

LNG China

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Delays in China's regas build-out could cause winter gas shortages

China's domestic gas market tightens as the winter approaches and CNOOC anticipates a 10% rise in demand to 148.7 billion cubic meters (bcm). In northern China, gas demand peaks during the heating season but CNOOC Gas & Power warned supply will be just 147.5 bcm and delays to LNG regas terminal expansions could limit imports.

PetroChina committed to supply 98.6 bcm, up 10 bcm from last winter, but still not sufficient to meet demand. Sinopec will add around 26.3 bcm and CNOOC another 22.93 bcm.

Market observers expect China might need to import large volumes of LNG this winter to make up for potential supply shortfall, however, the limited built-out in regasification capacity in 2020 will cap imports. At least eight Chinese regas projects – both new terminals and expansions – were slated

to start up this year. But plans never fully came to fruition after the pandemic struck. Six of the proposed LNG import terminals have been postponed to 2021, leaving just two terminal expansions that could be completed before year-end.

“At the moment, there is still some capacity utilisation headroom at existing LNG terminals,” our Markets Editor Alexander Wilk pointed out. “In case of a cold snap, the real question is not (yet) how much new LNG import capac-



ity there is but how many households have been switched from coal to gas for heating and generally underdeveloped distribution infrastructure.”

Though coal-to-gas switch for heating is growing in China's megacities, it is not yet wide-

spread on a national level so the industrial demand remains the main driver of Chinese gas consumption.

With winter's arrival imminent – especially in Northern China – the country's domestic LNG price was last seen at 3,658 yuan (\$457) per tonne or \$11.11/mmBtu.

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China's gas reform 'positive' for city-gas distributors; Fitch Rating says

City-gas distributors in China will benefit from timelier fuel-cost pass-through under the national gas market reform, Fitch Rating reckons. With pipeline access now open to all, those with access to cheap LNG enjoy lower gas procurement costs which will be passed on to end-customers.

State-owned PipeChina was set up in December 2019 to merge the distribution assets of CNOOC, China National Petroleum Corp. (CNPC) and China Petroleum & Chemical Corp. (Sinopec). Now, PipeChina has been offering third-party access for spare capacity at the LNG terminals and gas pipeline network and storage facilities it has taken over.

The aim is to stimulate gas consumption as China's national government propagates a rising

use of clean energy. Gas usage cost will be lowered by strictly regulating distribution and transmission charges. At the same time, selling prices of upstream companies as well as retail prices will be deregulated to reflect demand and supply dynamics. Lowering the fuel cost for gas peaking power stations may shift



PipeChina engineers inspect gas infrastructure

the balance more towards gas generation, though gas will remain a small share of China's energy mix as thermal coal remains cheaper.

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In the event of a prolonged cold period this winter, China has limited leeway to fill any supply gap by importing spot LNG cargoes.

Six regas projects pushed to 2021

The build-out of regas capacity has been halted at the height of the Covid-19 crisis and many projects have been pushed back

to 2021.

Construction of PetroChina's Tangshan LNG phase 3 as well as CNOOC and Shenergy Group's Shanghai LNG phase 2 projects has been called off during coronavirus lockdown and postponed to early next year. Four greenfield LNG import projects that were meant to be completed this year have also been delayed, notably the Dushan and Damaiyu terminals in Zhejiang

province, the Jiangin project in Jiangsu and the Chaozhou facility in Guangdong.

The delayed terminal expansions would have added 6.5 million tons per annum (mtpa) to China's existing 74.55 mtpa import capacity, while the postponed greenfield projects would have added a further 10.8 mtpa combined, according to Argus analysis.

Assuming no additions are

made in the coming months, analysts say China could import up to 19.4 million tons of LNG in the fourth quarter and 18.9 million tons in the first quarter of next year. In the event of a cold snap, the limited regas capacity could hamper Chinese LNG importers to swiftly meet peak demand with additional spot LNG. The risk of temporary supply shortages looms large. ■

China's 2060 carbon-neutral target will impact seaborne trade

President Xi Jinping has pledged that China, the world's largest carbon emitter, will reach peak emissions before 2030 and aspires to become carbon-neutral by 2060. If realized, this ambitious goal is set to impact global commodity markets and seaborne trade.

Speaking at the UN General Assembly, the Chinese President called on all countries to "stop only pursuing development rather than environment protection." Analysts were quick to point out that "clearly for China this needs to start at home" As the world's largest energy market, China currently contributes about 28% of global emissions.

China's emissions need to fall nearly 60% by 2040 from 2019 level using electrification, renewables, green hydrogen and carbon removal technologies, as per Wood Mackenzie's recently released Accelerated Energy Transition Scenario (AET-2).

To curb carbon, China is

deploying over 1 billion tonnes carbon, capture and storage (CCS) capacity across its power and industrial sectors. But to achieve China's new net-zero pledge, "these efforts will need to start much earlier and at a higher scale to deliver on carbon-neutral goal by 2060," said Wood-Mac's Asia Pacific vice chair Gavin Thompson.

"The impact on global energy and commodity markets and seaborne trade is significant in our AET-2 scenario," he noted. "Major commodity exporters' strategies are reset too to align with China's ambitions."

However, China's definition of 'carbon neutrality' is still not well



defined and no roadmap was offered as to how carbon neutrality by 2060 will be achieved. Analysts expect more immediate and concrete steps will be announced in China's upcoming 14th five-year plan.

"Increased investment in wind,

solar, electric vehicle and battery storage technology deployment will almost certainly feature," Wood Mackenzie noted. The consultancy also expects support for green hydrogen and carbon capture technology as well as for clean coal. ■

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NOCs loose midstream assets

The three Chinese NOCs - CNPC, Sinopec, and CNOOC - have been mandated to transfer their midstream assets to PipeChina, though Fitch Rating assumes their loss of midstream earnings will be offset by cash receipts from the government, Capex savings and debt deconsolidation.

Midstream markets are now deregulated and no longer in the

hands of China's three oil and gas majors. However, larger players and those affiliated with NOCs will enjoy lower procurement costs, while smaller players may be phased out amid intensified competition.

US\$ margins to narrow in 2021

Looking ahead Fitch Rating expects dollar margins to narrow from the high levels in 2020 for

most distributors as the gas price rebounds.

Over time, the share of residential sales will rise within the customer mix of midstream companies, and some will opt to pass on part of their fuel-cost savings voluntarily to customers in a bid to maintain scale and expand connections. Tougher retail competition is likely to reduce profit margins, so scale and scope is of the essence. ■

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Publisher
Stuart Fryer

Editor
Anja Karl
Tel: +44 7733 684682
anja@lngjournal.com

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

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Sinopec's profits slump despite rising LNG imports

China Petroleum and Chemical Corp., better known as Sinopec, has seen net profits slump 45.7 percent to 23.51 billion Chinese yuan (\$3.5 billion) in the year to date in a challenging market. Net profits fell despite a rise in the company's LNG imports to 12.53 mt on an annualized basis, including more than 7 mt from Australia.

"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," Sinopec said in its earnings statement, released on the Hong Kong stock exchange.

"The growth of China's economy turned positive, with GDP 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," the company said, specifying: "Domestic demand for natural gas and chemical products maintained their growth and demand for refined oil products recovered steadily quarter on quarter."

Plans to double LNG regas capacity

By 2025, Sinopec plans to more than double its LNG receiving capacities to 41 mt to match its contracted Australian supplies. The Chinese oil and gas major currently has regasification capacity

at Qingdao terminal in Shandong province, the Tianjin North terminal east of Beijing and the Beihai LNG facility in the Guangxi autonomous region bordering Vietnam.

China's latest reform of gas pipelines and import terminals gives better access to third-party shippers. Encouraged by the market liberalization Sinopec plans to expand the Tianjin terminal, which supplies Beijing, to have a capacity to handle 12 mt of LNG imports.

E&P focuses on expanding gas sales

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

"In exploration, new discoveries were made in the Tarim Basin, Jiyang Depression and Sichuan

Basin," said Sinopec. "In natural gas development, we accelerated capacity building in West Sichuan, Dongsheng and Weirong gas fields, and continuously progressed with the development of Fuling, Puguang and Yuanba gas fields."

Crude oil production in China remained stable in the first three quarters of 2020 and sales of natural gas increased by 9.86 percent

year on year, while gas production amounted to 772 billion cubic feet vs 773 Bcf in the previous year.

Sinopec said its realized natural gas price was \$5.32 per thousand cubic feet, a fall of 14.1 percent versus the \$6.19 logged in the year-ago period. The realized crude price was \$38.74 per barrel compared with \$58.82 per barrel last year, a drop of 35 percent. ■



Sinopec technicians check LNG facilities in Tianjin.

CNOOC strives to raise share of gas to half of output by 2035

China National Offshore Oil Corp. (CNOOC) has raised its year-to-date domestic gas production to 311.3 billion cubic feet (bcf), up from 250.6 bcf, in a first step towards making gas account for half of CNOOC's total output by 2035. Two sizable fields, Lingshui 17-2 and Bozhong are due to come onstream.

Natural gas currently makes up 21% and oil 97% of CNOOC's production. Looking ahead, the Chinese state oil company will increase its gas production by

bringing two sizable fields onstream: the Lingshui 17-2 deepwater project in the South China Sea, slated for start-up in the second half of 2021, and the newly

started Bozhong condensate gas field.

Third-quarter revenue fell as low oil prices overrode the effect of increased production, chief financial officer Xie Weizhi when presenting third-quarter results. Revenue plunged 26.8% on year to 35.55 billion yuan (\$5.32 billion), as realised oil prices fell 29% to \$43.03 per barrel. In contrast, gas prices notched up 2% to \$5.85 per thousand cubic feet as China's regulated gas prices are insulated against adverse effects from weak international oil prices.

"In the third quarter, the company continued to promote cost

controls while enhancing quality and efficiency. As a result, our production performance was in line with the annual target," said said Xu Keqiang, CNOOC Chief Executive. He added that CNOOC would be accelerating natural gas exploration and production both in China and overseas as China itself also reforms its shipment methods to allow more third-party access to the domestic market.

CNOOC is also an LNG import capacity holder at nine regasification terminals, which mostly lie south of Shanghai, where it has capacity at one facility. ■



One of CNOOC's offshore oil platforms



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Wison to upgrade Chinese LNG shipyard at Nantong

Wison Offshore and Marine, the owner of the Chinese shipyard at Nantong in Jiangsu province, has started to modernize the yard's LNG shipbuilding capability. The upgrade will expand the yard's size and transform its management and control processes. The project will cost 1.43 billion Chinese yuan (\$200m) and is scheduled to be completed in 2022.

It is planned to extend the existing dock to 370 metres by 68 metres and expand the general assembly site to about 20,000 square metres, build a general assembly workshop of about 14,000 square metres and a spray-painting workshop of 9,000 square metres. A further workshop will be constructed of 40,000 square metres and an outfitting dock of about 9,000 square metres.

"After completion, the production capacity of Wison Nantong yard will reach annual deliveries of five floating natural gas liquefaction (FLNG) units, LNG carriers and floating storage regasification and power generation barges (FSRP)," said Wison. The company could also deliver 60,000 tons of modules and 20 LNG tanks for floating facilities.

Annual output is meant to reach a value of 13.7 billion yuan (\$2 billion) in total once the upgrade is completed. "This will not

only help Wison break through the bottleneck of production capacity, but also further enhance the engineering and construction capacity of two core products," the company said. It referred to is its FLNG liquefaction vessels with capacities of between 500,00 tonnes and 5 million tonnes per annum capacity and Floating Storage Regasification and Power (FSRP) vessels.

Upgrading the Nantong yard is meant to push sales of Wison serialized large-scale floating natural gas solutions, indicated An Wenxin, Chief Operating Officer.

Gaztransport and Technigaz (GTT), the French technology firm for designs of systems for the maritime transportation and storage,



View of Wison's Nantong Yard

has signed a technical and licensing agreement with Wison. The accord covers floating LNG production hulls, FSRUs, FSRPs and conventional LNG carriers.

Ships completed by the Wison shipyard include the FLNG production hull deployed at the port of Bahia Blanca in Argentina, the "FLNG Tango".

The Nantong yard also constructed the world's first barge-based FSRU. Both the LNG production barge and the FSRU were delivered to Belgian shipping line and project company Exmar.

NEWS NUDGES

Spot charter rates up

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.

'Carbon neutral' LNG

French energy major Total said it delivered its first shipment of "carbon neutral" liquefied natural gas with the recipient being the China National Offshore Oil Corp. The loading operation was carried out at the Ichthys liquefaction plant near Darwin in Northern Australia, and where Total is a shareholder in the plant run by Japan's Inpex Corp. Total said the shipment was delivered on September 29 to the Dapeng terminal in the southern Chinese province of Guangdong. Royal Dutch Shell delivered the first such LNG cargoes with offsets against nature programmes like forestry.

UK-China LNG deal

Centrica, the UK utility and LNG market participant, has agreed to sell LNG to China under a long-term contract. The binding 15-year Sales and Purchase Agreement is for 500,000 tonnes per annum of supplies to the Shengry Group. Deliveries are expected to start in 2024.

Venture Global hails LNG as counter coal in China

U.S. liquefaction plant developer Venture Global sees LNG-fuelled power generation as "a counter" to China's building spree of new coal power units. By turning to LNG, utilities can "regain control of the energy transition in the post-Covid-19 era," Venture Global co-founder Michael Sabel told the Gastech Virtual Summit.

"China in the next five years is going to be turning on new coal production capacity equal to what all of Europe has today," said Sabel in a panel discussion.

Venture Global sees itself a niche LNG supplier under long-term contracts and also aims to be a low-cost producer. "The lower we can make the cost of delivered LNG, the more customers around the world will decide to have the

fuel," Sabel noted.

Aiming to expand the scope of its LNG business to 60 million tonnes per annum (mtpa) of production, Venture Global has recently fully contracted Calcasieu Pass LNG. It now works towards early completion of Plaquemines LNG, stating these capacity expansions will likely suffice to meet additional customer demand.

Looking ahead, Venture

Global's co-founder sees increasing demand for LNG in the next few years. "We think there's approximately 100 million tonnes of new production capacity required roughly in 2025 and by 2040 it's going to be 300 million tons to 400 million tons," he said, adding: "The growing energy needs are going to have to be bridged, hopefully, by a lot of gas and LNG."



Chinese LNG Demand Outlook

2.77mmt on the water with a delivery horizon of 1st December, with c. 44 percent due in the North China region. At the time of writing, there were also cargoes amounting to 0.49mmt with unconfirmed destinations in China.

North China

Of total LNG currently en route to China, we are anticipating 1.21mmt to be delivered to North China – comprising the wider Beijing area and China’s industrial north – with a delivery horizon of 1st December.

Current market visibility indicates at least 0.28mmt are destined for PetroChina’s Dalian LNG by 8th November, comprising two cargoes from Qatar’s Ras Laffan LNG complex and one from Nigeria’s Bonny Island via the Q-Max vessels *Mozah* (0.11mmt) and *Al Mayeda* (0.11mmt) as well as the *LNG Oyo* (0.06mmt).

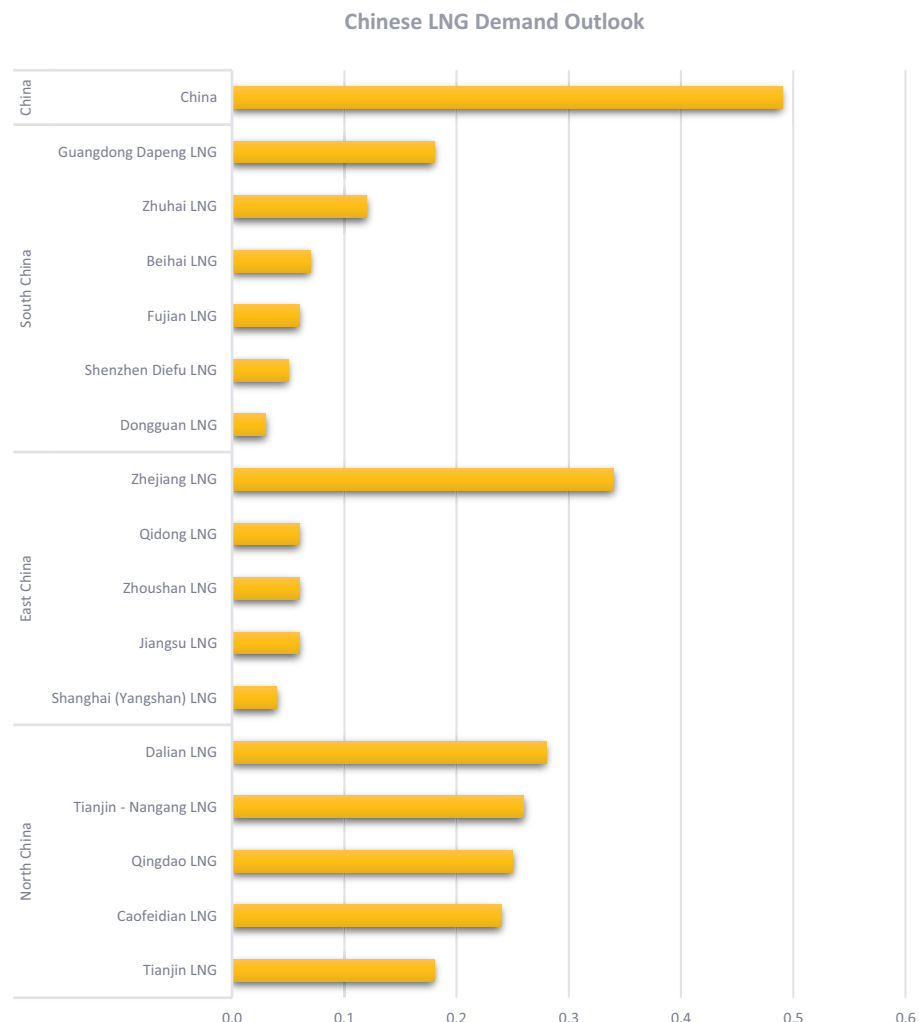
Meanwhile, CNOOC’s Tianjin - Nangang LNG is looking to receive 0.26mmt by 8th November, taking a 21 percent share of LNG headed to the region. The four cargoes were exported by Australia Pacific LNG (0.14mmt), Cove Point LNG (0.05mmt) and Angola LNG (0.07mmt). The 0.26mmt are aboard the *CESI Wenzhou* and *CESI Tianjin* as well as the *British Mentor* and the *La Mancha Knutsen*, respectively.

At the North China region’s southernmost border, expected deliveries to Qingdao LNG comprise three Australian cargoes via the *CESI Qingdao* (0.08mmt), the *Grace Cosmos* (0.05mmt) and the *Grace Acacia* (0.05mmt), all three sailing from Australia Pacific LNG, which we expect to arrive by 8th November. In addition, Papua New Guinea’s PNG LNG has a cargo en route aboard the *Gigira Laitebo* (0.07mmt) with expected arrival on 2nd November.

US LNG continues to flow into China

Caofeidian LNG, meanwhile, is looking to receive four cargoes by 1st December. Notably, the last cargo to arrive within that time frame is the *BW Pavilion Vanda* carrying a Cameron LNG cargo, our LNG Market Tracker data indicates. The trade thus marks the continuation of US LNG flows to China in October after exports from the plant were hampered by bad weather.

The *Georgiy Ushakov* (0.07mmt) and the *British Partner* (0.07mmt), meanwhile, are carrying two Yamal LNG cargoes to China’s North and are scheduled to arrive by 9th November. The former we expect to arrive at Caofeidian via the Northern Sea Route whilst



Source: LNG Journal

the latter may still be diverted to another Chinese terminal in our estimation. The *British Partner’s* cargo is a Yamal transshipment via the *Clean Vision* that took place at Zeebrugge on 14th September.

We are also expecting the *Grace Barleria* (0.06mmt) to deliver an Australian Wheatstone LNG cargo to Caofeidian by 31st October. The vessel departed Wheatstone LNG on 19th October and was on schedule at the time of writing.

Completing the demand outlook for northern China are 0.18mmt scheduled to arrive at Sinopec’s Tianjin LNG via two Yamal cargoes as well as a Sabine Pass LNG shipment. The former two are aboard the *Nikolay Zubov* (0.05mmt) and the *Clean Planet* (0.06mmt) whilst the latter one will arrive via the *Kinisis*

(0.07mmt). Notably, the two Russian cargoes were also sent via the Northern Sea Route and are expected at Tianjin by 4th November. The *Kinisis*, however, is not due until 23rd November.

East China

We currently see the East China region – comprising the wider Shanghai area and Zhejiang province – to receive 0.56mmt by 28th November. Zhoushan LNG is scheduled to receive 0.06mmt from Sabine Pass LNG in the United States via the *LNG Jurojin* by that date. Moreover, we see four Australian and one Qatari cargo aboard the *Valencia Knutsen* (0.06mmt), the *Tangguh Hiri* (0.07mmt), the *Methane Julia Louise* (0.07mmt), the *Barcelona Knutsen* (0.06mmt) and the Q-Flex

Al Safliya (0.08mmt) due at Zhejiang LNG by 11th November. Additionally, we are seeing an Australian Gladstone LNG cargo travelling to Qidong LNG via the *Seri Begawan* (0.06mmt). At the time of writing the vessel was indicating arrival on 30th October. Finally, our data indicate Jiangsu LNG is due to receive a cargo from Australia's Gorgon plant via the *Castillo de Caldelas* (0.06mmt) whilst the Malaysia LNG-derived *Polar Spirit* is expected at Shanghai LNG by 30th October.

South China

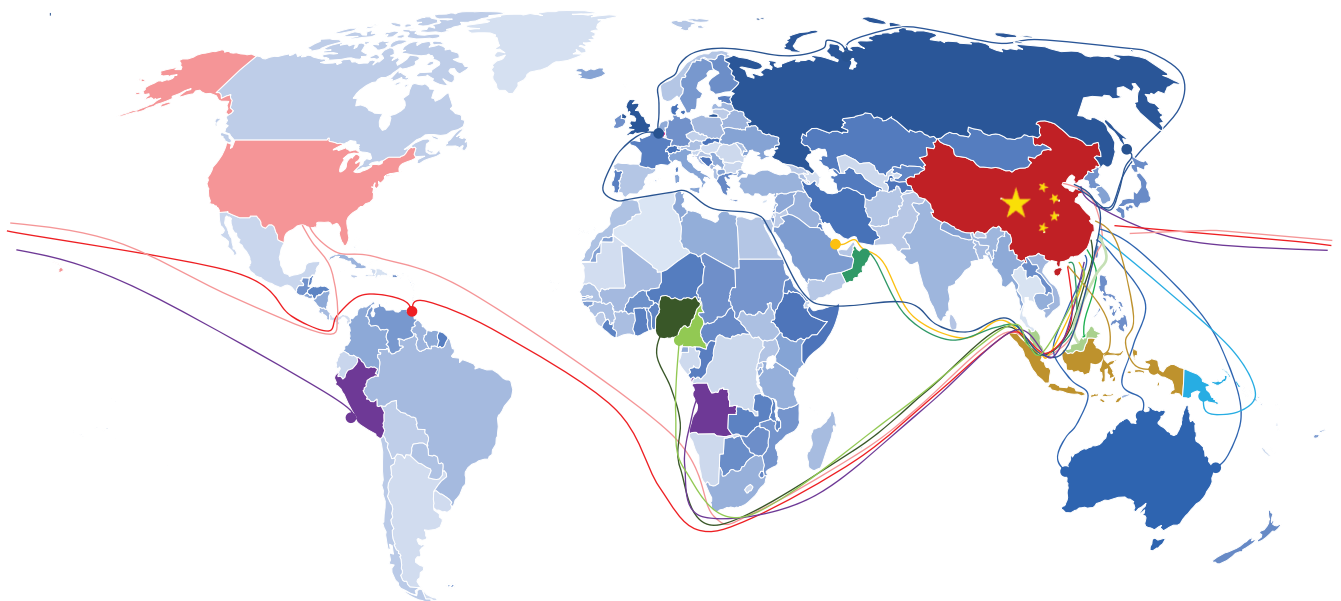
In the south of the country, we are currently expecting 0.51mmt to be delivered by 11th

November, led by three Australian NWS LNG cargoes aboard the *Flex Enterprise* (0.06mmt), the *Dapeng Star* (0.06mmt) and the *Dapeng Moon* (0.06mmt). We expect the three vessels to arrive at CNOOC's Guangdong Dapeng LNG terminal by 5th November.

Nigerian and Oman also had one cargo each at sea to the South China region, which we expect to arrive at Zhuhai LNG by 11th November. Malaysia's Malaysia LNG facility, meanwhile, had a cargo en route to Beihai LNG via the *Seri Bakti* (0.07mmt). We are also expecting the *Min Lu* (0.06mmt) to deliver an Indonesian Tangguh LNG shipment to Fujian LNG by 6th November whilst the APLNG-derived *BW*

Pavilion Leeara (0.05mmt) was carrying a Shenzhen Diefu-bound cargo at the time of writing. Finally, we highlight the *LNG Lerici* was carrying a Malaysian cargo to Dongguan LNG and at the time writing was expected to arrive by 1st November. The vessel's cargo derived from a ship-to-ship transfer via the *Methane Shirley Elisabeth* earlier in October.

Chinese Demand September and October



For illustration only.

China's LNG offtake declined by 0.49mmt month-on-month in October, decreasing significantly by 8.7 percent to 5.07mmt. Monthly Chinese offtakes had grown by 0.41mmt (7.7 percent) in August, whereas month-on-month demand began to decrease in September, when offtakes totalled only 5.55mmt (-0.17mmt, -3 percent). This means Chinese LNG demand in October was 0.65mmt (-11.4 percent) lower than in August.

LNG predominantly fuels China's industrial sector, meaning demand is strongly linked to economic growth. As such, the clampdown on industrial and social activity through COVID-19 related quarantine measures had previously curtailed gas demand. China's official manufacturing index plummeted to the record

low figure of 35.7 in February but rebounded to 52.0 in March. After declining to 50.6 in May, China's PMI has continued to trend upwards, albeit on a gentle slope. Accordingly, August's PMI stood at 51 whilst the September equivalent rose faster to 51.5, according to China's National Bureau of Statistics (October's PMI had not yet been published at the time of writing). This suggests to us the country had begun producing Christmas goods for export.

Chinese economy remains in growth mode

The Chinese economy thus remained in growth mode and thus kept increasing its energy demand as it approached the colder season of the year. However, as a result of higher

domestic energy demand as well as a tightening spot market amid South Korea and Japan increasing offtakes at the same time, the local price for LNG in China increased sharply, especially in the colder north and the industrious south. This in turn, as well as only slow-moving progress on opening up infrastructure to third-party access, served to increasingly curb Chinese demand in September and October, we think. China maintains abundant coal-fuelled power capacity to switch to in case the immediate cost of alternatives rises too quickly.

Nevertheless, demand in October this year still exceeded the demand level seen in October 2019, allowing overall Chinese LNG offtakes to

show a robust y/y growth of 1.01mmt (24.9 percent). This in turn translated into capacity utilisation of 73 percent in October, an increase of more than 19pp year-on-year.

Prices

Domestic gas prices are trending upwards

Chinese domestic LNG prices have been trending upwards since the end of May. However, privately quoted price increases began to accelerate from \$7.20/mmBtu in August to c. \$7.84/mmBtu in September. The domestic price increase continued throughout October and on 30th October prices had climbed to \$11.42/mmBtu from \$10.89/mmBtu the day prior, a jump of 4.8 percent. However, this price behaviour was also broadly in line with that this time last year.

Meanwhile, the average domestic price indicated by the National Bureau of Statistics (CNBS) stood at \$7.91/mmBtu on 20 September and increased to \$9.04/mmBtu as of 20th October, the latest available data point. As such, China's average domestic LNG price of \$7.79/mmBtu in September was c. 3.4 percent higher than in August, whilst the average price up until 20th October increased further to \$8.67/mmBtu, which was up 11.3 percent month-on-month.

Concurrently, we highlight that landed LNG saw an average price of \$5.40/mmBtu as of 30th September, according to Chinese customs data. This represents a notable preliminary drop of \$0.29/mmBtu (-5 percent) month-on-month in September, with data for October yet to be published at the time of writing.

North China

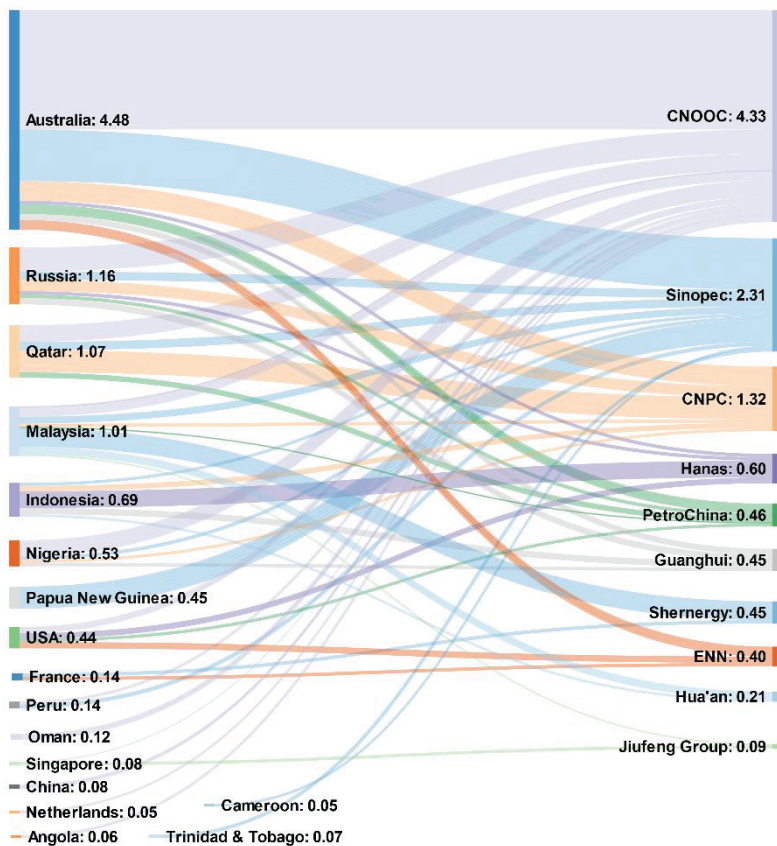
Chinese demand saw significant negative monthly growth in the north of the country, decreasing by 0.22mmt from 2.06mmt in August to 1.84mmt in September. In October,

however, monthly demand growth in the north with 0.21mmt (11.4 percent) to 2.05mmt.

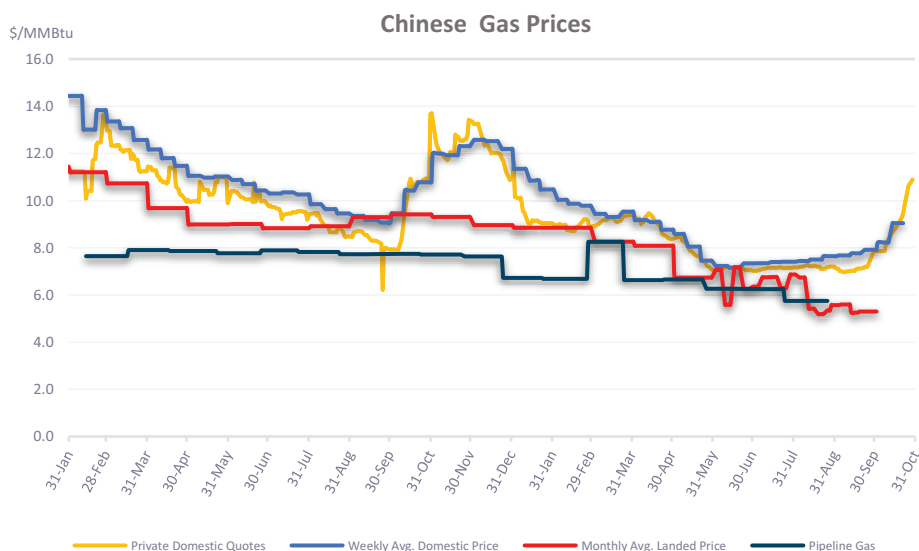
China's North led by Tianjin-Nangang LNG

Leading the roster of northern terminals by volume imported, Tianjin-Nangang LNG took in 0.65mmt in October, consisting predominantly of six Australian cargoes totalling 0.40mmt that were delivered by the *Grace Acacia* (0.05mmt), the *Gaslog Glasgow* (0.07mmt), the *Gaslog Geneva* (0.06mmt), the *CESI Wenzhou* (0.07mmt), the *CESI Tianjin* (0.07mmt) and the *CESI Beihai* (0.08mmt) between 7th and 30th October. Meanwhile, Russia delivered two cargoes from its Yamal LNG plant via the *Yakov Gakkel* (0.07mmt) and the *Nikolay Urvantsev* (0.07mmt). One shipment each from the United States and Malaysia comprised the remaining two cargoes, which arrived between 3rd and 14th October via the *Diamond Gas Rose* (0.05mmt) and the *Alto Acrux* (0.06mmt), respectively. Accordingly, Tianjin-Nangang LNG increased its monthly LNG offtake by 0.18mmt (38.3 percent) in October, pegging capacity utilisation at 72 percent.

Chinese LNG Buyers



Source: LNG Journal



Source: LNG Journal, CNBS, GACC, Domestic Traders

Caofeidian LNG saw highest month-on-month regional growth rate in October

Caofeidian LNG led regional offtake growth by terminal, increasing imports by 0.12mmt (66.7 percent) from 0.18mmt in September to 0.30mmt in October, pegging capacity utilisation at 55 percent. Qatar was the principal supplier of LNG through the Q-Max vessel *Al Ghuwairiya* (0.11mmt). The remaining October deliveries to Caofeidian LNG were performed by the *British Partner*, which arrived with a 0.07mmt cargo from Yamal LNG in Russia, as well as the *Grand Aniva* (0.06mmt) and the *Grace Barleria* (0.06mmt), which delivered a Sakhalin-2 LNG and a Wheatstone LNG cargo, respectively.

Tianjin LNG saw monthly offtakes decline

Tianjin LNG, meanwhile, saw monthly offtakes decrease by 0.09mmt from 0.43mmt in September to 0.34mmt in October (-20.9 percent). Utilisation in October stood at 56 percent. By contrast, the terminal saw robust monthly offtake growth in September, increasing imports by 0.16mmt (59 percent) to 0.43mmt from 0.27mmt in August. Deliveries derived mainly from Qatar's Ras Laffan LNG complex via trades with the *Patris* (0.08mmt) and the Q-Flex *Al Karaana* (0.09mmt). Also in October, the *Nikolay Zubov* (0.05mmt) and the *Cygnus Passage* (0.05mmt) delivered a Yamal LNG and a Sakhalin-2 cargo, respectively. Finally, the *Sean Spirit* (0.07mmt) delivered an Atlantic LNG cargo from Trinidad & Tobago on 19th October.

Dalian and Qingdao LNG

The remaining two northern terminals – Dalian LNG and Qingdao LNG – imported 0.20 and 0.56mmt in September, respectively, which in the case of Dalian LNG increased by 0.04mmt (20 percent) to 0.24mmt in October. Qingdao, meanwhile, decreased offtakes by 0.04mmt (-7 percent) to 0.52mmt in October.

Australia was Dalian LNG's principal LNG supplier via the *Woodside Goode* (0.06mmt) and the *Maran Gas Alexandria* (0.07mmt). The remaining October delivery to Dalian LNG was performed by the *Nikolay Yevgenov*, which arrived with a 0.07mmt cargo from Yamal LNG in Russia.

Supply to Qingdao mainly came from Australia, too, constituting the majority of its October offtakes (0.27mmt) split between five cargoes out of APLNG with three further cargoes supplied by Papua New Guinea aboard the *Spirit of Hela* (0.08mmt), the *Kumul* (0.07mmt) and the *Papua* (0.07mmt). Finally, Qingdao's LNG offtakes in October were completed with

a Malaysian cargo aboard the *Golar Frost* (0.07mmt). Notably, Dalian saw relatively low utilisation in October of around 48 percent whilst Qingdao continued to work flat-out.

East China

Demand in East China was dominated by the coastal province of Zhejiang south of Shanghai, where Zhejiang LNG imported 0.48mmt in October. This, however, constituted a slight month-on-month decrease of 0.01mmt (-2 percent) over September. Nevertheless, the terminal operated at above nameplate capacity during both September and October.

Zhoushan LNG

Its neighbouring terminal, Zhoushan LNG, saw a much more significant month-on-month offtake decrease of 0.14mmt (-52 percent) to 0.13mmt in October as private operators struggled to gain grid access, we think. Consequently, the terminal's utilisation only reached 52 percent in October. Zhoushan LNG is one of the few LNG import terminals not controlled by one of the state-owned petrochemical giants PetroChina, Sinopec and CNOOC.

Wider Shanghai area sees capacity utilisation decrease

Meanwhile, the wider Shanghai area – comprising Jiangsu LNG, Qidong LNG, Shanghai LNG and the metropolis' peak-shaving facility – imported a total of 0.80mmt in October. This constituted a marked decrease of 0.30mmt (-27 percent) over the 1.10mmt imported during September. The sub-region's month-on-month decrease was led by Jiangsu LNG, which reduced month-on-month imports by 0.16mmt (-32 percent) from 0.50mmt in September to 0.34mmt in October. Meanwhile, Qidong LNG also decreased offtakes significantly by 0.09mmt (-33 percent) to 0.18mmt whilst Shanghai LNG reduced its LNG intake by 0.05mmt (-20 percent) to 0.20mmt in October. Only Shanghai's Peak-shaving facility merely maintained offtakes at 0.08mmt. Overall capacity utilisation for the wider Shanghai area therefore decreased by c. 26pp to 70 percent in October from 96 percent in September.

South China

Regional imports in South China – where LNG demand is primarily determined by the southern industrial centre of Shenzhen – saw month-on-month demand decrease significantly in October in line with the country overall. The region's imports decreased by 0.25mmt (-13 percent) to 1.61mmt in October from 1.85mmt in September.

Steady imports at Fujian LNG

Fujian LNG kept monthly offtakes steady in October, taking in 0.30mmt. After the terminal was put back into full service in April following maintenance, the terminal quickly grew monthly imports to 0.37mmt in August. In September, monthly offtakes fell back to 0.30mmt. Fujian LNG's capacity utilisation thus stood at 57 percent in both months.

Shenzhen area at half capacity utilisation

At the same time, the region's most prominent terminal – Guangdong Dapeng LNG – also saw offtakes remain broadly steady at 0.59mmt in October whilst its neighbouring Shenzhen Diefu LNG facility, the Shenzhen Peak-shaving terminal as well as Dongguan LNG decreased total offtakes by 0.06mmt to 0.10mmt. Consequently, although the Guangdong Dapeng Terminal was at full capacity, utilisation for the Shenzhen area as a whole only reached c. 49 percent.

Beihai LNG reduced activity

Beihai LNG curtailed offtakes in October after seeing high demand in September and August. In August, the terminal increased offtakes by 0.05mmt (25 percent) to 0.25mmt and saw demand of 0.27mmt in September. However, October demand came in at only 0.19mmt, down 0.08mmt (-29.6 percent) month-on-month. As a result, utilisation also softened to 76 percent in October, down 24pp from full capacity utilisation in September and October.

Zhuhai & Jieyang LNG

Zhuhai LNG imported 0.27mmt in October – thereby increasing monthly offtakes by 0.07mmt (35 percent) – whilst Jieyang LNG once again was absent from the market. The terminal has suffered from frequent periods of inactivity since its commissioning in 2017. At Zhuhai, capacity utilisation stood at 96 percent in October, down from the 71 percent seen in September.

Lacklustre demand on Hainan Island

The remaining two regional LNG terminals on Hainan Island – Hainan LNG and the Hainan Transfer Station – saw demand fluctuate considerably. Whilst the Transfer Station continued to receive its regular cargoes via the *Lucia Ambition* (0.01mmt), its larger counterpart on the island – Hainan LNG – decreased October imports to just 0.07mmt from 0.23mmt in September. Notably, September saw a surge in offtakes from just 0.02mmt in August. Hainan LNG capacity utilisation thus surged to 92 percent in September but fell back to just 28 percent in October.

Region	Terminal	Export Basin			October	September	% Change m/m	October Utilisation
		Atlantic	Middle East	Pacific				
North	Caofeidian LNG	0.07	0.11	0.12	0.30	0.18	66.7%	55%
	Dalian LNG	0.06	0.11	0.07	0.24	0.20	20.0%	48%
	Qingdao LNG	-	-	0.52	0.52	0.56	-7.1%	208%
	Tianjin - Nangang LNG	0.19	-	0.46	0.65	0.47	38.3%	72%
	Tianjin LNG	0.12	0.17	0.05	0.34	0.43	-20.9%	56%
East	Jiangsu LNG	0.11	0.12	0.11	0.34	0.50	-32%	117%
	Jieyang LNG	-	-	-	-	-	-	-
	Qidong LNG	-	-	0.18	0.18	0.27	-33%	180%
	Shanghai LNG	-	-	0.20	0.20	0.25	-20%	80%
	Shanghai Peak-Shaving	-	-	0.08	0.08	0.08	0%	16%
	Zhejiang LNG	0.08	-	0.40	0.48	0.49	-2%	192%
	Zhoushan LNG	-	-	0.13	0.13	0.27	-52%	52%
South	Beihai LNG	0.05	-	0.14	0.19	0.27	-30%	76%
	Dongguan LNG	-	-	0.05	0.05	0.04	25%	83%
	Fujian LNG	0.07	-	0.23	0.30	0.30	0%	57%
	Guangdong Dapeng	0.06	0.09	0.44	0.59	0.60	-2%	104%
	Hainan LNG	-	-	0.07	0.07	0.23	-69%	28%
	Hainan Transfer	-	-	0.02	0.02	0.01	100%	66%
	Jieyang LNG	-	-	0.07	0.07	0.09	-22%	42%
	Shenzhen Diefu LNG	0.05	-	-	0.05	0.07	-29%	15%
	Shenzhen Peak-	-	-	-	-	0.05	-	-
	Zhuhai LNG	0.14	0.06	0.07	0.27	0.20	35%	96%
Total		1.00	0.66	3.41	5.07	5.55	-8.79%	72.78%

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