

Introduction

The news is full of gloom and despair at the moment. Covid-19 has laid waste to the oil and gas sector for the past 15-months. Coal has been on a downward trajectory for several years. And now the LNG sector is facing headwinds in the form of ammonia and hydrogen. In addition to this, the IEA has recommended that energy groups must stop all new oil and gas exploration projects. It's almost as though a tornado has ripped through our sector and we are now in the clear-up stage and taking stock of where we are and where we are going. With this in mind, we have been through the numerous future LNG production projects to ascertain which ones are still viable, which ones may make it and how this analysis will impact the future production forecast.

I'm out

The news that Woodside Petroleum has pulled out of the Kitimat LNG plant in Canada now means that the future of this project's 18 mtpa is in doubt. The withdrawal comes after Chevron pulled out of the scheme in 2019 and follows two other projects that have recently been put on hold. Anova's 6.5 mtpa Brownsville LNG in Texas was cancelled in March. In April, Pembina Pipeline Corp's 7.8 mtpa Jordon Cove in Oregon was cancelled.

Meanwhile we have assessed that there are several projects that will be delayed. In the US, Sempra Energy has deferred its decision to start building its proposed Port Arthur LNG liquefaction facility in Texas from 2021 to 2022. We have pushed back by one or two years projects such as, Tellurian's Driftwood plant, Next Decade's Rio Grande LNG project, Texas LNG Brownsville and expansion at Corpus Christi, Cameron LNG and Freeport. There are questions marks concerning the 13.5 mtpa Magnolia LNG project. In Canada, we have also delayed the 2.1 mtpa Woodfibre LNG facility.

In other parts of the world, there is now concern over the future of the on-shore Mozambique LNG projects for both Total and Exxon. These account for 28 mtpa of LNG. Whilst we have postponed them a year, there are some much larger safety concerns for these schemes to address. We shall be keeping a close eye on developments within the country. On a more positive note, the ENI Coral South FLNG project is continuing, with the FLNG unit under construction in South Korea.

We are also waiting to hear more information on the expansion developments in Papua New Guinea. We have postponed the project by a couple of years in the anticipation that it will go ahead. We have also put back by one year the Qatari LNG expansion project, meaning that we estimate the LNG will come to the market in 2025+.

Good News

The projects that are still progressing include the Canadian 10 mtpa Goldboro LNG. FID for this is scheduled for the end of June – we will be watching developments closely. On the other side of Canada, the 16 mtpa Bear Head LNG development has received final approval from the Nova Scotia Environmental Department of Environment. Both projects will need to secure feed-gas, with the possibility that a new 1,600km pipeline will need to be constructed to enable gas to flow to the east coast. The construction of an LNG liquefaction plant in the region will actually help the economics of the project as it could also bring gas for the local communities. Despite delays to Woodfibre LNG, management recently announced it had signed a sales agreement with BP. It will be for 0.75 mtpa over 15-years.

In the US, Tellurian has secured a LNG contract with Gunvor Singapore for the supply of 3 mtpa. The LNG will be sourced from the delayed Driftwood facility.

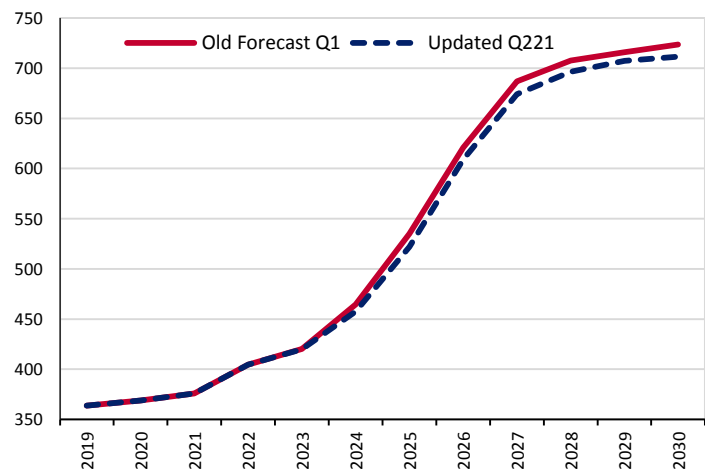
So, where are the rest of the projects?

There is a slight concern that apart from the projects just outlined and a few more expansion schemes of current plants, there doesn't seem to be a large number of projects in the planning stages. Part of this is to do with the massive expansion that has been witnessed in the past decade with new capacity coming on-stream from the Australian, Russian and American liquefaction plants. This recent wave of projects has taken precedence, and is only now making way for the next round of new investment opportunities. In addition to this, since the Qataris have announced their massive expansion programme, which will add up to 48 mtpa, it has suppressed the demand for future liquefaction facilities as there is very little possibility that they will be able to compete on price with the new Qatari trains.

What about the banks?

However, time and tide waits for no-one. In the past year we have seen a distinct directional change from European financial institutions to not invest in hydrocarbon projects. The Goldboro LNG plant was impacted by this refocusing, as Societe General stopped providing support to the project. The Goldboro LNG owner, Pieridae, has since turned to Mitsubishi-UFJ Bank to help raise the necessary finance of around \$8 billion. As European banks distance themselves from these type of schemes, the financing gap could well be filled by Asian financial institution. As such the Qatari expansion project includes talks with Chinese companies, such as PetroChina, Sinopec and CNOOC. This compares to predominantly western companies when the country initiated their LNG programme.

Gibson - LNG Forecast (Mtpa)



Future still bright?

In a word, yes – we've been through the projects, postponements and cancellations and we still see the LNG trade growing by 8% per annum through to 2030. Overall trade is forecast to nearly double from the volumes traded during 2020. This growth will require a fleet of around 900 LNG vessels through to 2030. As can be seen from the chart, our most recent forecast is around 12 mtpa down on our assessment from the beginning of the year. This shows how dynamic the LNG sector is. To highlight this consistent quest to adapt, Qatar has announced that their expansion project will now include carbon capture technology to help reduce its environmental impact.

Post 2030, growth in the LNG sector is a little more difficult to foresee currently. We hope, that when the world recovers from the torpid last 18-months, there will be a refocusing within the sector on where it is going and how it will develop.

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