

Asian spot LNG prices rise as Gorgon supply risk mounts

Asian spot LNG prices have risen to a more than a six-month high in mid-August on concerns over production from Australia's Gorgon plant. Gorgon LNG Train-2 has been shut for maintenance over 'weld quality issues' since May and it is unclear if Chevron will manage to restart it as planned in September.



Chevron's Gorgon LNG trains in Australia

Rushing to mitigate supply risks Chinese off-taker ordered several replacement cargoes, sparking a temporary buying frenzy. Shenzhen Energy is understood to have purchased a September delivery cargo at \$3.40-\$3.50 per MMBtu.

Indian Oil Corp (IOC) was believed to have purchased a late September cargo at around \$3.40 per MMBtu, traders noted. India's Reliance Industries had bought an October delivery cargo at around a \$0.15 discount to S&P Global Platts Japan Korea Marker (JKM)

price and a November cargo at a \$0.45 discount to JKM.

Train-2 offline since May

Chevron's Gorgon Train 2 was closed for maintenance in May, with the operator citing weld quality issues. The train's restart date has since been put back to September from July, due to heat exchanger issues. Two other Gorgon trains were also ordered to be inspected after safety concerns were raised.

Concerns over steady production from Gorgon LNG pushed up



the average LNG price for September delivery into northeast Asia LNG. The front-month was last seen trading between \$3.60 and \$3.80 per MMBtu, up some \$0.60 week-on-week.



October's delivery price was between \$3.80 and \$4 per MMBtu. According to Reuters' data, this is the first time since the end of January when prices increased to levels close to \$4 per MMBtu.

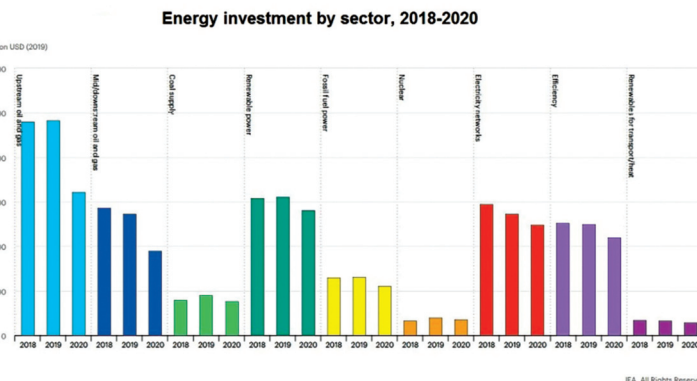
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Investors keep focused on China, turn away from the U.S.

China remains the largest market for investment in 2020, with as the initial 12% fall in energy spending is now getting compensated by revived industrial activity and a renewed hunger for new fossil and green energy. The United States, in contrast, has seen capital spending in energy projects fall by over 25% because of its greater exposure to oil and gas.

Globally, investment in energy infrastructure is being slashed by one-fifth, or almost \$400 billion, in 2020 due to lower energy demand and prices caused by the Covid-19 pandemic, the International Energy Agency (IEA) finds.

While half of all US energy investment is in fossil fuel supply, investment in Europe focuses on electricity grids, wind and efficiency which are holding up better oil & gas investment, but also



spending in distributed solar PV and oil and gas, both in steep decline.

Developing countries, especially those with significant hydro-

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AGENDA

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Lately, Chevron had been ordered by Australia's Department of Mines, Industry Regulation and Safety (DMIRS) to take Trains 1&3 of the 15.6 mtpa Gorgon LNG facility offline for inspection in October and December – and not halt both Trains this month. "The rescheduling has taken pressure of Chevron," analysts at Energy Aspects commented. It eased the short covering that Chevron would have needed to do, e.g. through drawdowns from floating storage cargoes, to make up for lost sup-

ply this month and cater to the gradual rise in demand from China.

Higher prices curtail cargo cancellations

Rising Asian and European spot prices and expectations of increasing gas demand during the forthcoming winter months have reduced the number of US LNG export cancellations to less than 10 for October – the lowest number for several months.

Trading sources say the number

of cancellations is in a range of three to 10, much lower than the 25 cargoes likely cancelled for September loading and the 40-45 probably cancelled for July and August shipments.

"At current prices, the majority of US projects are in the money but there is still time for buyers to take a decision to cancel cargoes with some projects," a Singapore-based LNG trader reportedly said. "With more US cargoes expected to be delivered into Asia, this could push down prices

again and buyers may consider cancelling after all."

Bernstein analysts expect winter LNG spot prices to rise to \$5-6 per MMBtu, as the market tightens. "With US having a cash breakeven of \$4-5 per MMBtu, this should allow US LNG to flow with positive cash margins," they said.

US cargo flows to China were also expected to increase, traders noted, explaining that this was "purely driven by economics rather than politics." ■

Flurry of new LNG regas projects planned in Asia

Asia is expected to account for the highest global LNG regasification capacity increases. The region is forecast to contribute about 69% of the total regasification capacity additions by 2024.

According to GlobalData, Asia is likely to see total regasification capacity additions of 11.1 trillion cubic feet by 2024. Out of this total, planned projects capacity that had received the necessary development approvals accounted for nearly 7.9 trill cu ft.

"Asia is witnessing the start of operations of 53 new-build LNG regasification terminals by 2024. Out of these, 39 are planned and the remaining 14 are announced terminals," Haseeb Ahmed, GlobalData's Oil and Gas analyst, commented.

China's Tangshan II is the largest upcoming LNG regasification terminal with a capacity of 584 bill cu ft by 2024, followed by Son My II with a capacity of 450 billion.

“

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- Haseeb Ahmed, GlobalData's Oil and Gas analyst

China to overtake Japan as world's largest LNG buyer by 2025

The International Energy Agency (IEA) expects China to overtake Japan as the world's biggest LNG buyer with imports of 128 Bcm a year by 2025, equivalent to around 174 million tonnes. But IEA analysts cautioned this scenario is "highly dependent on China's future policy direction" and whether that includes an ongoing push for

coal-to-gas switching for industry, residential heating and power generation.

Japanese power utilities' LNG demand has partially recovered thus far in August, due to high temperatures, specifically in western Japan. However, the demand outlook for autumn and winter remains bearish, due to weak economic activity, which has dampened industrial sector demand, according to a S&P Platts Analytics

report.

Even a colder winter than forecast may not translate to additional imports for Japanese power and gas utilities, as their commitment to long-term contract volumes for winter is high, market sources said. Furthermore, many Japanese end-users have continuously deferred their earlier commitments for this year, due to weak demand and high inventory. ■

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carbon industries, see the most dramatic effects of the crisis, as falling revenues pass through more directly to lower funds for investment.

Fracking companies feel the pinch

The cuts in fuel supply investment in 2020 apply to all types of resources and company, but a few elements stand out.

"Some of the most dramatic

cuts in the oil and gas sector – in any cases above 50% – have been among highly leveraged shale players in the United States, for whom the outlook is now bleak," IEA analysts said, although it is too soon to write off shale as a whole.

Funds available to some indebted and poorly performing national oil companies (NOCs) have also dried up, as governments scramble to make up for acute shortfalls in revenue.

Further downstream, a surge in investment in LNG left the sector facing a major overhang of capacity, putting intense pressure on margins and pushing back many investment plans and timelines. "Natural declines in upstream fields offer a hedge against over-investment, but there is no such protection further down the value chain against demand coming in below expectations," analysts noted. ■

LNG China

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Guandong's tariff cut propels up LNG imports

Fitch Ratings believes the recent gas-fired power tariff cut in China's Guangdong province came in response to the falling spot gas price. The government aims to increase the ratio of gas-fired power in the province's energy mix, allowing utilities to take advantage of falling procurement costs.

The National Development and Reform Commission of Guangdong lowered the gas-fired power on-grid tariff by CNY0.049-0.202/KWh, from CNY0.533/KWh or CNY0.665/KWh, depending on the gas source, capacity and utilisation hours.

Guangdong's gas supply is dominated by national oil companies that have brought forward the lower off-peak city-gate price by 1.5 months this year to support a non-residential gas tariff discount and to lower the fuel cost of gas-fired power plants.

"Power generation companies have stepped up efforts to diversify gas sources by importing more liquefied natural gas," analysts at Fitch Rating noted.

The average LNG import price has fallen to US\$3.38 per million

British thermal units (MMBtu) as at 7 August 2020, from US\$5.26 per MMBtu in 2019, due to gas oversupply in overseas markets and lower costs for long-term oil-linked gas contracts, led by lower oil prices.

Guangdong Energy's power capacity is dominated by coal-fired power units, which accounted for 78% of its total power generation volume in 2019.

However, local Chinese LNG importer signed a medium-to long-term LNG contract with Mitsubishi's Diamond Gas International in July, diversifying and securing its gas sources at low cost.



Shipments to CNOOC's Dapeng LNG terminal have surged

The Guangdong government has not announced if the cut in the gas-fired on-grid tariff will be passed through to end users. "However, we think this is likely to occur," Fitch analysts said, "as it

would lower electricity costs for users to support economic growth, reduce market resistance to implementing the government's gas strategy and improve market demand for natural gas. ■

Cut in gas power tariffs risks undermine 35GW target

China's southern province of Guangdong is considering cutting electricity rates that gas-fired generators can charge from their customers by 5-12%. If enacted, this rate cut risks derailing a wider policy target of boosting gas generation to 35 GW installed capacity.

The Chinese Premier Li Keqiang said recently Beijing wants a nationwide 5% cut in power prices, instated during the lockdowns, to remain in place for the rest of the year. This national policy is meant to help revive the economy by giving energy-intensive

industry access to electricity at a reduced cost.

Guandong's regional government, in contrast, is considering levying higher rates predominantly on electricity from burning gas -- given that local utilities had rushed to buy cheap LNG cargoes

after prices in Asia fell towards \$2 per MMBtu. Critics dismiss the proposed rate cut as counterproductive to China's nationwide clean energy aspirations.

Surge in LNG shipments to Dapeng terminal

When energy demand and LNG prices began falling across Asia due to shutdowns to contain the coronavirus pandemic, utilities in Guangdong were quick to snap up cheap cargoes. Shipments to CNOOC's Dapeng LNG import terminal (pictured) recorded a record number of tanker arrivals of 775,000 tons in May and a similar number in June.

However, the cut in power tariffs threatens to undermine this growth. Even with lower prices for imported LNG, utilities could no longer reap a profit from operating some gas-fired power plants.

Several less-efficient plants would be at risk of being mothballed and lying idle temporarily, or even be permanently shut down.

The proposed new tariff rates would be 0.029-0.08 yuan (0.4-1.1 \$cents) per kilowatt-hour lower than the current level of 0.533-0.665 yuan per kWh, according to local reports referencing a consultation paper from the Guangdong Development and Reform Commission.

No firm coal-to-gas switching target

Though China's economy is now back up to full speed, the government is still hesitant as to whether it wants to set specific targets for coal-to-gas switching this year. More coal-fired power plants are being approved, but LNG demand is still expected to grow by a "modest" 5 million tons in winter 2020/21. ■

China's Gas Market





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CNTIC awaits further cargoes for Thanlyin LNG-to-Power project

China National Technical Import & Export Corp. (CNTIC), together with VPower Group, is awaiting further cargoes to berth at their new-built jetty adjacent to their Thanlyin gas power plant (350 MW). "Developers of this project have taken more risk," Wood Mackenzie commented, given that CNTIC started construction on the Thanlyin terminal long before any LNG supply deal was sealed.

Malaysia's state energy company Petronas had said in a statement it would deliver the cargo directly to Myanmar, giving rise to rumours the tanker would be headed from Bintulu LNG in Malaysia's eastern state of Sarawak to the port of Yangon. Instead, it did berth directly at the new jetty and regasification unit, built just meters from the gas-fired Thanlyin power plant (see map).

The maiden cargo is the first of a series of LNG deliveries from Petronas to CNTIC and VPower Group under a sale and purchase agreement, signed in early 2020 to ensure a stable fuel supply for three new gas power projects in Myanmar.

A second cargo, loaded the tanker Golar Kelvin, left Bintulu LNG in mid-June. However, the duration for shipping the cargo to Thanlyin is still unclear, given that the tanker with the maiden cargo had been waiting in the Gulf of

Martaban off Myanmar's coast for almost a month before entering Thilawa port, the site of Thanlyin LNG.

CNTIC and VPower Group are fast-tracking construction of the 350 MW power plant in bid to avoid the recurrence of blackouts this summer. According to the government tender notice, developers were given seven months to complete the project but commissioning is now running two months late - possibly due to the delayed delivery of fuel.

The tender initially envisaged to source gas for the Thanlyin power plant via a floating storage and regas unit (FSRU), with electricity meant to be generated on floating power barges at Thilawa port.

Later, that plan was changed to an onshore, engine-based power unit with an associated floating storage unit (FSU). The Thanlyin consortium consequently resorted to importing LNG via small LNG

carriers with a shallow draught that can transport the cargo directly to the jetty and offload it onto the FSU.

Swift start-up of the Thanlyin LNG-to-Power is vital to avoid a repeat of power shortages, and potential blackouts. During the past summer, the Yangon area of the country was subjected to power cuts of up to six hours a day and World Bank warned the country's electricity demand is growing three times as fast as available capacity.

With general election coming up in November, the government wants to avoid a repeat of the dire situation of blackouts this year; hence it launched tenders for three emergency power units. Once up and running, these Wärtsilä engine-driven gas power plants can operate baseload or in load-following mode to provide balancing power for Myanmar's rising share of wind and solar power. ■

NEWS NUDGES

Petronas supplies LNG in ISO containers to China

Malaysia's state energy company Petronas has signed a sales and purchase agreement with Tiger Clean Energy to fill LNG into ISO containers at a tank filling facility at Sarawak, Borneo, for onward shipment to China.

The LNG-filled containers would subsequently be trucked to remote locations in China without access to the country's national gas pipeline grid. Petronas said the latest contract with a Chinese buyer underpinned its reliability in supplying many Asian countries with LNG and since the Bintulu plant began operations in 1983, the company has delivered 11,000 LNG cargoes.

Spot LNGC rates firming

The average LNGC rates continued to firm in the past week. According to the latest Fearnleys figures issued yesterday, East of Suez spot LNGC charters were averaging \$45,000 per day, while West of Suez averaged \$49,000 per day. The 12-month charter figure also edged up slightly to \$45,000 per day.

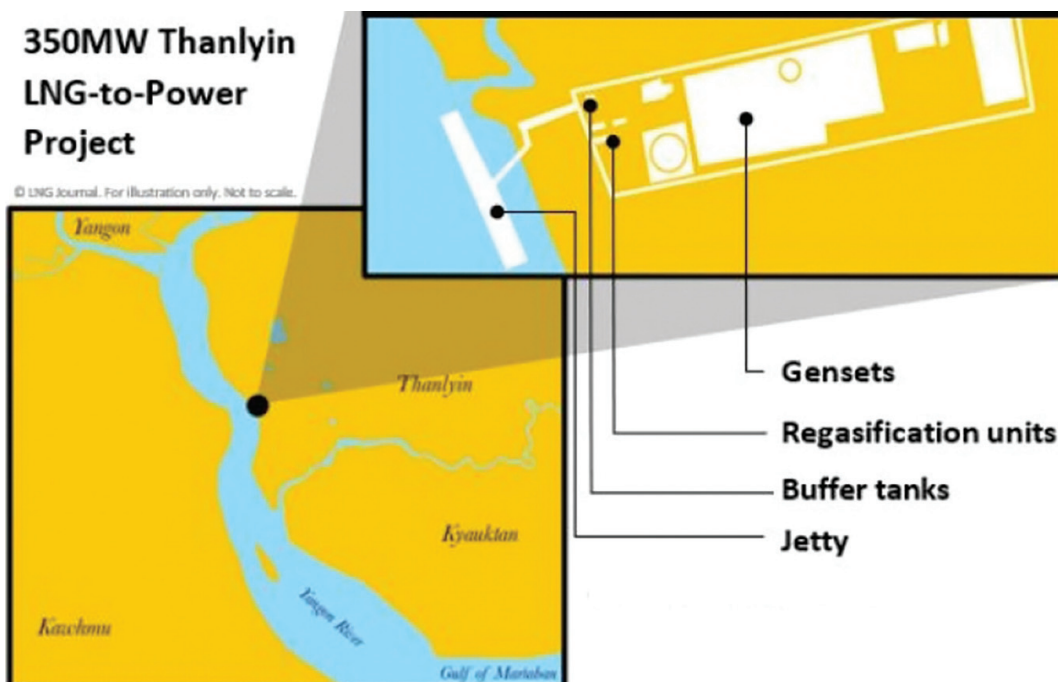
Chinese interests take stake in Brazil's LNG-fuelled power projects

A Brazilian subsidiary of China's State Power Investment Corp (SPIC) is to acquire a 33% stake in two Gas Natural Açu (GNA) plants - the largest LNG power project in Latin America. The closing of the deal between SPIC Brasil and GNA, a Brazilian joint venture between BP, Siemens and Prumo Logística, is scheduled in Q4-2020.

The complex located at the Port of Açu, in Rio de Janeiro, includes an LNG terminal, which is able to process 21 million cu m of LNG per day. Brazil mainly uses imported gas for power generation. ■

350MW Thanlyin LNG-to-Power Project

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Chinese LNG Demand Outlook

1.52mmt on the water with a delivery horizon of 10th October, with c. 47% due in the North China region. At the time of writing, we saw three cargoes that originated in the United States. Two other shipments still had to indicate their Chinese destinations.

North China

Of total LNG currently en route to China, we are anticipating 0.71mmt to be delivered to North China – comprising the wider Beijing area and China's industrial north – with a delivery horizon of 10th October.

Yamal LNG continues to use Northern Sea Route

Current market visibility indicates at least 0.25mmt are destined for PetroChina's Caofeidian LNG by 22nd September, comprising one cargo each from Tangguh LNG, Angola LNG, PNG LNG and Bonny Island via the *Tangguh Palung* (0.07mmt), the *Sonangol Benguela* (0.06mmt), the *Papua* (0.07mmt) and the *LNG Sokoto* (0.05mmt).

Meanwhile, PetroChina's Dalian LNG is looking to receive 0.07mmt by 7th September, taking a 10% share of LNG headed to the region. The Russian cargo was exported by Yamal LNG on 22nd August via the *Nikolay Yevgenov*. Yamal LNG is continuing to make use of the Northern Sea Route through the arctic during the warm summer months, our data show.

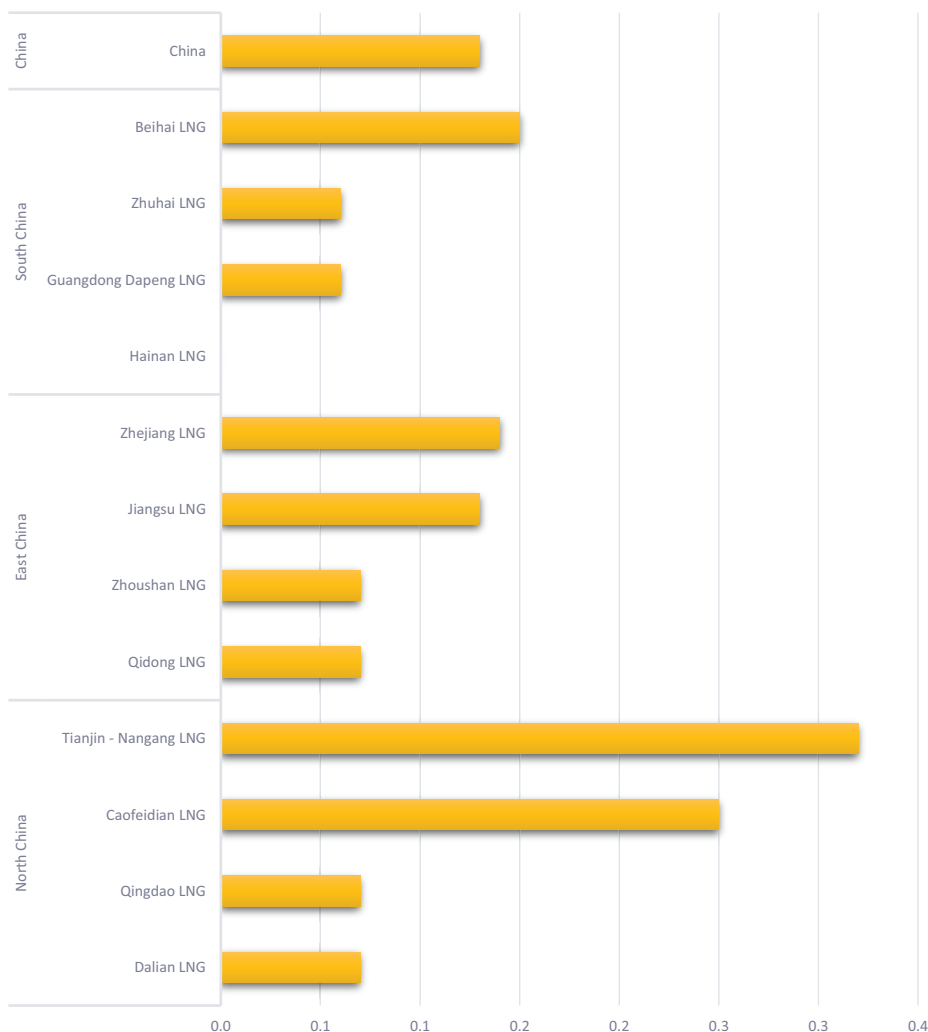
At the North China region's southernmost border, expected deliveries to Qingdao LNG comprise one Australian cargo via the *CESI LianYungAng* (0.07mmt), which we expect to arrive by 6th September. The cargo was shipped by Australia Pacific LNG on 30th August.

Some US LNG continues to flow into China

Tianjin-Nangang LNG, meanwhile, is looking to receive five cargoes by 10th October. Notably, the last cargo to arrive within that time frame is the *Diamond Gas Rose* carrying a Cameron LNG cargo to Tianjin-Nangang, our LNG Market Tracker data indicates. The trade thus marks the continuation of US LNG flows to China in June after US exports to the country resumed in March.

The *Grand Elena* (0.06mmt), carrying a Sakhalin-2 LNG cargo, is scheduled to arrive by 1st September. Among other cargoes en route, the Arc7 carrier *Georgiy Brusilov* (0.07mmt) is also carrying a Yamal cargo to Tianjin-Nangang via the Northern Sea Route whilst the *LNG*

Chinese LNG Demand this Week



Source: LNG Journal

Jurojin (0.07mmt) and the *BW Tulip* (0.07mmt) are carrying two French re-exports, deriving from Fos-sur-Mer and Dunkerque Le Clijton, respectively. The two cargoes' delivery horizon was 7th September at the time of writing.

Meanwhile, we expect the *Maran Gas Olympias* and the *Gaslog Hong Kong* to deliver cargoes of 0.06 and 0.07mmt to a yet-to-be-identified terminal in China by 2nd and 30th September, respectively. The former departed Australia's Queensland Curtis LNG plant on 19th August, having been forced to wait off China's eastern coast, whilst the *Gaslog Hong*

Kong is carrying a Sabine Pass LNG shipment that departed on 16th August.

East China

We currently see the East China region – comprising the wider Shanghai area and Zhejiang province – to receive 0.41mmt by 9th September. Zhoushan LNG is scheduled to receive 0.07mmt from Cameron LNG in the United States via the *SK Resolute* by 5th September. Moreover, we see one Australian and one Qatari cargo aboard the *Barcelona Knutsen* (0.05mmt) and the *Q-Flex Al Karaana*

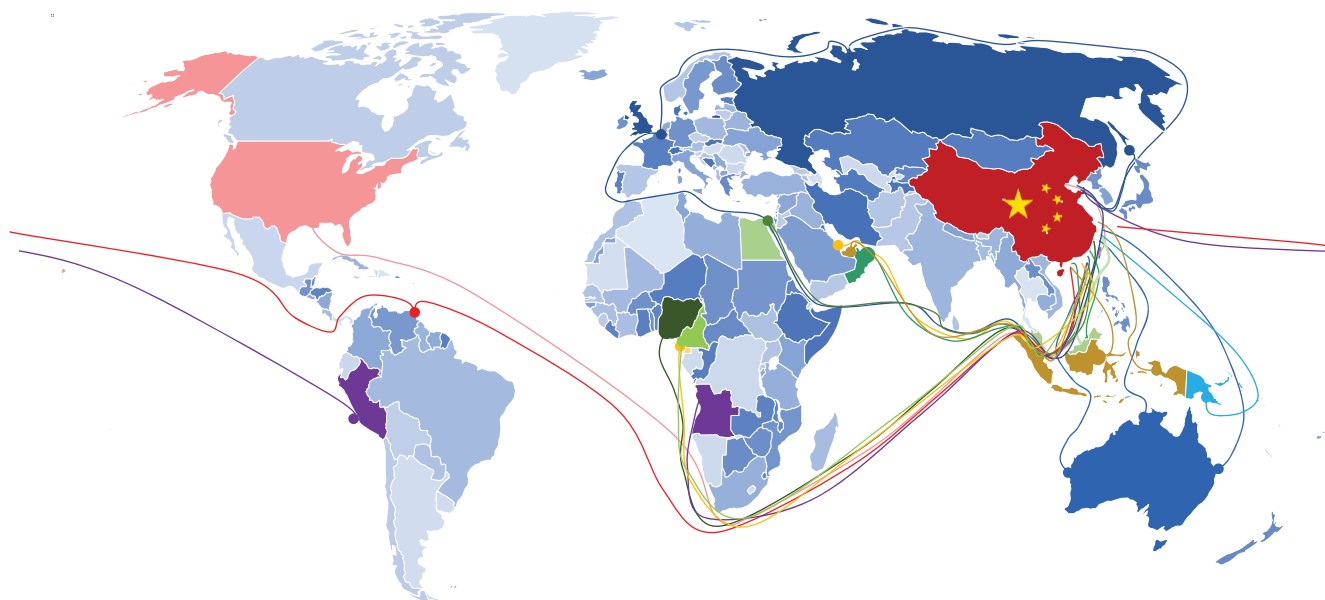
due at Zhejiang LNG by 9th September as well as a Nigerian cargo travelling to Qidong LNG via the *GasLog Singapore* (0.07mmt). At the time of writing the *GasLog Singapore* was indicating arrival on 3rd September. Finally, our data indicate Jiangsu LNG is due to receive one cargo each from Indonesia's Tangguh plant and Australia's NWS LNG facility by 4th September. The former is currently aboard the *Tangguh Sago* (0.07mmt) whilst the latter was shipped via the *Asia Vision* (0.06mmt)

South China

In the south of the country, we are currently expecting 0.40mmt to be delivered by 19th September, led by two Australian cargoes aboard the *CESI Gladstone* (0.08mmt) and the *Dapeng Star* (0.06mmt). We expect the two vessels to arrive at Sinopec's Beihai and CNOOC's Guangdong Dapeng LNG terminals by 7th September.

Russia had one cargo at sea to the South China region – sailing from Yamal LNG – and which we expect to arrive at Hainan LNG by 14th September. Nigeria's Bonny Island facility, meanwhile, had a cargo en route to Beihai LNG via the *LNG Abalamabie* (0.07mmt). Finally, we see the *Trinity Arrow* (0.06mmt) delivering a Peruvian Pampa Melchorita LNG shipment to Zhuhai LNG by 1st September.

Chinese Demand July and August



For illustration only.

China's m/m LNG offtake grew by 0.25mmt in August, increasing robustly by 5% to 5.54mmt. Monthly Chinese offtakes had decreased by 0.48mmt (-8%) in June, meaning that the country realigned on the demand growth trajectory it had embarked on in March. Most of January and all of February were affected by wide-ranging public health measures to counter the country's coronavirus outbreak, which shut down significant parts of the Chinese economy at the time.

Accordingly, demand in August this year exceeded the demand level seen in August 2019, allowing overall Chinese LNG offtakes to show a robust y/y growth of 0.42mmt (8%). This in turn translated into capacity utilisation

of 79% in August, an increase of more than 6pp y/y.

Chinese economy remains in growth mode

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. China's PMI has since struggled to expand significantly, decreasing to 50.8 in April and did not exceed the 51.1 of July. Nevertheless, the Chinese PMI remained broadly steady throughout, decreasing only

slightly to 51 in August, official data from the National Bureau of Statistics showed on Monday. Notably, the 50-point level represents the tipping point between economic contraction and expansion, meaning that the Chinese manufacturing economy remains in growth mode (albeit slower). Meanwhile, the non-manufacturing PMI rose to 55.2 in August from 54.2 in July, indicating robust growth in the services and construction sectors.

Prices

Domestic gas prices are trending upwards whilst landed gas is becoming cheaper

Following the jump in demand, Chinese domestic LNG prices have been trending

upwards since the end of May. However, privately quoted prices were still significantly below November's peak of \$13.42/mmBtu at \$7.20/mmBtu in July. Although in the wake of factory restarts domestic prices quickly grew to around \$9.38/mmBtu at the end of March – broadly on par with prices seen the second half of January – the price climb was halted at \$9.41/mmBtu on 30th March. Private quotes for domestically traded LNG found its preliminary post-COVID low point at \$7.02/mmBtu.

Meanwhile, the average domestic price indicated by the National Bureau of Statistics (CNBS) stood at \$7.41/mmBtu on 31 July and increased to \$7.50/mmBtu as of 20 August, the latest available data point. As such, China's average domestic LNG price of \$7.38/mmBtu in July was c. 2% higher than in June, whilst the average price up until 20th August increased further to \$7.47/mmBtu, which was up 1.2% m/m.

Concurrently, we highlight that landed LNG saw an average price of \$5.71/mmBtu as of 26th August, according to Chinese customs data. This represents a significant preliminary drop of \$0.92/mmBtu (-14%) m/m in August, with data for the last week of the month yet to be published at the time of writing.

Higher pipeline gas availability has fed into demand growth

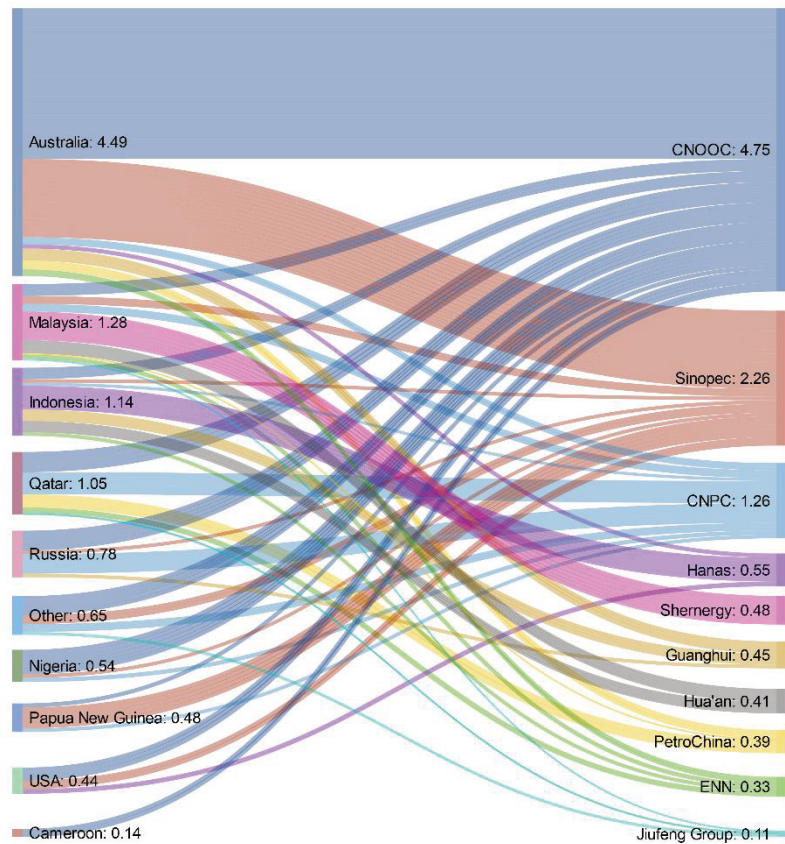
Overall, therefore, China's domestic LNG prices are likely to once again become subject to downwards pressure but more due to the prevailing historically low LNG prices than lacking demand, in our view. Notably, Chinese customs data indicates pipeline gas prices have

seen a considerable decrease since February, moving down by \$0.50/mmBtu m/m in August.

North China

Chinese demand saw significant monthly growth in the north of the country, increasing by 0.22mmt from 1.95mmt in March to 2.17mmt in April. In May, however, monthly demand growth in the north vanished as

Chinese LNG Buyers



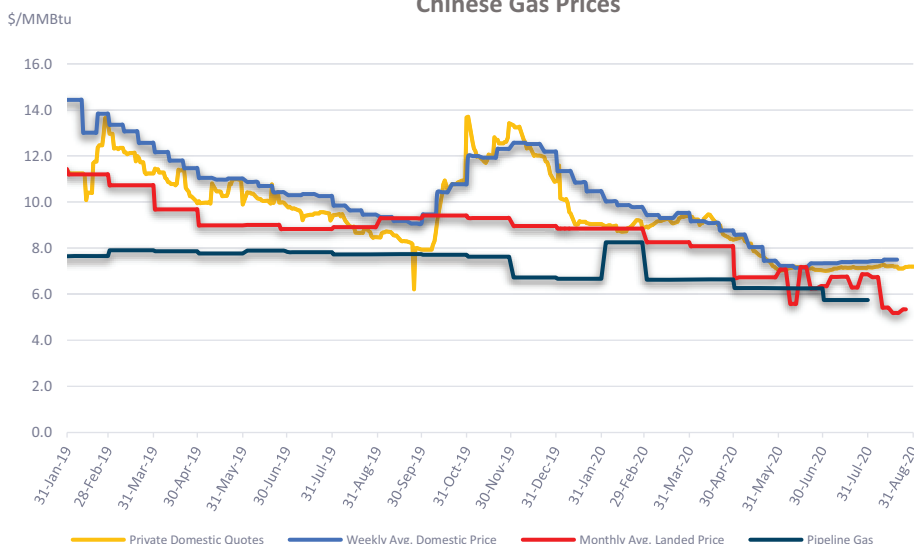
Source: LNG Journal

overall offtakes decreased slightly by 0.08mmt (-3.69%) to 2.09mmt.

China's North led by Tianjin-Nangang LNG

Leading the roster of northern terminals by volume imported, Tianjin-Nangang LNG took in 0.73mmt in August, consisting predominantly of five Australian cargoes totalling 0.34mmt that were delivered by the *CESI Qingdao* (0.08mmt), the *Valencia Knutsen* (0.07mmt), the *Pacific Mimosa* (0.07mmt), the *Eschu Maru* (0.06mmt) and the *Woodside Goode* (0.06mmt) between 4th and 22nd August. Meanwhile, Russia delivered one cargo from its Sakhalin-2 LNG plant via the *Grand Elena* (0.06mmt) and two shipments from Yamal LNG via the *Vladimir Rusanov* (0.07mmt) and the *Rudolf Samoylovich* (0.07mmt). Shipments from Cameroon, Nigeria and Oman comprised the remaining three cargoes, which arrived between 7th and 14th August via the *Stena Crystal Sky* (0.07mmt), the *LNG Rivers* (0.06mmt) and the *Salalah LNG* (0.06mmt), respectively. Accordingly, Tianjin-Nangang LNG increased its monthly LNG offtake by 0.06mmt (9%) in August, pegging capacity utilisation at 81%.

Chinese Gas Prices



Source: LNG Journal, CNBS, GACC, Domestic Traders

Caofeidian LNG saw highest m/m regional growth rate in August

Caofeidian LNG led regional offtake growth by terminal, increasing imports by 0.05mmt (21%) from 0.24mmt in July to 0.29mmt in August, pegging capacity utilisation at 54%. Qatar was the principal supplier of LNG through the Q-Max vessel *Mekaines* (0.11mmt). The remaining August deliveries to Caofeidian LNG were performed by the *Vladimir Vize*, which arrived with a 0.07mmt cargo from Yamal LNG in Russia, as well as the *Kumul* (0.06mmt) and the *GasLog Seattle* (0.05mmt), which delivered a PNG LNG and a Donggi-Senoro LNG cargo, respectively.

Tianjin LNG saw monthly offtakes decline

Tianjin LNG, meanwhile, saw monthly offtakes decrease by 0.13mmt from 0.40mmt in July to 0.27mmt in August (-32%). In previous months, the terminal had led regional offtake growth, increasing imports by 0.06mmt (18.8%) from 0.32mmt in April to 0.38mmt in May. Utilisation in August stood at 45%. We think deliveries derived mainly via spot trades with the *British Mentor* (0.07mmt) and the *Kinisis* (0.07mmt) delivering a Cove Point LNG and Angolan cargo on 14th and 27th August, respectively. Deliveries were completed via the *Solaris* (0.07mmt) and the *Seri Camellia* (0.06mmt) with a Malaysian and Sakhalin-2 cargo, respectively.

Dalian and Qingdao LNG

The remaining two northern terminals – Dalian LNG and Qingdao LNG – imported 0.18 and 0.56mmt in July, respectively, but which in the case of Dalian LNG increased by 0.01mmt (6%) to 0.19mmt in August. Qingdao, meanwhile, grew offtakes by 0.02mmt (4%) to 0.58mmt in August.

Qatar was Dalian's principal LNG supplier via the Q-Max vessel *Mozah* (0.12mmt). The remaining August delivery to Dalian LNG was performed by the *Pan Africa*, which arrived with a 0.07mmt cargo from Ichthys LNG in Australia. Supply to Qingdao comprised contracted volumes, with Australia constituting the majority of its August offtakes (0.37mmt) 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 *Gigira Laitebo* (0.07mmt). Notably, Dalian saw relatively low utilisation in August of below 40% 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 0.46mmt in August. This constituted robust growth of 0.10mmt (28%) over July. Accordingly, the terminal operated at above nameplate capacity during both August and July. Zhejiang LNG's offtakes were hit particularly hard during February, when the terminal imported only 0.14mmt as lockdown measures – which were first seen in the East China region – began to bite.

Zhoushan LNG

Its neighbouring terminal Zhoushan LNG, meanwhile, also saw m/m growth of 0.01mmt (6%) in August as private operators benefitted from the general increase in gas demand, we think. 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 boosts capacity utilisation

Meanwhile, the wider Shanghai area – comprising Jiangsu LNG, Qidong LNG, Shanghai LNG and the metropolis' peak-shaving facility – imported a total of 0.87mmt in August. This constituted a decrease of 0.13mmt (-13%) over the 1.00mmt imported during July. The sub-region's growth was led by Shanghai's peak-shaving facility, which increased m/m imports by 0.02mmt (23%) to 0.12mmt in August. Meanwhile, however, Jiangsu LNG and Qidong LNG both decreased offtakes significantly by 0.07mmt whilst Shanghai LNG cut back less drastically by 0.02mmt (-6%). Overall capacity utilisation for the wider Shanghai area was therefore decreased by c. 11pp to 76% in August from 87% in July.

South China

Regional imports in South China – where LNG demand is primarily determined by the southern industrial centre of Shenzhen – saw m/m demand increase considerably in August in line with the country overall. Demand in the region grew by 0.32mmt (20%) to 1.98mmt in August from 1.66mmt in July.

Southern demand growth once more led by Fujian LNG in August

Although total offtake volumes were led by Guangdong Dapeng LNG with 0.73mmt, m/m growth in August was led by Fujian LNG after the terminal was put back into full service in

April following maintenance. The terminal more than doubled monthly imports from 0.18mmt in July to 0.37mmt in August after offtakes in June had amounted to 0.24mmt. Fujian LNG's capacity utilisation thus stood at 70% in August.

Shenzhen area back to full capacity utilisation

At the same time, the region's most prominent terminal – Guangdong Dapeng LNG – also saw offtakes increase by 0.07mmt (11%) to 0.73mmt in August whilst its neighbouring Shenzhen Diefu LNG facility, the Shenzhen Peak-shaving terminal as well as Dongguan LNG increased total offtakes by 0.04mmt to 0.21mmt. In June and July these terminals imported 0.17mmt and 0.16mmt, respectively, thus showing robust growth of 31% in August. Capacity utilisation for the Shenzhen area thus stood at c. 91%.

Beihai LNG still firing on all cylinders in August

Beihai LNG continued to see strong demand in August after having remained absent from the market in March. Notably, utilisation has softened following above-nameplate utilisation in May. In August, the terminal increased offtakes by 0.05mmt (25%) to 0.25mmt and thus did not reach the recent peak of 0.30mmt seen in May when the terminal's capacity utilisation stood at 120%. Nevertheless, Beihai's capacity utilisation still stood at 100% in August.

Zhuhai LNG

Zhuhai LNG imported 0.26mmt in August – decreased offtakes by 0.06mmt (-19%) in August – whilst Jieyang compensated by boosting offtakes by 0.06mmt (86%) to 0.13mmt. Jieyang LNG was absent from the market in both February and March and has suffered from frequent periods of inactivity since its commissioning in 2017. At Zhuhai, capacity utilisation stood at 78% in August, down from the 114% seen in July, whilst Jieyang's utilisation was at 76%.

Lacklustre demand on Hainan Island

The remaining two regional LNG terminals on Hainan Island – Hainan LNG and the Hainan Transfer Station – saw demand retreat once again since a severe reduction in February and March. Whilst in both July and August the Transfer Station continued to receive its regular cargoes via the *Lucia Ambition* (0.01mmt), its larger counterpart on the island – Hainan LNG – decreased August imports to just 0.02mmt from 0.06mmt in July and 0.07mmt in June. Hainan LNG capacity utilisation thus stood at just 8% in August.

Region	Terminal	Export Basin			August	July	% Change m/m	August Utilisation
		Atlantic	Middle East	Pacific				
North	Caofeidian LNG	0.07	0.11	0.11	0.29	0.24	20.8%	54%
	Dalian LNG	-	0.11	0.08	0.19	0.18	5.6%	38%
	Qingdao LNG	-	-	0.58	0.58	0.56	3.6%	232%
	Tianjin - Nangang LNG	0.27	0.06	0.40	0.73	0.73	0.0%	81%
	Tianjin LNG	0.14	-	0.13	0.27	0.40	-32.5%	45%
East	Jiangsu LNG	0.12	0.15	0.06	0.33	0.40	-18%	113%
	Jieyang LNG	-	-	-	-	-	-	-
	Qidong LNG	-	-	0.19	0.19	0.26	-27%	190%
	Shanghai LNG	-	-	0.23	0.23	0.25	-6%	92%
	Shanghai Peak-Shaving	-	-	0.12	0.12	0.10	23%	24%
	Zhejiang LNG	-	-	0.46	0.46	0.36	28%	184%
	Zhoushan LNG	-	-	0.17	0.17	0.16	6%	68%
South	Beihai LNG	0.06	-	0.19	0.25	0.20	25%	100%
	Dongguan LNG	-	0.02	0.02	0.04	0.07	-41%	67%
	Fujian LNG	0.08	-	0.29	0.37	0.18	106%	70%
	Guangdong Dapeng LNG	0.07	0.09	0.57	0.73	0.66	11%	129%
	Hainan LNG	-	-	0.02	0.02	0.06	-67%	8%
	Hainan Transfer Station	-	-	0.01	0.01	0.01	21%	12%
	Jieyang LNG	-	-	0.13	0.13	0.07	86%	78%
	Shenzhen Diefu LNG	-	-	0.07	0.07	-	-	21%
	Shenzhen Peak-Shaving	-	-	0.10	0.10	0.09	11%	150%
	Zhuhai LNG	-	0.09	0.17	0.26	0.32	-19%	93%
Total		0.81	0.63	4.10	5.54	5.29	5%	79%

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