

GIIGNL logs the LNG logjam breakthrough

Tue 05 Apr 2016 by Mike Corkhill



The latest annual report from The International Group of Liquefied Natural Gas Importers (GIIGNL) pinpoints the moment the logjam holding global LNG trade volumes static for the past five years began to clear. The breakthrough also heralded the return of Pacific Basin producers to the top spot among LNG exporters worldwide.

The key development was the dispatch of the inaugural cargo from the Queensland Curtis LNG (QCLNG) terminal in the Australian port of Gladstone in the first few days of 2015. Over the course of the year 100 ships loaded cargoes at QCLNG and the adjacent Gladstone LNG (GLNG) terminal, lifting 6 million tonnes (mt) of new Australian production.

According to GIIGNL, the QCLNG and GLNG shipments effectively boosted global LNG movements in 2015 to 245.19mt, or 2.5 per cent ahead of the previous year and the highest annual total ever.

This year rising output from QCLNG and GLNG, along with cargoes from two additional Australian project startups, one in the US and those from the restarted Angola LNG complex, is set to boost annual trade volumes by a further 25mt. The LNG production logjam is well and truly broken.

GIIGNL voyage log

GIIGNL logs all LNG carrier voyages and cargo discharges and, through the statistics compiled in its recently published *The LNG Industry in 2015*, has provided an unprecedented overview of last year's developments.

In an industry hungry for progress the Australian advances stand out in 2015. The 29.45mt of Australian LNG exports recorded by GIIGNL in 2015 is 25 per cent ahead of the country's 2014 total. It also moved Australia into second place in the LNG exporters league table, ahead of Malaysia's 24.99mt and second only to Qatar's 78.40mt.

By 2020, when all trains of the seven new Australian LNG projects are working to capacity, the country will be rivalling Qatar for the top spot.

Another notable achiever among LNG exporters in 2015 was Papua New Guinea. The smooth buildup to full production of the Papua New Guinea terminal at Port Moresby pushed the country's LNG exports up by 112 per cent, to 7.18mt.

In terms of global production, rising Papua New Guinea output helped offset the curtailment of Yemen LNG exports last year. The terrorist threat in the Middle East nation forced Yemen LNG to declare force majeure in April 2015 and halt loadings at its Balhaf terminal.

GIIGNL reports that Yemen loaded only 1.52mt of LNG in 2015, a 75 per cent drop on the previous year's total. Countrywide civil unrest continues and there is currently no sign of a resumption to Yemen LNG production.

The combination of Yemen's demise and advances in Australia and Papua New Guinea also worked to knock the Middle East off the top spot as the leading LNG export region. Consignments from Qatar, Oman, Abu Dhabi and Yemen in 2015 fell by 3.4 per cent to 93.18mt.

In contrast, cargo loadings by Pacific Basin LNG producers jumped by 11.5 per cent, to 100.59mt. The re-emergence of the region as the top exporter evoked memories of 20 years ago, prior to the appearance of Qatar, when Indonesia and Malaysia headed the list of LNG producers.

Atlantic Basin LNG exporters continue to trail their Pacific Basin and Middle East counterparts. Solid performances from Nigeria, Norway and Equatorial Guinea were unable to offset a drop in Algerian shipments and the longer-term decline in Trinidad's output.

The GIIGNL statistics for 2015 show that Atlantic Basin LNG exports as a whole, at 51.42mt, were 2.1 per cent down on the level of a year before.

Import picture

The most notable development among LNG importers in 2015 was the growing play of European buyers. Reduced demand for LNG in Japan and Korea, the world's two largest importers, helped bring Asian gas prices down close to those pertaining in Europe.

The availability of cheap LNG suited European utilities, enabling them to substitute this supply source for Gazprom pipeline gas, at least to some extent. The switch served to reinforce the sanctions programme imposed on Russia following its intervention in the Crimea and unrest in Ukraine.

According to the GIIGNL report, European net imports of LNG reached 37.57mt in 2015, a 15.8 per cent increase on a year earlier. Net imports in the UK and Spain, the region's two biggest buyers, reached 10.08 and 8.82mt, respectively, representing annual increases of 20 and 11.6 per cent.

Of the 11 European LNG importers, only France and Turkey logged declines in LNG imports in 2015. In both cases the drops were marginal.

A surprising addition to the list of the region's importers, and a great advertisement for small-scale LNG, is Sweden. Between them, the Scandinavian nation's two coastal distribution terminals, at Nynäshamn and Lysekil, received 290,000 tonnes of LNG in 2015, not far short of the volume that Baltic Sea neighbour Lithuania imported via its 170,000m³ floating storage and regasification unit (FSRU).

Most of the shipments to Nynäshamn and Lysekil were cargoes reloaded onto small LNG carriers at the Fluxys import terminal in the Belgian port of Zeebrugge and the Gate facility in the Dutch port of Rotterdam.

European terminals re-exported 3.64mt of LNG in 2015, or 83 per cent of reload cargoes worldwide. Most of these shipments were dispatched on conventional size LNG carriers to import terminals in Latin America where European utilities were able to obtain slightly higher prices for their gas.

LNG imports in the Americas in 2015 totalled 20.73mt, a fall of 8 per cent compared to 2014. LNG purchases last year by Mexico, Brazil and Argentina, the western hemisphere's leading importers, were down by 24.9, 10.7 and 7.7 per cent, respectively.

Asia supreme

Despite the slumps in Japanese and Korean LNG requirements, Asia remained the leading import region by a wide margin in 2015. Shipments to Asia as a whole declined by only 1.7 per cent and, at 177.07mt, accounted for 72 per cent of global LNG movements.

Japan's imports of 85.05mt were 4.7 per cent down on 2014 while Korea's, at 33.42mt, were 11.2 per cent below the previous year's levels. Shipments to China continued to increase, to 20.02mt, but the annual growth rate of 5.5 per cent was well down on the country's year-on-year expansion performance over the past decade.

Pakistan joined the ranks of Asian import nations last year, 1.50mt of Qatari LNG being discharged to the FSRU in place in Karachi's Port Qasim.

Two Asian nations with receiving terminals - Indonesia and Malaysia - are also major LNG exporters. Both opened facilities in recent years to enable deliveries to parts of the country with a scarcity of gas.

A total of 2.18mt of LNG was discharged at Indonesia's three receiving facilities in 2015, a 39.7 per cent leap on the previous year. All the shipments were sourced domestically, from the country's two liquefaction complexes.

In contrast, all 1.65mt of LNG unloaded at Malaysia's receiving terminal near Malacca originated overseas. Eight different exporters provided cargoes for Malacca last year.

The Middle East was a strong growth region for LNG imports in 2015, thanks primarily to Egypt and Jordan joining the ranks of countries buying these cryogenic cargoes. Egypt purchased 2.60mt, second only to Kuwait's 2.68mt in the region. Jordan imported 1.85mt.

Dubai and Israel are the region's other destinations for LNG. All the receiving facilities in the Middle East make use of FSRUs. As highlighted in the GIIGNL report, the 9.82mt of LNG discharged in the region in 2015 was 139.5 per cent ahead of the previous year's figure.

Global trade in LNG is set to expand by a further 10 per cent in 2016, and all four import regions are expected to experience rising cargo flows as a result.