LNG Unlimited

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Former LNG producer Libya launches major gas project

Italy's PM Meloni helped seal deal to bring Libya back into group of gas-producing nations

LNG News Editor

Eni CEO Descalzi and counterpart from National Oil Corp. of Libya Bengdara sign deal watched by Italian PM Meloni and head of Libya's Government Abdulhamid Al-Dbeibah

The second foreign trip of the premiership of Italian Prime Minister Giorgia Meloni has taken place to Libya and has resulted in a major natural gas deal with the Libyans who were former LNG exporters from a plant destroyed during years of conflict.

The natural gas deal between the national energy companies of Italy and Libya was signed in Tripoli in the presence of Italian PM Meloni and the PM of the Libyan Government of National Unity, Abdul Hamid Al-Dbeibah.

Signatories

The signatories of the agreement itself on January 28 were the Chief Executive of Italy's Eni, Claudio Descalzi, and his counterpart at the National Oil Corporation of Libya, Farhat Bengdara.

"The overall estimated investment will amount to $8 billion with significant impact on the industry and the associated supply chain, allowing a significant contribution to the Libyan economy," said a joint Italian-Libyan statement.

Eni signed a similar natural gas deal, for a second pipeline to Italy from Algeria, during a visit by Meloni to Algiers earlier in January 2023, her first foreign trip as PM - apart from one to meet the Pope in the Vatican City on January 10.

Libya's hydrocarbon production and exports have been substantially affected by conflict and continuing civil unrest over the past few years while LNG production stopped during the 2011 phase of the civil war. Libya had been the third country in the world to start LNG production from the Marsa al-Brega LNG plant that came on stream in 1971.

This was just slightly later than the first two LNG pioneer nations.

The Algerian Arzew plant opened in 1964 and the US facility in Alaska shipped its first cargo from the Kenai Peninsula to Japan in October 1969.

Libya exported most of its 700,000 tonnes per annum of LNG output from the small-scale plant to Spain.

The Marsa al-Brega facility was operated by Shell and had been the subject of an expansion plan in 2007 involving an upgrade and a more than four-fold increase in production to 3 million tonnes per annum, but the proposal was never taken forward.

Under the new Libyan Oil Corp. and Eni natural gas deal just signed there was no mention of LNG, though exports by pipeline to Europe from Libya are back on the agenda.

"The strategic project is aimed at increasing gas production to supply the Libyan domestic market as well as to ensure exports to Europe," said the statement.

"The venture called 'Structures A&E' is the first major gas project in the country since the early 2000s," added the statement.

"It consists of the development of two gas fields, namely Structures 'A' and 'E', located in the contractual area D offshore Libya," it explained.

The combined gas production from the two structures will start in 2026 and reach a plateau of 750 million standard cubic feet per day.

Eni said that production would be ensured through two main platforms tied-in to the existing treatment facilities at the Mellitah complex.

The project also includes the construction of a carbon-capture and storage (CCS) facility at Mellitah.

"This agreement will enable important investments in Libya's energy sector, contributing to local development and job creation while strengthening Eni's role as a leading operator in the country," explained Eni CEO Descalzi.

Eni is the leading international natural gas producer in Libya, with a share of 80 percent of the national production, which in 2022 amounted to 1.6 Bcf per day. ■

UNLIMITED AGENDA

Shell posts record earnings helped by boost in annual LNG sales volumes at very high prices

LNG News Editor

UK major Shell plc posted the company's highest ever annual profits helped by record natural gas prices as its LNG sales volumes also increased during the quarter and for the full year.

Shell's fourth-quarter LNG sales amounted to 16.82 million tonnes, up 7 percent from the 15.66MT reported in the third quarter and just ahead of the 16.72MT of sales in the 2021 fourth quarter.

Shell's new CEO Wael Sawan succeeded Ben van Beurden

LNG income

Annual LNG sales rose by 3 percent to 65.98MT from 64.2MT in the previous year.

Shell reported a more than doubling of the overall adjusted earnings total of $39.9 billion for the full-year 2022 versus $19.28Bln in 2021.

This total surpassed the previous Shell earnings record of $28.4Bln set in 2008.

"Fourth quarter 2022 income attributable to Shell shareholders also included net gains of $4.2Bln due to the fair value accounting of commodity derivatives, partly offset by charges of $1.9Bln related to the EU solidarity contribution and the UK Energy Profits Levy, and impairment charges of $700M," explained Shell.

In the Integrated Gas division, including LNG, there were lower liquefaction volumes of 6.78MT compared with 7.24MT in the third quarter.

This mainly reflect longer-than-expected maintenance at the Prelude FLNG plant offshore northwest Australian and operational issues at the Queensland Curtis LNG facility in Australia.

Integrated Gas earnings amounted to $5.29Bln compared with $4.77Bln in the same three months of 2021.

Shell's earnings statement showed that its realised natural gas prices were actually lower in the fourth quarter at $12.31 per thousand feet compared with $13.18 per mscf in the third quarter.

"Trading and optimisation results were driven by seasonality combined with capturing unique optimisation opportunities generated through the large scale and scope of our LNG trading portfolio," said Shell.

Total oil and gas production, compared with the full year 2021, decreased by 8 percent, mainly due to derecognition of Sakhalin-related volumes in Russia, production-sharing contract effects and partly offset by a new field ramp-up to supply Trinidad and Tobago LNG.

Shell had pulled out of Russian investments after the Ukraine invasion in February 2022 including its 27.5 percent stake in the Sakhalin LNG export plant and its one-fifth share in the Nord Stream II pipeline.

The company also stopped all spot purchases of Russian crude, LNG and of cargoes of refined products directly exported from Russia. ■

ExxonMobil's Russian expropriations and EU 'unfavorable' tax grab fail to dent earnings

Exxon Mobil Corp., the leading global oil and gas company and LNG market operator, posted a record $56 billion net profit for 2022 and fourth-quarter earnings of $12.8Bln amid Russian expropriations while it is also being forced to sue the European Union over $1.3Bln of "unfavorable items" associated with additional taxes on the US shareholder-owned company.

The Russian and EU hits came as the US Permian Basin delivered record production in the quarter of more than 560,000 oil-equivalent barrels per day and the company also loaded the first LNG cargo from the Coral South LNG development in Mozambique.

Natural gas

"Compared to the same quarter last year, earnings increased $2.1Bln. The improvement was driven by a 46 percent increase in natural gas realizations and an increase of nearly 10 percent in crude realizations," said ExxonMobil.

"Excluding divestments and the Sakhalin-1 expropriation, oil-equivalent production grew by 217,000 barrels per day, driven by the company's advantaged growth projects in the Permian and Guyana in South America, it added.

"Earnings excluding identified items were $8.8Bln for the quarter, an increase of $2.Bln compared to the same quarter last year," said the earnings statement.

"Full-year earnings were $36.5Bln, an increase of $20.7Bln versus 2021 despite a $2.4 billion unfavorable impact from identified items, most notably additional European taxes on the energy sector and the Sakhalin-1 impairment," ExxonMobil explained.

"Earnings excluding identified items were $39.4Bln, an increase of $23.1Bln," it added.

Darren Woods, Chairman and Chief Executive of ExxonMobil, praised his workforce for rising to all the challenges.

"The hard work and commitment of our people enabled us to deliver industry-leading operating and financial results and shareholder returns in 2022," said Woods.

The company said production in the Permian grew by about 90,000 oil-equivalent barrels per day and Guyana production increased by about 70,000 oil-equivalent barrels per day.

"As I've said before, for too long, the conventional wisdom has been that ExxonMobil must choose between meeting the world's energy needs or playing a leading role in the energy transition," said Woods at a later conference with analysts.

"In fact, it is an "and" equation, one in which we help meet the world's energy needs and lead in reducing greenhouse-gas emissions, both our own and others'," he stated.

Woods added that the company would continue to investment in competitively advantaged, high-return projects.

"This has enabled us to increase production this year by 25,000 oil equivalent barrels per day despite the loss of about 140,000 oil-equivalent barrels per day from divestments and the expropriation of Sakhalin-1," he stated. ■

JERA posts loss but is optimistic for full year

JERA Co. Inc. of Japan, the largest corporate LNG buyer in the world, reported a loss in the fiscal third-quarter because of higher fuel procurement costs even as revenues more than doubled during the three months.

JERA, which is the nation's biggest fossil-fuel generator being owned jointly by Tokyo Electric Power Co. and Chubu Electric Power, the two largest power companies, reported fiscal third-quarter revenues to the end of December of 6.08 trillion yen ($46.8Bln) compared with 2.8 trillion yen (21.97Bln) in the prior-year quarter, up 113 percent.

The Tokyo-based company reported a 100.2Bln yen ($772 million) loss in the fiscal third quarter versus a profit of 18.4Bln yen ($141.7M) in the same three months of 2021.

JERA said its sales and revenues had jumped as a result of the fuel trading activities at its subsidiary JERA Global Markets (JERAGM) as well as the benefits of a year-on-year increase in electricity sales.

The company said that net income at JERAGM increased year-on-year to 161.7Bln yen ($1.24Bln) versus 117.6Bln yen ($905M) in the same quarter of 2021 which had been hit by of the "deep freeze" impact on fuel trading in North America.

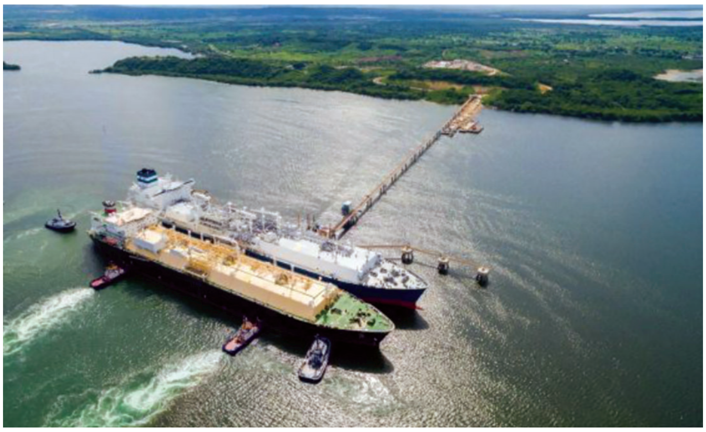
JERA had also said in October 2022 that it would book a 110Bln yen ($847M) loss related to higher purchase costs, including LNG spot cargoes after the halting of shipments from the US Freeport LNG plant on Quintana Island in Texas because of the June 2022 fire.

Colombia FLNG terminal invites expansion expressions of interest

LNG News Editor

The South American nation of Colombia is making moves to import more liquefied national gas as the floating LNG terminal at the port of Cartagena has revealed expansion plans.

The terminal is a joint venture between Colombia's Promigas and Dutch global energy storage giant Royal Dutch Vopak and is called SPEC LNG from its formal name, Sociedad Portuaria El Cayao.



Floating LNG terminal has been at Cartagena since 2016

Regas services

SPEC LNG said it was now inviting expressions of interest from market participants for potential regasification services.

The Colombian floating storage and regasification unit (FSRU) is one of the original wave of FSRUs deployed in South America.

Cartagena is in the far northeast of the country on the Caribbean Sea and the terminal has been operational since December 2016.

SPEC LNG pointed out that the facility is Colombia's main connection to international LNG markets and supports 2,000 megawatts of gas-fired power generation, about 60 percent of Colombia's gas-fired electricity capacity.

SPEC LNG said it was taking measures to address a potential shortage of natural gas supply in Colombia.

"Expansion plans consist of increasing its regasification capacity from 400 million cubic feet per day to 450 million cubic feet per day by the end of 2023 and up to a total of 530 mmscf per day as of the second half of 2026," explained the company.

"This market test aims to assess demand from market participants´ for the potential additional capacity ahead of a final investment decision," added SPEC.

The aim of the expansion is to ensure both medium-term and long-term supply of natural gas in Colombia as part of its energy transition measures.

"Considering the latest natural gas supply and demand projections in Colombia, the expansion of the capacity of our LNG import terminal is an efficient and competitive option to ensure the supply of natural gas to the market," said Jose M. Castro, Managing Director of SPEC.

Indian LNG importer GAIL posts drop in net profits but revenues up

Gas Authority of India (GAIL), the LNG importer and natural gas pipeline grid and city-gas operator, reported a decline in net profits even as total revenues increased for the fiscal third quarter and the year to date.

GAIL's net profits for the fiscal third quarter to the end of December dropped to 245.73 crore rupees ($30.14M) from 1,537 crore rupees ($188M) in the same three months of last year as gas transmission volumes also fell.

Quarterly total revenues increased to 36,069 crore rupees ($4.42 billion) versus 26,427 crore rupees ($3.24Bln) in the prior-year quarter.

GAIL has pipeline capacity of 206 million cubic metres a day and a network covering 21 states.

The company currently has a 70 percent share of the gas-transmission network and more than 50 percent of the country's domestic natural gas sales.

GAIL's fiscal third-quarter natural gas transmission volumes dropped to 103.7 million cubic metres per day compared with 114.28 million cubic metres per day in the same quarter last year.

For the first nine months of the fiscal year GAIL's net profits dropped almost 39 percent to 4,697 crore rupees ($572.2M) from 7,680 crore rupees ($942.2M) in the same period of last year.

State-owned GAIL has faced challenges including the impact of the failure of Russia-owned Gazprom Marketing and Trading's to deliver some LNG cargoes on account of Western sanctions.

GAIL also confirmed that it was in talks with Abu Dhabi National Oil Company (ADNOC) for a long-term LNG contract to further diversify supplies at lower prices.

For the nine months of the fiscal year, total revenues soared to 113,110 crore rupees ($13.87Bln) versus 66,310 ($8.13Bln) in the previous year.

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NEWS BRIEFS

Stolt-Nielsen profit surge

Stolt-Nielsen Limited, the London-based terminals and shipping company listed on the Oslo bourse and a stakeholder in the Avenir LNG joint venture for small-scale carriers and other assets, reported increased net profits of $95.3 million versus $35.02 in the 2021 quarter and with higher quarterly revenues of $732.5M. Net profits for the full year amounted to $280.8M compared with $78.8M in 2021. "The fourth quarter capped a stellar year, where all businesses performed well," said Niels G. Stolt-Nielsen, Chief Executive.

Tokyo Gas earnings

Tokyo Gas, the utility and LNG importer, reported a more than 72 percent increase in nine-month revenues from natural gas sales totalling 1.55 trillion yen ($11.9Bln) compared with 907.84 billion yen ($6.9Bln) in the same period of the previous year. The utility said nine-month operating profit rose more than four-fold to 235.7Bln yen ($1.8Bln) versus 52.3Bln yen ($409M) in the prior-year period.

QatarEnergy Lebanon deal

Leading LNG exporter QatarEnergy has completed its purchase of a 30 percent interest in exploration Blocks 4 and 9 offshore Lebanon. QatarEnergy bought its stake from the two other shareholders in the blocks, France's TotalEnergies and Italy's Eni. The deal was endorsed in Beirut during a ceremony attended by all the parties including Walid Fayad, the Minister of Energy and Water of Lebanon and Saad Sherida Al-Kaabi, Qatar's Minister of State for Energy Affairs and President and Chief Executive of QatarEnergy. ■

Korea's POSCO International holds ceremony to launch its new LNG project near existing Gwangyang plant

LNG News Editor

Two tanks at adjoining Gwanyang terminal boost capacity

POSCO International, the energy subsidiary of South Korean steel company POSCO, has held a ground-breaking ceremony for a planned new LNG terminal near the site of the existing Gwangyang facility in South Jeolla province.

The company said in a statement that it planned to invest 930 billion Korean won ($757 million) to build the terminal with two LNG storage tanks, each with 200,000 cubic metres capacity, to provide power for the steel mills and more electricity for the region.

Eighth terminal

The company said the increased capacity would play a role in boosting the nation's energy security with an eighth regasification facility.

In addition to the existing Gwangyang terminal, Korea has six other facilities at Boryeong, Incheon, Jeju, Pyeongtaek, Samcheok and Tong-Yeong.

"The new terminal will be another growth engine for Korean industry at Gwangyang, a city where Korea's first commercial operation of LNG terminals started in 2005, along with Posco's leap forward in the steel industry," said POSCO.

"The company has embarked on a full-fledged move to evolve into an eco-friendly general business company by strengthening its energy value chain and is a project promoted to stably secure midstream (LNG storage) infrastructure assets," the company explained.

"POSCO International is the only energy company in Korea that has an LNG value chain from exploration to production, storage and power generation," it said.

"The meaning of POSCO International's LNG terminal construction can be summarized as demonstrating quantitative growth through the completion of the LNG business value chain, contributing to national security through securing LNG storage capacity and promoting profitability-based new and renewable energy projects," added POSCO.

POSCO's Gwangyang terminal currently has five LNG tanks with a capacity of 730,000 cubic metres and a sixth storage tank is being built with capacity of 200,000 cubic metres and to be completed in the first half of 2024.

Two mega-tanks

With the addition of two 200,000 tanks at the adjoining Gwangyang terminal will give the company total storage capacity of 1.33 million cubic metres.

"This is the capacity to store heating gas that can be used by the entire population for 40 days. When the expansion is completed sequentially by 2025, Gwangyang LNG Terminal will become the No. 1 private terminal in Korea and the No. 11 terminal in the world," stated the company.

"The project will contribute positively by increasing energy sources and domestic storage infrastructure at a time when Korea has reduced coal-fired power generation, creating a consequential increase in LNG demand," it said.

POSCO further explained that the LNG terminal expansion project was expected to help revitalize the local economy.

"We expect to create jobs for an average of 600 construction workers per day during the terminal construction period," added POSCO.

The company said it was also increasing its activities in the renewable energy front.

"We plan to actively promote energy business conversion for the decarbonization era by applying hydrogen co-firing technology to the downstream LNG power generation field," stated POSCO.

Renewables

"The company also proposes to expand the existing renewable energy generation capacity such as solar and wind power from the operating a 62.7 megawatts onshore wind farm in Jaeun-myeon, Shinan-gun and Jeollanam-do, where wind conditions are excellent for power generation," it added.

There are also active plans for the development of more renewable energy with POSCO constructing a 300 MW offshore wind farm located 25 kilometres (16 miles) west of Jaeun Island. ■

EU agency issues first 'market correction mechanism' price as part of LNG controls

LNG News Editor

The European Union Agency for the Cooperation of Energy Regulators (ACER), the body chosen to impose price controls on the natural gas market in the 27-nation EU and replace the benchmark Dutch Title Transfer Facility (TTF) LNG benchmark with its own cargo prices, has issued its first daily gas market correction mechanism (MCM) reference price.

"EU regulations have established a gas MCM to protect against excessively high prices," explained ACER.

The EU agency said that its MCM reference price was an average of several indexes and marker prices related to liquefied natural gas price trends.

European Union measures will affect LNG trading and prices

Monitoring

ACER has the authority to calculate and monitor this MCM reference price for the activation of the MCM if need be from February 15 and to publish the MCM reference price on its website every weekday.

However, ACER noted that the price on 1 February 2023 was well under the MCM activation level.

The EU body said its natural gas market price for February 1 was €55.21 euros per megawatt hour, or equivalent to about $17.65 per million British thermal units, meaning that the MCM did not need to be activated.

This ACER price was also less than the prevailing Dutch TTF close on the day which was equivalent to $18.60 per MMBtu.

Under EU price control rules, the MCM is only activated if the front-month TTF derivative settlement price exceeds €180 per megawatt hour, or about $57.50 per MMBtu, for three consecutive working days, and is at least €35 above the MCM reference price for the same period of time.

ACER is also tasked with providing regular daily prices before launching the new European benchmark LNG spot prices at the end of March.

These EU cargo prices would replace the Dutch TTF gas hub price for LNG cargo values.

The TTF was criticised by the European Commission, the EU executive body, for being a "highly volatile" price system in 2022 after Russia cut off pipeline gas deliveries to Europe.

The plan of the EU regulators is to publish a daily delivered ex-ship (DES) price for spot cargoes for North-West Europe (NWE) in euros and in the form of megawatt hours.

LNG cargo prices

EU officials will additionally publish a DES LNG spot cargo price for South Europe, covering nations like Italy and Spain, as well as DES spread data between Northwest Europe and South Europe prices.

Intercontinental Exchange, the leading global provider of market platforms for energy futures and options, said it intended to implement the EU"s MCM Regulation and related price cap on Dutch TTF, though it is also planning a London-based TTF trading alternative.

ICE's Endex, based in the Netherlands and operator of the world's most liquid trading venue for TTF natural gas futures and options, plans to change its Rulebook to promote compliance with the MCM Regulation, effective February 15, 2023.

"Once the MCM Regulation enters into force, the Rules of ICE Endex will forbid market participants from submitting orders to the exchange order book in TTF derivatives above the price cap when the correction mechanism is activated, unless clients are eligible to make use of the exemptions granted in the Regulation," explained ICE.

"Therefore, ICE is preparing to launch a parallel market for TTF futures and options contracts on its London-based exchange ICE Futures Europe from February 20, 2023, subject to completion of relevant regulatory processes," said ICE.

"This will provide market participants with optionality in the event the natural gas price rises, and the risk of the MCM price cap being triggered increases," said ICE.

GIIGNL progresses on zero GHG methodology

The France-based International Group of Liquefied Natural Gas Importers (GIIGNL) said the LNG industry was making progress in adopting a comprehensive framework developed by GIIGNL on certifying the offsetting of carbon content in LNG with a trial cargo sent from Australia to Taiwan.

The GIIGNL project is aimed at promoting verified and consistent quantification of greenhouse-gas (GHG) emissions based on established standards and methodologies.

Shell Eastern LNG delivered a pilot GHG-neutral LNG cargo from the Gorgon plant in Western Australia to CPC Corp. in Taiwan.

The cargo delivery was aligned with the GIIGNL's Monitoring, Reporting and Verification (MRV) and GHG Neutral Framework systems launched in November 2021.

The GIIGNL constitutes a forum for exchange of information and experience among its 85 members and they handle more than 90 percent of LNG imports worldwide.

The membership of the GIIGLN comes from 27 countries and the body also aims to share experiences to enhance safety, reliability, efficiency and sustainability of LNG import activities and in particular the operation of regasification terminals.

The latest GIIGNL industry initiative has created a transparent framework to declare GHG-neutral LNG cargoes through an independently verified Cargo Statement which sets out both emissions and offsets.

"This pilot shipment has helped us to learn about how best to use this comprehensive tool for increasing transparency and accuracy," said Steve Hill, Shell's Executive Vice President of Energy Marketing.

■

Philippines expects advances in seven LNG terminal projects

LNG News Editor

The Philippines Department of Energy has approved a seventh LNG import project, though the first is not scheduled to come on line until later in 2023 as the southeast Asian nation appears left on the starting line compared with the rapid deployment of infrastructure in Germany in a matter of months rather than the years it's taking to complete one Filipino regasification venture.

The Philippines DoE said in a statement it had issued a notice to proceed to Samat LNG Corp. This company is planning to construct a small-scale LNG terminal in Mariveles municipality in Bataan province with the facility located just north of the capital Manila.

The delayed Pagbilao LNG Hub in Quezon province

LNG for power

The DoE has already urged companies to complete their LNG and power generation projects as fast as possible to ensure adequate power and energy supplies.

The nation is also aiming to bring on line a variety of new power projects, including gas-fired ventures as the country requires LNG imports to offset the closure of the country's Malampaya gas field in the South China Sea which is expected to be depleted by 2027.

The first two LNG import projects expected to come on line in 2023 are the terminal being developed by Atlantic Gulf & Pacific Company (AG&P) of Singapore using a floating storage unit and another from the Philippine power producer First Gen Corp.

AG&P said it had already completed the conversion of the former LNG carrier from Abu Dhabi, the 138,000 cubic metres capacity carrier "Ish", into a floating storage unit (FSU) for the Philippines.

The FSU is part of the combined offshore-onshore import terminal that will have an initial capacity of 5 million tonnes per annum, the same capacity aimed for by First Gen.

Analysts noted that the very modest LNG progress in the Philippines has been overshadowed by the rapid deployment in Germany of floating terminals already in operation at the North Sea port of Wilhelmshaven and the Baltic port of Lubmin after just seven months of serious planning and with at least another four German facilities scheduled to start up in the next two years.

■

LNG firm NFE chosen to manage electricity generation in Puerto Rico

New Fortress Energy, the developer of LNG production, regasification and electricity projects and with a small shipping fleet, said its Genera subsidiary was selected by Puerto Rico to manage the US Caribbean territory's power generation system.

NFE said its Genera LLC unit, an independently managed subsidiary, was chosen by the Puerto Rico Public-Private Partnerships Authority for a 10-year Operation and Maintenance Agreement with the Puerto Rico Electric Power Authority (PREPA).

The New York-based company explained that Genera is headquartered in San Juan, Puerto Rico, as a power and energy service provider founded by NFE to support Puerto Rico's transition to clean and reliable energy at reasonable cost.

NFE deals in the region include half-a-dozen LNG imports from supplying cargoes and regasification to Jamaica to a full-scale offshore floating production joint venture with Mexico's state-owned energy company Petróleos Mexicanos (Pemex) off the coast of Veracruz in the southern Gulf of Mexico.

Under the Puerto Rico Agreement, NFE's Genera will operate, maintain, decommission and modernize the PREPA-owned thermal power generation system of approximately 3,600 megawatts after a mobilization period.

In this role, Genera will manage the operating budget, fuel contracts and federal funds for the generation power plant fleet on behalf of PREPA.

"All Puerto Ricans deserve access to clean, reliable and low-cost power," said Wes Edens, Chairman and Chief Executive of NFE.

"As large investments are made to modernize Puerto Rico's grid and transition to renewable energy, this partnership will provide meaningful cost savings for consumers and businesses, improve reliability and reduce the environmental impact of an aging thermal generation system," explained Edens.

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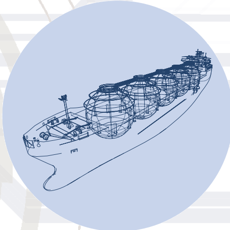

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Australian bank Macquarie Capital will further support Deutsche ReGas Lubmin LNG expansion

LNG News Editor

Macquarie Capital, the investment banking arm of the Australian Macquarie bank group, said it would continue to work with Deutsche ReGas GmbH, the German owner of the floating LNG terminal at the Baltic port of Lubmin as the company plans to expand its operations.

Deutsche ReGas had earlier proposed to more than double the 5.2 billion cubic metres of regasification capacity by 2025, though now has plans for a slightly earlier expansion and investment.

WaveCrest

Macquarie's stake in German LNG is being overseen by a dedicated but operationally independent subsidiary of the Sydney-based bank called WaveCrest Energy LLC.

"The WaveCrest management team has an established track record of bringing LNG and related energy projects from concept to operations, utilizing its deep technical and operating experience with FSRU assets," said a statement.

Small carrier 'Coral Furcata' delivers to 'FSRU Neptune'

"Macquarie Capital and WaveCrest will continue to look for further opportunities to work with Deutsche ReGas as the business looks to more than double the Ostsee (Baltic) terminal's regasification capacity," Macquarie added.

Germany is continuing to develop LNG import infrastructure at ports along the coast, also including Wilhelmshaven in the North Sea and the Elbehafen project at Brunsbüttel on the Elbe River north of Hamburg.

The build-out of projects will enable the country to have substantial and regular cargo imports to replace Russian pipeline gas volumes.

The Lubmin floating LNG terminal, which has already been feeding gas into the German grid during commissioning operations since the beginning of January, is the first privately financed LNG terminal in Germany.

The Deutsche ReGas project has three small-scale LNG shuttle tankers working between a floating storage unit (FSU) moored near the Baltic port and a floating storage and regasification unit (FSRU), the "Neptune",' inside the small inner port at Lubmin.

Deutsche ReGas is now planning to install a second floating LNG terminal by the end of 2023 which, alongside a number of potential capacity upgrades, could increase Lubmin's import capacity to 13.5 Bcm of natural gas.

"This would make the potential import capacity of the terminal equivalent to over 14 percent of Germany's 2021 domestic gas consumption, and over a third of Germany's forecast LNG import capacity in 2024," added Macquarie.

Excelerate FSRU veteran

Rob Bryngelson, the CEO of the Macquarie WaveCrest unit based in Houston, noted that the bank's portfolio LNG company was only created in 2021, though has one of the most experienced LNG management teams in the business.

Bryngelson himself is the former CEO of US LNG FSRU specialist Excelerate Energy and he said the team had worked to complete 13 floating LNG import projects over 15 years.

London-based shipbrokers are upbeat on LNG carrier charters and vessel sales and purchases

London-based global shipbrokers Simpson Spence Young have given an upbeat outlook for LNG carrier charters and vessel sales and purchases in the coming year after a record-breaking 2022.

The SSY report stated that in 2023 there was still an overriding sense that the conflict in Ukraine would continue to dominate the energy sector headlines.

"Even if the fighting stops tomorrow, will Europe ever let itself be so dependent on Russian oil/gas? It would seem unlikely. So, the LNG sector has had to accelerate its activity," said Toby Dunipace, Head of LNG at SSY.

"Projects are getting final investment decisions quicker, charterers are committing to shipping faster, and owners are looking for six-digit rates as a matter of principle. All in all, it makes for a very exciting market in the year to come," he stated.

The SSY review added that the geopolitical landscape has provided LNG shipping market uncertainty and paved the way for "unprecedented, frantic chartering" of LNG carriers.

Freeport effect

"The midpoint of the year saw a shutdown of a major LNG export terminal, Freeport, which knocked rates down during the June-July period. However, this was merely a pause for thought as what followed was chaotic," stated Dunipace.

The report noted that Europe was constantly in the spotlight and nations without significant LNG import infrastructure such as Germany worked towards chartering Floating Storage and Regasification units (FSRUs).

"These vessels have proven to be a 'quick fix' solution for nations switching from pipeline gas to LNG imports for power generation. During the second half of 2022, European nations raised LNG imports further as they began 'stockpiling' LNG in anticipation of a potentially cold winter and without Russian pipeline gas," said the review.

"Despite having had a mild start to the winter and with LNG deliveries on shorter tonne mile routes compared to Asia, the incremental import demand resulted in vessels floating laden and waiting to find a discharge slot," explained the report.

"The net result has been shorter LNG position lists and a further charter rate support. As ever for shipping, unseen events and volatility prompt high rates for ship owners," it added.

However, it was noted that China had a very quiet six months in terms of LNG import activity.

This was due mainly to its "zero Covid" policy which had tangibly slowed domestic demand growth.

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