Rob Patterson, Myles Mantle, Liza Mark in LNG Industry: The Rise of China

By Liza L.S. Mark | March 4, 2020

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For more than a decade, China, together with Japan and South Korea, has been the principal driver for the growing world market for natural gas and LNG.

2006 saw the first volumes of LNG begin to arrive on China's shores. By 2015, imports of LNG had increased to approximately 20 billion m3/yr, with the pace of imports increasing rapidly thereafter, reaching 75 billion m3/yr in 2018. Further growth in imports is expected, with figures of 100 billion m3/yr by 2020 and 155 billion m3/yr by 2025 predicted by some observers. China is now the world's second largest importer of LNG and looks on track to overtake Japan into top spot within the near future.

Several factors have been driving the growth. Rising urbanisation and industrialisation have fueled demand, with industry accounting for approximately 40% of China's gas consumption. Increased use of gas for power generation has also been a significant factor, with policymakers as keen to wean the power industry off an over-dependence on coal (approximately 70% of China's electricity currently comes from coal-fired plants) as they are to improve the polluted skies of Beijing and other cities. Much of northern China, which has historically relied on abundant coal resources for heating, has been shifting to gas in a major initiative to reduce air pollution. In addition, China has signed up to the emissions reduction commitments set out in the United Nations Paris Agreement.

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