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## Natural Gas as a C<sub>1</sub> Chemicals Feedstock – Supply and Pricing

### Report Overview

#### Subjects Addressed:

Natural gas is widely used in the chemical and petrochemical industries around the world both as a provider of energy to fuel the chemical processes and also as a raw material feedstock for conversion into chemicals for further processing. The rapid increase in low cost shale gas production in the United States and the discovery of vast reserves of natural gas offshore East Africa have led observers to question whether the traditional suppliers of gas as a feedstock can maintain their position in the market. This has been exacerbated by the prospect of rising costs of production and constrained development of reserves in a number of countries, and has increased the pressure to raise gas prices which could undermine the economics of using gas as a feedstock.

The report considers the current and future availability of natural gas as a C<sub>1</sub> chemicals feedstock for both the key existing markets and potential future markets, and provides a detailed look at the pricing of gas in each of these markets. The current and prospective gas prices are then used to assess the comparative economics for methanol and ammonia/urea delivered to five key markets – USGC (Houston), Europe (Rotterdam), India (Cochin), China (Shanghai), and Japan (Yokohama).

The findings and conclusions of the report will provide guidance to clients on the future supply and pricing of natural gas as a feedstock on a country by country basis, and the comparative economics of delivering gas from each country to the five key markets. This report enables companies to undertake initial screening of countries for investment opportunities on a cost effective basis.

The report is split into a number of different sections:

**Section 1:** Includes the Report Highlights, the Introduction, and a description of the Reference Case Scenario, as well as the Table of Contents.

**Sections 2 through 6:** Focuses on the existing feedstock markets, covering a specific region on a country by country basis. The regions include:

Americas, Former Soviet Union, Europe, Asia, Middle East, and Africa, and includes some 28 countries that were selected on the basis that they were in the top 30 countries in the world by volume of gas consumed (in billions of standard cubic meters) as non-energy use, and also have operating methanol and/or ammonia/urea plants. By region, the existing feedstock markets include:

- **Americas** – the United States, Canada, Mexico, Trinidad & Tobago, Venezuela, and Argentina
- **Former Soviet Union** – Russia, Ukraine, Uzbekistan, and Belarus
- **Europe** – Netherlands, Germany, Poland, and France
- **Asia** – China, India, Indonesia, Malaysia, Pakistan, Bangladesh, and Thailand
- **Middle East and Africa** – Saudi Arabia, Iran, Qatar, Oman, Bahrain, Egypt, and Algeria

**Section 7:** Covers the potential feedstock markets on a country by country basis. This selection is based on Nexant's analysis of countries with abundant reserves which can be developed over the next 15 to 20 years, with reserves of sufficient size so that all potential demands for gas, both domestic demand and gas exported by pipeline and/or LNG, can be met with some ease, leaving sufficient available gas that could be used as a feedstock in large scale methanol and/or ammonia/urea plants. The potential feedstock markets include: Iraq, Turkmenistan, Myanmar, Tanzania, Mozambique, Brazil, and South Africa.

**Section 8:** Provides comparative economics including the cost of production for methanol, ammonia and urea for each country for the spot years 2015, 2025 and 2035 and then the delivered cost from each country to each of the 5 key markets for each of the spot years.

**Section 9:** Summarizes the conclusions of the study.

For information regarding the upcoming **Natural Gas as a C<sub>1</sub> Chemicals Feedstock – Supply and Pricing** report, please contact [STMC@nexant.com](mailto:STMC@nexant.com).

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