



Qatar Gas Sector and the Issue of Diversification in the Age of Energy Transition

ADJUSTING TO NEW
REALITIES

Defining Energy Transition

Considering the fourth energy transition only as a response to the challenges posed by climate change, researchers miss the most important thing: this response not only affects all elements of the global energy system (production, transportation, consumption), but also implies a global restructuring of society and the world economy based on the principle of sustainable development.

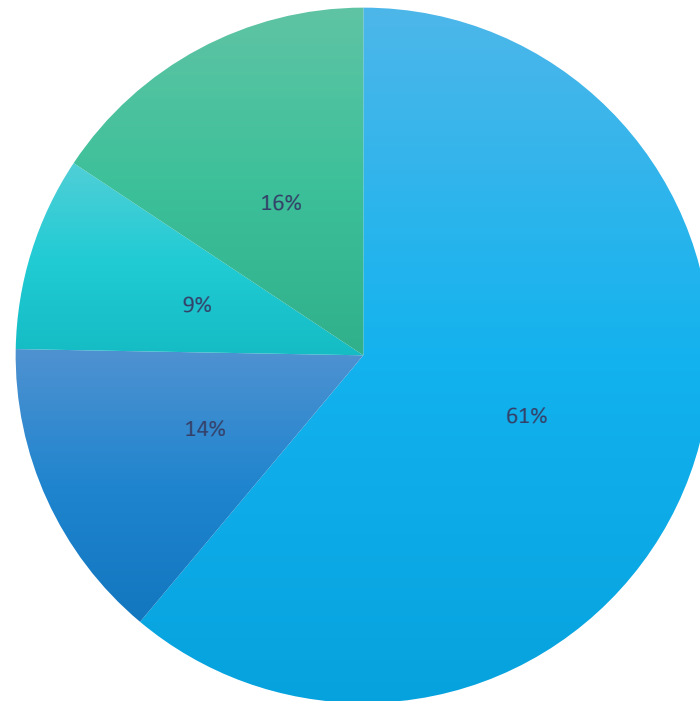
The global scale of the upcoming changes inevitably affects the interests of the countries producing hydrocarbon resources. According to the researchers, in the medium and long term, GCC oil and gas producers will have to:

- To restructure their own economies and revise the existing social contract in order to prepare for a period of decline in demand for oil and gas resources and lower prices for them;
- Ensure the survival of their own oil and gas industries;
- Rebuild their energy systems for a lower carbon future;
- Cope with the growth of competition in traditional (Asian markets).

And Qatar is not an exception given the role hydrocarbons play in its socio-economic development and foreign policy.

Gas as a Destiny

The Structure of Qatar's Exports, 2022



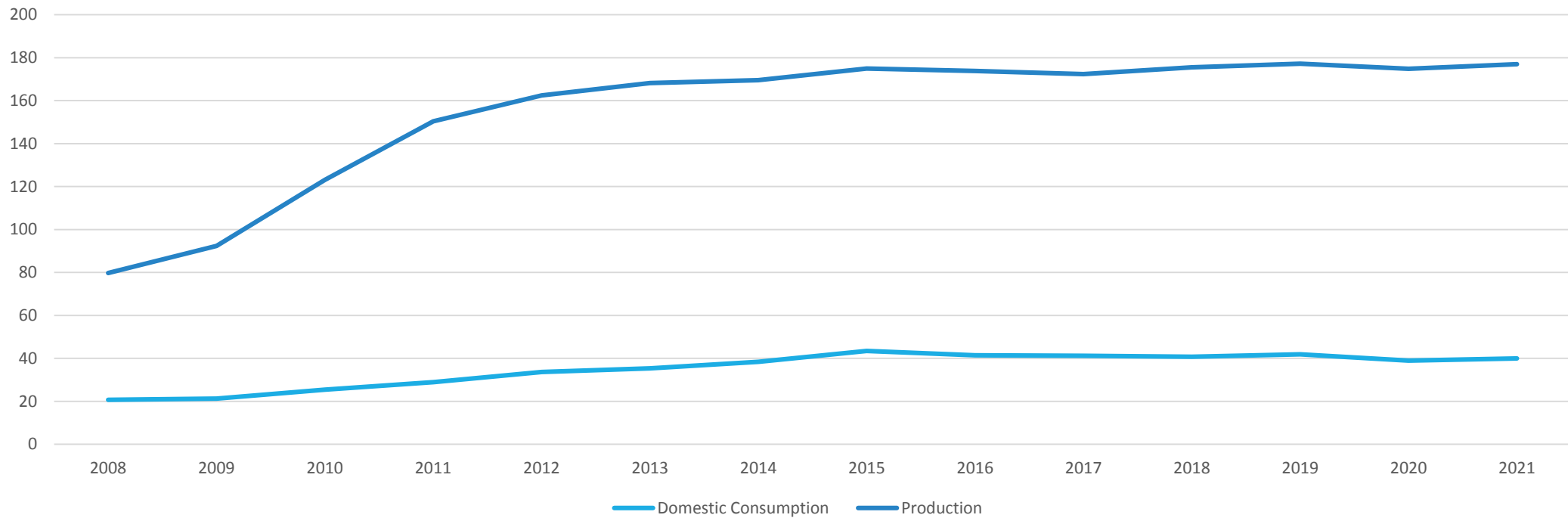
■ Natural Gas, LPG Condensates ■ Crude Oil ■ Refined Products ■ Non-Hydrocarbon Products

Gas as a Destiny

- Social contract
- Saudi Arabia of Gas
- Foreign policy independence
- Foreign policy means

Qatar Advantages as a Gas Power

Natural Gas Production and Domestic Consumption in Qatar, 2008 - 2018 (bln cubic meters)



Qatar Advantages as a Gas Power

In terms of the energy transition, natural gas also gives Doha a number of important advantages over the oil-producing giants of the Gulf. From the point of view of hydrocarbon consumers, LNG and natural gas in general are much cleaner than oil and can serve as a transitional fuel, the use of which will reduce CO₂ emissions while the world economy is transitioning to the mass use of renewable energy sources.

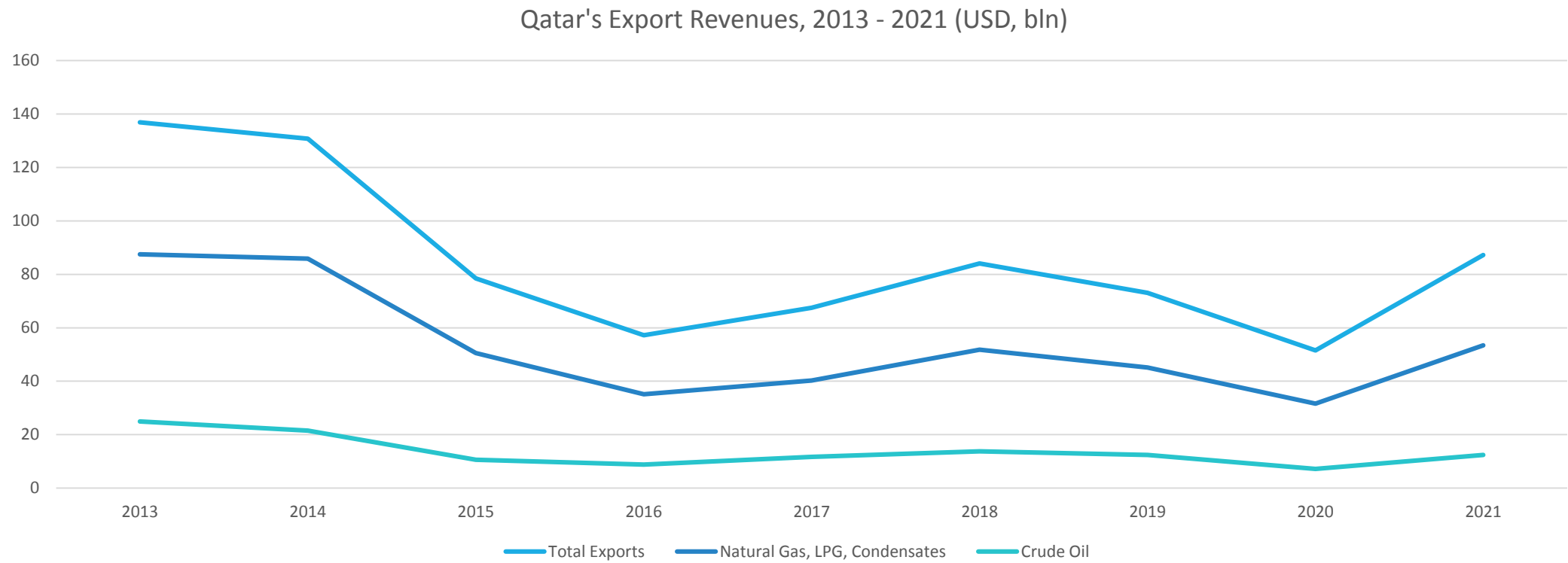
Qatar Advantages as a Gas Power

- low cost of LNG production that is also compensated by the profit from associated petrochemical production;
- Qatar's convenient geographical position on the map of Eurasia;
- the possession of its own fleet of LNG tankers;
- wide range of contracts offered to customers whose the price conditions may considerably vary.

Black Swans

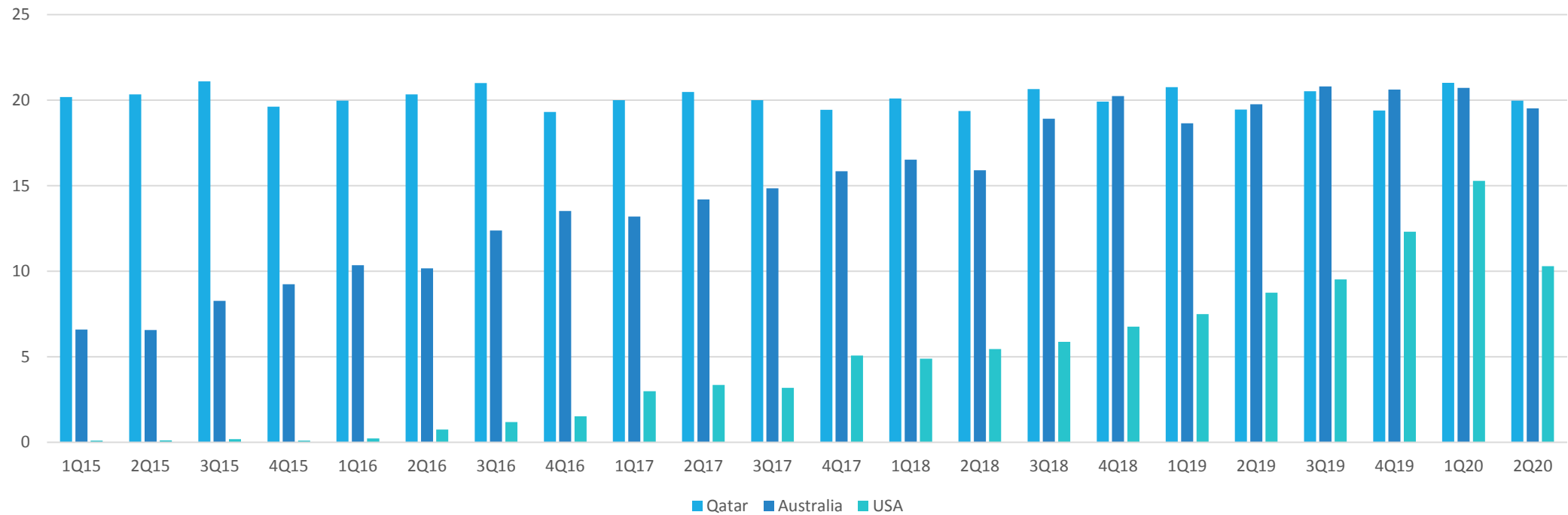
- Legacy of Shale Revolution
- COVID-19
- Putin's War in Ukraine
- Consumer oriented narratives

Black Swans



Black Swans

LNG Exports by Qatar, Australia and U.S. to Asia in 2015 - 2020 (mln tons).



Qatar Response

- Maximization of the market share. Doha's response to the existing challenges was to choose a market strategy based on the principle of accelerated monetization of available natural resources in order to invest received revenues in the diversification of its own economy.
- Improving the efficiency of the NOC business model.
- Active interaction with traditional consumers in Asia in order to ensure their long-term loyalty as consumers

Qatar Response

- Active foreign investments in the extractive and processing sectors, including investments in competitors (such as the US shale industry).
- Investments in renewable energy and green energy.
- Qatar also developed its specific strategy of dealing with its direct competitors

Meeting the Brave New World

The energy transition, most likely, will not imply a complete rejection of the use of hydrocarbons in favor of sustainable eco-friendly energy sources. Instead, at least at the initial stage, the energy transition will be more focused on how to increase the “environmental friendliness” of traditional oil and gas extraction and processing.

Meeting the Brave New World

First, Doha believes that in spite of existing psychological pressure it they still has time to adapt to the global energy transition agenda. Thus, while adopting plans on the development of the “green economy” Qatar, in practice, not in a hurry to implement them believing that, first, it needs to invest money in the extraction of its natural gas resources.

Second, Qatar sees the course to dominate the key hydrocarbon markets as long-term and unchangeable, and nothing should affect its implementation even and especially under the new conditions. In other words, Qatar plans to stay in the game for as long as oil and gas production is still capable of bringing in income even though the markets are to be marked with oversupply and increased competition.

Meeting the Brave New World

Qatar also does not ignore the energy transition as well.

First of all, it is an opportunity to further diversify the country economy and create new sources of income.

Second, renewables and natural gas helps Qatar to manage the domestic consumption of gas resources and ensure that the energy and LNG production are getting more ecology-friendly.

Third, in some cases, demonstrative support of energy transition ideas is also a convenient marketing move.

Meeting the Brave New World

Qatar continues to implement its traditional plans for diversification, but with one amendment: they focus on the "greening" of harmful industries through the use of renewable energy sources or greater attention to reducing the volume of pollution produced. In this regard, Qatar is actively investing in the carbon capture and storage (CCS) technology that is to reduce the carbon intensity of Qatar's LNG production and help the country to reach its goal of cutting CO₂ emissions by 2030. The active build-up of sustainable energy sector to decrease the gas consumption in the country and better manage the available hydrocarbon resources is another area where Qatar substantially intensified its efforts.

Meeting the Brave New World

Money received from gas production will be used to ensure the further restructuring of the Qatari economy towards their growing reliance on sustainable energy sources and decrease in CO₂ emissions to meet the needs of new times. However, in the long run, the hydrocarbon production will still remain the backbone of the Qatari economic structure.