

An LNG Leader

Qatar is a leader in the LNG industry as one of the top three producers alongside the USA and Australia. The Middle Eastern nation has the world’s third largest proven natural gas reserves amounting to 24.7 tcm, comprising approximately 12% of global reserves. Qatar itself is also home to the world’s largest natural gas field, the “North Field East” operated by Qatar Energy (QE) and is set for a major expansion in terms of its production capacity by 60% with completion in 2027 at an estimated capital investment of \$28-30 billion. This will lend significant support to the LNG carrier sector as additional export volumes enter the market once new capacity comes fully online.

Heading East

In 2021, Qatar exported 78 million tonnes of LNG, the majority of which went to Asia; 71% of Qatari LNG went to Asia vs 75% ytd in 2022. China is the largest buyer followed by India, South Korea and Japan. In comparison, only 21% of exports went to Europe in 2021 with flows up slightly in 2022 to 22% whilst a small proportion remains in the Middle East or further afield in South America. More diverse Chinese demand is helping to grow the volume of spot tenders as smaller Chinese importers favour flexible spot contracts compared to more rigid longer-term deals that may be preferred by larger buyers.

International Partners

Several international partners are set to invest in the North Field project. ExxonMobil and TotalEnergies will each take 6.25% whilst Conoco and ENI will each acquire 3.12%. These shares will be in individual liquefaction trains. CNPC and Sinopec are also expected to invest with each receiving a 5% stake. They are also seeking to buy 4 mtpa over 27 years through a long-term supply contract.

Infrastructure Investment

The North Field expansion will involve the construction of six additional LNG trains which will boost Qatari liquefaction capacity from 77 mtpa at present to 126 mtpa, an increase of 64% by 2027. These additional trains will be split between phase 1 and 2 of the expansion project with four trains for the North Field East and two trains on the North Field South.

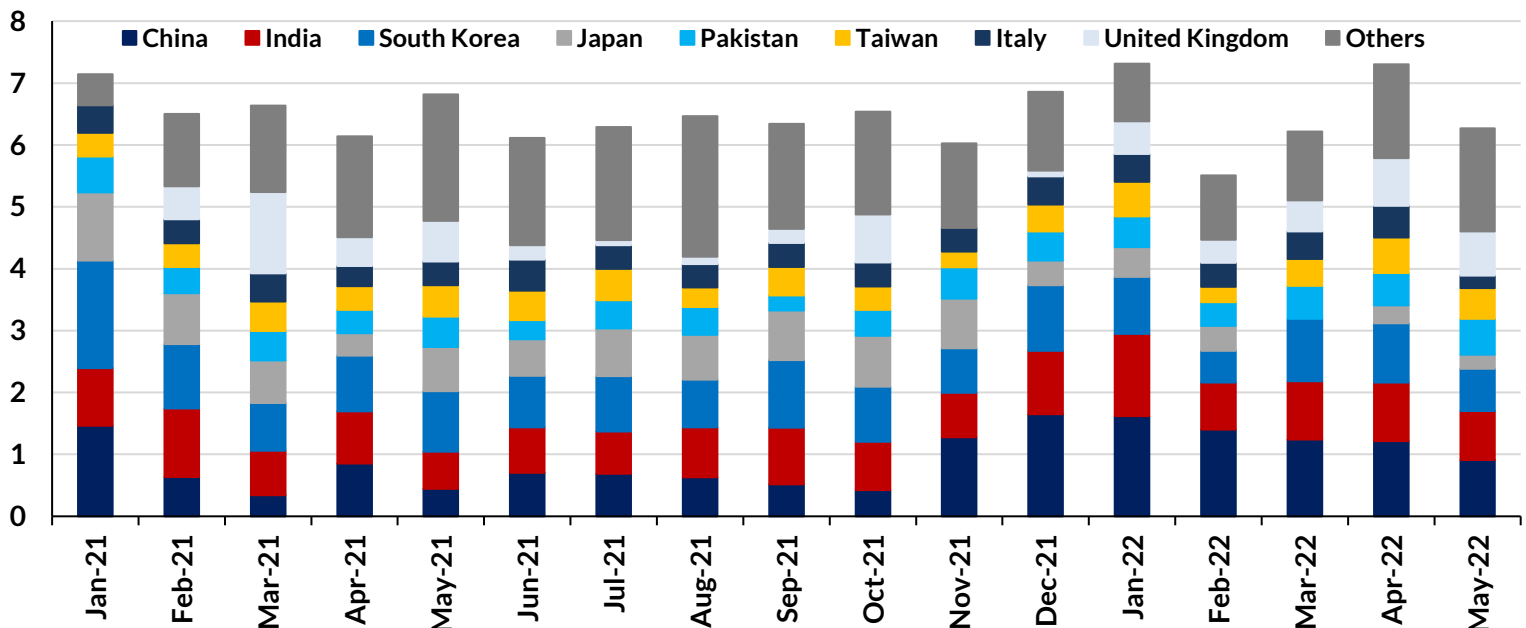
Historic Deal

Such a significant expansion in Qatari production will require more LNG carriers to ship these additional volumes. Qatar has signed the largest commercial shipbuilding deal in history for up to 151 LNG carriers across shipyards in South Korea and China. However, the timing and delivery of such a large order may become challenging as shipyard capacity becomes increasingly scarce and delivery dates are pushed further out in the future. In order to fully ramp up additional liquification capacity and achieve the full export potential of the North Field then overcoming the large tonnage requirements for the project will be crucial to avoid a logistical bottleneck.

Promising Future

As LNG plays an increasing role in the global energy market and energy companies seek growth in lower carbon energy sources, Qatar is well positioned to lead in this area through the North Field Expansion. Whilst full operational capacity will not come online until 2027 at the earliest, it shows how major producers are stepping up to ensure adequate supply will exist to meet rising demand. This is yet another positive factor in the outlook for LNG carriers which should further support demand and rates moving forward.

Qatar Monthly LNG Exports (Million Tonnes)



For additional information please contact: research@eagibson.co.uk