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European energy earnings demonstrate the resilience of LNG and oil sectors

BP posted a narrowing loss while oil division helps pull Shell back into the profits zone

LNG News Editor


Shell CEO Ben Van Beurden and BP's Bernard Looney

UK energy major BP narrowed losses and lifted its "force majeure" on floating a floating LNG project offshore Senegal and Mauritania while Anglo-Dutch company Royal Dutch Shell swung back to profitability thanks to oil division earnings, even as LNG sales fell.

BP as well as Shell had no significant one-off charges in the third quarter and increased their underlying values as asset revaluations and the energy transition are now very much accounted for in the year ahead.

Loss

BP posted a loss of $450 million in the third quarter attributable to shareholders compared with losses of $16.84 billion in the previous quarter of 2020 and a $749M loss in the third quarter of 2019, reflecting the absence of significant exploration write-offs and impairment charges.

BP confirmed that the "force majeure" was lifted at the start of October 2020 on the Greater Tortue-Ahmeyim project involving floating LNG production offshore Mauritania and Senegal.

The Tortue-Ahmeyim is BP's main current LNG project with partners Kosmos Energy of the US and the national oil and gas companies of both West African nations.

BP had issued a "force majeure" notice in April 2020 to a subsidiary of shipping company Golar LNG relating to the delivery of a floating LNG production hull, the "Gimi", for a start-up date in 2022 for the Tortue-Ahmeyim venture.

The notice received from BP claimed that due to the outbreak of Covid-19 around the globe, BP was not able to be ready to receive the FLNG hull "Gimi" on the target connection date.

BP estimated at the time that the consequential delay caused by the claimed "force majeure" event was in the order of one year.

The UK company also continued to reduce the number of its employees in a corporate overhaul and said it had cut 2,800 jobs so far during 2020. A further 2,100 have elected to leave under the programme, which is expected to result in a total reduction of around 10,000 positions, the majority by the end of this year.

Shell, for its part, returned to a much-reduced profit zone in the third quarter after heavy write-downs in the previous quarter, reflecting lower realised prices for oil and LNG as cargo sales declined 9 percent due to the Prelude FLNG hull being shutdown offshore northwest Australia.

Shell reported an overall net profit in the three months to September of $489 million compared with $5.87Bln of profits in the same three months of 2019, and $18.13Bln of losses because of one-time items in the second quarter.

The major was bailed out in the third quarter by the robust earnings of the much-maligned oil division in a world of emission-reducing corporate obsessions.

The Anglo-Dutch company's current cost of supplies earnings total was a profit of $177M versus income of $6.08Bln in the same quarter of 2019.

LNG sales in the Integrated Gas division fell to 17.13 million tonnes from 18.90MT in the third quarter.

Sales of LNG in the first nine months to September declined by 3 percent to 52.98MT versus 54.36MT in 2019.

In the Integrated Gas division, the third-quarter resulted in an overall loss of $151M.

"This included an impairment charge of $924M mainly related to the Prelude floating LNG operations in Australia," explained Shell.

"Nine-month (Integrated Gas) segment earnings were a loss of $6.29Bln. This included an impairment charge of $9.13Bln mainly related to the Queensland Curtis LNG and Prelude floating LNG operations," said Shell.

"Also included was a net charge of $450M due to the fair value accounting of commodity derivatives," it added.

UNLIMITED AGENDA

Japanese LNG and utility company JERA will partner with ExxonMobil on Haiphong terminal

LNG News Editor

JERA Co Inc., the largest Japanese LNG buyer, said it signed an accord with ExxonMobil and the city government of the Vietnamese port of Haiphong to work together on a potential integrated LNG-to-Power project for the Port.

"ExxonMobil, Haiphong and JERA have agreed to expand on their strong cooperation and exchange of expertise to jointly study natural gas market development opportunities, including LNG import facilities and gas-fired power plants," said a JERA statement.

Volumes

JERA, whose headquarters are in Tokyo, is a joint venture between the largest Japanese utilities Tokyo Electric Power Co. and Chubu Electric Power Co. and has booked volumes from the leading global liquefaction plants.

"ExxonMobil has submitted a master plan application with a project concept for consideration and potential inclusion in Vietnam's National Power Development Plan," explained JERA.

Haiphong port to choice LNG power over coal-fired plant

"Haiphong City has submitted a letter of recommendation to include power demand with potential locations of power plants and LNG import infrastructure. The project submissions are pending government approvals," stated the Japanese company.

JERA noted that LNG-fueled power in Haiphong would provide a more environmentally friendly alternative to the currently proposed coal projects in the Vietnamese plan.

"Haiphong is industrializing at a fast pace, with an annual growth rate of over 20 percent," said Nguyen Van Tung, Chairman of the Haiphong People's Committee.

"Therefore, our annual power consumption is growing and is expected to double between 2020 and 2030," added Nguyen.

"Haiphong City is pleased to collaborate with ExxonMobil and JERA to provide a clean energy resource for Vietnam," he stated.

ExxonMobil executive Irtiza Sayyed, who is representing the US major on the Haiphong Energy joint venture, said he was honored to work with JERA and Haiphong City to explore innovative approaches to bring about competitive LNG-to-power projects in Vietnam.

"As a gas industry leader with strategic access to LNG supplies around the world, ExxonMobil is well-positioned to supply cleaner, reliable energy to power Vietnam's future," added Sayyed.

JERA's managing executive officer and senior operating officer James H. Vigil said the firm was extremely pleased to participate in the Haiphong project being developed by ExxonMobil.

"We are eager to utilize our expertise in the entire LNG value chain for successful project implementation," he added.

"We have more than 50 years of experience as the world's first utility who introduced LNG to the power industry," Vigil stated.

"Vietnam is a very important country for JERA, and we would like to contribute to its prosperity through various initiatives, including this important project," added the JERA executive.

JERA also said that the signing of the memorandum of understanding was in line with the goals of the Japan-US Strategic Energy Partnership (JUSEP) to support energy access and investments for the sustainable economic development and energy security of nations like Vietnam. ■

Mitsubishi and Air Water Inc. conduct final tests on LNG filling station concept for heavy trucks

Japanese companies Mitsubishi Corp. and Air Water Inc. said they had jointly developed a compact LNG fuel filling station facility aimed at the growing global market for LNG-powered trucks.

"This is the first portable filling system in Japan and the world's first off-grid power-generation system capable of fueling trucks with LNG even during power outages," said the companies.

"Furthermore, by circulating hot water through its waste-heat recovery mechanism, the system can help to prevent freezing problems associated with LNG operations in cold or highly humid regions," they explained.

Mitsubishi, based in Tokyo and Air Water, whose headquarters are in the city of Osaka, said they would now begin testing the system in Hokkaido, the most northern of Japan's main islands.

"The system will be tested and will fuel three LNG trucks, one manufactured by Isuzu Motors Ltd. and the other two by an Italian firm," they explained.

Their filling station system has a footprint of just 3.3 metres by 12 metres, the same size as a parking space for a heavy truck.

"At less than 10 minutes per fill-up, it also refuels quicker than conventional stations. The plan is to make each station capable of fueling more than 60 trucks per day. The patent application for the system has already been filed," they added.

"With the cooperation of Hokkaido Electric Power Co., the partners plan to assess the system's overall effectiveness and how much it can reduce carbon-dioxide emissions and fuel costs typically generated by heavy trucks," they explained.

"The results of the tests will help the partners to determine whether or not to make the system commercially available," the companies added.

At present, heavy trucks fueled by LNG are not in commercial use in Japan.

Mitsubishi and Air Water noted that most of the estimated 500,000 heavy trucks on Japan's roads are powered by diesel fuel, and there are growing concerns about the need to reduce their CO_2 emissions.

"Unlike trucks powered by electric batteries or fuel cells, LNG-fueled trucks have ranges in excess of 1,000 kilometres, and tests have already shown them to be capable of cutting CO_2 emissions when compared to diesel-fueled trucks," the companies said.

"The partners are also considering ways to further reduce CO_2 emissions in the future, such as by using CO_2-free LNG," they concluded. ■

Hammerfest plant is likely to be shut until October 2021

Equinor, the Norwegian oil and gas company, said the Hammerfest LNG export plant that suffered a fire last month will be closed for 12 months for repairs.

Equinor explained that in addition to damage caused by the fire on September 28, large amounts of seawater from the extinguishing process have damaged other auxiliary systems such as electrical equipment and cables in the plant.

Feed-gas for the single-Train Hammerfest liquefaction facility comes from the Snohvit gas field in the Barents Sea.

Hammerfest exported 4.72 million tonnes of LNG in 2019 compared with 5.17MT in the previous year.

Most of the volumes are delivered to European destinations like France, Spain, the Netherlands and Lithuania.

"It is the scope of work of this consequential damage that is considered the most extensive and the duration of the shutdown will depend on the delivery time of necessary equipment," explained Equinor.

"Progress will also be affected by the current restrictions related to the Covid-19 virus," it added.

Plant director Andreas Sandvik said safety would remain a priority for the future restart of the facility.

The plant had suffered an outage on September 11 and was only restarted in the early hours of September 28, the day of the fire.

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Enagás and Italy's Edison to cooperate for small-scale supply from new Italian terminal

LNG News Editor

Enagás, the Spanish natural gas grid operator and LNG terminal network owner, has signed an agreement with Italian utility Edison, to become a shareholder in a new small-scale onshore LNG terminal at the port of Ravenna on the northeast coast of Italy.

Under the accord, Enagás and Edison will cooperate in developing small-scale LNG use in the Mediterranean region of both Italy and Spain.

Ravenna port to be small-scale LNG distribution centre

Storage

An Enagás subsidiary called Scale Gas will become a shareholder in the new Italian LNG terminal in Ravenna.

"The Ravenna terminal will have storage capacity of 20,000 cubic metres of LNG and an annual handling capacity of more than one million cubic metres, enough to supply 12,000 trucks and up to 48 ferries per year," the companies said in a statement.

"This agreement will establish an LNG supply chain from the Enagás terminals in the Mediterranean, headed by the Barcelona facility, to Edison's customers, which will facilitate the growth of the use of LNG as an alternative fuel," they added.

Edison is the only current long-term LNG importer in Italy and manages a wide and diversified fuel and utility portfolio to guarantee continuity of power and gas supply in Italy.

Enagás as the Spanish transmission system operator has more than 12,000 kilometres of gas pipelines and LNG import terminals around the Spanish coast as well having LNG stakes in South America.

A third shareholder in the Spanish-Italian venture is Petrolifera Italo Rumena (PIR), an independent Italian terminal operator with 10 facilities in the Mediterranean handling and storing chemicals, petrochemicals, oil, biofuels and other products.

A holding company called Depositi Italiani GNL was created by Edison and PIR in 2018 for the development and management of the small Ravenna LNG terminal, which is not connected to the national gas grid.

Under the accord between Enagás and Edison, 19 percent of the Ravenna facility shares will be transferred to the Enagás subsidiary and this will leave PIR holding 51 percent and Edison with 30 percent.

■

Dutch Gate terminal in Rotterdam awards contract to Spanish firm Sener for upgrade

The Dutch Gate LNG import terminal in Rotterdam has awarded a contract to Spanish energy engineering company Sener to provide engineering, procurement and construction management (EPCM) services needed for better maintenance and the improvement of activities in work scheduled for 2021.

Sener, based in Madrid and with wide-ranging regasification terminal expertise, was one of the company's that built the Gate facility in Rotterdam's Maasvlakte and which came on line in 2011.

"Under this new contract, Sener will optimize the design to achieve more efficient operations and maintenance," said the Spanish company.

"These modifications will improve the processes and optimize timing, as well as ensuring that the plant has uninterrupted operations over the next decade," added Sener.

Sener is the leading engineering company in Spain, working in the energy, aerospace and science sectors.

"This contract is a demonstration of the Gate terminal's confidence in Sener's solid practices as a company that played a key role in its successful construction," said Sener Project Manager Antonio Parra.

"After 10 years of collecting operational data, we are going to make adjustments to the plant's configuration with a minimum impact on the service, which will improve its operating and maintenance processes for the next decade," explained Parra.

"We are proud to have been selected by Gate terminal for this work," he stated.

The Gate terminal is a joint venture between Dutch utility Gasunie and Royal Dutch Vopak, one of the world's leading storage companies.

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NEWS NUDGES

France's Total back in profit

French energy major Total reported a tumble in net income to $202 million in the third quarter from $2.80 billion in the same three months of 2019. This followed second-quarter 2020 write-downs that led to a loss of $8.36Bln. LNG sales by Total rose 20 percent in the third quarter to 6.6 million tonnes from 5.5MT in the prior-year quarter. Nine-month LNG sales amounted to 23.2MT, up 27 percent from the 18.3MT logged in the third quarter of 2019.

Gazprom in trade pledge

Gazprom said it was backing improvements in the natural gas trading activities on the St. Petersburg International Mercantile Exchange (SPIMEX), which was launched in 2014. Gazprom offers the bulk of the gas available for purchase at the exchange and is responsible for making sure all gas sold at SPIMEX is transmitted to consumers. The gas sold at the exchange is consumed in 48 constituent entities of the Russian Federation. Gazprom and SPIMEX plan to carry out joint work on the further development of gas exchange trading.

Spot charter rates rise

Shipping charter rates for LNG carriers in the spot market increased over the past week by a further $20,000 per day. Rates were quoted at an average of between $100,000 per day and $110,000 per day West of Suez. The same levels of spot rates were also talked about for the East of Suez charter market for vessels of between 155,000-165,000 cubic metres capacity, according to various brokers.

GCC nations led by LNG exporters like Qatar, Oman and UAE given positive recovery forecast by the World Bank

LNG News Editor

The Gulf Cooperation Council is strongest regional forum

The World Bank said the six members of the Gulf Cooperation Council, including LNG exporters Qatar, Oman and the United Arab Emirates are bouncing back to positive growth from the double blow of Covid-19 and the energy slump, showing the economic resilience of oil and gas.

"Qatar, the world's fifth-largest gas producer and second-largest LNG exporter, will see its real GDP growth turn positive again in 2021 as energy prices stabilise at around $42 a barrel for oil and global LNG demand picks up," said the World Bank.

Surpluses

This will turn into an economic "surplus" over 2021-2022 with the global re-bound and recovery, while Qatar's position is underpinned by new LNG projects and recent improvements to the business environment.

"Qatar, which has been struck hard by Covid-19, undertook a swath of measures to offset the economic effects of the pandemic, including stimulus through tax deferrals and eased credit flow to hard pressed firms and households amounting to QR75 billion ($20.6Bln) with guarantees to local banks of 3 Bln riyals ($824 million)," the World Bank noted.

"The effectiveness of the Qatari health care system, has resulted in the second lowest death rate amongst this group (GCC) of countries (73 deaths per one million population)," said the Bank.

"Nearly 240,000 tests per million have been conducted in Qatar and there are no visible signs of a second wave," stated the report.

According to the World Bank, the recent increase in the universal minimum wage (to $275 a month) and abolition of the requirement that migrants get permission of employers to change jobs are likely to positively impact migrant worker welfare and improve labour market incentives.

The main Asian importers comprising Japan, South Korea and China, as well as India, receive 75 percent of Qatar's LNG exports and it supplies 21.9 percent of global requirements.

The World Bank also issued economic outlooks on the five other GCC members in the Middle East, two of them being LNG exporters, Oman and the UAE, and three others being dominant in oil output, Saudi Arabia, Kuwait and Bahrain.

In the UAE, where the Das Island LNG plant in Abu Dhabi exports cargoes to Asia and where there are other natural gas projects with great potential, gross domestic product is forecast to contract in 2020 due to Covid-19 and lower oil production.

The UAE, which is also an LNG importer, was praised for its anti-Covid measures and lockdowns which were viewed as effective.

"Dependent on the speed of the global recovery, growth is expected to reach 2.5 percent by 2022, supported by government recovery plans, higher oil revenues and a boost from Dubai Expo2021," stated the report.

"The UAE-Israel normalization deal could expand opportunities as it also involves trade technology cooperation. Modest inflation will return as growth rebounds," said the Bank.

LNG exporter Oman is projected to see its economy contract by over 9 percent in 2020, owing to depressed global demand for oil and the pandemic's effects on the non-oil sector.

"When conditions ease, economic growth in Oman is projected to gradually pick up to an average of 4 percent in 2021-2022," said the Bank.

Kuwait, an LNG importer, has also suffered from the "twin shocks" of Covid and the oil price drop.

"Real GDP in Kuwait is now expected to contract by 7.9 percent of GDP in 2020 (compared to -5.4 percent forecast in June 2020) as non-oil GDP growth is subdued by protracted public health measures and the constrained fiscal mitigation measures," said the Bank.

"Oil revenues in Kuwait declined by 16.6 percent on the back of a 10.3 percent fall in oil prices and a 2.2 percent reduction in oil output. Non-oil revenues fell too due to weak economic activity," the report explained.

"Over the medium-term, growth in Kuwait will recover with continued recurrent public spending and credit growth, reaching 2.9 percent by 2022," the Bank concluded.

As regards Saudi Arabia, oil prices have partially rebounded from their April 2020 lows, largely owing to the revival in global demand and constrained supply through OPEC-plus agreement, including Russia.

PetroChina reports over 60 percent drop in profit though sees quarterly narrowing of LNG losses

LNG News Editor

PetroChina, the Hong Kong-listed arm of China National Offshore Oil Corp., reported a more than 60 percent drop in nine-month profits as pipeline natural gas and LNG imports continued to be loss-making.

PetroChina reported consolidated nine-month net profits of 20.67 billion Chinese yuan ($3.08Bln) compared with 53.47Bln yuan ($7.97Bln) in the prior-year period, a drop of 61.5 percent.

China's pipeline and LNG terminal system being reformed

Natural gas

Marketable domestic natural gas output amounted to 2,907 billion cubic feet in the year to September, a rise of 8.2 percent versus 2,688 Bcf in the same period of 2019.

"Pipeline assets restructuring for the company came in the quarter when it sold its major oil and gas pipelines, certain gas storage facilities, LNG terminals and other related assets to PipeChina," said PetroChina about the new state-back entity created to improve third-party access.

PetroChina said in its earnings statement that it received 159.66 Bln yuan ($28.80Bln) from PipeChina for those assets.

"In respect of the natural gas and pipeline business, by following the market-oriented and profitability-focused approach, the group proactively conducted research and evaluation towards seasonal gas consumption patterns and market competition, and subsequently developed differentiated marketing strategies targeted at different regions, industries and customers," explained PetroChina.

"Due to the effect from the decrease in procurement costs and reduction in the procurement amount, the net loss incurred from sales of imported gas and LNG in the natural gas and pipeline segment amounted to RMB17.54Bln ($2.61Bln)," said PetroChina.

"This represents a significant decrease in the loss of 4.22 billion yuan ($628M) as compared with the same period of last year," said the company.

PetroChina said it would make further efforts to control the losses caused by imported gas by looking at volumes and lowering import costs together with other relevant measures.

The company did add that in the third quarter of 2020, the natural gas and pipeline segment generated an almost doubling of quarter-on-quarter operating profit of 43.33Bln yuan ($6.46Bln).

In its outlook, PetroChina said that in the first three quarters of 2020, the global economy was in deep recession affected by the Covid-19, which in turn further loosened supply and demand balance in the international oil market.

"After witnessing a cliff-like drop, the international crude oil price recorded a sluggish rebound and is currently fluctuating at low levels," said PetroChina.

The company noted that there was a significant decrease in the average international oil prices as compared with the same period of last year, in which the average spot price of North Sea Brent crude oil and the average spot price of the West Texas Intermediate crude oil were $40.99 per barrel and US$38.13 per barrel, representing a decline of 36.5 percent and 33.2 percent respectively.

"As China managed to bring Covid-19 under effective control, the domestic macro-economic operation has been recovering steadily with signs of improvement quarter-by-quarter and there was a change in the domestic economic growth in the first three quarters from negative growth to positive growth," stated PetroChina.

"According to the data published by the National Bureau of Statistics of China, the gross domestic product (GDP) in the third quarter recorded a 2.7 percent increase on a quarter-on-quarter basis and a 4.9 percent increase on a year-on-year basis, and there was also a 0.7 percent growth in the GDP of the first three quarters as compared with the same period of last year," said the HK-listed company.

In the first three quarters of 2020, the average realised PetroChina crude oil price was $40.06 per barrel, representing a decrease of 34.9 percent.

PetroChina's average realised price for natural gas was $4.61 per thousand cubic feet, representing a decrease of 16.0 percent.

The domestic realised gas price was $5.25 per thousand cubic feet, representing a decrease of 11.6 percent.

"In facing the complicated and severe economic landscape within and outside China, the group maintained the strategic strength, improved its bottom-line thinking, adhered to high-quality development, while sticking to law-abiding and compliant corporate governance," stated PetroChina.

HAM of Spain gets contract for Chile station

Grupo HAM of Spain, the LNG and gas fuel infrastructure company, said its subsidiary in Chile has been chosen to design, construct and commission the South American nation's first LNG filling station.

HAM Chile was given the contract by regional company Lipigas Co.

This station will be sited at fuel facilities of Transportes San Gabriel in Linares, 300 kilometres south of the capital Santiago.

Linares is in the Maule Region and very close to the Ruta Cinco Sur, the Chilean part of the Pan-American Highway, the country's main land transportation artery.

"The project has been possible thanks to Lipigas's commitment to vehicular LNG, with the aim of contributing to sustainable development through the design of efficient energy solutions that help its customers in the challenge of reducing CO2 emissions, nitrogen oxides and fine particles," said HAM.

The new service station will allow the continuous supply of LNG to a fleet of 30 trucks from the company, Cervecera AB Chile, which will be incorporated into the transport fleet of Transportes San Gabriel.

Lipigas is a player in the energy market in Latin America, with a presence in Chile, Colombia and Peru.

HAM Chile has been operating for several years in South America and has its own facilities and staff based near Santiago.

The Spanish parent company announced earlier in October that it had designed and manufactured a mobile natural gas fuel station in Calais for international truck transport between the French Channel port and the UK as its European network grows to over 70 stations.

Sinopec reports big drop in profits amid rising LNG imports and economic recovery

LNG News Editor

China Petroleum and Chemical Corp., or Sinopec, the largest Chinese owner of oil refineries and with growing LNG volumes to match its contracted Australian supplies, reported a tumble in net profits of almost 46 percent in the year to date because of the double challenges in the energy market.

In the first nine months of 2020, Sinopec said net profits dropped by 45.7 percent to 23.51 billion Chinese yuan ($3.5Bln) from 43.28Bln yuan ($6.45Bln) in the same period of 2019.

LNG receipts

Its revenues in the year to September dropped 30.4 percent to 1.55 trillion yuan from 2.23 trillion yuan in the 2019 period.

Sinopec additionally stated that its LNG imports rose to 12.53 million tonnes on an annualized basis, including more than 7MT from Australia.

Sinopec, which plans to more than double its LNG receiving capacities to 41MT by 2025, currently has capacity at three import terminals and is a partner of US major ConocoPhillips in the Australia-Pacific LNG export plant in Queensland.

One of the company's regas facility in port of Tianjin

The Chinese company's regasification capacity is a three terminal at Qingdao in Shandong province, the Tianjin North terminal east of Beijing and the Beihai LNG facility in the Guangxi autonomous region bordering Vietnam.

China is currently reforming its pipeline and terminal systems by giving more access to third-party shippers.

Sinopec's plans include expanding the Tianjin terminal, which supplies Beijing, to have a capacity to handle 12MT of imports.

"In the first three quarters of 2020, due to the worldwide spread of Covid-19, the global economy was depressed and the world market was shrinking," said Beijing-based Sinopec, whose earnings statement was released on the Hong Kong stock exchange.

"The growth of China's economy turned positive, with gross domestic product up by 0.7 percent year-on-year in the first three quarters, and by 4.9 percent in the third quarter, indicating a good continuous recovery momentum," stated Sinopec.

"Domestic demand for natural gas and chemical products maintained their growth and demand for refined oil products recovered steadily quarter on quarter," added Sinopec.

Sinopec said its Exploration and Production division had focused on expanding sales of natural gas and further deepening and maintaining oil production.

China LNG monthly imports increase again but do not surpass shipments to Japan

China's liquefied natural gas imports increased by 13 percent in September, though were still well short of the monthly shipments received by the world's No. 1 importer Japan.

China's network of 20 terminals received 5.73 million tonnes of LNG last month compared with 5.07MT in September 2019, according to data from the Chinese General Administration of Customs.

In the January-September period, China imported 47.90MT, a year-on-year increase of 10.6 percent.

The nation had received 5.96MT of LNG cargoes in the previous month of August, up 16.3 percent.

However, Japan imported 6.50MT of LNG in September 2020 versus 6.44MT in the same month of 2019, a rise of 1 percent.

The Japanese September volumes amounted to around 95 cargoes and the North Asian rival China received 84 cargoes.

LNG imports by China rebounded sharply in April and May 2020, as Covid-19 restrictions eased and economic activity picked up.

China, unlike Japan, also has substantial pipeline natural gas imports.

It receives pipeline gas from southeast Asian nation Myanmar, the Central Asian republics of Turkmenistan, Kazakhstan and Uzbekistan and from Russia since December 2019.

In August 2020, China had overtaken Japan in LNG receipts when Japanese August shipments had amounted to 5.84MT in the same month.

It was the fourth time that China had taken the position of the largest LNG importing country on a monthly basis, following November 2019 and May and June 2020.


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Naturgy posts profit amid Covid-19 impacts on European and South American LNG and utilities

LNG News Editor

Naturgy Group, the Spanish-based global utility and LNG market participant, saw nine-month earnings drop but still turned a profit and its earnings report gives an insight into the natural gas and power sectors from Spain to South America during the Covid-19 era.

Naturgy said net income in the first nine-months of 2020 dropped by 45.6 percent to €490 million ($575M) from €901M in the same period of 2019.

Gas and power

Gross earnings declined by16.6 percent to €2.77 billion from €3.32Bln in the prior-year period.

The gas and power division saw nine-month profits fall by 28.6 percent to €696M from €974M in the same period of 2019.

"The economic crisis has had an impact on the energy sector due to a lower demand for gas and electricity in Spain and Latin America, a more challenging situation in the international LNG market and in the prices of raw materials and the depreciation in Latin American currencies," said Naturgy.

Naturgy added that it had progressed in its natural gas procurement contract renegotiations with its gas suppliers to reduce its risk profile and increase its flexibility.

Pleased with progress: the Naturgy CEO Francisco Reynés

"Contracts accounting for over 50 percent of committed volumes have already been reviewed," said the company.

Naturgy said in its earnings that net sales of natural gas and electricity totaled €12.79Bln in the first nine months versus €17.05Bln in the 2019 period, a drop of 25 percent.

"This was mainly a result of lower energy demand caused by the Covid-19 outbreak, as well as lower energy prices in the period," it added.

"The slowdown in economic activity has had a significant impact on the evolution of gas and electricity demand globally," explained Naturgy.

It said earnings fell during the period, driven by lower demand and energy prices, impacting gas, power and services sales, as well as its International LNG division which it described as "depressed in its price environment".

Naturgy has 20-year agreements for US cargoes from Cheniere Energy and from the Yamal LNG plant in Arctic Russia operated by natural gas company Novatek.

The Spanish company's LNG supply portfolio also includes shipments from nations like Algeria, Qatar, Nigeria and Norway.

The company additionally owns a small fleet of LNG carriers.

Naturgy also holds a strategic 24.5 percent of the North Africa-Spain natural gas pipeline Medgaz.

The other shareholders are the New York-based global equity fund BlackRock and the Algerian energy company Sonatrach.

"In particular, during the period the demand for electricity and gas in Spain decreased on average by 6.6 percent and 8 percent respectively compared with the previous year," said the company.

"Similarly, electricity and gas demand across the Latin American regions where the group operates also experienced a decrease," it added.

"Certain Latin American currencies have also significantly depreciated against the euro and its evolution from there remains uncertain," stated Naturgy.

Naturgy owns energy assets in nations like Chile (nine-month earnings €354M), Brazil (€157M, down 17.8 percent), Argentina (€68M, down 17.1 percent), Mexico (€163M, down 3.6 percent) and Panama (€97M, down 12.6 percent).

"On the pricing front the uncertainty around the Brent crude oil production cuts of major producers globally has translated into significant volatility and an unprecedented decline of commodity prices across key references," it said.

"These include a decrease in gas prices on major hubs such as the Henry Hub and the UK National Balancing Point (by on average by 30 percent and 46 percent respectively in 2020 from 2019) as well as a fall in wholesale electricity prices (Spanish pool has decreased by 36 percent in the period)," concluded Naturgy. ■

Spanish utility extends LNG supply deal for US territory of Puerto Rico and its power generation

Naturgy, the Spanish utility and buyer of both Russian and US liquefied natural gas volumes, has agreed to extend its long-term LNG supply contract with the Puerto Rico Electric Power Authority.

Naturgy said supplies will now be delivered to the US territory for 12 more years until 2032.

"In turn, the extension of the electricity generation contract until 2032 has been agreed through capacity payments between PREPA and EcoEl Eléctrica, in which Naturgy has a stake through its Global Power Generation unit," the Spanish utility explained.

Naturgy's Global Power Generation subsidiary has the Kuwait Investment Authority (KIA), the sovereign wealth fund of the Arabian Gulf nation, as a 25-percent stakeholder.

"Both agreements reinforce Naturgy's commitment to Puerto Rico to achieve more competitive and environmentally sustainable electricity generation and ensure a stable and long-term margin for both businesses," it stated.

Naturgy said it expected to supply the Puerto Ricans with around 1.5 million tonnes per annum of LNG, rising to 2.2 MTPA depending on needs and priced on the US natural gas Henry Hub benchmark.

Naturgy Chairman and Chief Executive Francisco Reynés said the accord extensions should satisfy all parties. "Both agreements represent an important advance in Naturgy's strategy of reducing volatility and risk in our businesses," explained CEO Reynés.

"They also ensure a stable and long-term supply of LNG to Puerto Rico for generation through a combined-cycle of 530-megawatts plant that provides more than 20 percent of the island's electricity," he added. ■

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