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AN EU BAN ON RUSSIAN LNG IS "RISKY UNDERTAKING," WARNS EXPERT

An EU ban on Russian LNG would be a "risky undertaking" that could lead to supply shortages, Stanislav Mitrakhovich, an expert at the Moscow-based National Energy Security Fund, warned in a post on a Telegram channel. "Supplies of LNG from Russia, of course, can be banned, but this will cause an additional shortage of gas in Europe," Mitrakhovich said on the Gaz-Batyushka Telegram channel. "Besides, if TotalEnergies has gas from Yamal LNG in its portfolio, is it Russian gas or not Russian gas." TotalEnergies is a shareholder in the Novatek-operated Yamal LNG plant in the Russian Arctic, which has been a key supplier to the European market over the past year. "Technically, with full storage and a decrease in demand, it is possible to prohibit purchases. But this is a risky undertaking," Mitrakhovich continued. "Especially if you are setting up for a cold winter. In Spain, for example, last year [Russian] LNG supplies increased by 100%." EU countries agreed in late March on seeking a legal option to stop Russian companies from sending LNG to the bloc, by preventing them from booking infrastructure capacity. The European Commission has welcomed this move. source : www.naturalgasworld.com

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CHEAPER SPOT LNG PRICES TEMPT SOME ASIAN BUYERS AMID SUPPLY GAINS

Cheaper spot prices for liquefied natural gas (LNG) are luring price-sensitive buyers back in Asia, with China and India recording rising imports in March. The spot price of LNG for delivery to north Asia <LNG-AS> was $12.50 per million British thermal units (mmBtu) in the week to April 6, steady from the previous week, which was the lowest level since June 2021. The price has dropped 67% from its northern winter peak of $38 per mmBtu, reached in mid-December and is also down 82.3% from its record high of $70.50 from August last year, hit when European demand for the super-chilled fuel surged during the energy crisis sparked by Russia's invasion of Ukraine. China's imports of LNG are estimated by commodity analysts Kpler at 5.55 million tonnes in March, up from February's 4.95 million and also well above the 4.77 million from March last year. China lost its status as the world's biggest importer of LNG back to Japan last year, largely because its utilities pulled back from the spot market as prices surged. India was another LNG importer stung by the record high spot prices last year, but is returning to the market as prices retreat. India's March imports are estimated at 1.84 million tonnes, up from February's 1.27 million, which was the lowest monthly total since January 2017, according to Kpler data. India's March imports were the most since June 2022, and also exceeded the 1.77 million tonnes from March last year. Other smaller Asian LNG importers, such as Pakistan, Bangladesh and Thailand also recorded higher arrivals in March from February. What's worth noting is that Asia's overall imports of LNG were largely steady in March, coming in at 22.35 million tonnes, up slightly from February's 22.18 million, but down on a per day basis. This is largely because developed country importers such as Japan typically see lower imports as the peak winter demand season ends, with March arrivals pegged at 5.58 million tonnes, down from 6.54 million in February. South Korea, Asia's third-largest LNG buyer, saw March imports of 4.41 million tonnes, down from February's 5.13 million.

Europe rising

At the same time, Europe's LNG imports appear to be heading higher, implying that utilities are also taking advantage of lower spot prices to maintain high natural gas inventories, which are vital to stave off the threat of a complete end to already vastly curtailed flows of Russian pipeline supplies. Europe's March LNG imports were 11.49 million tonnes, up from February's 11.37 million, according to Kpler. More importantly, Kpler is estimating a further rise in April, with 11.87 million tonnes assessed as arriving this month. The question for the market is whether the signs of stronger demand in Europe and among some buyers in Asia will be enough to spark a renewed rally in spot prices. And if spot prices do head higher, how quickly will that translate to lower demand from price-sensitive buyers in Asia such as India and Pakistan. It's also worth noting that LNG supply has been ticking higher, with the global total of exports reaching 36.83 million tonnes in March, which is the highest monthly total in Kpler records going back to January 2009. The big three LNG exporters, the United States, Australia and Qatar saw higher shipments in March. U.S. LNG exports were 7.79 million tonnes in March, a record high, while Australia also reached an all-time peak, coming in at 7.24 million. Qatar's exports were 6.77 million tonnes, up from February's 6.36 million. source : www.naturalgasworld.com

HONG KONG WELCOMES 1ST FSRU

Hong Kong's first floating storage and regasification unit (FSRU) vessel has arrived at the South Cheung Chau Anchorage, CLP Power and HK Electric, who are jointly developing Hong Kong's first LNG import terminal, said on April 13. The FSRU, which will be named Bauhinia Spirit, is the world's largest with an overall length of 345 m and a storage capacity of 263,000 m3 of LNG. It will be moored at the jetty of the offshore LNG terminal and be used to receive, store, and regasify LNG. The offshore LNG terminal will be operated by the Hong Kong LNG Terminal, a joint venture between CLP Power and HK Electric. When checks and port clearance procedures are completed, the FSRU vessel will sail to the offshore LNG terminal east of the Soko Islands next week for the final commissioning of the project, the companies said. "Construction of a marine jetty and two subsea gas pipelines of the terminal has been completed. Commissioning of equipment is under way and the terminal is scheduled for operation in mid-2023," they said. "When it goes into operation, the LNG terminal will further improve the stability of Hong Kong's natural gas supply by diversifying supply sources, allowing Hong Kong to procure natural gas at competitive prices from the global market." CLP Power operates a vertically integrated electricity supply business in Hong Kong while HK Electric supplies power to customers on Hong Kong and Lamma Islands. source : www.naturalgasworld.com

LNG NEWBUILD ORDERS DRIVE RECORD YEAR FOR GTT

In reporting results for 2022, GTT said it has deliveries scheduled between Q3 2024 and Q4 2028, including membrane containment systems for six 200,000-m3 LNG carriers. Among its orders are floating storage and regasification units (FSRU) for delivery in Q2 2026, and two large-capacity ethane carriers for delivery Q4 2025. GTT chairman and chief executive Philippe Berterottière said the company "achieved exceptional commercial performance in 2022", adding, "Continued strong demand for LNG, particularly in Europe, is generating additional needs for LNG carriers. In addition, the replacement market is expected to grow in the coming years, notably as new environmental regulations come into force." As a result of its record 2022, GTT's orderbook for its membrane containment systems also hit historic highs, reaching 274 units and 70 units for its LNG as fuel business. During 2022, it received orders for membrane containment systems for 42 LNG-fuelled vessels. In the LNG newbuild sector, GTT signed two new technical assistance and licensing agreements with the Chinese shipyards Yangzijiang Shipbuilding and China Merchants Heavy Industries for the construction of GTT membrane containment systems. As a result, five Chinese shipyards are now licensed to build LNG carriers with GTT membrane containment systems, increasing the global LNG carrier construction capacity. Among the technical highlights during the year, were Lloyd's Register's approval for the NEXT1 containment system, and BV and DNV's green light for the three-tank LNG carrier concept. source : www.rivieramm.com

RUSSIA'S NOVATEK SEEN WINNING BIG FROM SHELL'S SAKHALIN-2 STAKE

Russian natural gas producer Novatek has scooped a lucrative deal with its purchase of Shell's stake in the Sakhalin-2 energy project, analysts said on Thursday. Sakhalin-2's operating company was transformed into a Russian entity via a presidential decree in June amid Western sanctions against Moscow over its actions in Ukraine. Shell and Japanese trading firms Mitsui and Mitsubishi were asked to apply to keep their stakes if they wanted to. Shell quit Sakhalin-2 as one of the many Western firms that pulled out of Russia after Moscow launched what it dubbed its "special military operation", while Mitsui and Mitsubishi agreed to move into the new entity. The Japanese companies hold a combined 22.5% stake, while Kremlin-owned Gazprom has 50%. On Wednesday, the Russian government approved the sale of Shell's 27.5% stake to Novatek for 94.8 billion roubles ($1.16 billion).

Renaissance Capital called the deal "attractive" for Novatek.

"According to our estimates, the share in the project's net profit would have raised Novatek's net income in 2022 by more than 10%," they said. The project's net income almost doubled to $4 billion last year. The price-tag also compares to the $7.45 billion Gazprom paid for its 50% plus one share in the project in 2006. Novatek, which has not disclosed its shareholders for a few years, is headed by Leonid Mikhelson, the fourth-richest Russian businessman, according to Forbes. Gennady Timchenko, a long-time ally of Russian President Vladimir Putin, resigned from Novatek's board in March 2022 after he was targeted by sanctions. Timchenko has said he owned a few trading companies in and near St Petersburg in the 1990s, when Putin worked in the office of the city's mayor. He had been listed among Novatek's largest shareholders, before the company stopped disclosing them. His spokesperson declined comment if he remained a Novatek shareholder. "We think the deal will be value-additive for Novatek's shareholders," Moscow-based brokerage BCS said on Thursday. source : www.naturalgasworld.com

LNG IMPORTS TEST EU RESOLVE TO QUIT RUSSIAN FOSSIL FUEL

Political pressure is building within the European Union to tackle the daunting challenge of closing a loophole in its efforts to stop using Russian fossil fuels: liquefied natural gas (LNG). In the year since Russia's February 2022 invasion of Ukraine, the EU has placed sanctions on seaborne oil and coal imports from Russia. It has drastically cut reliance on Russian pipeline gas, despite not imposing sanctions on the fuel. But at the same time, EU countries have increased their overall purchases of Russian LNG, undermining the bloc's pledge to end its use of Russian fossil fuels by 2027. As a consequence, the EU has sent billions of dollars to Russian gas firms Gazprom and Novatek that can be used to finance the war in Ukraine, as the energy companies, via corporate taxes, are among the largest contributors to Russia's budget. Analysts at CapraView, a global gas forecasting firm, estimate almost half of the LNG Russia exported in the first ten months after its invasion of Ukraine flowed to Europe, representing approximately $14 billion in revenue. EU analysis found Russian LNG imports increased to 22 billion cubic metres (bcm) last year, up from 16 bcm in 2021. Those volumes are far smaller than the 155 bcm of pipeline gas the EU used to receive each year from Moscow, although some countries have seen a significant uptick since the war. Belgium and Spain nearly doubled their imports of Russian LNG in the 12 months since Russia invaded Ukraine, analysis by Kpler showed. The appetite to address the issue is mounting within the 27-member European Union, but there is no agreement on how as the risks of inflating energy prices and inadvertently boosting Russian energy revenues further are considerable. EU Energy Commissioner Kadri Simson last month urged member states and EU companies to stop buying Russian LNG, calling it a "reputational risk" to have LNG imports rising while the bloc touts its efforts to cut revenue to Russia. Also last month, Spanish Energy Minister Teresa Ribera asked Spanish buyers not to sign new Russian LNG contracts. But she said that unless there were sanctions, EU companies that stopped buying Russian LNG could be forced to pay penalties for breaking their existing contracts. "I think it should be part of the discussion in a sanctions package, because otherwise the situation is quite absurd," Ribera told Reuters. "It's true that in total amounts, it's not so much. But I think it is not easy to explain why we still accept these LNG imports," she said. Given the political hurdle of approving sanctions, which require unanimity, some in the EU are turning to other options. Last week, member states collectively proposed that the bloc create a legal option to let countries stop Russian firms booking the infrastructure capacity needed to ship LNG to Europe. The proposal, which is part of a law containing broader rules on EU gas markets, must be negotiated with the European Parliament. The Parliament wants to go further, and has proposed an effective ban all EU imports of Russian gas. "Unprecedented times require unprecedented responses," said parliament's lead negotiator on the law, former Polish prime minister Jerzy Buzek. He said the proposal aligned with the EU's strategy to end its reliance on all Russian fossil fuels.

PRACTICAL AND LEGAL QUESTIONS

Some EU officials, however, said the Parliament's proposal was extremely unlikely to win political support from member states, in part because of legal issues. Klaus-Dieter Borchardt, a Senior Energy Advisor at law firm Baker McKenzie, said World Trade Organisation law only allows countries to ban a specific product from their market in certain limited circumstances. "I personally would have my doubts whether such a rule would be compatible with these non-discrimination rules under the WTO," he said of the Parliament's proposal. Borchardt was previously a senior official in the European Commission's energy department. Dutch Energy Minister Rob Jetten told Reuters there was the practical difficulty that some countries cannot diversify their supplies quickly enough to cope with an immediate halt. "For some EU member states, this would be a bit too much," he said, referring to the prospect of sanctions on Russian LNG. The Netherlands has eliminated its Russian pipeline gas imports since the war and reduced, but not eliminated, Russian LNG imports.

TO BAN OR NOT TO BAN

Halting Russian LNG imports would be double-edged, analysts say. It could drive up European gas prices without necessarily reducing Russian export revenues, since LNG can easily be redirected to markets in Asia that have not imposed sanctions on Russia, CapraView Chief Analyst Tamir Druz said. "Unlike pipeline gas exports, which are essentially stranded in Russia, it will be much more difficult to reduce Russian revenues or global gas market dependence on Russian LNG," he said. Enforcing a ban could also be challenging, given the difficulty of ruling out that LNG cargoes from other countries do not contain Russian volumes, especially via ship-to-ship transfer. Some EU diplomats expressed concern suppliers could be deterred from sending cargoes to Europe if they were required, for instance, to provide documents proving their LNG is not Russian, when buyers in other markets do not require such proof. With the LNG market currently tight, some analysts said Europe may struggle to replace Russian LNG with alternatives, threatening gas shortages if countries cannot fill the gap. "The 101 of sanctions is not to hurt yourself more than the party you want to sanction," said Anne-Sophie Corbeau, a researcher at Columbia University's Center on Global Energy Policy. source : www.naturalgasworld.com

SOUTH KOREA'S KOGAS REPORTS LOWER SALES IN MARCH

South Korean LNG importing giant Kogas reported lower gas sales in March when compared to the same month last year. Kogas sold 3.14 million mt last month, a drop of 18.6 percent when compared to 3.86 million mt in March last year, according to a stock exchange filing. March sales dropped by 20.2 percent when compared to the previous month's 3.93 million mt. Purchases by power firms decreased by 20.5 percent year-on-year to 1.43 million mt in March. These purchases were down by 18 percent when compared to the previous month. Moreover, Kogas said its city gas sales decreased by 17 percent year-on-year to 1.70 million mt, while they dropped by 21.9 percent when compared to the month before. South Korean LNG imports rose slightly from 45.9 million tons in 2021 to about 46.3 million tons of LNG in 2022 as the costs doubled year-on-year, according to customs data. During January-February this year, South Korean LNG imports rose to 9.87 million tons from 8.47 million tons last year, the data shows. The costs of these imports rose 37 percent when compared to the year before. In January, South Korea imported 4.78 million tons of LNG and most of the volumes came from Australia, Oman, Malaysia, and Indonesia, the data shows. This compares to 4.99 million tons in January last year.As per February, LNG imports to South Korea reached 5.08 million tons with most of the volumes coming from Australia, Malaysia, Oman, and Indonesia. These volumes compare to 3.47 million tons in February last year. Kogas imports LNG from plants located around the globe and currently operates four large LNG terminals in South Korea. These include Incheon, Pyeongtaek, Tongyeong, and Samcheok. The firm has a small-scale regasification terminal at the Aewol port on Jeju island as well and is building a large terminal in Dangjin. Kogas recently signed a memorandum of understanding with Japan's Jera to strengthen their strategic relationship and cooperate in LNG supply, as the "uncertainty regarding global energy supply is drastically increasing." source : www.lngprime.com

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