

Natural gas: Opportunities abound for Tanzania



► FREDERIK GROOTENDORST

tonnes.

This increase in new supply, mainly from the USA and Australia, will soon tail off. Meanwhile, demand for more and cleaner energy continues to grow rapidly across the globe, as the world's population, and living standards, increase. Of this significant energy demand growth, 80 percent is estimated to be met by renewables and gas, leading to an expectation that LNG demand will double to 700 million tonnes by 2040.

This means that, on top of current production, new projects will need to deliver at least 15 million tonnes of LNG every year for the next 20 years.

These LNG demand predictions provide an opportunity for Tanzania's abundant gas resources, considering that the Tanzania Gas and LNG Project intends to supply both the Tanzanian economy with clean and affordable energy while also supplying Tanzania's gas to international LNG markets. Doing so will help to spread the very high capital costs involved in deep-water gas drilling and production over a larger amount of natural gas volumes produced, reducing the cost per unit of gas.

This cost competitiveness is key to providing affordable energy supply while being able to compete in global markets, as Tanzania is not alone in spotting the long-term demand opportunity for LNG.

Globally, Shell is a leader in LNG and has significant deep-water gas experience. Its in-house development and operations expertise are employed to mitigate project development risks and ensure world-class reliability and operations.

The Tanzania Gas and LNG project would benefit from Shell's innovations from its R&D efforts, its world-class experience in managing project challenges as well as its proven track record of investment, construction and operation of projects of this scale.

Should the project go ahead, it would provide a long-term, abundant energy supply to Tanzania's growing, energy-hungry economy, as well as bringing additional government revenues to support further investment in infrastructure, schools and hospitals. Additional benefits include significant capacity building, job creation, and opportunities for local suppliers, contractors and industries.

Shell's focus in Tanzania remains, in partnership with the government of Tanzania, to commercialize the country's deep-water natural gas. To do this we are working with the government to establish a legal and commercial framework that is of benefit to Tanzania, its people and investors.

Achieving this will be a win-win outcome which could transform Tanzania's economy and support the government's industrialization agenda, and also cement the country's position as a key energy player.

Frederik Grootendorst – Managing Director and Country Chair of Shell Tanzania

Reduced global demand for liquefied natural gas (LNG) has led to LNG prices falling to record lows. These current weak market conditions, which have been highlighted over the last few weeks in the media, are mainly a result of record supply entering the markets, combined with reduced demand for gas due to the mild winter and the coronavirus. However, these short-term factors should not distract attention from the long-term picture, which indicates a significant increase in global demand for gas. Because of this, Shell continues to be optimistic about the opportunity for Tanzania's natural gas, both for domestic use as well as for selling into the global LNG market.

Current LNG market conditions should be seen in the context of the amount of LNG projects that started production in the last few years. 2019 was a record year, during which 40 million tonnes were added to the market, which grew to a total size of 359 million