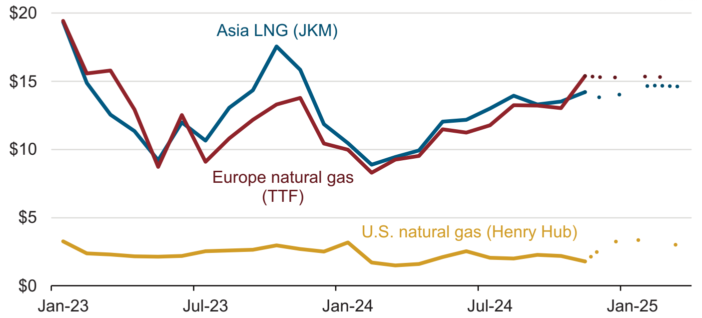
LNG Unlimited

LNG JOURNAL PUBLICATION 28 November 2024

Winter 2024/2025 prognosis - EIA

Going into this winter, price are only slightly higher than last year at the same time based on current forward natural gas and LNG prices in Europe and Asia, the US Energy Information Administration (EIA) said in a report.

Monthly spot and forward natural gas and LNG prices (Jan 2023–Mar 2025)
dollars per million British thermal units



If the weather remains mild, as seen in the past two years, a relatively stable global supply/demand balance was expected with prices similar to the previous two winters.

However, if Europe and Asia experience colder temperatures or other operational and market risks materialise, global supply/demand balances could tighten, leading to elevated natural gas prices and potential price spikes.

Several issues could affect global natural gas balances, including:

- **LNG supply growth.** The EIA expected limited LNG capacity additions to come online this winter, mostly in the US.
- **Shifts in pipeline flows.** Less natural gas could be supplied by pipeline to Europe if the Russia/Ukraine natural gas transit contract set to expire at the end of this year is not renewed.
- **Operational issues.** There could be delays in the start-up of new projects, issues with availability of natural gas feedstock for exports, unplanned outages at LNG export facilities, and geopolitical events that could alter LNG trade flows, potentially reducing available supply.
- **Below normal temperatures.** A cold winter with sustained, lower-than-normal temperatures in one or more regions in the Northern Hemisphere could occur as El Niño changes to La Niña this year. This change in climate patterns may increase natural gas demand, creating competition for spot LNG supplies between Europe and Asia.
- **Colder weather in the US** could reduce storage inventories and increase domestic Henry Hub prices, affecting US LNG export prices.
- **Other LNG import markets**, including Brazil and Egypt, could also increase LNG demand, intensifying competition for spot LNG among regions, further tightening balances.
- **Power generation.** Issues related to electricity supply could affect demand for LNG as a fuel source for power generation, such as nuclear availability and restarts in Europe and Asia, renewable energy output, and fuel availability and costs to power stations, which affect dispatch economics.

This year, global natural gas prices at the key benchmarks of JKM and TTF fell by more than 50%, compared with 2022 and by more than 20%, compared with 2023, according to data from Bloomberg Finance.

Current TTF and JKM forward prices for this winter average around $15 per MMBtu.

Most of the new LNG export projects are in the US. The combined nominal capacity of these projects is 1.7 bill cu ft per day. However, during the initial start-up phase, new projects operate below nominal capacity and require several months to reach full production.

Other markets are also adding LNG export capacity, including Mexico and the new LNG export project offshore Senegal and Mauritania, which is on track to start LNG production by the end of this year.

However, after shipping several cargoes, Russia's Arctic-2 LNG export facility shut down in October, mainly due to sanctions and may not produce LNG during the winter.

Inventories full

EU natural gas storage inventories were 95% full, as of 31st October.

Storage capacity in East Asia is mostly limited to above ground cryogenic storage tanks linked with LNG import (regasification) terminals, which helps to meet seasonal peaks in demand.

LNG inventories in Japan and South Korea were relatively low at the end of last winter heating season but remained close to 2023 peak levels in subsequent months.

In China, where natural gas storage capacity can meet about 12% of the country's annual natural gas consumption, record LNG imports from August to October, 2024 may indicate strong refill of storage inventories ahead of the winter.

In the US - the world's largest LNG exporter - storage inventories were close to maximum volumes as of 8th November, exceeding last year's inventories by 3%, the EIA said. ■

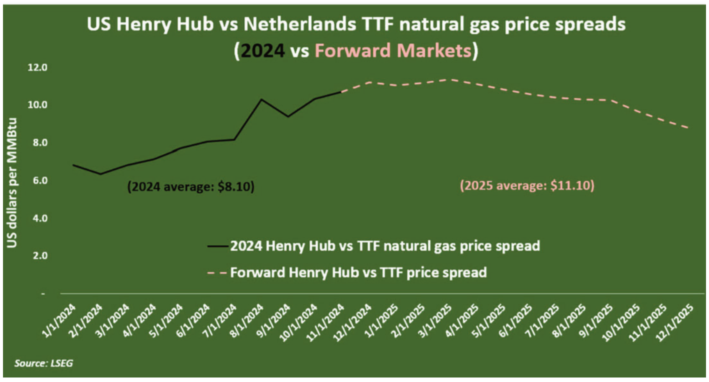
UNLIMITED AGENDA

MARKETING

BUSINESS

FINANCE

US LNG exports set to jump



US LNG exports to Europe were set to rise in the coming weeks after the price spread between domestic natural gas and Europe's main gas pricing hub hit one-year highs last week.

The price differential between US Henry Hub natural gas futures and the Dutch TTF gas trading facility widened by over 30% from the 2024 average for delivery during the winter.

The rise signalled a bumper profit potential for US LNG exporters, who were increasing gas flow volumes to export facilities.

But higher demand for natural gas at LNG export terminals also raised the potential for a further hike in US domestic gas prices, which were already at their highest since January.

As a result, while US LNG exporters have a good opportunity to boost revenues, they also faced the risk of reviving inflation and triggering a backlash against the export of energy products needed for power generation at home, Reuters said in a report.

Last week, US natural gas prices were around 80% lower than TTF prices, giving LNG exporters the opportunity to profit from the wide price differential between the gas grades.

Thus far in 2024, Henry Hub gas futures have averaged around $8 per MMBtu less than TTF gas futures, according to LSEG.

A price differential in favour of US suppliers encouraged sustained LNG exports to Europe, which have totalled around 82 mill cu m during the first 10 months of this year, according to Kpler’s data.

However, an even wider price spread was forecast through the winter, which looks set to spur even larger shipments.

Forward markets from November through the end of March, 2025 indicate that the Henry Hub-TTF price spread was roughly $11 per MMBtu last week, an $3 increase over the 2024 average thus far.

Europe has bought over 75% of US LNG shipments since 2022, when Russia's invasion of Ukraine triggered cuts to Russian gas pipeline flows to Europe and sparked a European scramble to plug supply gaps with LNG.

Shorter voyages

LNG exporters were also keen to maintain European market share, as the cost of shipping gas to the region is far lower, compared to Asia, due to far longer sailing times to Japan, China and South Korea.

LSEG’s forward price data indicated that TTF prices are around $2 per MMBtu higher than LNG prices based on Brent-indexed LNG contracts.

The European price premium had already triggered traders to divert some cargoes from other markets.

Any sustained European price strength relative to other markets will spur traders with unsold cargoes from Qatar and elsewhere to focus on finding buyers in the region.

In turn, that will provide severe competition for US exporters, even as sailing times are roughly a week shorter, compared to shipments from Qatar.

However, more competition for buyers in Europe will, in time, help depress European prices, which should then impact on the economics of sending LNG to Europe from further away.

The main risk for US LNG exporters was that domestic gas prices quickly rise, which could be triggered by the sustained strong gas demand at LNG export terminals alongside a sharp increase in domestic gas use for heating.

Such a scenario could spark backlash among US power consumers, who were reeling from high inflation and might push for measures that slow the flow of US natural gas to overseas consumers. ■

US natgas producers look to data centres

US Permian Basin shale gas producers are sounding out data centre operators to build up capacity to power a boom in AI applications.

This move is aimed at easing the pressure from a nearly two-year slump in the shale gas price.

Devon Energy, Expand Energy, Diamondback Energy, and Permian Resources all highlighted the potential for AI and data centres to drive gas demand and said they were in initial discussions with many operators, according to a Reuters report.

US data centres' energy needs could boost gas demand by between 3 bill and 6 bill cu ft per day, according to S&P Global Ratings estimates. The agency expected US data centre power demand to increase by 12% annually until the end of 2030.

"Expectation of a step change in power demand has created opportunities for increasing dialogue around the potential for power generation and data projects within the Permian Basin" of West Texas and New Mexico, Permian Resources co-CEO James Walter had said earlier this month.

An abundance of low cost gas, vast surface area, supportive regulatory environment, and a long dated inventory, could make the region an attractive proposition for data centre developers.

Driving this belief is the persistent weakness in gas prices. Average spot monthly prices at the US Henry Hub benchmark sank to a 32-year low in March and have remained weak. ■

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

Publisher
Stuart Fryer

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

Ad sales enquiries
Narges Jodeyri
+44 (0) 20 7017 3406
narges@lngjournal.com

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

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

European gas price hike

European natural gas prices have surged thus far in November.

The Dutch Title Transfer Facility (TTF) benchmark rose by 16% this month, reaching highs not seen since October, 2023.

Front-month December TTF contracts traded at €47 per MWh on 22nd November, marking a sharp recovery from February's three-year low, when prices dropped below €25 per MWh.

This renewed price rally reflected supply disruptions, geopolitical tensions, and colder than expected weather conditions.

Unseasonably cold temperatures across the Northern hemisphere have caused a sharp increase in heating demand during the month.

"A cold snap across the Atlantic has intensified market tightness, with sub-zero temperatures hitting northwest Europe and the US Northeast," noted Quantum Commodity Intelligence in a report released last week.

At the same time, declining wind energy generation has reduced renewable power supply, compelling utilities to turn to gas-fired plants.

These factors have driven Europe's gas storage levels to drop below 90% capacity - the first time reserves have dipped below the five-year average.

According to Quantum Commodity Intelligence, while inventories remained relatively healthy overall, fears of supply shortages added a geopolitical risk premium to TTF prices.

The Russia/Ukraine conflict continues to loom large over energy markets.

Gazprom suddenly stopped supplies to Austria's OMV recently, sparking concerns about broader disruptions. However, this was believed to be in retaliation against OMV's seizure of Russian gas as payment to cover the value of an arbitration award.

The expiration of the pipeline transit agreement between Russia and Ukraine at the year end also threatens a route that supplies 5% of Europe's gas needs.

Without a new deal, countries in eastern and central Europe could face severe shortages in the depths of winter, Quantum Commodity Intelligence warned.

Although Russian pipeline gas now accounts for just 14 bill cu m per year, a fraction of Europe's total annual demand of 370 bill cu m, any supply interruption could stretch Europe's infrastructure to its limits during peak demand.

Cold winter

Goldman Sachs also highlighted that this winter was shaping up to be colder than in 2023, driving heating demand sharply higher.

The bank estimated that heating demand could increase by 46 mill cu m per day year-on-year, potentially leaving end-March, 2025 storage at just 40% capacity, compared to 53% in March, 2024.

As a result, Goldman Sachs revised its 2025 TTF price forecast upward to €40 per MWh, compared with €34 previously.

In the near term, Goldman Sachs foresees upside risks for TTF prices. While a new Russia/Ukraine gas transit agreement could lower prices to €37 per MWh, further tightening shocks could push prices dramatically higher.

Goldman Sachs analyst Samantha Dart indicated that, under extreme scenarios, including additional LNG project delays, stronger-than-expected Asian demand, or colder than average weather, European gas prices could spike toward €77 per MWh, a level where fuel switching to oil-based products would become necessary.

However, despite the recent surge, European gas prices were significantly below the unprecedented highs of summer 2022, when TTF soared to nearly €350 per MWh amidst the height of the energy crisis. ■

Economics rather than policies to drive production growth

Energy companies' capital spending should stay at the same level, or rise slightly, said Tortoise Capital's Rob Thummel in a note.

This will result in production growth being steady, although at a small single-digit, whereas in the past, the US had experienced double-digit energy production growth.

"This strikes a balance for everybody, but I believe that it'll continue to keep energy costs low. The US is the largest producer of energy in the world, and I think that it's going to retain that status," he said.

"If we didn't have all this new oil and gas from shale, then energy prices would be way higher. This is an important point that often gets lost because the US shale sector can be under appreciated," he said, adding, "US shale has been so significant and reduced in terms of production, and the US has technically become energy independent."

He explained that this resulted in excess production, much of which had been exported. Any increases in production will likely also be exported worldwide and not consumed domestically.

US LNG exports were and are slated to double no matter what the results of the election are. There's already a huge demand for LNG between now and 2030.

"Post 2030, we know that there will be new projects, but they won't get built until they have not just a few years, but probably over a decade of commitment from credit-worthy counterparties internationally that are willing to buy this LNG over a period of time," he said.

Geopolitical ties are linked with energy security, which is a huge advantage for the US. This is another under appreciated perspective of the US shale industry.

Other countries can turn to the US, being a reliable energy supplier, which Thummel thought was beneficial, which is part of the reason why oil prices haven't skyrocketed with rising tensions in the Middle East.

"Some say that's because OPEC has spare capacity, and they do, but the reason they have it is because the US has increased production quite a bit," he explained.

The introduction of tariffs could cause slower economic growth in certain regions such as China, where energy demand is rising, he concluded. ■

NEWS BRIEFS

Bangladesh to import two LNG cargoes

The Bangladesh Government has approved the purchase of two LNG cargoes, among other commodities.

At a recent meeting of the Advisers' Council Committee on Government Purchase, the approval was given at the Bangladesh Secretariat, with finance adviser, Dr Salehuddin Ahmed, in the chair.

According to the meeting's documents, the committee approved proposals to import two cargoes of LNG from a Singapore-based company Vitol Asia.

One of the cargoes will cost Tk6.863 bill and the other Tk6.802 bill, meaning that each MMBtu of LNG will cost $14.55 and $14.42, respectively. ■

NEWS BRIEFS

Golden Pass update

Construction companies, Chiyoda International Corp and CB&I have updated progress with the Golden Pass LNG export facility.

They said that they continued to work on the project and engage in discussions with developer, Golden Pass LNG Terminal.

On 21st November, an agreement was reached on the project's engineering, procurement and construction (EPC) contract plus the commercial terms for the completion of Train 1.

Discussions were still ongoing on amending the contract for the completion of Trains 2 and 3.

Burckhardt wins German LNG terminal contract

Burckhardt Compression has been chosen to supply boil-off gas (BOG) and pipeline injection compressors (MSO) for a new LNG regasification terminal in Brunsbüttel, Germany.

Regular operations were expected to start in 2027.

Burckhardt Compression's BOG and pipeline injection compressors will ensure safe and efficient LNG handling and injection into Germany's national gas network, the company claimed.

"For this project, we chose Burckhardt Compression because of their extensive experience with LNG BOG management compressors, the high operational flexibility of their machines, and their proven track record with LNG terminal installations in Europe," said German LNG Terminal.

Burckhardt Compression's specially designed compressors, including the patented gas tight Laby compressor, offer robust solutions with maximum operational flexibility for handling BOG operations. ■

Egypt postpones LNG cargoes

Egypt, which recently diverted a number of incoming LNG shipments, is reviewing its energy import needs amid a fall in domestic power demand and an effort to trim spending.

The North African nation's decision to not receive the cargoes came amid efforts in "updating production and consumption models according to actual figures" with the aim of "achieving the optimal and most efficient energy mix," the Energy Ministry said on Saturday in a statement.

It also cited the need to reduce "the import bill as much as possible," while saying the flexibility of contracts allows for "amending the dates of receiving previously agreed shipments."

The North African gas producer surprised the market earlier this year by announcing large LNG tenders as a very hot summer spiked electricity consumption and local output declined.

Purchases have continued into the cooler months, with gas production down 19% year-on-year in September, according to the Joint Organisations Data Initiative.

However, there's been a recent shift in strategy, as the authorities rescheduled deliveries of several LNG cargoes from the current quarter into the next, one source said last week, adding that cooler weather was reducing local demand for power.

The FSRU 'Hoegh Galleon' is moored at Ain Sokhna

Lower Egyptian LNG demand frees up more cargoes for Europe, where cold weather has raised demand and prices.

It was not clear if the postponement will affect Egypt's plans to seek more gas from the market for the first quarter of next year.

FSRU problems denied

The Ministry also denied reports about problems at the Ain Sokhna terminal with an FSRU chartered this year to address acute power shortages.

"The regasification unit is operating without any issues that would hinder meeting the market's natural gas needs," it claimed.

Last week, it was reported that Egypt was in talks with US and other overseas interests to purchase long-term volumes of LNG.

The country was seeking to cut its reliance on more costly spot market purchases to meet power demand, sources said.

Egypt has returned to being an LNG net importer, buying dozens of cargoes this year and abandoning plans to become a supplier to Europe amid a steep decline in domestic gas output.

The country's domestic supplies fell to a seven-year low in September, according to data from the Joint Organisations Data Initiative, mainly due to declining production from Zohr gas field and higher power consumption.

Domestic gas output is expected to drop by a further 22.5% by the end of 2028, data from consultancy Energy Aspects revealed. However, analysts expected the country's power consumption to increase by 39% over the next decade. ■

LNG Energy provides Colombian update

LNG Energy Group has provided an operational update regarding its Colombian operations.

As previously announced, as a result of unexpected production restrictions at some wells in the Bullerengue natural gas field, the company has had to limit natural gas deliveries under gas sales agreements.

Subsidiary, Lewis Energy Colombia (LEC), signed an amendment to some gas sales agreements to reduce the volumes by 5 MMBtu per day for four months but with no significant changes to the average natural gas sales price.

LEC's attempts to address production disruptions by an extensive working campaign and drilling initiatives have not resulted in production increases, LNG Energy said.

As a result, LEC issued a notice to the applicable Colombian regulator regarding a restriction in the natural gas deliveries under certain supply contracts. LEC continued to receive the proceeds from the natural gas sales and has notified its senior lenders of the notice.

In order to reduce costs, LNG Energy is implementing a corporate reorganisation policy at its Colombian operations resulting in annual savings of around $1 mill.

The company added that it continued to review ways to optimise costs, its business and operations.

LNG Energy also announced that COO Nicolas Ziperovich had resigned to pursue new opportunities. Director, Stan Jumper, was appointed as interim COO. Prior to joining the group, he was the Vice President of Exploration and Development at Lewis Energy Group for more than 30 years. ■

CROWN LNG

NASDAQ: "CGBS"

LNG infrastructure for harsh weather conditions

Crown LNG's vision is to enhance energy security & support a responsible green energy transition.

The Crown LNG value chain

Licensed capacity 7.2 MTPA	Capacity under permitting 5.0 MTPA	Future capacity +15.0 MTPA

4 Esplanade - St. Heller
Jersey JE4 9WG

+47 980 25 359
info@crownlng.com

Argentina targets Brazil for gas exports

Argentina's natural gas players expect to start exporting volumes to Brazil as soon as next month.

This follows the recent signing of a memorandum of understanding (MoU) for gas opportunities by both countries.

"I think that the exports are going to start this summer," Daniel Ridelener, CEO of gas transporter Transportadora de Gas del Norte (TGN), said at the recent Forbes Energy Summit in Buenos Aires.

Initially, the supplies will be sold under flexible contracts, starting at 1 mill cu m per day in the southern hemisphere summer months of December, January and February, he said.

He added that gas exports by pipeline could increase to 12 mill to 15 mill cu m per day to supply industrial consumers under contracts signed in the next three to four years.

However, there is even more potential for supplying Brazil's thermal power generators, a market of 10 mill cu m per day with peaks of 70 mill cu m per day that could be better supplied by LNG, given the sharp fluctuations in demand.

Brazil gets most of its power from hydro projects, but when a dry spell hits every three to four years it has to turn to the global LNG market to make up for the shortfall through its nine regasification terminals, Gabriela Aguilar, general manager of US-based FLNG terminal supplier, Excelerate Energy for Argentina and Brazil, said at the event.

The forecast for export growth comes after Argentinian Economy Minister, Luis Caputo, signed the MoU on 18th November with Brazil's Minister of Mines and Energy, Alexandre Silveira, on the sidelines of the Rio de Janeiro G20 summit.

The MoU called for a gradual increase in exports to 30 mill cu m per day by 2030, starting at 2 mill cu m per day in 2025.

Argentina had to stop exporting in the early 2000s, as its production fell by so much that it had to turn to Bolivia for supplies, as well as the global LNG market.

This situation started to reverse in this decade, as production recovered, led by the development of Vaca Muerta, one of the world's largest shale plays with an estimated 300 trill cu ft of reserves, much more than the country's 2 trill cu ft per year consumption.

Largest market

As for Brazil, with Bolivian production and reserves in decline, the country is looking to diversify its suppliers, Julio Glinternick Bitelli, Brazil's ambassador to Argentina, said at the seminar.

"Brazil is going to need more and more gas" to feed its growing industrial and power capacity, he said.

This has led the Brazilian Government to prioritise the finding of multiple sources of gas, the Ambassador said. One source could be Brazil's offshore sub-salt fields, but the prices are not yet "economically attractive," he added.

By comparison, Vaca Muerta appears to be an option that is "more practical, economic and strategic," Glinternick Bitelli said.

The next step, following pipelines, will be to build Argentina's LNG export capacity.

It was later announced that Argentina's state-owned energy company, YPF is to join a consortium being put together by shale driller Pan American Energy Group (PAE) and Golar LNG.

In a social media post, YPF President, Horacio Daniel Marin said that the merger would be key to helping boost production and exports at Vaca Muerta, the world's second largest shale gas deposit.

YPF and PAE, which is 50% owned by bp, will lead Argentina's LNG export ambitions.

The YPF-led export plant has been supported by Malaysia's Petronas, but the future of the partnership isn't set in stone.

Exporting LNG would require billions of dollars in infrastructure construction in a country that has severe investment and financing problems, even with the emergence of President Javier Milei, who took office a year ago with a mission to make Argentina more business-friendly.

YPF's head Horacio Marin is trying to capitalise on Vaca Muerta's potential

Marin has frequently said that the best route for Argentina's shale industry is to unite around one LNG facility. At the same time, executives at Golar said that its venture with PAE would welcome other participants, Bloomberg said in a report.

The most advanced project is being led by bp-backed Pan American Energy (PAE), Argentina's fourth-largest gas producer. PAE has teamed up with Golar LNG to install an FLNG to start exporting some 12 mill cu m per day of LNG in 2027.

Meanwhile, Argentina's state-run YPF is pushing ahead with a $30 bill project to export up to 120 mill cu m per day of LNG from 2031, although it is likely to start sooner on a smaller scale.

Next year, Brazil plans to hold an auction to build a new thermal power capacity that most likely will be supplied by LNG, Excelerate's Aguilar said. ■

Japan to ring fence Sakhalin-2 LNG supplies

Japan's Industry Minister, Muto Yoji announced last Friday that the country will make every effort to ensure a steady supply of LNG from Russia's Sakhalin-2 project in response to new US sanctions.

The US Treasury Department had announced that new sanctions had been imposed against Russia's Gazprombank, the day before.

Gazprombank, one of Russia's largest banks, is owned partly by Gazprom.

According to a general license updated by the Treasury Department, the sanctions do not apply to transactions related to the Sakhalin-2 project.

Muto said at a press conference that Sakhalin-2 was crucial for Japan's energy security. He noted there was no immediate disruption, as transactions with Sakhalin-2 and Sakhalin Energy, through Gazprombank, were not affected by the sanctions.

He said, "We will continue providing detailed explanations to US members and other G7 countries, as we have done in the past and take all measures possible to ensure there are no barriers to securing stable supplies for Japan."

Separately, long term Sakhalin-2 buyer, Osaka Gas' President said that the new US Sanctions would not impact its settlement process to procure the fuel.

Masataka Fuwara, the company's President, told reporters last Friday that the utility did not use Gazprombank as a settlement institution. ■

South Korea to benefit from LNG investment under Trump

South Korean energy and shipbuilding companies are gearing up for a fast ramp up of the US LNG market, which was expected under a second Donald Trump administration.

According to sources in the South Korean energy industry, POSCO was considering acquiring a US LNG terminal.

During his presidential campaigns, Trump pledged to lift restrictions on LNG production and export imposed under the Joe Biden administration. He also promised state aid for new LNG production facilities' construction.

US' LNG exports are forecast to grow to over 100 mill tonnes in 2025 from over 90 mill tonnes in 2023, and under the new Trump administration, exports are forecast to increase further.

Last month, the general trading and energy exploration unit of South Korea's steel giant POSCO Holdings revealed a plan to move into the booming North American natural gas market.

The industrial giant was said to be in the early stages of talks to acquire a US LNG terminal business, but a company official hinted that it would take some time before it takes over a US LNG terminal.

In the long run, POSCO plans to invest in other areas of the US natural gas value chain, including upstream, covering LNG exploration and production and midstream handling LNG transportation, storage and trade.

The US LNG terminal business has lower entry barriers than other natural gas businesses.

Another South Korean conglomerate Hanwha Group has already acquired a 15% stake in NextDecade, which owns and operates LNG terminals.

Using its close ties with the US LNG terminal operator, Hanwha will probably try to win more LNGC orders, which are expected to surge in line with the growing LNG exports.

Its larger rivals, HD Hyundai Heavy Industries and Samsung Heavy Industries, are also gearing up for a new boom in the LNGC market by beefing up investments in modern vessel technology to cement their leadership in the LNGC shipbuilding market.

Considering current LNGC order backlogs and future projects, more than 100 new LNGC orders are expected to be firmed up in the next two to three years, industry sources said. ■

FID taken on bp-led Tangguh UCC project

Last Thursday, bp, on behalf of the Tangguh production sharing contract partners, announced a final investment decision (FID) on the $7 bill Tangguh Ubadari, CCUS, compression project (UCC).

This has the potential to unlock around 3 trill cu ft of additional gas resources in Indonesia to help meet Asia's growing energy demand.

The announcement was made by Murray Auchincloss, bp's CEO, during a meeting with Indonesian President, HE Prabowo Subianto in London.

"This project not only unlocks a fantastic gas resource, it also represents an Indonesian first through the use of CCUS to maximise gas recovery. bp has operated in Indonesia for more than 55 years, and the strength of our relationships enables us to bring deep technical experience in helping to deliver this innovative development.

"We deeply appreciate the continued support of the Government of Indonesia and partners and look forward to helping the region meet its growing energy needs," Auchincloss said.

The UCC project, which comprises the Ubadari gas field development, enhanced gas recovery through carbon capture, utilisation and storage (CCUS) and onshore compression, expands and utilises existing infrastructure at the Tangguh LNG facility in Papua Barat, Indonesia.

Production at the Ubadari field is expected to start in 2028.

Tangguh CCUS aims to be the first such project developed at scale in Indonesia, with potential for sequestering around 15 mill tonnes of CO_2 from Tangguh's emissions in its initial phase.

FID has been taken on Tangguh's UCC project

The project has been designated as a national strategic project by the Indonesian Government and represents the continued development of Tangguh, following the addition of the third LNG train which began operation in 2023 and brought total plant liquefaction capacity to 11.4 mill tonnes per year.

bp said that this investment meets its returns hurdle rates and is fully accommodated within its disciplined financial framework, reflecting the drive to focus on value and returns.

Tangguh is in a strategic location to access high value regional markets, and the investment reflects bp's commitment to continue to meet energy demand for Indonesia and the region, the energy giant added.

Meanwhile, JGC Holdings Corp has announced that through it's local subsidary PT JGC Indonesia, it was awarded an onshore egineering, procurement, construction and installation (EPCI) contract for the UCC project by BP Berau, the operator of Tangguh.

The value of the lumpsum turn key contract is about $2.4 bill. ■

Axpo turns to Japan

Swiss-based power producer and trader Axpo is seeking opportunities in electricity and LNG trading in Japan.

This move comes as changes in the country's power sector create demand for hedging and spot LNG supply, the company said.

Japan has set a target for renewables to account for 36% to 38% of its electricity mix by 2030 and fully liberalised its power market in 2016, leading to the creation of an increasingly liquid electricity futures exchange.

"Japan is a very interesting market because it has nine price zones and fundamentally you have renewables more in the east and nuclear more in the west, so you have some spreads between the price zones," Marco Saalfrank, a member of Axpo's management board, told Reuters.

"This is very interesting to trade," he added.

Like Europe, Japan's gas demand is set to decline as the share of renewables and nuclear in its power mix grows, making it hard for utilities to commit to long-term LNG supplies.

Buyers will be seeking flexibility to divert cargoes to different locations, said Saalfrank.

"For this reason, we see more liquidity, more need for risk management in the market," he said, adding that Axpo may offer structured LNG products.

Axpo's Asia involvement currently includes 12 Singapore-based staff trading power, LNG, gas and LPG in the city state and Australia.

Besides Japan, Saalfrank said Axpo is also looking for opportunities to trade in New Zealand's power markets.

In Europe, more natural gas is expected to be drawn from storage this winter than in previous years, as the weather is set to be colder, he added.

In light of the contractual dispute between Gazprom and Austrian gas importer OMV, he said central eastern European countries would be most affected if Russian gas supply was halted.

"The West is well supplied by LNG, and (if) central eastern Europe sees a lack of gas, we will have a difference in (price) spread between western Europe and eastern Europe, and this will attract gas toward the countries which will need the gas," said Saalfrank, who is also the head of Axpo's continental Europe merchant trading. ■

Axpo's Marco Saalfrank

NFE addresses its liquidity

New Fortress Energy (NFE) has completed the first phase of its \$2.7 bill issuance of new senior secured notes. due 2029.

This transaction will be completed in two steps, NFE explained.

The first step completed was the funding of \$1.2 bill new senior secured notes, while the second step will be an issuance and private exchange of \$1.5 bill new senior secured notes expected to close during the first week of December.

This will total \$2.7 bill of new notes issued that are due to mature in November, 2029.

As a result, NFE said that it will achieve three key objectives:

- Refinancing \$2.4 bill of its existing bonds, including all bonds maturing in 2025 and more than two-thirds of the outstanding bonds maturing in 2026 and 2029.
- Extending the maturity of \$900 mill of the company's \$1 bill revolving credit facility to October, 2027 (effective once the second step of the transaction is completed).
- Raising around \$325 mill in gross proceeds to provide additional liquidity for the company.

This transaction, together with the about \$400 mill common equity offering completed in September, marks an important milestone for NFE, as the company takes a significant step forward in strengthening its balance sheet and positioning it for future sustained growth.

The second step of the transaction is subject to customary closing conditions and there can be no assurance that it will be completed as planned or within the expected timing, NFE said.

This comes at a time when the company's liquidity was being questioned in some quarters.

For example, on 12th November, NFE notified its investors that the company's position as a going concern was at risk, according to the Institute for Energy Economics and Financial Analysis (IEEFA).

However, IEEFA said that the possible liquidation of NFE's assets would be unlikely to amount to much, given its tangle of debt.

The company's only clear asset is in Puerto Rico, where it holds a contract for the delivery of natural gas. ■

NEWS BRIEFS

Honeywell helps to power Rovuma LNG project

Honeywell is set to deliver technology for purifying natural gas prior to its liquefaction marking a significant step for Mozambique's energy sector.

This technology is expected to play a key role in the Rovuma LNG project located on the Afungi peninsula in the municipality of Palma, the company claimed.

The Mozambique Rovuma Venture (MRV) is a joint venture, which includes ExxonMobil, Eni, and the China National Petroleum Corp (CNPC).

Honeywell will supply a UOP temperature swing adsorption based SeparSIVTM heavy hydrocarbon removal unit and MolSIVTM unit for removing water and carbon dioxide.

This solvent-free LNG pretreatment process uses an adsorption-based system to remove water, CO2, mercury, and heavy hydrocarbons, ensuring minimal pressure loss.

These units work together bring the LNG to the required specifications.

"Our technology is crucial for enhancing the quality of natural gas, ensuring that it meets strict industry standards," said Rajesh Gattupalli, Honeywell UOP President. "This not only helps in maximising production efficiency but also aligns with the industry push for cleaner energy solutions."

"The integration of Honeywell's proven technologies into our design demonstrates our commitment to innovation and environmental responsibility," added Arne Gibbs, ExxonMobil Mozambique's General Manager. "Together, we are helping pave the way for a cleaner energy future in Mozambique."

ExxonMobil forecast that Rovuma LNG will produce 18 mill tonnes of LNG annually, using 12 modular LNG liquefaction trains, each with a capacity of 1.5 mill tonnes per annum.

To process the feed gas upstream of liquefaction trains, the design will utilise two parallel pretreatment trains of 9 mill tonnes each. ■


CHART®
NEXUS OF CLEAN™
“Chart’s vision is to be the global leader in the design, engineering and manufacturing of cryogenic process technologies and equipment for the Nexus of Clean™ — clean power, clean water, clean food and clean industrials, regardless of molecule.”
JILL EVANKO / CEO / CHART INDUSTRIES
CLEAN
CLEAN
CLEAN
CLEAN
CHART DELIVERS CLEAN SOLUTIONS FOR
Power
Water
Food
Industrials
Learn more at chartindustries.com

Global oil and gas contract value declines

Global oil and gas contract activity saw a 35% quarter-on-quarter decrease in total disclosed value from $55.3 bill in second quarter of this year to $35.7 bill in 3Q24.

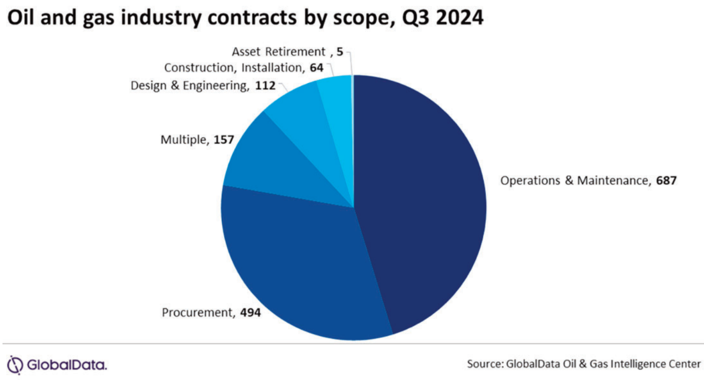
Despite this, steady contract volumes, particularly in the Middle East, were driven by substantial projects, such as Saipem's $4 bill contract with QatarEnergy and multi-billion-dollar agreements from Aramco, providing some stability, according to a GlobalData report.

GlobalData's latest report, 'Oil and Gas Industry Contracts Review by Sector, Region, Terrain and Top Contractors and Issuers, Q3 2024,' revealed that the overall contract volume remained relatively stable, with 1,519 contracts in 3Q24, compared to 1,546 in the previous quarter.

Pritam Kad, GlobalData's Oil and Gas Analyst, commented: "Contract activity in the Middle East has provided little stability, helping to offset the overall value decline.

"This is driven by Saipem's $4 bill contract from QatarEnergy LNG for the North Field offshore compression programme in Qatar and significant contracts worth over $3 bill from Aramco for engineering, procurement, construction, and installation (EPCI) work on the Zuluf, Safaniyah, and Marjan field development projects in Saudi Arabia," he said.

Operation and maintenance (O&M) represented 45% of the total contracts in 3Q24, followed by procurement scope with 33%, and contracts with multiple scopes, such as construction, design and engineering, installation, O&M, and procurement, which accounted for 10%.



Kad concluded: "The surge in large-scale offshore and subsea projects, particularly in the Middle East, underscores the continued emphasis on expanding energy infrastructure to meet rising demand.

"As companies secure high-value contracts across key oilfields, the sector is not only reinforcing its strategic partnerships but also positioning itself to support long-term growth in energy production, with an increasing focus on sustainability and technological innovation in project execution," he said. ■

NEWS BRIEFS

Second Congo FLNG launched

Italian energy major, Eni has launched the hull of the 'Nguya' FLNG at the Wison shipyard in Nantong, China.

The unit is destined for the Congo LNG project.

The FLNG will have a liquefaction capacity of 2.4 mill tonnes per annum and will complement the existing 0.6 mill tonnes per annum 'Tango' FLNG, which has been operational since December, 2023.

This will bring the total liquefaction capacity of the Congo LNG project to 3 mill tonnes per annum by the end of 2025. The launch ceremony was attended by the Minister of Hydrocarbons of the Republic of Congo, Bruno Jean Richard Itoua.

Guido Brusco, Eni's COO, Global Natural Resources, said: "We celebrate this milestone together with our partners as a testament of the solid collaboration between Eni and the Republic of Congo. We have been the first to believe in the value of Congo's gas, primarily for domestic power generation, and then for export.

"With the successful launch of the 'Nguya' FLNG hull, the Congo LNG project has reached an impressive milestone of 40 mill hours worked without any lost time injuries.

"This achievement underscores the project's ongoing progress in valorising (sic) Congo's gas resources, while capitalising on local and international opportunities to deliver further value for our stakeholders," he said.

The FLNG's completion activities have progressed at 80%, while overall Phase 2 timing - from FLNG contract award to startup - is expected to amount to less than 3 years, leveraging Eni's fast-track approach that allows the execution of engineering, construction and commissioning activities seamlessly to rapidly develop new projects.

'Nguya' FLNG has a reduced carbon footprint thanks to its design and technology, and to its zero-flaring approach, in line with Eni's de-carbonisation strategy, the company claimed. ■