Mozambique LNG on track for FID as Chevron buys Anadarko

US major Chevron has bought independent US producer Anadarko in a $50bn deal that elevates Chevron to new heights among the energy majors and gives the company a greater global presence in the LNG market.

Chevron will acquire Anadarko's lucrative midstream assets in the Permian basin that supply feedgas to the US market, as well as LNG production facilities on the US Gulf and Atlantic coasts, and the deal also includes Anadarko's planned 12.8mtpa LNG export project in Mozambique.

Chevron will not change the timeframe and structure of the Mozambique LNG project, which is anticipated to take final investment decision (FID) in the first half of 2019, Chevron CEO Michael Wirth said on a conference call on 12 April. He said he was pleased with the progress of the project in which 9.5mtpa of firm sale and purchase agreements (SPAs) have been signed.

Chevron can leverage its favourable capital assets in support of the Mozambique project, Wirth added. A positive FID could be accelerated by Chevron's creditworthiness and access to capital as an energy major.

The Mozambique LNG project will also benefit from cost cutting that can result from the economies of scale offered by the major, such as access to master contracts for construction supplies.

In February 2019 Anadarko's Mozambique project confirmed a 2.6mtpa sales and purchase agreement with...
Market Report

Asian prices falter on oversupply concern

After a strong week for northeast Asian prices, sentiment turned with prices on a downward trajectory on 18 April, while the European summer LNG price floor may have been reached

The East Asia Index (EAX) front-month assessment recovered as the front-month rolled over into June '19 delivery. By 18 April, the front-month price was 18% higher week-on-week at $5.95/MMBtu. The price strength was noted in a tender that was awarded to South Korean utility GS Energy for delivery in the first half of June for around $6.00/MMBtu. Papua New Guinea’s PNG LNG also sold a cargo in the high $5.00s/MMBtu for delivery in the second half of May.

More Asian spot demand was expected to materialise with two end-users issuing tenders on 16 April. Japanese steelmaker Nippon Steel and Sumitomo Metal issued a buy tender for 17-27 June delivery to the Tobata terminal, while utility company Toho Gas issued a buy tender for July delivery to Japan that was awarded on 18 April for around $5.60/MMBtu.

DGJ, a Japanese trading subsidiary of Mitsubishi has bought a cargo from Malaysia’s PETRONAS for delivery on 1-2 June for $5.22/MMBtu on a trading platform.

China’s CNOOC has offered a reload cargo from the Hainan Yangpu reload facility, which is the first such offer. The reload tender closed on 16 April, although the highest bid could not be confirmed.

India has also seen demand emerge as steelmaker Essar Group awarded a tender for a delivery in the first half of June for $5.80-5.90/MMBtu, with the trading arm of South Korean steelmaker POSCO indicated by a market source as the winner.

Elsewhere on the Indian supply side, GAIL has offered a swap tender for a cargo from the Cove Point export facility on the US eastern seaboard. This will be in exchange for a cargo for delivery to one of its Indian terminals at a later date between late May and late June. The cargo GAIL is offering is to be loaded from Cove Point on 17 May.

Japan consumption rises

Japanese LNG consumption has been higher as colder than usual temperatures have boosted domestic consumption. Despite this, Market sources have reported that Japanese LNG terminals are close to tank top as the mild winter has broadly capped Japanese LNG demand and consumption. Japanese demand going into the summer months may also be capped by higher solar and nuclear power generation.

Also in northeast Asia, high inventories are also dampening Chinese spot LNG demand, with the growth in consumption largely being met by contractual volumes.

KEY POINTS

- Shortage of regas slots in northwest Europe limits spot opportunities
- Higher solar power could limit Japanese summer demand
- European demand comes from Iberia
- LNG summer price floor reached
Japanese demand into the summer may be capped by higher solar and nuclear power

Total Chinese imports have risen 26% year on year.

Bontang exports lower
In southeast Asia, Indonesia’s Bontang LNG has exported lower volumes each month in 2019. The facility, which is operated by a subsidiary of state-owned Pertamina, has had exports hit by weaker prices, and more sales were made into the domestic market to ease the high inventory levels.

In two tenders of four and three cargoes, market sources said that neither were fully awarded. Lower feedgas volumes from declining gas fields also impacted LNG production at Bontang.

Excess volumes at Bontang were partially loaded onto the 141,000cbm Galacia Spirit. Australia and Papua New Guinea use domestic sales and floating storage as a mechanism to manage regional oversupply.

Australia ramps up supply
Elsewhere in the Pacific basin supply side, Australian exports are projected to grow even further. US producer Chevron is due to ramp up production at the Wheatstone project while Inpex’s Ichthys LNG project will also boost production.

The Asian market has been flooded with Australian volumes with Japan and China seeing the highest percentage increases from Q4 2018 to Q1 2019. Japanese utility company Kyushu Electric has an equity stake in the Wheatstone project.

Deliveries to Taiwan also jumped as Taiwanese incumbent CPC has an equity stake in the Ichthys LNG project.

LNG price floor probed in Europe
A summer LNG price floor may have been reached in Europe, market sources have indicated. However lacklustre demand through June and July could see prices fall. A source also said that the Atlantic basin was currently balanced or slightly oversupplied, so demand that is not robust could see oversupply put bearish pressure on prices.

In the Mediterranean, Greece has lined up spot LNG supplies to restock its inventories after the Revithoussa import terminal has been offline due to maintenance. The maintenance is scheduled to end on 9 May, with a cargo due to arrive at the terminal on 10 May.

A cargo that is likely purchased on the spot market by local utility M&M is scheduled for delivery on 14 May.

Sabine Pass production to resume
A full restart of US facility Sabine Pass train 5, and uncommitted Yamal volumes, are expected to add further supply to the basin, exerting downward pressure on prices.

Sources also said on 11 April that trains 1 and 2 at the Sabine Pass facility are coming back online.

Iberian demand could emerge
Sources said that European spot demand is focused on the Iberian market. Portuguese buyer EDP is in the market for a cargo for delivery to Sines in late May while a Spanish end-buyer purchased a cargo from a trading house for delivery in the second half of May.

Import terminals in Portugal and Spain have more spare regasification capacity than their northwest European counterparts.

LNG Edge data shows that Sines terminal was at 68% utilisation rate, while Spain’s Bilbao terminal was at 72%.

This is in comparison to the Dutch Gate terminal which is operating at 93% of capacity.

On 18 April, the Spanish delivered price for LNG had a $0.10/MMBtu premium to the Netherlands, making Iberia a more attractive destination for sellers.

Traders take Egyptian volumes
Swiss-based trader Gunvor has chartered at least two vessels for prompt loadings at Egypt’s Idku terminal. Sources said that Gunvor won three out of four cargoes offered by EGAS.

Another Swiss based trader Trafalgar has also purchased a spot cargo from Algeria’s Sonatrach for loading in the second half of April. The price could not be confirmed.

Vitol also has a cargo from Sonatrach that was loaded onto the 174,000cbm Creole Spirit on 12 April.

Joseph McDonnell
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You now have access to an exciting range of additional content on the LNG Edge platform as part of your subscription and at no additional cost. Click on the following features to view in LNG Edge:

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- **Shipping calculator**: Plot time, distance and cost between any two global ports or custom locations
- **Global arbitrage calculator**: Check netbacks, margins and profit for any voyage up to two years ahead
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Across the markets

NBP VS HENRY HUB: MAY '19 CONTRACT

$/MMBtu

EAST ASIA LNG VS NBP FRONT-MONTH HISTORIC CLOSES

$/MMBtu

ICIS PROMPT CHARTER RATE ASSESSMENTS

$/day

CHARTER RATES

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BUNKERS: SPOT DELIVERED PRICES

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Source: Ship & Bunker
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**DELIVERED EX-SHIP TRANSACTIONS**

<table>
<thead>
<tr>
<th>Buyer</th>
<th>Seller</th>
<th>Transaction date</th>
<th>Delivery period</th>
<th>Price ($/MMBtu)</th>
<th>Vessel</th>
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<td>1/07/2019-31/06/2019</td>
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<td>20/05/2019-31/05/2019</td>
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<td>Soyo</td>
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<td>Petronas</td>
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**FREE ON BOARD TRANSACTIONS**

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<td>TBC</td>
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<td>North West Shelf</td>
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</table>
Clock ticking on Novatek’s STS move from Norway to Russia

Continued from page 1

maybe it [the contract] ends at expiry,” said Gyetway. Jon Edvard Sundnes, Tschudi’s CEO, declined to comment on a potential extension to the contract.

If the companies do not extend the contract, Novatek could do more trans-shipments at northwest European terminals, as it did before Honningsvaag started operations in November 2018.

The downside would be longer voyage times, tying up valuable shipping capacity. It takes almost eight days to sail from Yamal to Zeebrugge in Belgium, compared with four days to Honningsvaag, according to LNG Edge.

Alternatively, Novatek could send more cargoes to Asia via the northern sea route. As summer temperatures rise, the route that follows the Russian Arctic coast and emerges near Japan will become easier to navigate. In March the Russian government relaxed rules for LNG carriers using the waterway.

Novatek has previously said it expects the northern sea route to be open all year round by 2023. Patrick Sykes

YAMAL LNG ROUTES TO MARKET

Source: Novatek

Yamal LNG Arc 7 icebreaker fleet

<table>
<thead>
<tr>
<th>Vessel name</th>
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<th>Expected delivery</th>
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<tr>
<td>1 Christophe de Margerie</td>
<td>SCF</td>
<td></td>
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<tr>
<td>2 Rudolf Samoylovich</td>
<td>TK</td>
<td></td>
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<tr>
<td>3 Eduard Toll</td>
<td>TK</td>
<td></td>
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<tr>
<td>4 Vladimir Rusanov</td>
<td>MOL</td>
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<td>5 Fedor Litke</td>
<td>DYN</td>
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<tr>
<td>6 Boris Vilkitsky</td>
<td>DYN</td>
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<td>7 Vladimir Vize</td>
<td>MOL</td>
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<td>9 Boris Davydov</td>
<td>DYN</td>
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<tr>
<td>10 Nikolay Zubov</td>
<td>DYN</td>
<td></td>
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<tr>
<td>11 Nikolay Yevgenov</td>
<td>TK</td>
<td>Jun-19</td>
</tr>
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<td>12 Vladimir Voronin</td>
<td>TK</td>
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<td>13 Nikolay Urvantsev</td>
<td>MOL</td>
<td>Q3 2019</td>
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<td>14 Georgiy Ushakov</td>
<td>TK</td>
<td>Oct-19</td>
</tr>
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<td>15 Yakov Gakkel</td>
<td>TK</td>
<td>Nov-19</td>
</tr>
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</table>

Delivered

At the shipyard

Source: ICIS
FERC gives final orders for Driftwood LNG, Port Arthur

The Federal Energy Regulatory Commission (FERC) on 18 April approved two final orders for greenfield projects Driftwood LNG and Port Arthur LNG.

FERC, during their public commission meeting in Washington DC, approved Tellurian’s proposed 27.6mta Driftwood LNG project near Lake Charles, Louisiana, and Sempra's greenfield 11mta Port Arthur LNG project in Port Arthur, Texas.

The FERC orders signify momentum for the projects, which have yet to make a final investment decision (FID).

Tellurian said in an announcement on 18 April that the company still intended to make FID sometime in 2019.

On 2 April, Tellurian announced a heads of agreement with France-based Total for a total of 2.5mta in offtake agreement and a $500m equity investment. The terms would also enable a subsidiary of Tellurian, Tellurian Marketing, to take as much as 13.6mta from Driftwood LNG. This would still mean Tellurian has about 11.5mta left to commit in sales and purchase (SPA) agreements.

Tellurian earlier signed memorandums of understanding with Indian consortium Petronet and Swiss trading company Vitol. Sempra’s Port Arthur project in Texas is among the three LNG expansion or greenfield projects developed by the US utility. Polish utility PGNiG has signed a 20-year sales and purchase agreement for Port Arthur offtake, and Sempra has looked to convert other non-binding agreements into firm SPAs.

Gulf LNG also advances in FERC

Kinder Morgan’s Gulf LNG import terminal in Pascagoula, Mississippi, has also advanced in its FERC permitting.

The Gulf LNG terminal was originally developed to receive imports from Angola LNG but the surge in shale gas production soon made the terminal obsolete after opening in 2011.

Kinder Morgan has sought to expand Gulf LNG into an export terminal, similar to Elba LNG, although no other companies have come forward with interest in offtake volumes from Gulf LNG.

FERC prepared a final environmental impact statement for Gulf LNG on 17 April, one of the precursor documents to a final FERC order. Ruth Liao

Mozambique LNG on track for FID as Chevron buys Anadarko

Tokyo Gas and Centrica, after agreeing a provisional deal in June 2018 on a delivered basis that will last from production start-up until the 2040s.

A deal to supply Anglo-Dutch energy major Shell with 2mta for 13 years has also been signed.

This followed Anadarko’s announcement on 1 February of a 1.5mta agreement with Chinese state-owned company China National Offshore Oil Corp. The project will receive feedgas from the Area 1 gas field in the Rovuma Basin.

The deal to buy Anadarko pushes Chevron up from fourth to second-largest producer of energy behind US ExxonMobil, said analysts.

Chevron is the operator of Australia’s Gorgon and Wheatstone LNG export projects, as well as an equity partner in Woodside’s North West Shelf LNG. Chevron also has a stake in Angola LNG in west Africa.

LNG demand growth

Commodity analysts said the deal is another example of major oil companies getting behind LNG, where demand is growing by more than 10% annually, in contrast to oil which is nearing peak demand.

Global energy majors are taking a portfolio approach to LNG, which highlights energy majors’ conviction in the demand for LNG and makes it easier for projects to reach FID because it eases the difficult marketing hurdle, analysts said.

Chevron’s commitment to Mozambique LNG should enable the project to take FID in the planned timescale, analysts added. Joseph McDonnell

LNG shipping starts seasonal upswing, Atlantic rates firmer

Spot charter rates in the Atlantic basin LNG shipping market are firming tentatively, signalling the start of the seasonal improvement in vessel earning power.

This dynamic marks a shift from softening spot rates, which fell continuously from $85,000/day for a prompt Atlantic vessel in January 2019 to around $45,000/day by April.

The expectation among shipbrokers and analysts is that spot rates will continue to firm through the summer on Middle Eastern and Asian air-conditioning demand, and into autumn on preparation for winter heating demand. “It’s looking like the rates decline has ebbed out now,” said Danske Bank shipping analyst Anders Karlsen. “They are slightly higher than they have been recently and I expect the market to tighten.”

Atlantic basin TFD rates remain at a slight premium to the Pacific, according to ICIS assessments. The firming is not quite yet pronounced enough to raise the headline rate assessment level, said a shipbroker.

Asian LNG price supports rates

The suggestion by market sources that the floor for summer LNG prices has potentially been reached is “giving some confidence” to shipowners to raise their rates and boost the earning power of their vessels, said a shipbroker.

The East Asia Index (EAX) front-month assessment reached a low of $4.43/MMBtu in the first week of April, but has seen a recovery as the front-month rolled over to June ’19 delivery.

However, despite some confidence seeping back to the shipowning community, low levels of chartering activity continue to subdue owners’ sentiment. “Owners are not quite bullish yet,” said a shipbroker.

“They want to keep vessels moving but there have not been a lot of requirements. It’s tough when you have a single requirement in a basin and five vessels bidding for it.”

New charters

Market participants are discussing medium and long-term charter contracts, according to a broker. In late March, shipowner Flex LNG entered into a time-charter agreement with an international energy major for a period of 12 months. A hybrid spot/time charter contract has also appeared, according to Danske Bank’s Karlsen.

The charter ensured a 100% utilisation level for the vessel, meaning the owner would be paid by the trading house charterer every day it has the vessel. But the rate would be at a slight discount to the headline spot rate. In this way, the owner benefits even if the spot market rate is low because the vessel has 100% utilisation. The trading house benefits because it has secured capacity.

“We might see more of these charters happen between various LNG players,” said Karlsen. “It’s a decent way to play the spot market with downside protection, reducing the risk profile.” Hal Brown
Options line up for Colombia’s second proposed terminal

Three potential proposals are being considered for Colombia’s planned second LNG terminal, which has been long discussed by the government.

The energy regulator UPME has pushed for a second terminal on the Pacific Coast near the port of Buenaventura in order to supply Colombia’s southwestern regions.

Colombia’s first LNG terminal began importing in 2016 at Cartagena de Indias, with a floating storage regasification unit (FSRU).

The Cartagena terminal, however, is far underutilised and only has received two partial cargoes for 2019 delivery so far.

Over a 12-month basis, the Cartagena terminal has a 7% utilisation rate, according to LNG Edge.

Both of the cargoes came from Spanish seller Naturgy. The terminal received seven deliveries in 2018, and all of those deliveries were also partial cargoes. The government is considering possible proposals by Genesis Capital, founded by former Cartagena terminal owner SPEC LNG’s CEO.

It is also considering a proposal near the port of Aguadulce and a small-scale LNG terminal built near Puerto Solo.

Houston-based SeaOne is developing a small-scale Puerto Solo terminal as a hub to receive barge-based carriers and compressed gas carriers, which will be built in Sembcorp shipyard in Singapore, according to SeaOne’s January 2019 presentation.

A market source in the Americas said developers were still waiting on detailed specifications to understand the scope of the project. Financing, potentially with additional support from the government, would also be needed in order to get a second Colombian terminal built.

Imports for El Nino

The country only requires LNG in the event of an El Nino weather phenomenon, which would cause severe drought conditions affecting hydropower generation.

So far, a mild El Nino has formed in late 2018 and early 2019, but this has not created the climatological impact expected.

There is a possibility for a stronger El Nino to form in the early part of 2019.

But so far, plentiful rains in Colombia have kept hydropower stocks well-supplied, sources said.

Colombia’s gas procurement agent Calamari has not had to secure any spot cargoes for 2019 delivery and does not expect to re-enter the market any time soon.

An El Nino typically occurs every four to five years. The last strong El Nino to form was in 2014 through 2016.

Connections to second terminal

According to planning documents by UPME released on 11 April, the second project for Buenaventura is expected to be tendered by the third quarter of 2019, and a final winner will be selected by early 2020.

This would align with a five-year proposal to build pipelines that would eventually connect the two terminal sites. The pipelines would include bi-directional legs between Tramo Yumbo-Mariquita, Ballena-Barrancabermeja and Ballena-Barranquilla, all of which would be estimated for operation between 2021 and 2023.

Additional compression would also be proposed just east of Bogota and closer to Buenaventura, estimated to come online by 2021.

Ruth Liao

French LNG imports put pressure on natural gas prices

In April to date, France has imported 1.02m tonnes of LNG, with another five vessels scheduled to deliver cargoes up to 21 April, bringing a total of 1.36m tonnes to the market. This could see the April total top March’s record 1.78m tonnes delivered. The surge in imports is a 250% increase over the period in April 2018.

As a consequence, sendout from terminals has remained high through April, averaging 90.3mcfm/day. This is notably higher than the same period last year where sendout averaged 22mcfm/day.

The impact on French natural gas prices has been bearish, capping gains on the PEG Day-ahead product during an April cold snap which saw demand rise, and keeping the front-month price at a discount to the Dutch TTF almost every day since 5 March.

With the front-month, which is currently May’19 at a discount to the TTF, traders are anticipating that high levels of LNG will continue to be delivered to the French market.

The PEG front-month discount to the TTF has averaged €0.085/MWh throughout April 2019, whereas over the same period in April 2018 the front-month was trading at a €0.245/MWh premium to the TTF.

High sendout will continue to exert downward pressure on the day-head gas price, which has averaged €15.457/MWh during April, €3.954/MWh lower than the same period in April 2018.

Pressure on the gas price has also been present in high storage levels which is currently at 33%, meaning there is little demand for storage injections. Storage levels on 15 April 2018 were very low at 3.4% after a prolonged cold snap depleted stocks.

While shippers are injecting gas into storage faster than last year, this will not act as support for gas prices as inventories are healthy. High LNG imports may have mitigated downward pressure on prompt and near curve gas prices.

It is unlikely that the front month will return to a premium to the TTF during May and June. Peak summer gas demand could see the trend reverse. However if current LNG imports are sustained, parity with the TTF is more likely than a premium. Joseph McDonnell

Mexico Energy Report

Find out the latest on Mexico’s emerging gas and power markets in the now-weekly Mexico Energy Report

Click here to request a sample
The price spread between the cheaper TTF Q4 ‘19 and the Q1 ‘20 products is set to widen beyond the record highs reached in April.

Much higher year on year levels of gas in storage and expectations of a high rate of LNG arrivals are likely to keep depressing risk premium from the fourth quarter of 2019.

Despite the weakening outlook, Q4 ‘19 still retained a high premium over products with delivery in the current summer, which will likely encourage shippers to start withdrawing from the beginning of winter.

**Time spreads**

The TTF Q4 ‘19 was assessed at a discount of €1.25/MWh to Q1 ‘20 on 15 April. This was three times the spread between the two contracts at the beginning of January. It was also more than triple the €0.40/MWh spread between the two equivalent contracts in April 2018.

Despite losing more value than its twin quarter, Q4 ‘19 more than doubled its premium to Q3 ‘19 in the first four months of 2019. Q4 ‘19 was assessed at a €4.60/MWh premium to the front quarter on 15 April, above the premium that the Winter ’19 product had on the front summer at the end of March.

The high premium is likely to encourage traders to start withdrawing gas from the beginning of winter.

**High stocks**

Historically high storage reserves and expectations of strong LNG supply to Europe have been pressuring Q4 ‘19, as shippers took the risk of late injections after the end of summer out of the contract.

Dutch stocks were 47% full as of 17 April, two thirds higher year on year and double 2017 levels.

If injections proceeded at the same average daily rate seen in summer 2018, which was 68bcm/day, storage sites would be close to fullness by the end of July, which makes it unlikely that injections will continue beyond summer.

By way of comparison, over the previous two years injections into stocks continued until mid-November.

LNG supply to the Netherlands is expected to remain high in the short term. This will further pressure summer-delivering contracts, and the bearish sentiment is likely to filter through Q4 ‘19, the closest to expiry and the most liquid among winter quarters. A weakening coal market would also bring losses to winter gas prices. Gas and coal are closely correlated as the two are competing commodities in the European generation mix.

**Bulls for 2020**

Q1 ‘20 is likely to keep some more risk premium compared with the first part of winter 2019. This is in part due to fundamentals, which typically indicate the second part of winter as the more subject to cold spells.

It is also due to planned further reductions in production from the Dutch Groningen field. Following the plan that will bring to the shut-down of the field by 2030, the government is expected to announce the target for the gas front year by October 2019. The indicative target that the government disclosed in March is 15.9bcm, 3.5bcm less than 2018.

A lower production target means lower flexibility for the Dutch system, particularly in periods of peak weather-related demand, which tend to be concentrated in the first quarter.

Expectations of higher tariffs could also support the second winter quarter in the months ahead. **Alice Casagni**

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**ICIS STOCKS (MILLION CUBIC METRES)**

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<th>Previous Week – Week 15</th>
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<th>Week-on-week % Change</th>
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*ex­clud­ing stra­te­gi­c stocks

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Rebuild of US gas stocks, Henry Hub bearish

US natural gas stocks grew by nearly 8% week over week, according to the latest Energy Information Administration (EIA) estimate on 18 April, as market expectations for a rapid rebound of storage has kept Henry Hub futures pricing bearish.

The EIA showed stocks increased by 92 billion cubic feet (bcf), or about 26.3 billion cubic metres (bcm), for the week ending 12 April. This was slightly less than the triple-digit injection some analysts were expecting, but the 92bcf injection figure was still nearly four times as much as the previous reported week.

This was the third weekly consecutive injection to be reported this year following the end of the winter demand season in late March.

The rebuild of storage levels has weakened the front-month contract on the NYMEX, which has fallen to $2.52/MMBtu on 17 April, an intra-month low.

The restart of some nuclear reactor units has also softened demand for gas-fired generation, as planned maintenance for nuclear plants generally takes place in the spring and concludes between April and May.

Waha basis makes slight recovery

The negative basis at the Waha gas hub in West Texas to the Henry Hub has made a slight recovery to trade in the positive territory for the first time in weeks, but the supply glut persists in the Permian. The negative basis was as low as $9.00/MMBtu at one point in recent weeks, as a Kinder Morgan force majeure affected a compressor station in late March.

Supply has settled around an estimated 9.6bcf/day of production in the Permian, which was required in order to tighten up Waha basis pricing back into positive territory, according to one market source.

LNG production resumes

At Cheniere’s Sabine Pass plant in Louisiana, two of the trains that were previously down for maintenance have since returned.

Trains 1 and 2 began returning back online around 11 April, after a three-week long turnaround. Train 5 remains offline.

The maintenance schedule at Sabine Pass was previously scheduled for the third quarter but instead had been pulled ahead to earlier in the year, sources said.

According to LNG Edge, there were 10 cargoes loaded at Sabine Pass in the last 15-day period, two fewer than the previously 15-day period, as of 17 April.

There were two cargoes loaded at Cove Point and three cargoes loaded at Corpus Christi. 

Ruth Liao
News Briefs: LNG and small-scale

Carlyle Group acquire shareholding in CEPSA
Mubadala Investment Company, the Abu Dhabi-based strategic investment company, and global investment firm The Carlyle Group have announced that funds affiliated with Carlyle will acquire a significant minority interest in Compañía Española de Petróleos, S.A.U (CEPSA) from Mubadala. CEPSA is Europe’s largest privately-owned integrated oil & gas company.

The transaction is subject to customary regulatory approvals and is expected to close by the end of 2019. The agreement marks the conclusion of a dual-track process through a public offering and private placement, conducted by Mubadala to bring in new partners as part of its portfolio management strategy.

Energean makes discoveries in Israel
Greek producer Energean Oil and Gas said it has made significant discoveries in the Israeli offshore section of the Mediterranean Sea, boosting its regional presence.

Preliminary analysis indicates that the discoveries in the Karish North block range between 28-42 billion cubic metres, the London-listed company said in a statement.

The volumes were monetised via a tie-back to an existing floating production and storage offloading (FPSO) vessel which is located 5.4km from the Karish North well. The FPSO has a total processing and export capacity of 86bcm/year, allowing existing and future Karish North discoveries to be commercialised.

Earlier this year, Energean Oil and Gas signed a long-term gas sales and purchase agreement for 5.2bcm from its Israeli Karish and Tamin FPSO.

Under the terms of the deal, the company will sell gas to the 450MW IPM Beer Tuvia gas-fired power plant for a period of 19 years starting from 2024.

The sale is subject to necessary approvals and the results of the company’s 2019 drilling programme.

The agreement adds between 0.265-0.38bcm/year of gas sales, but the power plant holds an option to increase volumes up to 0.55bcm/year. Under contractual terms, Energean Oil and Gas can supply limited volumes between 2021-2024.

Trump wants to speed up US cross-border pipelines
US President Donald Trump has signed two executive orders intended to fast-track the development of energy infrastructure and cross-border pipelines.

One executive order will address regional and local energy supply constraints, as well as reviewing permitting by the Environmental Protection Agency and the Department of Transportation.

The other order would transfer the power of the permit for certain cross-border infrastructure projects to the President from the Secretary of State. The order clarifies that any decision would be made solely by the President. The two executive orders are not expected to have material impact on any pending pipelines under review, which must undergo the permitting through the Federal Energy Regulatory Commission.

The orders instead would address projects like the Keystone XL, a TransCanada-built pipeline to bring oil from Canada to the US Gulf Coast.

Golar LNG gets go ahead for Croatian FSRU
Shipowner Golar LNG has received a notice to proceed for the conversation and purchase of an FSRU vessel for the Krk LNG import facility that will be located offshore from Hrvatska in Croatia.

The project will see the 14-year-old vessel Golar Viking converted into an FSRU with a regasification capacity of 2.6bcm/year.

The project is seen as instrumental in the diversification of gas supplies in the central European region and has been backed by the EU with a $101.4m grant to support the project under the Connected Europe Facility.

In February 2019, the Croatian government determined that the government and state-owned entities would fund most of the project, with 58% coming directly from the Croatian government.

The import facility is projected to become operational by 1 January 2021.

The Hungarian government also indicated that it is looking to purchase a 25% stake in the project, under certain conditions. Croatian energy minister Tomislav Coric said that Hungary sent a letter of intent for acquiring a stake in the FSRU.

Much of the future send-out from the terminal is likely to be destined for Hungary as the Croatian gas market is oversupplied.

In addition, Golar LNG has received the go-ahead for the construction of the Gimi FLNG vessel which will be used in the Greater Tortue export project off Mauritania and Senegal border with an anticipated start in 2022.

The capacity of the facility will be 2.5mtpa. Keppel Shipyard will undertake the work, with the contract worth $947m.

Singapore reaches LNG bunkering milestone
FueLNG, a joint venture between Keppel and Shell, has completed its 100th bunkering operation in the port of Singapore.

Chris Ong, Chairman of FueLNG, said that the milestone is a testament to the company’s ability to provide efficient, safe and reliable bunkering services.

Keppel also announced that it has signed an agreement to collaborate with DNV GL which may see the partners build new LNG bunker vessels.

The International Maritime Organisation’s imposition of strict new sulphur emission regulations in 2020 has driven a surge of interest in LNG as a marine fuel, and the development of associated bunkering infrastructure.

LNG as a fuel burns significantly less sulphur, and emits less pollutants than traditional marine heavy fuel oil, and falls within the IMO’s 2020 limits.

The Port of Singapore is also seeking to develop its existing small-scale LNG infrastructure further to cater for marine LNG requirements in the region.

UAE state-owned gas producer ADNOC announced in December 2018 that it has signed a framework agreement with Australia’s INPEX, to study the joint development of LNG infrastructure in the UAE and further afield in Southeast Asia.

Qatar expands and home and abroad
Qatar’s state-owned oil and gas company has invited three joint ventures to bid for engineering, procurement and construction contracts on the four new megatrain.

Qatar Petroleum said on 15 April that it had invited the following joint ventures: Chiyoda and Technip, JGC and Hyundai Engineering and Construction Co, and Saipem, McDermott and CTCL.

The EPC contract is due to be awarded in January 2020.

The four new mega-trains are part of Qatar’s plans to expand LNG production from the current 77mtpa to 110mtpa by 2024.

In addition to domestic expansion, Qatar Petroleum also announced it had won exploration rights in five offshore blocks in Argentina. The blocks are in the Malvinas West and North Argentina basins, and Qatar Petroleum has partnered up with affiliates of ExxonMobil and Shell to explore them.

The win adds to Qatar’s increasingly global portfolio. The company is already active in oil and gas projects in the US, Mexico, Brazil, Morocco, Mozambique, South Africa and Cyprus.

Biggest LNG bunker ship completes first operation
The world’s largest LNG bunkering vessel Kairos has completed its first ship-to-ship marine bunkering operation close to Stockholm.

The vessel has a capacity of 7,500cbm and is chartered by Germany-based marine LNG company Nauticor through a joint venture company Blue LNG.

Shipbuilder Babcock Schulte Energy owns the bunkering vessel.

IECA strongly opposes LNG bill in the US
The Industrial Energy Consumers of America (IECA) issued a statement saying it is strongly opposed to the “License Natural Gas (LNG) Now Act”.

IECA said the bill is touted as legislation to remove unnecessary restrictions on LNG exports “when in fact it is entirely about removing a vital consumer protection provision under the Natural Gas Act which requires that shipments of LNG to non-free trade agreement countries must not be inconsistent with the public interest”. LNG export volumes already approved is enough to supply nearly 100% of the EU’s import capacity, it added.
When Saudi Aramco says they want to do something, they do it

Import, exporter, investor, intermediary. Over the past two years, Saudi Aramco, the world’s biggest oil company, has suggested that its long-awaited entry into the gas industry could be at just about any point along the value chain.

In 2017, insatiable growth in domestic power demand saw the state-owned giant consider following the example of fellow Gulf exporters such as the UAE, which also imports LNG especially in the summer.

Fast forward to 2019 and the talk is of exporting gas.

In January, oil minister Khalid Al-Falih hinted that gas interconnection would be the next project for the Gulf Cooperation Council (GCC). The body has had a dedicated Interconnection Authority since 2001 but it has so far focused on power.

Al-Falih suggested Saudi Arabia would be a supplier to this regional grid, despite lacking the exportable surplus that other partners such as Oman, the UAE and Egypt already enjoy.

Then, in February, Aramco’s CEO Amin Nasser outlined plans to export 31 billion cubic metres (bcm) of gas (or 22.1mtpa of LNG) per year by 2030, via pipeline and as LNG. If that target is achieved, it would represent a remarkable turnaround for a country that currently has no gas export infrastructure and consumes every molecule it produces.

Most recently, Aramco has pitched itself as a partner in LNG projects abroad, considering investments in proposed export projects in Russia and the US, and now approaching Pakistan to supply LNG before it has announced any firm offtake to sell.

Target date is significant.

The gas export target pinned to 2030 is telling. Vision 2030 is Saudi Arabia’s ambitious blueprint outlining how the country aims to diversify its economy away from oil, and experts say Aramco’s determination shouldn’t be underestimated. “When Aramco says they want to do something, they do it,” said one Saudi energy analyst who spoke on condition of anonymity.

“With this Vision 2030 document, everyone seems to be kind of aligned to work to make this happen this time. They want to make everything more efficient when it comes to energy”.

When Saudi Aramco sets its sights on something, they get it done. It is as simple as that

Vision 2030 is Saudi Arabia’s ambitious blueprint to diversify its economy away from oil, and the energy giant Aramco’s determination shouldn’t be underestimated. With its target of exporting 31 billion cubic metres of gas annually by 2030, it is clear that Aramco is serious about its entry into the gas market.

Saudi Aramco sees its future in gas

The biggest oil company in the world wants to join the club of gas exporters. High-cost reserves and domestic subsidies stand in its way, but a top-down overhaul of the economy underlines its determination.
Oil burning persists

The efficiency drive starts at home. Saudi Arabia generates most (59%) of its power with natural gas, but 41% still comes from burning oil, according to data from BP. The government is keen to substitute that oil with gas and renewables (less than 1% of generation) in order to free up crude for export or refining into higher-value products.

“Most of the liquid burning is happening in the western region of the country because if you look at the landscape, most of the oil and gas fields are in the eastern province,” said the Saudi analyst.

“The Master Gas System [national grid] is also congested, especially during the summer, to get the gas to the west, so that’s why they resort to burning crude oil.”

Oil minister Al-Falih’s announcement of “large volumes” of gas found in the Red Sea off the kingdom’s west coast might help with gas substitution is that supply has not yet been able to edge ahead of demand.

Saudi Arabia has the world’s sixth-biggest gas reserves

Oil is priced by the Saudi government at $1.25/MMBtu, 13% of the average delivered price of LNG to nearby Dubai in 2018, according to LNG Edge.

Buy high, sell low

Most Saudi gas is associated with oil so the country’s gas ambitions will have to be fuelled by non-associated reserves.

Valerie Marcel, an associate fellow at Chatham House who researches national oil companies in the Middle East, says the IOCs in the past, and doubted that any new uptick in output would leave an exportable surplus.

“The strategy is predicated on the idea that they would have gas to export and that it would be competitively priced. So first I would challenge the idea that they would have gas that would be competitively priced and second I would challenge the idea that they would have much volume to spare.”

Gas is priced by the Saudi government at $1.25/MMBtu, 13% of the average delivered price of LNG to nearby Dubai in 2018, according to LNG Edge.

“Lower prices exacerbate demand at the same time that they act as a disincentive for upstream investment. Nobody wants to invest in gas if the state forces you to sell it for a dollar or two per MMBtu,” says Jim Krane, a Saudi Arabia expert at Rice University’s Baker Institute.

“Right now, the most promising uses for incremental supplies of domestic gas are in the domestic petrochemicals and power sectors.”
**Focus**

**Next stop: LNG?**

If surplus domestic supply is unlikely to emerge in the near term, how might Saudi Aramco get a foothold in LNG?

“If the strategy is to take minority stakes with industry leaders so they can learn from them, that makes sense,” says Chatham House’s Marcel.

As for developing its own LNG infrastructure from scratch, “it wouldn’t have the technical experience”, she says. “LNG is offshore, it’s completely frontier development for Saudi Aramco on all levels.” The Saudi analyst says a good match would be Novatek’s Arctic LNG 2, where buyers will hold offtake proportionate to their equity.

“You can always market your cargoes to a third party and let them deal with it. I think it’s more that they see a good investment and are expecting a return. It will let them get to know the LNG market and the market players.”

As projects from the Russian Arctic to the US Gulf and beyond all compete for final investment decisions this year, Aramco has plenty of players to choose from. But with the clock ticking to 2030 and regional allies and rivals alike already ahead, the company has no time to waste. *Patrick Sykes*
Poland will not renew its long-term contract with Gazprom, leading to key questions over how Poland plans to replace Russian gas.

Poland's long-term gas supply contract with Russian state exporter Gazprom expires at the end of 2022, and Polish energy minister Piotr Naimski openly stated for the first time in a recent parliamentary debate that it will not be renewed.

Whether this is a commercially viable and sustainable solution for Poland is up for debate. There are also questions over Polish state incumbent PGNiG’s ever increasing dominance over the local gas market.

Poland has been at the forefront of diversification efforts in Central and Eastern Europe to break Gazprom’s dominant position as the main gas supplier to the region. These centred around LNG and the Baltic Pipe project, the two key pillars of the country’s long-term energy strategy.

At the end of last year, Polish state-owned oil and gas company PGNiG announced a series of LNG supply agreements with US exporters Venture Global, Cheniere and Sempra Energy totalling almost 6m tonnes per annum. Most of these long-term free-on-board (FOB) contracts will start up in early 2023.

At the same time, Polish grid operator GAZ-SYSTEM and its Danish counterpart Energinet took the final investment decision on the Baltic Pipe project last November. The 10 billion cubic metres/year pipeline is expected to commence operations in the fourth quarter of 2022. A total 8.6bcm/year has been booked at the North Sea entry point to flow to Poland via Denmark.

Add to the equation Poland’s domestic gas production, accounting for 3.8bcm in 2018, and the ongoing LNG deal with Qatar for another 2mtpa until June 2034, and PGNiG will basically manage to replace Russian imports just in time for the expiry of the long-term supply contract.

However, there are a series of questions on these new supply sources and their potential to make up for lower Russian imports.

First and foremost, the FOB contracts mean that PGNiG will have to arrange the shipping of the cargoes, which it will then be able to resell on the global market.

This could have a massive impact on the LNG volume that will actually be delivered to Poland’s sole import terminal in Swinoujscie, especially if bullish sentiment returns to the Asian markets and lifts the currently low spot LNG prices.

PGNiG will have to decide whether to make profit in Asia or bring cargoes to Poland and lose out on the opportunity.

However, at the same time, this could also indicate that PGNiG is still looking for additional LNG supply agreements, not necessarily FOB-based, which would give it the flexibility to take advantage of arbitrage opportunities on the spot market while also guaranteeing security of LNG supply to Poland.

This would be on top of the Swinoujscie terminal regasification capacity’s expansion from the current 5bcm/year to 7.5bcm/year in 2022.

While fighting against the dominance of Gazprom, Poland has also created its own state-owned super power with PGNiG. PGNiG owns the country’s gas storage sites, is the sole capacity owner at the LNG import plant and is basically the only company who can move relevant volumes in and out of Poland.

Legislation such as a heavily criticised storage-age law and the exchange trading obligation helped the state incumbent increase its presence in every aspect of the gas industry.

If Poland actually wants to see the benefits of supply diversification, market liberalisation cannot come soon enough.

Daniel Stemler