

Introduction

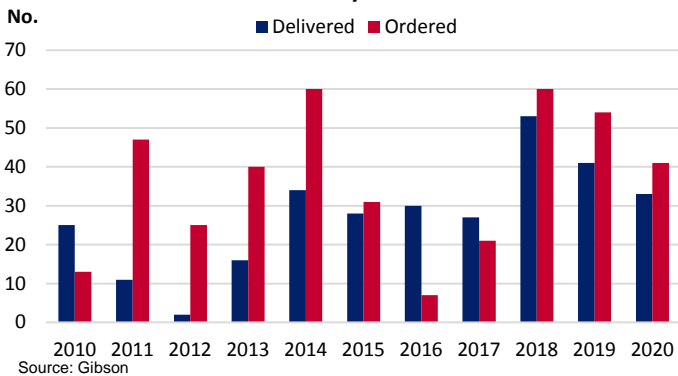
We've reached the end of 2020. A year that many will want to forget. It seems like this will be remembered as a 'lost year'. This brief review will highlight what's happened in the market, or what's not happened. Fingers crossed that 2021 will be a more positive year.

LNG Market Developments

In terms of vessels ordered and LNGCs delivered, 2020 was a fairly positive year, with 33 vessels delivered and 41 vessels ordered. Large-scale orders came from Novatek, who ordered 17 vessels, of which nine at the Zvezda shipyard and eight at DSME. Qatargas ordered 16 vessels from Hudong-Zhonghua. The number of vessels delivered was the fourth largest on record, with Cardiff Marine taking delivery of five vessels, while Flex LNG, GasLog and Maran Gas all received four vessels each. There were a few months of vessel delays during mid-year as COVID-19 meant that shipyard workers were locked-down at home. But since then, yards have tried to reduce the delays.

The impact of the COVID-19 on LNGCs rates, was pretty dramatic, with spot rates for TFDE vessels dropping to \$30,000/d by mid-year. However, the annual winter build-up saw rates top \$100,000/d for the last few weeks of the year.

LNGCs Ordered and Delivered by Year



The main impact of COVID-19 has been on liquefaction and regasification projects gaining FID. There were several projects scheduled to gain FID this year, but falling oil prices, reduced cash flows, and rising rates of borrowing meant that most were postponed to either 2021 or put on hold indefinitely.

The finance for LNG projects is currently problematic as banks assess and sell projects internally to their risk and credit committees – but COVID-19 has meant that fluctuations in prices has meant many are unwilling to back largescale projects currently.

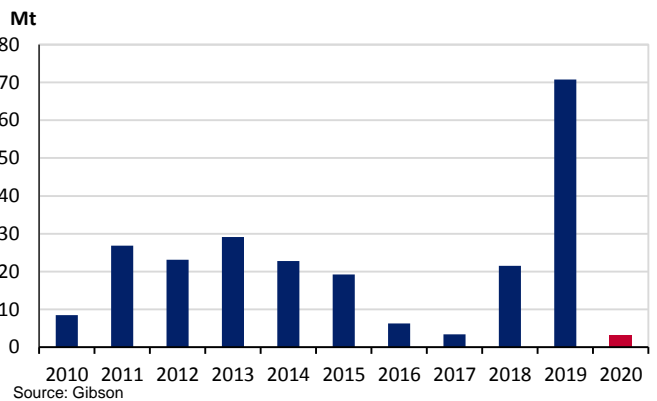
The result of this has been only a trickle of projects getting across the FID line. The only liquefaction project to gain FID this year was Sempra's Energia Costa Azul in Mexico. This project will switch the existing regasification terminal in Baja California into a compact, high efficiency mid-scale LNG exporting facility. It will have a nameplate capacity of 3.25 mtpa. The facility will receive gas via pipeline from the US. The project has a 20-year sale and purchase agreement with Mitsui & Co and an affiliate of Total for the purchase of 2.5 mtpa.

In addition to a reduced number of projects reaching FID, are projects that could be delayed due to rescheduled construction timelines or projects put back due to current market conditions.

Shell's LNG Canada and Total's Mozambique LNG are scheduled for production start-up in 2025, but both could now be delayed to the late-2020s.

Exxon delayed FID at its Mozambique Rovuma project and it may not even be confirmed next year, as difficult market conditions persist. Qatar Petroleum is seeking FID for 49 Mtpa to start between 2025-27. There could be a move towards some capacity reaching FID over the next 24 months, but it is anticipated that not all of the capacity will find funding under current market conditions.

Volume of Liquefaction FID Projects by Year



As for regasification projects, Cyprus LNG, China's Yantai LNG and Tianjin LNG took FID this year. Other projects that were thought to reach FID, but currently haven't announced that they have secured finance include Alexandropoulos LNG, in Eastern Greece, Hong Kong LNG, Golar's Vila do Conde in North Brazil and Puerto Sandino in Nicaragua.

All of this will potentially mean that demand could overtake supply by 2024. The result of delayed FID of a year of more will mean that schedules will need to be pushed back by a similar timeframe, assuming projects can secure funding, meaning that start-up will be delayed, putting further pressure on future trades.

The market for 2021 will still be a challenge, as some potential buyers that were reluctant to commit to long-term offtake agreements may be more willing to sign new deals amid the expectation of a possible supply crunch in the mid-2020s.

Some national banks have been unwilling or unable to provide large-scale funding to LNG projects, whereas, development banks often provide funding to regasification and gas-to-power projects. This is expected to continue and even increase going forward.

Whilst there is a small amount of funding currently being directed into gas-to-power projects, it seems that developing countries are finding it more difficult to raise cash.

In Africa, there are a large number of projects waiting to develop their financing programmes to enable them to reach the next stage of project implementation and construction. However, COVID-19 has had an impact on investment, production and values as the market adjusts to new conditions post pandemic. There were capital expenditure revisions on LNG projects in Senegal.

Oil majors Shell, Chevron, ExxonMobil, Total and Eni are responsible for most of the African international investment in the oil and gas sector. These companies have been heavily revising their spending activities. Africa-focused Eni and Total account for the bulk of production cuts by the majors in the next five years.