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LNG in China – Part two: Supply security paramount in 14th five-year energy plan

Recent gas and electricity crises have pushed security of energy supply to the top of the political agenda in China – an imperative underscored in Beijing’s 14th five-year energy plan, released in March. In 2022, the return of lockdowns to combat Covid-19, allied to demand destruction caused by persistently high LNG prices, are expected to impact gas demand growth, with a temporary resurgence of coal.

However, long-term gas and LNG growth will continue to be determined primarily by the availability of supply and delivery infrastructure, as China strives to meet its 2030/2060 “dual-carbon” targets. In this, the geopolitical context, including a thaw in relations between Washington and Beijing, and Russia’s increasing isolation from the West over its aggression in Ukraine, appears to be working in China’s favour.

The trade disputes between the US and China that characterised the era of Donald Trump’s US presidency were a source of intense frustration not just for the government in Beijing, but also for China’s growing number of LNG buyers: the Big Three state-owned oil and gas companies, as well as the emerging, so-called “second-tier,” companies. With the Trump era now over, just how intense this frustration was became apparent in the buying spree seen over the past year or so, with China’s companies dominating the market for term LNG contracts in 2021 and on course to do so again in 2022.

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