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International Energy Agency upbeat about the future of natural gas

The annual *World Energy Outlook* report released by the International Energy Agency (IEA) overnight confirms that natural gas will be an indispensable part of the world's energy mix in coming decades.

The IEA forecasts that production of natural gas could increase by 47% by 2040. Most of this growth will come from developing unconventional sources such as coal seam gas and shale gas.

The IEA also highlights the major economic and environmental benefits of natural gas in a decarbonising world.

“There are good reasons to be upbeat about the future for natural gas: its relative abundance; its environmental advantages compared with other fossil fuels; the flexibility and adaptability that make it a valuable component of a gradually decarbonising electricity and energy system.”

(Source: IEA World Energy Outlook 2015)

“Australia has benefited hugely from rising demand for liquefied natural gas in our region,” APPEA Chief Executive Malcolm Roberts said.

“More than \$200 billion has been invested in LNG projects, creating thousands of jobs, export income and new revenue for the Commonwealth and State governments. Australia will be the world's leading exporter of LNG by 2018.

“The IEA forecasts that steady demand growth over the next 25 years will lead to another major wave of investment in gas production.

“The competition for investment will be intense. If Australia wishes to seize a share of this investment, businesses must continue to lift industry productivity while governments should focus on removing unnecessary regulatory and other costs.”

Highlights from this year's World Energy Outlook include:

- Gas is the fastest-growing fossil fuel – demand of 5.2 trillion cubic metres (tcm) in 2040 brings gas towards parity with coal and oil in the global energy mix;
- Australia is the prime mover outside North America for unconventional gas resources such as coal seam gas;
- China and the Middle East are the main centres of gas demand growth, both becoming larger consumers than the European Union;
- Lower natural gas prices are making it more challenging to make the case for new long-term investments in supply;
- World natural gas production will not be derailed in the longer term, increasing by 47% under a policy scenario put forward by the IEA to stand just below 5.2tcm in 2040; and
- Australia will see significant growth of natural gas production to 2020, as seven LNG facilities come online, but prospects for a second wave of projects have been dented by investment cutbacks.

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