International Group of LNG Importers sees growth and supply and demand evolution

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Our Europe editor

Liquefied natural gas use continues to grow at a steady pace, with importing nations now numbering 34 compared with 15 in 2005, supported by the development of Floating Storage and Regasification Units whose global capacity is now equivalent to all of Qatar's annual production of 77 million tonnes per annum.

This figure and others of interest to the industry are contained in the 2016 report of the International Group of Liquefied Natural Gas Importers (GIIGNL), based in Neuilly-sur-Seine, France.

Onshore

Three onshore terminals, one in Indonesia and two in Japan and four offshore terminals (two in Egypt, one in Jordan, one in Pakistan) started operating in 2015, representing a combined 23.5 MTPA of additional import capacity.

The three new markets that imported LNG through offshore terminals were at Ain Sokhna in Egypt, in Aqaba, Jordan and Port Qasim in Pakistan. In addition, in December 2015, Poland brought a commissioning cargo to its onshore terminal in Swinouscjie on the Baltic coast.

"At the same time pricing levels and structures are evolving as well," said GIIGNL President Domenico Dispenza.

"Regionalized until recently, LNG prices have declined globally in recent months because of common drivers, such as the drop in oil prices, slow demand and the ample supply situation," Dispenza explained.

"Price convergence in the Atlantic and Pacific Basins has reduced arbitrage opportunities and curbed the enthusiasm for inter-basin trade.

"As a consequence, re-loadings dropped from 6.4 MTPA in 2014 to 4.4 MTPA last year.

"The decline in spot and short-term volumes imported by Japan and South Korea was partly offset by deliveries to Egypt, Jordan and Pakistan," Dispenza noted in his introduction to the report.

"As a result, the share of spot and short-term LNG transactions remained stable compared to last year, around 28 percent of total trade.

"Based on data submitted by GIIGNL members who cover about 80 percent of worldwide LNG flows, the share of 'true' spot trades - defined as trades of LNG cargoes delivered within 90 days from the date at which the transactions is concluded - was estimated at approximately 15 percent of all trades last year," he said.

The report noted that in the near to medium term, the consequences of low prices on LNG trade seem difficult to predict, which brings considerable uncertainty along the value chain for the next five or so years.

“As a result, greenfield investment decisions expected in Africa and Canada have been deferred and only five final investment decisions have been taken in 2015 - four of which were in the USA and one in Cameroon - for a total capacity of 19.3 MTPA.

“On the demand side, buyers are striving to reshape their strategies in order to mitigate risks, to optimize procurement costs and maximize flexibility,” Dispenza said