, more than any other country, according to BP Plc.

Global production capacity of LNG may rise to 302 million tons a year in 2015 from 227 million tons last year, Morgan Stanley said. New supply may come this year from Qatar, Angola, Algeria and Nigeria.

Qatargas 3 and 4 ventures may add 15.6 million tons this year, and about 9.1 million tons of capacity that was offline for "unexpected" maintenance last summer may start this summer boosting potential output by 46 percent to 76.5 million tons, Morgan Stanley said.

Demand may pick up after 2015 as domestic output of gas in Europe and China decline or moderate, creating a shortage of as much as 100 million tons of the fuel by 2020, Morgan Stanley said. The shortage amounts to about half of current capacity of 230 million tons a year, or 30 billion cubic feet a day.

China's annual gas consumption may rise by 21 billion cubic feet a day by 2020, and India's demand may rise by 6 billion over the same period, Morgan Stanley said.

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