LNG Unlimited

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East/West arb window closes

Weaker arbitrage opportunities for LNG emerged recently, due to a narrowed price spread between the Asian and European markets, prompting some cargoes originally destined for Asia to be diverted towards Europe.


Dunkerque could see more cargoes

Platts, part of S&P Global Commodity Insights, assessed the DES Northwest European marker for November at $12.851 per MMBtu on 7th October, down around 0.12% on the day, while JKM was assessed at $13.225 per MMBtu.

The NEW/JKM spread tightened to 37.4 cents per MMBtu, significantly narrower than the $1.76 per MMBtu spread observed on the same day in 2023.

In the swaps market, the JKM/NWE derivative spread for the front month stood at 55 cents per MMBtu, the lowest level since 6th March, when it was assessed at 52 cents per MMBtu.

In the paper market, the JKM/TTF spread for December, 2024; January, 2025 and February, 2025 remained below $1 per MMBtu for several trading days, indicating a lack of arbitrage opportunities to Asia for the forthcoming winter.

Middle East tensions

Market sources said the tightening JKM/TTF spread was linked to tensions in the Middle East, which have kept European gas prices elevated, despite no supply disruptions thus far.

The LNGC ‘BW Brussels’ turned north off northeast Brazil after loading at Freeport, Texas, rather than head for Asia via the Cape of Good Hope, data from S&P Global Commodities at Sea showed on 8th October.

Another LNGC, ‘LNG Endeavour’, originally bound for the JKM market, was also heading towards Europe. Similar diversions were noted earlier this month with two other vessels, ‘Marvel Dove’ and ‘Vivit Arabia LNG’.

Opportunities to divert US-sourced cargoes towards the Pacific basin weakened further. Platts assessed LNG East/West arbitrage (via the Cape of Good Hope) at minus 83 cents per MMBtu on 4th October, down 3.7 cents per MMBtu on the day and 16 cents per MMBtu lower week-on-week.

"This is a shoulder period for Asia," an Atlantic-based LNG trader told Platts.

"[There is] less pressure from Asia really -- they're not in a rush to buy... There are buyers but they are not rushing to buy cargoes, and after Golden week, China can buy but they are not racing to do it," an LNG trader said. "Asian buyers are not really buying, and there aren't many cargoes in Europe, so they're paying up to attract them."

Another trader said: "Right now it's impossible to move a cargo from the Atlantic to the Pacific."

The escalation of tensions in the Middle East, particularly fears surrounding potential disruptions to Iranian oil and Israeli gas supplies, significantly influenced European market sentiment.

Although Israeli gas infrastructure, such as Chevron's Tamar and Leviathan fields, resumed production after brief shutdowns, the market remained cautious about further escalations in the region.

These developments had a spillover effect on European gas and LNG markets, contributing to the price increases.

Europe was also competing with Egypt, Bulgaria and Latin America for cargoes, thereby encouraging players to keep their cargoes in the Atlantic basin.

Adding to the bullish outlook for Europe were colder-than-expected temperatures, which triggered the region's first net gas withdrawals since April, a full month earlier than last year.

LNG volumes on the water reached a 10-month high of 19.6 mill tonnes on 3rd October, according to Commodity Insights data.

The average fleet speed thus far in October decreased slightly from 11.87 to 11.78 nautical miles per hour, which could imply that more cargoes were floating or sailing at lower speeds. ■

UNLIMITED AGENDA

JERA's trading arm raises cash

JERA Global Markets, JERA's trading arm, has secured a $1.49 bill borrowing facility from 30 banks.

The trader said that the one-year revolving credit facility (RCF) will be used for general corporate purposes, including LNG trading activity.

It sources both LNG and coal supplies for JERA's onshore power generation.

ANZ, DBS, First Abu Dhabi Bank, Mizuho and OCBC are the mandated lead arrangers and bookrunners on the deal. DBS was the facility co-ordinator and Natixis acted as facility agent.

JERA claimed that the facility was oversubscribed from a launch figure of $900 mill, and it chose to scale back lending commitments.

This transaction is slightly higher than last year's $1.47 bill RCF, in which 22 lenders participated.

"This facility enhances our ability to pursue strategic growth initiatives even as we continue our focus on delivering robust shareholder returns," Justin Rowland, JERA Global Markets CEO, said. "The commitment from 30 banks reflects strong support from JERA Global Markets' network of financial partners across this region [Asia] and the Middle East."

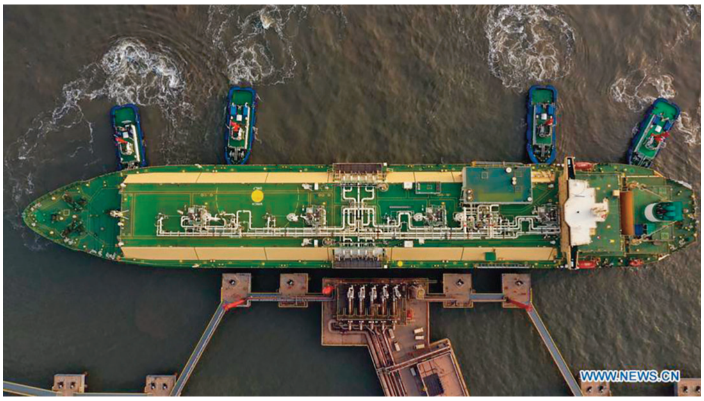
Jera Global Markets is a joint venture between JERA and EDF Trading.

China's gas imports rise - set to remain number one

According to customs statistics, the volume of gas imported by China last month was 11.99 mill tonnes, a rise of 1.9%, compared to August.

Oil imports decreased by 7.3% to 45.48 mill tonnes.

China increased its foreign gas purchases by 13% in the first three quarters of this year, while oil imports decreased by 2.8%, the General Administration of Customs of China reported.



China's Caofeidian terminal at Tangshan. Photo credit- Xin Hua

According to the data, China's overseas supplies of gas and oil in the first nine months of 2024 reached 99.08 mill tonnes and 412.38 mill tonnes, respectively.

In terms of value, gas supplies reached $48.65 bill (up 3.7%, compared with January/September, 2023), and oil supplies totalled $248.72 bill (+0.2%).

Russia was the leading exporter of energy to China. In 2023, the country purchased 107 mill tonnes of Russian oil (+24%) and 8 mill tonnes of LNG (+23%). Deliveries through the Power of Siberia gas pipeline increased 1.5 times to a record-breaking 22.7 bill cu m.

According to the General Administration of Customs calculations, China increased its oil imports by 11% to 563.99 mill tonnes and gas imports by 9.9% to 119.97 mill tonnes in 2023.

China is set to remain the world's top LNG buyer this year and next.

This was down to strong industrial demand, Keisuke Sadamori, an International Energy Agency (IEA) Director, said at last weekend's conference in Hiroshima.

Last year, China overtook Japan as the world's top LNG buyer. The latter's demand started to fall, due to nuclear reactor restarts, the roll out of renewable energy and overall weak economic development.

Chinese natural gas demand grew by around 10% in the first eight months of this year and is set to expand by 16% by 2025, compared to 2023, driven mainly by industrial sectors, Sadamori said.

"Strong domestic demand growth is set to drive up China's energy imports to new record highs, both in 2024 and 2025, solidifying its position as the world's largest LNG market," he confirmed.

China produces its own gas, in addition to importing natural gas through pipelines, and also receives imported LNG via terminals.

The IEA also estimated that Indian gas demand will rise by almost 9% this year and by another 8% in 2025 amid increasing energy demand to power economic expansion along with strong gas consumption in the transport industry, Sadamori added.

NEWS BRIEFS

Singapore signs second MoU with KOGAS

Singapore's Energy Market Authority (EMA) has signed a new memorandum of understanding (MoU) with Korea Gas Corp (KOGAS).

This gives it an expanded scope to explore joint procurement of LNG between Singapore and KOGAS, EMA said.

It was signed on 8th October, 2024 at the Singapore-Korea Business Forum by Puah Kok Keong, EMA CEO, and Ms Choi Yeon-Hye, KOGAS President and CEO.

An earlier MoU was signed in June focusing on sharing best practices and knowledge on LNG procurement and management.

Both parties have agreed to further strengthen their collaboration to explore joint procurement of LNG supplies, as well as co-operation in chartering or operating LNGCs.

LNG Shipping News
2 Prospect Road
St Albans AL1 2AX
United Kingdom
www.lngjournal.com
Tel: +44 (0)20 7253 2700

Publisher
Stuart Fryer

Editor
Ian Cochran
+44 (0)7748 144265
Iancochran74@gmail.com

Ad sales enquiries
David Jeffries
+44 (0)20 8150 5293
djeffries@lngjournal.com

Subscriptions
Stephan Venter
Tel: +44 (0) 20 7253 2700
venter@lngjournal.com

Production
Vivian Chee
Tel: +44 (0) 20 8995 5540
chee@thedigitalship.com

Middle East conflict - little effect on LNG

With the escalating hostility situation in the Middle East, the LNG market is facing a similar supply risk to oil, but unlike this commodity, there was little or no spare capacity should there be any disruption, consultant Wood Mackenzie said in a report.

Neither Iran nor Iraq export LNG. However, Iran does export gas via pipeline to Turkey at an equivalent of 4 mill tonnes per annum of LNG, but intentional pipeline disruptions carry substantial political risk and there is sufficient spare capacity to import more Russian gas through Turkey.

Risks to global LNG markets seem limited, mostly concerning Qatar. Most of the Middle East's LNG exports have to transit the Strait of Hormuz. The threat to the ability to deliver cargoes is limited, WoodMac said.

However, higher security to protect cargoes, perhaps including military escorts for LNGCs, could slow down market deliveries.

A shutdown of Israel's piped gas exports to Egypt could also impact LNG supply, albeit indirectly. Israel took pre-emptive action to cut gas exports in case infrastructure located close to the conflict zone became a target.

Should gas flows be disrupted for an extended period, Egypt would need to secure the equivalent of up to 6.5 mill tonnes per annum of LNG from an already tight global market - although regas capacity could be a constraining factor.

With winter approaching, this would occur just as the northern hemisphere enters its peak demand season.

The global LNG market had already priced in some of these risks. During the first week of October, prices were trading upwards of $13 per MMBtu, as the market was faced with resurgent Asian LNG demand and further risks to Russian pipeline disruption.

Unlike with oil, there has been no spike since the recent escalation and risks to supply disruptions remain modest, WoodMac said.

Oil and gas traders were confident that supply disruptions could be avoided, in spite of the conflict's escalation.

But if military activity between Israel and Iran intensifies, the upside could be substantial, WoodMac warned.

Nakilat would be badly affected by the closure of the Strait of Hormuz

Asian spot prices ease

Asian spot LNG prices fell slightly last week, as demand remained muted amid ample supplies.

The average LNG price for November delivery into northeast Asia was at $13 per MMBtu, down from $13.10 per MMBtu in the previous week. December's delivery price was estimated at $13.30 per MMBtu.

"Asia spot prices have held steady week-on-week (though) decreasing slightly," confirmed Go Katayama, Kpler's LNG and natural gas analyst, talking with S&P Global Platts.

"The slight decline was driven by receding geopolitical tensions and ample LNG supply to Asia," he added.

Oil prices had eased last Tuesday on news of a possible ceasefire between Israel and Iran-backed Hezbollah, but had risen again by Friday of last week, but had dropped again slightly on Monday.

On the LNG supply side, Australia's Inpex operated Ichthys LNG Train 2 restarted last week. It had been offline since August for inspection and repairs.

However, trade sources said that two production trains at Petronas' Bintulu LNG Complex in east Malaysia were offline, with one source saying that Trains 7 and 8 at the MLNG 'Tiga' production facility were the ones affected.

In Japan, Kansai Electric Power will shut the No 3 reactor at its Mihama nuclear power station after discovering two small holes in a pipeline, and Shikoku Electric Power closed the Ikata No 3 nuclear reactor, due to a malfunction in the equipment used to monitor fuel combustion.

Nuclear reactor shutdowns could lead to an increase in LNG demand to fulfill power requirements in Japan, the newswire said.

NEWS BRIEFS

NOVATEK reports increased production

Russian oil and gas producer, PAO NOVATEK reported that in the third quarter of this year, its hydrocarbon production totalled 163.4 mill barrels of oil equivalent (boe), including 20.57 bill cu m of natural gas and 3.4 mill tonnes of liquids (gas condensate and crude oil).

This resulted in an increase in the total hydrocarbons produced of 8.5 mill boe, or by 5.5%, compared to 3Q23.

In the first nine months of 2024, NOVATEK's hydrocarbon production totalled 494.1 mill boe, including 62.30 bill cu m of natural gas and 10.2 mill tonnes of liquids, resulting in an increase of 17.3 mill boe, or 3.6%, compared to the nine months of 2023.

Preliminary total natural gas sales volumes, including volumes of LNG sold in 3Q24, aggregated 16.87 bill cu m, which is almost equal to the previous year's period, whereas the sales volumes in the nine months 2024 totalled 56.16 bill cu m, a decrease of 2.3%, compared with the nine months of 2023.

KBR to upgrade Manitee

US engineering company, KBR has been awarded an engineering and procurement (E&P) services contract for the Beachfield Manatee upgrade, the onshore part of the gas field project.

Under the terms of the contract, KBR will provide E&P services for Shell's Manatee project located in Trinidad and Tobago's East Coast marine area.

This gas field provides gas for the country's Atlantic LNG facility.

The award follows recently completed contracts under which KBR delivered the front-end engineering design (FEED) as an integrated member of Shell's development team across the whole of the Manatee project.

Japan to increase LNG purchases

Japan is considering ramping up LNG purchases for emergencies to at least 12 cargoes per year from the current three, a Japanese Ministry of Economy, Trade and Industry (METI) official said.

The extra cargoes were aimed at guarding against unexpected supply shocks.

This will entail additional purchases by the world's second largest LNG buyer after China, increasing to at least 0.84 mill tonnes per annum from 0.21 mill tonnes as of today.

Japan is expanding its role as an LNG trader at a time of falling domestic demand, but in a plan to boost energy security, it trades some cargoes that are not wanted at home during periods of weak demand.

From last December, Japan's top power generator, JERA, has bought one LNG cargo for each of the winter months, or a total of three for the year, to add to a 'Strategic Buffer LNG' (SBL) project run by METI.

This winter, JERA will continue buying one cargo of 70,000 tonnes for each month from December to February, Yuya Hasegawa, Director of METI's energy resources development division, told Reuters.

"From the mid- to late-2020s, we will try to secure at least one cargo per month throughout a year - that is, at least 12 cargoes per year," Hasegawa said, adding that JERA, also Japan's top LNG buyer, would continue to handle cargoes for the reserve.

Urgent need

Japanese power utilities have been calling for a larger SBL, to enable JERA to provide a cargo to a utility in urgent need, hedging against unexpected supply crunches triggered by military conflicts or nuclear reactor downtime, among other issues.

Australia is Japan's top LNG supplier by a long way, but the Middle East, including Qatar and Oman, provided 14% of its August LNG needs, Japanese customs said, with Russia supplying another 10%.

Japan has no underground gas storage but has LNG storage capacity of around 12 bill cu m, or just over a month's supply, at its receiving terminals, which total more than 30, according to the International Energy Agency (IEA).

To boost storage capacity, last month, METI proposed financial support for Japanese companies to secure storage tanks, both home and abroad, in a scheme separate from the SBL but which also aims to improve energy security.

A Chiyoda terminal

LNG makes up a third of Japan's power generation mix, which sees it remaining a transition energy source in the years to come. Japanese companies have recently also expanded LNG swap deals in efforts to boost flexibility.

Japan has also agreed to look at co-operating with South Korea and Italy on LNG procurement, it was also revealed at the Hiroshima conference last Sunday.

JERA, Japan's biggest utility company, and South Korea's Korea Gas Corp (KOGAS), also a major LNG buyer, are jointly investigating procurements, cargo swaps and other forms of co-operation, METI said in a statement.

In addition, state-backed Japan Organisation for Metals and Energy Security (JOGMEC) signed a preliminary agreement with Italian energy company Eni to co-operate on LNG procurement.

Japanese buyers are increasingly seeking more flexible contracts with shorter durations that will allow resales to enable companies to switch cargoes to other buyers when domestic demand drops. Japan is also boosting its own LNG trading in the region.

Tokyo Gas, Japan's biggest city gas provider, is already collaborating with partners for joint LNG procurements, which strengthens its emergency response capabilities, Yumiko Yao, senior general manager for LNG, told the conference. ■

Thailand's Gulf Energy evaluates LNG term deals

Thailand's state-owned Gulf Energy is reportedly evaluating a JKM-linked contract for seven LNG cargoes per year for 2025/2026.

The company is evaluating competitive offers at JKM full-month average minus 20-30 cents per MMBtu, sources told S&P Global Commodity Insights last week.

Market sources said that the offers were valid for two weeks before Gulf Energy will announce the final winner around the middle of this month. It was thought that Gulf Energy was looking to procure the volumes through bilateral negotiations.

Several suppliers said that Gulf Energy might consider awarding more than the required volume from multiple suppliers, provided the prices are favourable.

Under the new contracts, the cargoes will be delivered to the Map Ta Phut LNG terminal, and will be supplied to both Gulf Energy and Hin Kong Power, a joint venture in which Gulf Energy owns a 49% stake.

In February, 2024, the company announced the arrival of the first cargo imported by Hin Kong Power. It was delivered based on a two-year contract, by which Gunvor supplies around 0.5 mill tonnes per year of LNG to Hin Kong Power on a DES basis.

Southeast Asia Marker (SEAM), the LNG price which reflects the price of cargoes delivered to Thailand and Southeast Asia, was assessed at $12.725 per MMBtu for November on 9th October, at a discount of 20.5 cents per MMBtu to JKM.

The recent Thai agreements signal that JKM continues to be the preferred pricing basis for Thailand's short-term contracts.

In June, 2024, state-owned Electricity Generating Authority of Thailand (EGAT) awarded an LNG purchase tender over 2025/2027 to Gunvor Singapore at JKM minus 25-30 cents per MMBtu, Commodity Insights reported earlier this year.

EGAT has another contract, which was awarded in 2023 for 1.2 mill tonnes of LNG for delivery during 2024/2027 to bp and PetroChina with "significant discounts" to the JKM, according to market sources.

The Energy Policy and Planning Office, part of the Thai Ministry of Energy, had asked that LNG procurement for short-term and spot contracts with a duration of less than five years do not to exceed the JKM price adjusted with a constant value, which has not been disclosed thus far.

However, trade sources believed the value to be correlated with market conditions. ■

UK demand to rise next month

Last week, natural gas prices for the UK NBP month-ahead contract climbed to a strong premium versus Europe's benchmark, the Dutch TTF hub.

This was due to market participants eyeing higher temperature-related winter demand and a need to secure LNG cargoes in a competitive market.

Platts, part of S&P Global Commodity Insights, assessed the UK NBP November contract at €39.32 per MWh on 9th October, while the Dutch TTF November contract was assessed at €38.59 per MWh on the same day.

Market sources pointed to an expected rise in demand next month, alongside a requirement for additional LNG volumes, as key drivers in NBP price hikes relative to the continent.

"For the NBP, the delivery month itself means more," one UK-based trading analyst said. "The big change is because the month-ahead moved from October (still relatively low demand) to November (strong pick up expected on proper winter, so more LNG needed to balance)... I think the November NBP-TTF might come down, if we see a lot of LNG or a mild weather forecast."

"LNG and demand are the main cause," a European gas trading analyst said, also pointing to storage injections picking up given the contango between the NBP day-ahead and month-ahead contracts.

"It's always pushed up in case of lower seaborne supply, or higher consumption, to motivate flows from the continent to be hedged," a Netherlands-based trader agreed.

Commodity Insights analyst, Elizabeth Kunle highlighted a tighter balance in the UK driven by high winter heating demand alongside low LNG arrivals into Europe, which favoured northwest European and Italian terminals over the UK.

Looking ahead, she added; "the premium may encourage the UK to import from continental northwest Europe in November... and increase LNG supplies to meet heating demand. This could be a short lived trend, with NCS supply quite robust this year, we forecast net exports of 7 mill cu m per day from the UK to CNWE in November."

Stable winter

On the demand side, the UK is projected to remain stable this winter, aligning with weather-adjusted levels from the previous winter at around 39 bill cu m, according to the UK's National Gas Transmission (NGT) on 8th October.

The UK's natural gas price strength has also come at a time where northwest European LNG players are bidding higher to remain competitive in the global market.

Platts assessed the DES Northwest European marker for November at $12.204 per MMBtu on 9th October - an 18.5 cents per MMBtu discount versus the Dutch TTF gas hub price.

UK LNG imports totalled 500,000 tonnes, or seven cargoes, in September - the strongest level seen since February, Commodity Insights data showed.

According to Commodity Insights, the UK is expected to import two more cargoes this month; one cargo of 70,000 tonnes on 15th October from the US, followed by another cargo of the same volume from Peru on 27th October.

The earlier cargo is being shipped by 'Vivit Arabia LNG', which was originally heading for Bangladesh, before being rerouted to the UK, according to S&P Global Commodities at Sea data.

Although LNG supply into Europe has improved, traders were seeing sellers with the shipping length and flexibility optimising their volumes and switching them to the most competitive demand hubs.

While the market expects demand to be weaker this month versus September, UK buying activity was being eyed for November volumes with expectations that domestic gas and LNG prices will strengthen to pull in the necessary volumes for this winter, with November and December being the key months for cargo imports.

"The UK is expected to remain a steady importer of LNG through the long term," analysts at Commodity Insights said. "Its ample regasification capacity, proximity to other European markets, and large liquid gas hub trade create a variety of reasons for why LNG demand can remain supported in any given year." ■

The UK is expecting strong demand

NEWS BRIEFS

Closed plants resume exports

Two LNG export facilities have come back on line following maintenance periods.

Train 2 at Australia's Ichthys LNG restarted operations on 9th October, project operator Japan's Inpex Corp said, after it was taken offline for inspection and repairs.

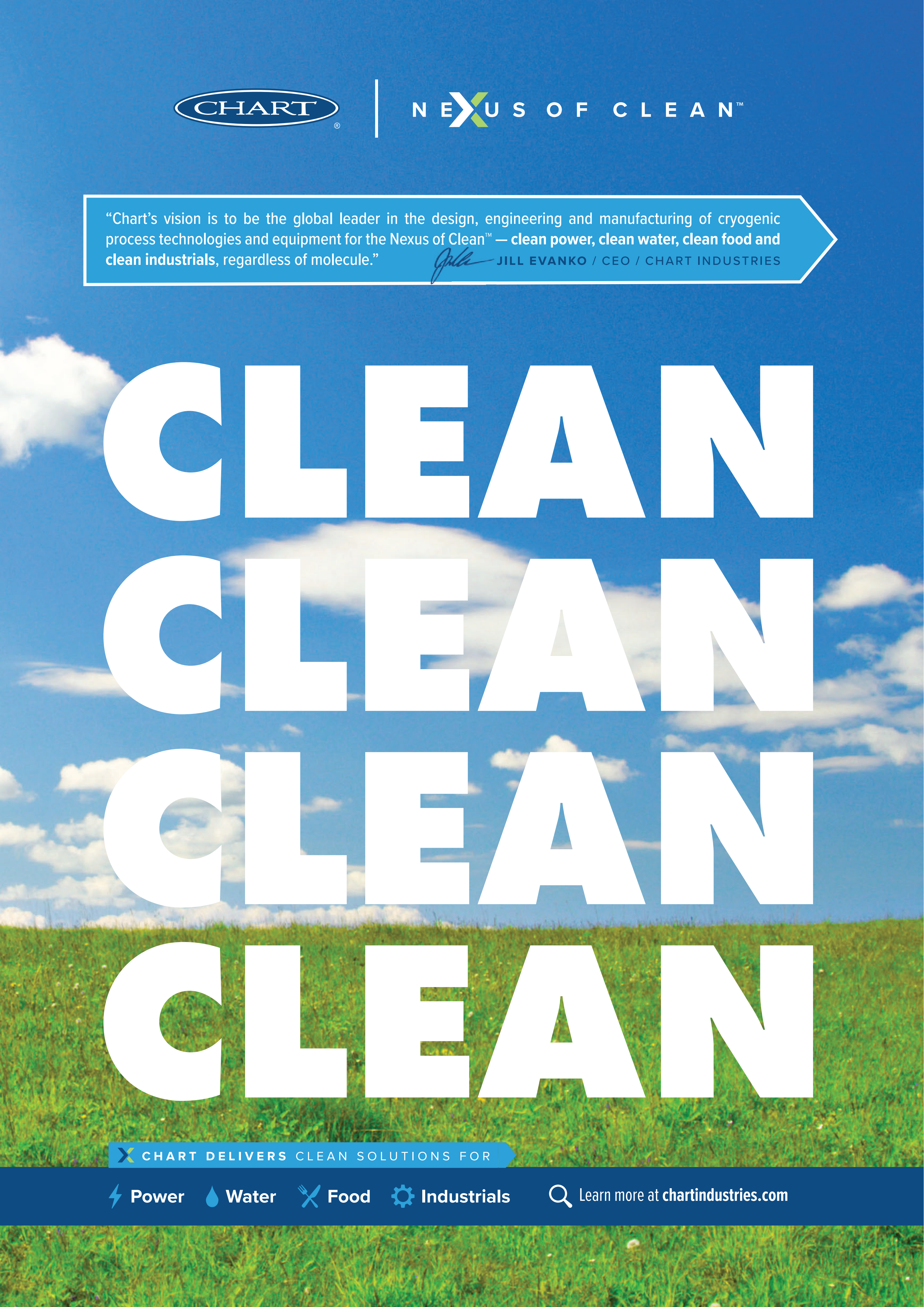
The operator also added that Train 1 is expected to return to full operations by mid-November.

Train 2 had been taken offline for inspection and repair works on 20th August, while the operations at Train 1 were reduced to 70% for preventive measures, due to issues related to the heat exchangers.

Elsewhere, Berkshire Hathaway Energy's US Cove Point LNG export plant returned to production recently, three weeks after it shut down for annual maintenance, according to data from LSEG.

The plant is one of the smallest US LNG export facilities, but with low gas prices since March this year, any loss of demand can negatively impact the Henry Hub price.

Cove Point was on track to pull 844 mill cu ft of gas, up from a just 15 mill cu ft per day since the plant shut down on 20th September, according to LSEG data. ■



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India looks to small-scale LNG plants

Indian State-owned Oil and Natural Gas Corp (ONGC) is exploring the development of small- scale LNG plants.

This move is to facilitate the processing of natural gas from wells located in areas without pipeline connectivity.

ONGC has identified five potential sites in Andhra Pradesh, Jharkhand, and Gujarat.

These plants will be located at wellheads, and would convert natural gas into LNG, which would be loaded onto cryogenic road trucks for transport to the nearest pipeline, where it will be re-gasified and integrated into the existing network to supply users, including power plants, fertiliser units, and city gas retailers.

ONGC has issued a tender inviting bids from manufacturers and service providers to develop the stranded natural gas. The sites identified for the mini-LNG plants included two at Rajahmundry in Andhra Pradesh and one each at Ankleshwar in Gujarat, Bokaro in Jharkhand, and Cambay in Gujarat.

According to the tender, despite India's extensive network of pipelines connecting supply and demand areas, a significant volume of stranded gas remains untapped.

ONGC estimated that stranded gas volumes could range from 5,000 to 50,000 cu m per day, potentially producible for up to five years.

Tender instructions

The tender also included the development of the small-scale LNG plants on a build, own, and operate (BOO) basis, capable of producing LNG, transporting it via road tankers to consumption sites within about 250 km radius, regasifying the LNG, and injecting the gas into existing distribution grids or supplying it directly to bulk consumers.

Currently, India produces over 90 mill cu m of natural gas per day, utilised for electricity generation, fertiliser production, CNG for automobiles, and household cooking. However, domestic production meets only about half of the total demand.

ONGC, the largest crude oil and natural gas producer in India, is investing billions to enhance production and reduce its reliance on imports.

Previously, ONGC had partnered with Indian Oil Corp (IOC) to set up a small-scale LNG plant near its Hatta gas field in Madhya Pradesh, local media said.

This plant is expected to have an initial capacity of 32 to 35 tonnes, processing 45,000 cu m per day from the field.

IOC will oversee the feasibility study and costs of the project, while ONGC will supply the gas.

Earlier this year, state-owned GAIL (India) also announced plans for a small-scale LNG plant at its Vijaipur LPG unit in Madhya Pradesh.

ONGC officials said that the company had over 100 wells across the country with insufficient volumes to justify pipeline installation, leaving much gas stranded or flared, local media reported. ■

Eni attracts Coral North funding interest

Italian energy giant, Eni has received substantial interest for its next FLNG project in Mozambique - Coral North.

Luca Vignati, Eni's upstream business Director, said in an interview with Bloomberg that the plant would cost about the same as its $7 bill Coral South project, inaugurated in 2022.

An investment decision for the new plant could be in place as soon as this quarter, he said.

Potential lenders to Coral North included the US Export-Import Bank, which had listed the project as pending on its website.

"Financing from international institutions and first investors are there for more than what we needed," Vignati said last week in Cape Town. Coral South's reliable output since its start means that banks considering the Coral North plant "see something that is running."

The new FLNG will be identical to the Coral South unit, but Eni will be able to get 5% more LNG from it, Vignati said, which would take production to 3.6 mill tonnes of LNG per year.

It would be located in Mozambique's' Area 4 concession. Project partners include ExxonMobil, China National Petroleum Corp (CNPC), Abu Dhabi National Oil Co (ADNOC), Korea Gas Corp (KOGAS) and Mozambique state producer, Empresa Nacional de Hidrocarbonetos.

"Approval by the government could be finalised in the coming weeks. To speed up the timeline, Eni has booked space in a shipbuilding yard and long-lead items have already been ordered," Vignati revealed.

While Eni's projects had attracted interest, funders of TotalEnergies' $20 bill onshore facility in the country - put on hold in 2021 due to violent insurgency - still need to reaffirm commitments. "The firm is focused on developing the project once the security situation is resolved," CEO, Patrick Pouyanne had said. ■

The Coral North FLNG will be almost identical to Coral South

NEWS BRIEFS

Woodside completes Tellurian acquisition - renames Driftwood

Australian energy developer, Woodside has completed the acquisition of Tellurian and its US Gulf Coast Driftwood LNG development project.

Woodside confirmed that it had acquired all issued and outstanding Tellurian common stock for around $900 mill cash, or $1 per share, giving an implied enterprise value of about $1,200 mill.

As a result of the takeover, Driftwood LNG has been renamed Woodside Louisiana LNG, which is an under-construction, pre-final investment decision (FID), LNG production and export terminal located in Calcasieu Parish, Louisiana.

It is a scalable development opportunity, with a total permitted capacity of 27.6 mill tonnes per annum, the company said.

Woodside CEO, Meg O'Neill said bringing Woodside Louisiana LNG into the global portfolio represented a significant new chapter for the company. ■

European LNG importers call for more EU action against Russian cargoes

Both the Belgian and French Governments have urged the European Union (EU) to take stronger action against Russian LNG imports.

France has called for greater transparency on Russian LNG imports within the EU, and has asked the EC to impose more stringent reporting obligations on Russian LNG entering member countries.

Speaking at an EU energy ministers meeting in Luxembourg this week, French Energy Minister, Agnes Pannier-Runacher, said that France, along with nine other countries, would encourage the EC to improve transparency surrounding Russian LNG imports.

"We believe it is needed to have the highest level of transparency regarding the flows of LNG, because we need to remove this dependency from Russian natural gas," Pannier-Runacher said. "This is good for Europe, and for our competitiveness."

The Luxembourg meeting formed part of a wider EU ministers' discussion on winter preparedness, security of supply, and the state of REPowerEU, following the recommendations of last month's report by Mario Draghi on European competitiveness.

"Member states have provided us additional input as to how we can continue our work to effectively and rapidly phase out remaining Russian fossil fuels," European Commissioner for Energy, Kadri Simson said at a press conference after the meeting. "This includes more transparency on co-ordinating existing measures. It means we're continuing this work and it will be one of the priorities of my successor."

"We should be very clear that Russian gas is not accepted in the EU and go forward to track LNG sources," Finland's Energy Minister, Kai Mykkanenm said on social media.

Tracking system

Speaking before the meeting, Belgian Energy Minister, Tinne Van der Straeten, called for the implementation of a tracking system to effectively enforce the new European sanctions against Russian LNG.

In June, the 27 EU member states agreed to prohibit the transhipment of Russian LNG in Europe. Starting March, 2025, LNG from Russia will no longer be allowed to be transferred to other ships in European ports for onward delivery.

This measure aimed to significantly impact Russia's revenue from LNG sales and transportation.

Belgium is a deemed to be crucial partner to carry out these EU sanctions, as its Zeebrugge LNG terminal is a key transhipment point.

"We have observed a doubling of LNG volumes in Belgium. These volumes are likely intended for supply security within Europe, but we are facing challenges in implementing the sanctions package," Van der Straeten said.

Methane emissions controls to affect LNG prices

The global LNG market could see differentiated pricing for cargoes sourced from upstream operators with different methane intensity levels.

This could come on the back of various policies to regulate methane emissions consolidate, participants at the recent LNG Producer-Consumer Conference 2024 in Hiroshima were told.

The conference also examined a raft of agreements on methane reductions from key players, such as Japan, South Korea and Europe, which set the stage for methane initiatives to be discussed at the COP29 climate summit in Azerbaijan next month.

Japan and South Korea form part of an initiative called Coalition for LNG Abatement Toward Net Zero (CLEAN), under which they seek methane emissions data from suppliers - from 36 LNG liquefaction plants supplying Japan and 35 supplying South Korea.

Elsewhere, the EU approved its methane regulation this year, aiming to establish methane intensity standards for all fossil fuel imports.

"An important aim of the EU Methane Regulation is to give importers a standard by which they can compare the methane intensity of different sources of available LNG.

"These intensities may translate into a price premium or discount for LNG delivered to different markets, but in Europe this is unlikely to be established until 2030," Jonathan Stern, Distinguished Research Fellow, Gas Progamme, Oxford Institute for Energy Studies, said.

He also said that the CLEAN initiative may present Asian LNG importers with similar supply choices over a similar time frame and give LNG exporters around six years to demonstrate their methane footprint to different markets.

"The ability to credibly demonstrate emission reductions could prove to be a substantial competitive advantage for LNG exporters, and in some jurisdictions essential to the continued acceptability of LNG in energy balances," he added in the first annual CLEAN report launched at Hiroshima.

Manfredi Caltagirone, head of the UN Environment Programme's International Methane Emissions Observatory, said the gas market is not particularly liquid and is mostly traded through medium- or long-term contracts, due to security of supply concerns and the need to finance gas infrastructure.

"The consequence is that there are deep and long relations between buyers and sellers, who meet regularly to adjust contractual or logistic conditions," Caltagirone said in the CLEAN 2024 report, adding that contracts typically are partially renegotiated every five years or renewed at the end of their term.

"The views expressed by gas buyers on the quality of available methane data and the embedded emissions in the supply will carry significant weight, both at the negotiating table or throughout the operational phase of these contracts. This extends to the smaller share of spot cargo purchases," Caltagirone added.

Asian influence

Ben Cahill from the University of Texas at Austin said the CLEAN initiative suggested gas buyers in Asia will also exert their influence on methane emissions in addition to the EU, and policy changes, as buyer demand in northeast Asia have ripple effects.

"If globally accepted frameworks emerge, and if EU and Asian LNG importers begin to demand such data and incorporate these metrics in commercial frameworks and sales agreements, suppliers will have to adjust," Cahill said.

On 6th October, the European Commission (EC) and Japan's Ministry of Economy, Trade and Industry (METI) issued a joint statement to formalise collective efforts to reduce methane emissions and expand the CLEAN initiative with South Korea's KOGAS and Japan's JERA and JOGMEC, representing two of the world's largest LNG importers.

At Hiroshima, Italy's energy company, Eni said it will support the CLEAN initiative, while Australia's Woodside Energy and JOGMEC signed an MOU on joint methane emissions management called 'Titled Methane Emissions Technology Reduction and Innovation Collaboration' (METRIC).

Engie's head of Global LNG & Biomass, Ralf Dickgreber said in an interview on the sidelines of the conference that the EU methane regulation was an important topic because the market has to adjust quickly to new rules and find practical ways to implement them. ■

Grain LNG gets methane emissions verification

The UK's National Grid operated Grain LNG terminal's methane emissions performance has been verified by MiQ, a methane emissions measurement and certification company.

Graded a 'B' by MiQ, Grain LNG claimed to be the world's first LNG port to receive MiQ's accreditation.

Grain LNG's certification, which is Europe's largest LNG terminal, will enable buyers to select cargoes based upon methane emissions profile.

MiQ has certified the methane emissions of 20% of US natural gas production, and through its Supply Chain Protocol, can provide natural gas buyers with a credible estimate of emissions from LNG for the first time.

Grain LNG's certification meets the increased demand from European and UK natural gas buyers for greater transparency on the emissions related to their purchases.

This move also comes at a time when Grain LNG is being expanded to store and deliver enough gas to meet up to 33% of UK gas demand.

Emissions elimination

MiQ's goal is to eliminate avoidable methane emissions from the natural gas supply chain during the transition to a world powered by clean energy.

Georges Tijbosch, MiQ CEO, said: "This is a major step forward for increasing the transparency of emissions from the global LNG supply chain.

"The certification of Grain LNG provides UK and European natural gas buyers with additional transparency about the level of emissions from imported LNG. National Grid and Grain LNG have shown true leadership as the first operator to receive certification outside the US," he said.

Ben Wilson, President of National Grid Ventures, added: "As a business right at the heart of the UK's energy system, our customers, partners and consumers all expect the best possible service from us.

"As a first mover on methane emissions, this new accreditation is a testament to that service, proving that in the case of Grain LNG we are operating a highly efficient and market-leading site," he claimed.

Simon Culkin, Grain LNG Managing Director, commented: "At a time when there is rightly increased scrutiny of all emissions, we're delighted that Grain LNG is the first port of its kind to receive this accreditation.

"MiQ's certification confirms Grain LNG as not only the largest LNG port in Europe, but world class, reflected in our diversity of customers, operational excellence and now methane management," he said.

This announcement follows the EU's formal adoption of new rules on methane emission. US producers have until January, 2027 to meet these new requirements.

MiQ certification will enable producers to meet the EU's new requirements for source-level reporting and third-party verification and therefore continue to access the EU markets, the company said. ■

Grain LNG has been awarded emissions control certification

NEWS BRIEFS

Kosmos not allowed to sell GTA LNG to third parties - arbitrator

A Paris-based arbitrator has ruled in favour of bp, prohibiting energy developer Kosmos Energy from selling LNG from the Greater Tortue (GTA) project offshore Senegal and Mauritania to third parties.

The energy major has managed to establish a significant LNG portfolio worldwide, including Sub-Saharan Africa, which is set to become a significant source of LNG exports with Nigeria, Angola, Cameroon and Equatorial Guinea already shipping large volumes.

Last year, Kosmos Energy, a US-listed oil and gas exploration company, and BP Gas Marketing, a bp subsidiary, sought arbitration from the International Chamber of Commerce (ICC) over planned LNG sales from the GTA project's Phase 1.

ICC has informed Kosmos Energy that a final, binding award prohibits it from selling LNG cargoes to third parties during the contract term of the LNG sales agreement, which has an option to end in 2033, the company confirmed in a statement.

The final award does not change the terms of the LNG sales agreement and is not expected to have any impact on Kosmos' long-term expectations and financial situation, the company claimed.

bp, which holds a 56% stake in GTA, is the operator of the project and its subsidiary is the sole buyer of its 2.5 mill tonne per year volume under a 20-year contract.

Edison won't receive Calcasieu Pass cargoes until 2025

Italian energy group, Edison has confirmed that US gas exporter, Venture Global LNG is not expected to ship any contract cargoes from its Louisiana export facility until April, 2025.

Edison is among companies, including Shell, bp and Repsol, that have filed contract arbitration cases against Venture Global for its alleged failure to deliver contract cargoes, more than two years after it started exporting LNG from the Calcasieu Pass LNG plant.

In September, 2017, Edison signed a 20-year contract to purchase LNG from the project but has not received any cargoes. Venture Global has sold cargoes from the project to others since March 2022, the company claimed.

In its defence, Venture Global claimed that the plant had not achieved full commercial operations, due to technical problems associated with a faulty power generation system.

Calcasieu Pass has produced, exported and sold 355 cargoes to the higher-priced spot market and generated more than $20 bill in revenue, Edison alleged. ■

Summit urges Bangladesh Government to reverse FSRU decision

Summit LNG Terminal II (SLNG II), a Summit Group subsidiary, has urged the Bangladesh Government to reverse its recent decision to bring a stop to a third FSRU project in the country.

SLNG II said it had received a notice from state-owned Petrobangla on 7th October notifying it of the the termination of the project, which was to be located at Moheshkhali in Cox's Bazar.

Summit already operates an FSRU in the Bay of Bengal

Summit Group developed the Moheshkhali FSRU terminal in southeast Bangladesh, which is its second floating terminal with a planned regasification capacity of 600 mill cu ft per day.

SLNG II said in a statement that it wished to clarify the following:

1) In late 2020, the Bangladesh Government made a decision to transition from coal-fired power generation to natural gas, a cleaner energy source. The initiative was also aimed at boosting gas supply to ensure energy security and support industrial growth.

Summit Group submitted a proposal on 11th October, 2021, to implement an FSRU on a build, own, operate, and transfer (BOOT) basis. The proposal was approved by the Cabinet Committee on Economic Affairs on 14th June, 2023.

The approval followed two years of extensive negotiations and consultations with international law firms to address the contractual and technical challenges.

2) Summit, in collaboration with Petrobangla and Rupantarita Prakritik Gas Co (RPGCL), finalised the terminal use agreement (TUA) and implementation agreement (IA) on 12th October, 2023. These were legally vetted and approved by the Cabinet Committee on 12th December, 2023.

3) SLNG II signed the TUA and IA on 30th March, 2024 with Petrobangla and the Government for the second FSRU. On the same day SLNG II also signed a long-term sale and purchase agreement (SPA) to supply 1.5 mill tonnes of LNG to Petrobangla, starting in October, 2026.

4) To fulfil the initial conditions precedent of the agreements signed on 30th March, 2024, SLNG II has to date committed investments of around $15 mill to implement the second FSRU.

5) The termination notice received on 7th October, 2024 was issued on the basis that the agreements signed on 30th March, 2024 had not become effective as a performance bond was not submitted within 90 days as stipulated, ie on 28th June, 2024. SLNG II said that as that date fell on a Friday (not a banking day in Bangladesh), the performance bond was delivered on the next possible working day, with acknowledgement by Petrobangla.

6) SLNG II's lawyers have confirmed that the company had not breached any conditions precedent of the agreements of 30th March, 2024. Even if any of these were delayed, Petrobangla did not notify SLNG II within the agreed 30-day window and had therefore deemed it as accepted.

"SLNG II is owned by Summit Power International (SPIL), Bangladesh's largest private sector investor in energy with a proven track record of developing long-term infrastructure projects in a responsible and transparent manner. SPIL has stated that our investments have helped to catalyse foreign direct investment (FDI) into Bangladesh.

"We respectfully urge the Government of Bangladesh to uphold the sanctity of contracts and to ensure that investors' rights are protected and treated fairly and equitably," SPIL said ■

NEWS BRIEFS

ADNOC suspends Das Island expansion

ADNOC Gas has suspended its expansion operations at the Das Island LNG export facility.

The LNG 2.0 project aimed to electrify LNG trains to reduce GHG emissions, debottleneck LNG trains, and extract and export ethane at Das Island, adding 1.2 mill tonnes per annum of ethane, 0.9 mill tonnes of LNG and 1.1 mill tonnes of C3+ by 2028.

The three-train Das Island LNG plant has a liquefaction capacity of 6 mill tonnes per annum.

"While not proceeding with the LNG2.0 project, we will continue to invest in Das Island, particularly as it remains a key asset in our LNG portfolio," a statement sent to S&P Global Commodity Insights said.

The project was at the FEED stage when stopped and was part of the UAE's effort to boost LNG production and exports. The country has invested heavily in projects, as it seeks to go from a net gas importer to self-sufficiency by 2030.

Last year, it was reported that ADNOC Gas, a subsidiary of state-owned Abu Dhabi National Oil Co, planned to increase production capacity by 30% over five years and expand LNG capacity by 8.3% by 2028.

In June of this year, ADNOC announced FID for the Ruwais LNG facility, which will complement its portfolio. It is expected to commence production in late 2028. ■