LNG Unlimited

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Teekay LNG Partners prepares December vote on Stonepeak

Teekay fleet has many long-term contracts and moves to US investment fund ownership sphere

LNG News Editor

Project site is contained in 1,100 coastal acres on the shore

Teekay LNG Partners reported a jump in net income in the third quarter as the shipping company prepared for a December vote on a deal worth $6.2 billion to become the latest LNG fleet to be taken over by, or merged with, US equity fund interests.

Teekay LNG Partners posted net income to the end of September 2021 of $66.97 million, well up on the same three months of 2020 when profits came to $40.27M.

Revenues

The Hamilton, Bermuda-based company reported that voyage revenues fell slightly to $146.57M versus $148.93M in the prior-year quarter.

The Teekay partnership had announced at the start of October 2021 that the US fund, Stonepeak Infrastructure Partners, had agreed to acquire 100 percent of Teekay LNG's outstanding common units and general partner units for $17.00 per unit.

Teekay LNG is one of the world's largest independent owners and operators of LNG carriers, providing LNG and liquefied petroleum gas (LPG) shipping services.

The fleet is primarily under long-term contracts through its interests in 47 LNG carriers, 21 mid-size LPG carriers and seven multi-gas carriers.

The shipping line also owns a 30 percent stake in the Bahrain LNG import project in the Arab Gulf.

"A special meeting of common unitholders to vote on the transaction is scheduled for December 1, 2021," said Teekay LNG Partners.

"All common unitholders of record as of October 28, 2021 will be entitled to vote at the special meeting," stated the company.

Other conditions

The partnership said that the transaction was also subject to certain closing conditions, including approval by the holders of a majority of Teekay LNG's outstanding common units.

On October 15, 2021, the partnership declared a distribution of $0.2875 per common unit, payable on November 12, 2021 to all common unitholders of record on November 5, 2021.

Then on October 27, the partnership received sufficient bondholder consents to amend two of its Norwegian Bonds maturing in 2023 and 2025 and whose consents were among those required as part of the transaction.

Teekay LNG carrier ownership interests in its vessels range from 20 percent to 100 percent.

Teekay is the latest LNG fleet owner to be the subject of a takeover or merger with New York-based fund and banking interests.

Höegh LNG Partners, the US affiliate of Höegh LNG Holdings, is now partnered with the infrastructure unit of US investment bank Morgan Stanley.

The LNG fleet controlled by Höegh LNG Partners consists of five vessels, mostly floating storage and regasification units that operate under long-term charters.

Access to finance

Höegh's and Teekay's rival GasLog Ltd, the Greek-based LNG shipping fleet owner with 35 vessels operating, agreed a merger earlier in 2021 with a unit of US fund giant BlackRock.

GasLog entered into a merger agreement with BlackRock's Global Energy & Power Infrastructure (GEPIF), part of the New York-based firm focused on long-term infrastructure investments in the energy and power sectors.

That deal involved the acquisition of around 45 percent of GasLog Ltd's outstanding common shares by BlackRock.

In addition to its fleet, Teekay LNG Partners owns a 30 percent interest in an LNG regasification terminal in Bahrain. ■

UNLIMITED AGENDA

Petrobras says LNG helped ease Brazil crisis while benefits emerge from huge debt paydown

LNG News Editor

Petróleo Brasileiro (Petrobras), the Brazilian oil and gas company, boosted domestic natural gas production in the third quarter backed by LNG imports as well as pipeline gas from Bolivia as a drought curtailed the South American nation's hydro-electric output.

Petrobras relied on its own production to meet 40 million cubic metres per day of demand, topped up by LNG shipments from the US and elsewhere as well and pipeline gas imports from Bolivia.

CFO Araujo: 'debt seemed unpayable' and now well down

Highlights

Petrobras reported third-quarter recurring net income of US$3.3 billion, helped by one-off items as well.

Among the highlights were operating cash flow and free cash flow, totaling $10.5Bln and $9Bln respectively and adjusted gross earnings of $12.2Bln.

Natural gas revenues totaled $1.72Bln, an increase of 128 percent versus the same three months of 2020.

The results included the receipt of $2.9Bln from partners in the Búzios co-participation agreement and the inflow of $2.2Bln in cash from subsidiary Petrobras Distribuidora's public offering, carried out in July 2021.

Petrobras said that regasified LNG volumes averaged 30 million cubic metres per day, up almost two thirds from the previous three months while Bolivia supplied 20 million cubic metres per day.

The Brazilian section of the Bolivia-Brazil GasBol pipeline is 2,600 kilometres (1,615 miles) in length.

Belgian company Fluxys, whose assets include the Zeebrugge LNG import terminal and a stake in Dunkirk LNG in France, is part owner of the Brazilian part of the pipeline from Bolivia.

Petrobras noted that the higher volume of LNG delivered to the market was made possible by an expansion of the regasification capacity at the Guanabara Bay import terminal, which offset lower availability of domestic gas during the Mexilhão gas field maintenance shutdown.

The company explained that on October 5, it successfully completed the scheduled shutdown of Route 1 of the Santos Basin pre-salt offshore field.

"Several actions were taken to mitigate the impacts associated with the reduction in gas supply, such as the expansion of the capacity of the Guanabara Bay regasification terminal from 20 million to 30 million m^3/day and the increase in the volume of regasified LNG, which reached an average of 30 million m^3/day in the third quarter, up by 66.7 percent compared with the previous quarter," explained Petrobras.

Petrobras said that during the quarter the average production of oil, natural gas liquids and natural gas reached 2.83 million barrels of oil equivalent per day (boed), an increase of 1.2 percent compared to the previous quarter, even with restrictions from the Covid-19 pandemic.

The pre-salt offshore basin output reached 71 percent of production capacity, highlighting the entry into operation of the FPSO Carioca (Sepia field) and increased output from the FPSO P-70 (Atapu field).

Petrobras also announced progress on paying down the company's debts.

Debt miracle

"Meeting this goal, even before the agreed deadline, shows the company's commitment to technical and balanced management," explained Rodrigo Araujo, Chief Financial Officer.

"The company's debt had reached more than US$130Bln in 2014, an amount that was around US$160Bln if we also take into account the charters that started to be considered as debt from 2019," added Araujo. ■

Mexico's Pemex sees losses widen with lower revenue amid continued high natural gas flaring

Petróleos Mexicanos (Pemex), the Mexican oil and gas company, is currently struggling to emerge from the economic slowdown amid widening losses and tumbling revenues at a time when several LNG export projects are moving forward in the country.

Pemex posted wider net losses in the third quarter of 77.2 billion pesos ($3.75Bln) compared 62.8Bln pesos ($3.05Bln) in the prior-year quarter and with much lower revenues of 384.7Bln pesos ($18.73Bln), down from $732Bln pesos ($35.56Bln) in the prior-year quarter.

Natural gas production edged higher by 0.2 percent to 3.69 billion cubic feet per day in the three months to the end of September compared with 3.68 Bcf per day in the same quarter of 2020.

Natural gas flaring was again high at 605 million cubic feet per day in the third quarter, up more than 19 percent from the 508 million cubic feet per day in the same three months of 2020.

This means that a large proportion of gas never made it to market in the third quarter because of flaring.

Mexico's gas flaring is explained by the lack of natural gas infrastructure, insufficient maintenance and high nitrogen content in its natural gas.

"Higher tax payments and foreign exchange hurt earnings in the third quarter as crude production recovered somewhat," said Pemex.

Pemex has the largest tax obligations of any company in Mexico and contributes some 16 percent of all state revenues.

Pemex's financial debt, much of which is issued in dollar-denominated bonds and held widely by global investors, stood at $113Bln.

The company noted that between October and December 2021, a total of $1.55Bln in debt repayments are due.

Pemex Chief Financial Officer Alberto Vazquez said the company had not ruled out having further bond sales in 2022.

Analysts said the national oil and gas company needs to be weaned off of state aid to improve its corporate prospects.

The woes of Pemex continue as LNG export projects move forward, though involving US and non-state companies. ■

UK-based NSMP to buy plant in Norway

North Sea Midstream Partners, a leading UK owner of large-scale natural gas infrastructure based in Aberdeen and with assets in the North Sea, Norwegian waters and the Southern Gas Basin, has acquired the small-scale Risavika LNG liquefication plant in Norway.

NSMP purchased the Risavika liquefaction facility from Finnish natural gas company and LNG fuel market participant Gasum.

The value of the NSMP-Gasum transaction was not disclosed under an agreement between both parties.

The Helsinki-based firm will continue as a major off-taker under a long-term contract for LNG and the liquefied biogas produced at Risavika.

"This acquisition is a strategic step for NSMP. The Risavika liquefaction plant is an attractive addition and a geographic expansion for NSMP and extends our platform for growth," said Andy Heppel, Chief Executive of NSMP.

"We are looking forward to building a long-term partnership with Gasum who will remain a major customer of the plant," added Heppel.

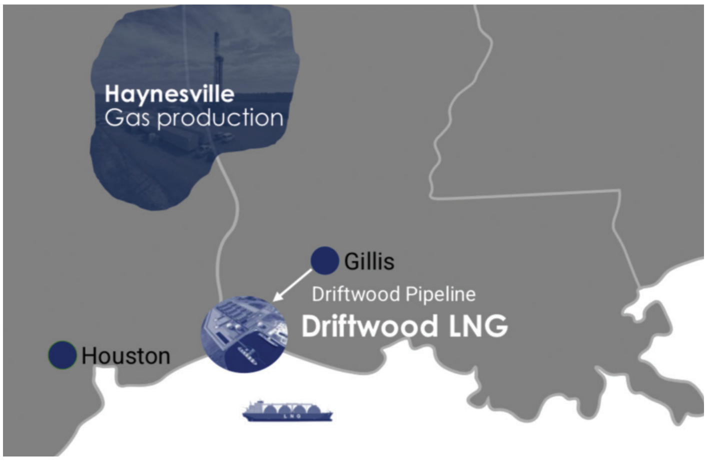
"We will be working closely with Gasum, and the Risavika staff to ensure a safe transition of operations," stated the NSMP CEO.

The contract between Gasum and NSMP was signed on the 1st of November 2021 and the transaction was expected to be closed by mid-November.

The Risavika LNG plant is located in Norway's Sola municipality and has a production capacity of 300,000 tonnes per annum.

Tellurian plans next stage of LNG development with feed-gas boost

LNG News Editor



Houston-based company seeks more Haynesville gas

Tellurian Inc., the developer of the Driftwood LNG export plant in Louisiana and set to supply commodities trading firms Gunvor and Vitol as well as Royal Dutch Shell, has reduced losses in the third quarter.

The company posted losses of $15.9 million compared with a $29.5M loss during the prior-year period.

Revenues

Tellurian's revenues increased to $15.6M, up 9 percent from $14.3M reported in the same three month of 2020.

"Tellurian recently brought production online from two newly completed natural gas wells, adding to our financial strength and integrated model that provides a valuable hedge to volatile global prices," said President and Chief Executive Octávio Simões.

"By year end 2021 we plan to produce approximately 70 million cubic feet equivalent per day," added the CEO.

Simões said that the Houston, Texas-based company was also in discussions with counter-parties to expand the gas resources in the Haynesville Shale basin.

In addition, Tellurian has authorized a new drilling programme and plans to drill 12 to 14 wells to produce about 220 million cubic feet equivalent per day by year-end 2022.

The company plans to give US construction and engineering company Bechtel notice to proceed with construction in early 2022 for the site at Lake Charles where Tellurian also sealed a long-term lease option for a minimum of 20 year and options for 50 years.

Initial work includes pipeline relocation, highway and road widening, electrical infrastructure removal and the drilling of water wells.

Tellurian has now turned its focus to financing Driftwood LNG to the tune of $16.8 billion.

CEO Simões said that the Vitol, Gunvor and Shell deals have opened the way for positive project financing in that 9 million tonnes per annum of LNG has already been pre-sold.

Tellurian has also transferred its common stock listing from the Nasdaq Capital Market to the NYSE American.

US Gulf LNG export projects start to show signs of life after lull

Glenfarne, a New York-based fund specialising in energy infrastructure investment, is keeping the regulatory pot boiling on the Magnolia LNG export plant in Louisiana by filing a monthly activities report for through October 2021 after the completion deadline was extended to 2026.

The group subsidiary, the development company of Magnolia LNG, was granted five more years in 2020 by the Federal Energy Regulatory Commission to complete the Louisiana plant and associated facilities.

The October 2021 monthly report reported zero activities on the ground, though commercial talks are known to be continuing.

The regulators had previously approved construction of Magnolia LNG and related pipeline expansions in April 2016 under its previous owner, the Australian-listed company LNG Ltd that ceased trading amid financial difficulties.

FERC then issued a notice at the start of 2021 formally approving the change in control in the project company to a subsidiary of Glenfarne.

The Magnolia plant is proposed for a 115-acre site near the Calcasieu Ship Channel. It is designed to produce 8.8 million tonnes per annum of LNG from four Trains.

Now that the global LNG landscape has changed substantially analysts expect currently dormant US LNG export ventures to be revived in some form or another.

Glenfarne's purchase of Magnolia boosted the amount of US LNG export capacity the equity firm has under development on the Gulf Coast to 12 MTPA as it also owns Texas LNG Brownsville.

Glenfarne had a presence at the three-day Gastech conference in Dubai in September 2021.

NEWS BRIEFS

US-China LNG deals

US LNG plant developer Venture Global has confirmed two long-term liquefied natural gas supply deals with China Petroleum and Chemical Corp., known as Sinopec, and its trading arm Unipec and previously revealed on October 20 by the US Department of Energy. Venture Global will supply 4 million tonnes per annum of LNG to Sinopec for 20 years from the Plaquemines LNG plant to be built on the west bank of the Mississippi River in Louisiana. In addition, Unipec has agreed to purchase up to 3.8 MTPA of LNG from Venture Global's Calcasieu Pass facility under construction south of the city of Lake Charles.

Burckhardt sales jump

Burckhardt Compression, the Swiss-based LNG equipment-maker for LNG shipping and compressor equipment for other sectors, reported a rise in fiscal first-half operating income as sales gathered pace and earnings per share increased. Burckhardt reported "significantly higher' order intake of 450.7 million Swiss francs ($493.5M), up 48.7 percent from 303M francs ($332M) in the year-ago period with the Systems Division posting a 78 percent rise in sales and the Services Division reporting an 11.2 percent increase.

Beach CEO search

Beach Energy, set to be the newest Australian LNG export company from onshore Perth Basin resources, said Chief Executive Matt Kay was leaving Beach to pursue other opportunities. Beach Chief Financial Officer Morné Engelbrecht was appointed acting CEO effective immediately while a search is conducted to find Kay's replacement.

US LNG exporter Cheniere posts jump in quarterly revenues of $3.2Bln but registers derivatives account loss

LNG News Editor

Cheniere Energy, the operator of the US Sabine Pass and Corpus Christi LNG export plants, reported soaring revenues that more than doubled to $3.20 billion for the third quarter as natural gas market prices hit records worldwide.

However, Cheniere said it posted a loss in the three months to the end of September 2021 of $1.08Bln, wider than the $463M of losses registered in the third quarter of 2020.

Cheniere CEO Jack Fusco praised 'operational excellence'

Sales surge

The Houston, Texas-based company said its revenues were 119 percent higher than the $1.46Bln reported in the same three months of 2020.

Cheniere's nine-month revenues from LNG sales to Asia, Europe and South America came to $9.03Bln, up by 42 percent from the $6.57Bln logged in the same period of 2020.

The company said its negative net results were the result of an increase in derivative losses from changes in fair value and settlements of $3.4Bln and $4.5Bln pretax and excluding the impact of non-controlling interests.

"This impact was partially offset by increased volume and revenue per MMBtu of LNG as well as an income tax benefit generated by the pretax derivative losses in our earnings, and the proportion of such earnings attributable to non-controlling interests, during the three and nine months ended September 30, 2021, respectively," explained Cheniere.

Cheniere Chief Executive Jack Fusco said the strong third-quarter results and revenues were the product of "operational excellence" as well as the continued strength in the global LNG market.

"As we look ahead to 2022, we look forward to substantial completion on Train 6 at Sabine Pass in the first quarter, approximately a year ahead of the guaranteed completion schedule," stated Fusco.

"Our 2022 guidance ranges are driven by Train 6 commencing in the first quarter and sustained higher margins available in the market," added the CEO.

Cheniere produces a nameplate 22.5 million tonnes per annum from the Sabine Pass facility and with Train 6 in operation output will jump to 27 MTPA.

Among quarterly highlights, Fusco pointed to the recently executed two new long-term sales and purchase agreements with ENN Group of China and UK-listed global commodities firm Glencore.

"These transactions showcase the global demand for securing flexible, reliable LNG supply for the long term as well as Cheniere's role as a leading global LNG supplier," added Fusco.

Cheniere's CEO also said that the Corpus Christi plant expansion was on track for a final investment decision in 2022.

The facility currently has nameplate output of 13.5 MTPA from three Trains, each producing 4.5 MTPA.

The Corpus Christi plan is an expansion comprising seven mid-scale liquefaction Trains adjacent to the Corpus Christi plant, each with an expected nominal production capacity of around 1.4 MTPA of LNG.

The total expected minimum production capacity of the seven mid-scale Trains is 9.5 MTPA to 9.8 MTPA.

Adjusted earnings

Cheniere additionally reported consolidated adjusted gross earnings (EBITDA) of approximately $1.1Bln and $3.5Bln for the three-month and nine-month periods to the end of September.

Distributable cash flow was $390M and $1.48Bln the three months and nine months.

The company raised its full year 2021 consolidated adjusted EBITDA guidance to $4.6Bln to $5.0Bln and reconfirming full-year 2021 distributable cash flow guidance of $1.8Bln to $2.1Bln.

It introduced full-year 2022 consolidated adjusted EBITDA guidance of $5.8Bln to $6.3Bln and full year 2022 distributable cash flow guidance of $3.1Bln to $3.6Bln.

New Fortress Energy's Nicaraguan LNG project moves to start-up and Mexican fully operational

LNG News Editor

New Fortress Energy Inc., the US company with LNG-to-power projects in South America, the Caribbean and Sri Lanka in Asia, said completion work was being carried out on a new Nicaraguan import facility while its Mexican terminal in the state of Baja California Sur was now fully operational.

The terminal in Nicaragua is located at Puerto Sandino and building and installation work for both the terminal and an adjacent power plant will be completed by year-end with commissioning planned in the first quarter of 2022.

West Coast

The fully operational Mexican Pacific Coast facility is at the port of Pichilingue near La Paz.

New Fortress uses what it calls its "ISO Flex System", explained as a large ship offloading ISO containers onto small offshore support vessels (OSVs), for its newest terminals.

The vessel at the port of Pichilingue has been equipped with NFE's ISO FLEX using a proprietary manifold and LNG cargo containment system under license to New Fortress by Argent

Nicaragua is developing its ports for energy and shipping

Marine Management. The New York-based company said in its third-quarter earnings statement that it was continuing to make "great progress" in the first of several planned "Fast LNG" production assets to be deployed in two separate paths.

This will include tolling agreements with high-credit quality counterparties to lock in stable cash flows similar to another current project, the converted FLNG production vessel, the "Hilli".

New Fortress gave the updates in its third-quarter earnings revealing higher quarterly revenues of $304.7 million compared with $233.8M in the second quarter.

However, net losses widened to $17.8M from $1.7M in the previous three-month period.

New Fortress added that two Brazilian projects, in Barcarena in the state of Pará and Santa Catarina in southern Brazil, were advancing on schedule to supply regasified LNG for power.

For the Barcarena venture the Norsk Hydro company executed definitive commercial terms for 15 years of LNG supply and the facility will also ship LNG to the Alunorte alumina refinery starting in the first quarter of 2023.

"Continued energy shortages in Brazil have led to emergency power measures, including an auction in the South and Southeast region which took place in October," the US company noted.

The company said it was positioned to supply LNG through the Santa Catarina terminal for power plants with more than 400 megawatts of capacity from the second quarter of 2022.

New Fortress also revealed that it was targeting the acquisition of a key site on the US Gulf Coast in the fourth quarter, with permitting, engineering and financing expected to be completed by the first quarter of 2022.

On the financing front, New Fortress closed a ship loan facility at interest of 300 basic points above the London Interbank Rate with initial proceeds of $425M and with an increase possible for an additional $300M.

The company recently agreed to invest in West Coast Power Ltd (WCP), the owner of the 310-megawatts Yugadanavi Power Plant based in the Sri Lankan capital Colombo while also developing an LNG facility off the coast.

As part of that transaction, New Fortress will have gas supply rights to the Kerawalapitya Power Complex, where 310 MW of power is operational now and an additional 700 MW is scheduled to be built, of which 350 MW will be operational by 2023. ■

Exmar posts steady results and awaits FLNG move

Belgian shipping company Exmar, owner of the "Tango FLNG" vessel last deployed in Argentina, has returned steady first-half results and said it was still pursuing opportunities for the LNG production barge as well as for a floating storage and regasification unit.

Exmar gave details of the LNG developments as it posted a 23 percent increase in third-quarter gross earnings for the shipping division of $4.4 million compared to $3.6 million in the same three months of 2020.

The earnings for the infrastructure division, comprising the two floating LNG vessels, was negatively affected by the current unemployment of the regasification vessel, known as "FSRU S188".

This is because the same period of 2020 was boosted by the recognition of a provision of $16.4M on uncollected revenues from Argentine energy company YPF on the "Tango FLNG" charter cancellation.

The earnings, however, did includes an early termination fee of $56.8M for the "FSRU S188" charter agreement by global commodities company Gunvor.

"Exmar's marketing efforts for employment of 'Tango FLNG' confirm strong market interest in our liquefaction barge," stated the Antwerp-based company.

"Current high oil and gas prices further increase the interest in 'Tango FLNG'. Term sheet discussions are ongoing with various parties. The monthly settlement payments from YPF are diligently being honoured," added Exmar in reference to the settlement accord with YPF.

Eni reports status of Mozambican floating Coral South hull project

LNG News Editor

Eni, the Italian major developing Mozambique LNG and with stakes in liquefaction plants in Angola and Nigeria, said the Mozambican Coral South floating LNG project would start up in the second half of 2022.

Eni made the point on Coral South FLNG as it reported upstream adjusted gross earnings in the first nine months of €5.7 billion ($6.6Bln).

The Mozambique FLNG hull at Samsung yard in Korea

FLNG entry

On Coral South FLNG, Eni added that there would be 3.4 million tonnes per annum and the LNG would be entering the market at the right time.

Eni also gave a limited update on plans for the Area 4 natural gas resources in the Rovuma Basin of Mozambique.

"Regarding Area 4, the updated project and the new final investment decision date will be defined and based on the results of the ongoing optimization phase," said Eni.

"We will also take into account the evolution of the security situation in the northern part of Cabo Delgado Province in Mozambique," it added.

This was a reference to violence in the area from insurgents that shut-down the TotalEnergies-led onshore LNG project for Mozambique's Area 1 Rovuma Basin natural gas resources.

The third-quarter results for Milan-based Eni amounted to €2.4Bln ($2.8Bln), which was above the pre-Covid levels even as production was still ramping up after the maintenance season.

Eni said the ramp-ups in Indonesia, Sharjah in the United Arab Emirates and in Angola more than offset the negative effects of US Hurricane Ida.

The company said its cash flow from operations before working capital for the nine months was strong at €8.1Bln, more than covering capital expenditure of €4Bln in the same period.

For all of 2021, Eni expects cash flow from operations before working capital to be close to €12Bln, based on a Brent crude oil price of around $70 a barrel.

Gasum deploys LNG bunkering Vessel 'Kairos' to ARA region

Gasum, the Finnish state-run natural gas and LNG company, has extended its bunkering services in the Antwerp, Amsterdam, and Rotterdam (ARA) region by locating its bunkering vessel "Kairos" in the area.

"This supports Gasum's strategy to expand its maritime services in Northwest Europe," said the Helsinki-based company.

Previously Kairos has been operating flexibly in the North Sea and Baltic Sea and only arrived in the ARA area upon request.

The 4,376 deadweight ton vessel is 117 metre in length and 20 metres wide with capacity of 7,500 cubic metres.

"The new location of 'Kairos' enables Gasum to deliver bunkers of LNG, the cleanest available marine fuel to its clients in Northern Continental Europe, whenever they have the need," said Gasum.

Gasum's Jacob Granqvist, Vice President of Maritime, said he was happy to have the "Kairos" deployed in the ARA.

"We are now constantly present in the region and can better cater for the needs of our old and new LNG customers in the maritime segment," explained Granqvist.

"LNG is the cleanest available marine fuel, and it's rapidly becoming the most commonly used alternative to traditional fuels," he noted.

Gasum also owns a network of Nordic terminals and facilities comprising a small-scale liquefaction plant and an expanding chain of LNG fuel stations for vehicles.

Its terminals include Sweden's Nynashamn facility with 20,000 cubic metres capacity of storage and purchased in April 2020 by Gasum from Germany's Linde AG.

The Finnish company additionally owns and operates other small regasification and import terminals in Ora and Alesund in Norway and Lysekil in Sweden.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Chevron earnings hit eight-year high as more Wheatstone LNG cargoes point at North Asia

US major Chevron Corp., a key operator of LNG export plants in Australia and Africa, reported third-quarter earnings of $6.1 billion, the highest in more than eight years and expressed optimism over natural gas markets and future LNG operations.

Chevron said its adjusted earnings were $5.7Bln, or $2.96 per share, and the quarter's results included asset sale gains of $200 million.

All five LNG Trains at the Pilbara plant are now operating

Operator

Chevron, based in San Ramon, California, explained that compared with the previous quarter, adjusted third-quarter earnings were up almost $2.5Bln.

Chevron is operator of three LNG export plants, the Wheatstone and Gorgon LNG facilities in Western Australia and the Angola plant at Soyo in southwest Africa.

"Adjusted upstream earnings increased on higher realizations and positive timing of foreign exchange, primarily related to managing LNG portfolio pricing exposure," added Chevron in a post-earnings conference call with analysts.

In the current fourth quarter, Chevron said it expected lower production because of a maintenance turnaround at the Wheatstone facility in Western Australia, which was completed in late October, and repairs to the Alba gas plant in LNG-producing nation Equatorial Guinea.

Chevron also said it expected earnings from Japan-Korea Marker price-related spot LNG cargo sales from Australia to rise compared with the third quarter as customers increase deliveries heading into the middle of the Northern Hemisphere winter.

The company added that it was additionally expecting a return of capital from Angola LNG.

Chevron Chief Financial Officer Pierre Breber commented at length on the current price spike in the LNG market.

"Seeing demand and supply a little bit out of sync is something that we've seen in the past and we expect that markets will work," said Breber.

"We're seeing a commodity pricing right now and we expect markets to rebalance over time. We have a very strong natural gas business with a nice position in North America, Australia, the Eastern Med through Noble Energy, and in Africa," explained the CFO.

Breber also admitted that Chevron experienced a "trading timing effect" that was related to LNG.

"That's really tied to how we manage our overall portfolio pricing. So we have customer contracts that are oil-linked and JKM-linked," he said.

"And we then have various supplies and we try to match up the pricing. And in order to do that we essentially went long some JKM paper, which clearly was mark-to-market positive in the quarter," declared Breber.

Wheatstone plant

On reports that the Wheatstone LNG plant's feed-gas reserves are being written down, Breber gave an explanation.

"It's unrelated to Chevron. The Wheatstone project was the first project in Australia and maybe the world where there were third-party resources coming from two different joint ventures," he said. ■

BP reports third-quarter loss of $2.5Bln on LNG risk management as cash flow increases

LNG News Editor

UK major BP reported a loss for the third quarter of $2.5 billion, explained as the accounting effects of liquefied natural gas risk management, compared with a $3.1Bln profit for the previous 2021 quarter and $450M of losses posted in the same three months of 2020.

Operating cash flow of $6Bln included a working capital build of $1.8Bln after adjusting for inventory holding gains and fair value accounting effects, primarily due to the exceptional increase in forward gas prices towards the end of the quarter.

BP explained that under International Financial Reporting Standards, earnings include the mark-to-market value of the hedges used to risk-manage LNG contracts, but not of the LNG contracts themselves.

"This mismatch at the end of the third quarter is expected to unwind if prices decline and as the cargoes are delivered. The underlying result is adjusted to remove this mismatch," stated BP.

BP is a long-standing player in the LNG market and has supplied China with cargoes for the past 15 years.

It is also involved in two key LNG expansion projects. The first is the Greater Tortue-Ahmeyim export project involving floating LNG production offshore Mauritania and Senegal in West Africa.

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

In addition, BP is completing a third liquefaction Train at its operated Tangguh LNG export plant in Indonesia.

BP said its underlying replacement cost profit came to $3.3Bln compared with $2.8Bln for the previous quarter and just $86M in the third quarter of 2020.

The company's nine-month earnings were well into positive territory with $5.23Bln of profits versus a massive $21.66Bln of losses registered in the first nine months of 2020.

BP's average natural gas price realisations came to $5.61 per thousand feet in the third quarter compared with $3.90 per mcf in the second quarter of 2021 and $1.42 per mcf in the 2020 third-quarter.

"Rising commodity prices certainly helped, but I am most pleased that quarter by quarter, we're doing what we said we would - delivering significant cash to strengthen our finances, grow distributions to shareholders and invest in our strategic transformation," added the CEO.

A further $1.25Bln buyback is planned for shareholders as the London-based company pledged to delivering on cash distributions. ■