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HD **Shale gas to put oil and coal into shade**

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Growth prospects for oil and coal in the Asia-Pacific are set to slump dramatically over the next two decades as the investment focus shifts to shale gas and renewable energy, largely driven by environmental pressures, according to law firmNorton Rose Fulbright.

Oil will go from having among the greatest growth potential over the next five years, of 37 per cent, to just 11 per cent over 20 years.

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Coal's growth will tail off from 14 per cent over five years to 4 per cent over the next two decades.

The shake-up in the region's energy mix will be driven by the heightened need for industry to meet demand from a rapidly urbanising and upwardly mobilising population for low-cost but cleaner energy, the firm said. The outlook for coal's declining dominance was confirmed in the landmark pact signed last week by China and the US to cut greenhouse emissions.

The findings, released overnight by Norton Rose Fulbright, are based on a survey of 100 key players in the Asia-Pacific energy market, including producers, private equity firms, investment banks and sovereign wealth funds.Shale will prevail

Taking a 10-year time frame, shale gas will have overtaken both coal and oil to offer the greatest growth potential in investment, thanks to new technologies imported from the US such as horizontal drilling and hydraulic fracturing.

Stretching the time frame to 20 years, shale gas still dominates in terms of growth potential, but closely followed by solar and nuclear, with coal having slid back sharply.

In shale gas, initial investment would be focused on receiving terminals for US LNG, before shifting in some countries to the development of indigenous shale gas to improve energy security, said Vincent Dwyer, head of Asia-Pacific energy at Norton Rose Fulbright.

Mr Dwyer pointed to recent deals, such as between China's Sinopec Group and US oilfield services companyWeatherford International, aimed at importing US technology to tap China's shale reserves in the longer term.

"Technology will play a key, even disruptive, role in the search for affordable energy in a lower-carbon and more energy-efficient environment," he said.

The study said oil and coal would still be important, particularly coal in Indonesia, Vietnam and other emerging markets where economic growth outweighs environmental concerns. For nuclear power, the growth outlook is limited in the next five years, more significant in the longer term, particularly in China, South Korea and India.

In terms of near-term investment in technologies, enhanced oil recovery is expected to see the most investment, ahead of sub-sea technologies and unconventional gas.

The survey found that M&A would be driven by chasing technology and reserves, and that a substantial 88 per cent of respondents expected an increase in energy takeover activity in the next 12 months, following a global pick-up in deal flow in the sector.

However, regulatory issues are seen as a significant hurdle to energy M&A.

"The question that governments will need to face is how to start to harmonise regulatory regimes that facilitates and simplifies M&A risk," Mr Dwyer said.

In Australia, deal flow is expected to be focused on energy infrastructure, through asset sales and privatisations, he added.

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